



CLOSING THOUGHTS AND OPEN QUESTIONS

PHANISH PURANAM • DORTHE DØJBAK HÅKONSSON

Our goal in putting the spotlight on Valve Corporation is to stimulate thinking about what (if anything) this specimen in the zoo of organizational forms teaches us. We thank our panel of distinguished commentators for kindly (and sportingly) joining us in this exercise. So is Valve simply unusual? Or is it also instructive? The commentators, to our gratification, seem to argue that it is both.

Baldwin, Birkinshaw, Foss & Dobrajska, and Zenger each set out several arguments as to why Valve, while instructive, may be difficult to replicate because it occupies an unusual (and small) portion of the space of possible models of organizing (Puranam, Alexy, & Reitzig, 2014). As Zenger puts it, Valve may constitute a “rare breed” in the organization zoo. Valve makes software and, in particular, gaming software. Its costs of prototyping and of large-scale production are small. Its task architecture is decomposable (making modularity attractive), and there is a supply of enthusiasts who would potentially do for free what employees do for pay. These conditions may make formal authority less necessary but, paradoxically, more powerful in Valve because of its unusual labor market conditions, as Baldwin and Zenger point out. Further, Valve is a privately held and intentionally small organization, and it is unclear if its recipes for organizing carry over to larger, publicly listed organizations with growth pressures. The slowness of dispute resolution, possible biases in resource allocation arising from informal hierarchies, and cliques that could emerge to take the place of formal structure are possible reasons that restrict Valve’s organization from spreading to larger firms.

Felin, Kolind, and Krogh & Geilinger emphasize broad applicable principles that they believe may transcend the particular context of Valve. These include principles of distributed leadership (which, interestingly, evolutionary psychologists tell us may approximate the style of leadership that was prevalent in our hunter-gatherer past (van Vugt, 2006), the “tipping point” created by simple quorum rules to de-bias individual decisions, and the empowering effect of autonomy on knowledge workers. Baldwin, as well as Foss and Dobrajska, agree on the idea that the combination of high-quality talent and an organizational commitment to abstain from micro-management can be powerful, but they remain cautious about how often this combination is practically feasible (or even, as Zenger points out, necessary).

Birkinshaw cautions us about reading too much into an account of Valve’s functioning based purely on publicly available data. Certainly, our own account did not have the benefit of any primary data (though Felin’s commentary, which did, suggests that the broad contours of what we described are accurate or at least consistent with what company spokespersons say).¹ This also raises an interesting question as to how deep one would have to go into an organization’s workings before considering its structure as an interesting hypothesis about organizing (as opposed to representing evidence on its effectiveness).

In our research, we have found it useful to reproduce in the behavioral laboratory a purported model of organizing in order to understand its causal structure and the necessary and sufficient conditions that allow an organization to divide labor into self-organizing teams (Raveendran, Puranam, & Warglien, forthcoming) and to decentralize resource allocation (Kotha et al., 2015). However, there is no doubt that much can be learned from taking an in-depth, ethnographic perspective on organizations like Valve. Indeed the commentators, through their expressed optimism or pessimism about the replicability of Valve’s model,

¹ For the record, we did approach the company to request participation/commentary. We have had a very valuable correction on facts, which we gratefully acknowledge, but not yet a commentary at the time of going to press.

have given students of organization a set of interesting research questions, with several mechanisms to elucidate and propositions to test. We hope this exchange provokes further experimentation, modelling, and data collection to address a fundamental question in the science of organizations: how does authority work, and when is it necessary?

REFERENCES

- Kotha R, Nai J, Narayanan J, Puranam P, Zhi J. 2015. Comparing decentralized and centralized resource allocation decisions: Experimental evidence. Working Paper.
- Puranam P, Alexy O, Reitzig, M. 2014. What's new about new forms of organization? *Academy of Management Review* 39(2): 162-180.
- Raveendran M, Puranam P, Warglien M. Forthcoming. Object salience in the division of labor: Experimental evidence. *Management Science*
- van Vugt M. 2006. Evolutionary origins of leadership and followership. *Personality and Social Psychology Review* 10(4): 354-371.

PHANISH PURANAM

Professor
INSEAD-Singapore
E-mail: phanish.puranam@insead.edu

DORTHE DØJBAK HÅKONSSON

Associate Professor
Aarhus University
E-mail: dod@icoa.au.dk