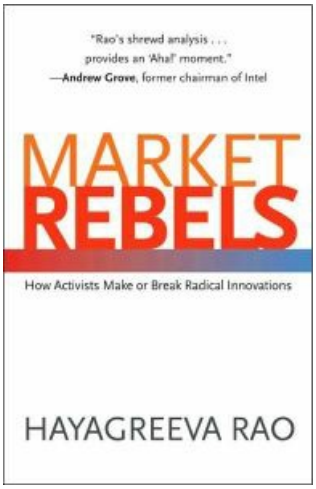

Book Market Rebels

How Activists Make or Break Radical Innovations

Hayagreeva Rao
Princeton UP, 2008
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Recommendation

In the introduction to this book, author Hayagreeva Rao mentions that some sections have appeared in academic journals, but that he's "rewritten [them] for the general reader rather than the specialist in organizational sociology." May all such revisions be so smoothly executed! This fast-paced read features clear concepts and lively prose. Rao examines the role of social activists, especially engaged groups, in the fate of innovation. In doing so, he provides new perspectives on markets and documents that social engagement precedes shifts in the market. He educates readers about the techniques that such activists use, offering several radically different case studies, including the auto industry, microbrews and trends in French cooking. *BooksInShort* recommends Rao's book to anyone involved in innovation or marketing, as well as to students of cultural change.

Take-Aways

- Innovations don't succeed based on technological superiority. They succeed when social activists adopt them.
- Social activists create change by overturning existing beliefs.
- They develop new identities by giving people shared experiences and new information.
- The automobile succeeded because car clubs held races and reliability trials.
- Temperance activists achieved prohibition by linking alcohol with slavery and lack of patriotism.
- Microbreweries connect beer with local culture and independence.
- Nouvelle cuisine rode French waves of rebellion and cast chefs as innovators.
- People organize against chain stores by accenting the local economy.
- Shareholder activism spread as individuals invested and corporate scandals multiplied.
- Activists stalled the German biotechnology movement through emotional appeals linking biotech innovations to undesirable social precedents.

Summary

Activists and Innovation

When you think of the computer, you probably think of the technological breakthroughs involved in creating it. They were essential, but it was the social network of "the personal computing movement" that took the computer beyond the interest of the few and made it accessible to the many. The same is true of the automobile. It was mocked when it was first introduced, and many didn't see the point. Then, auto clubs held competitions and rallies, sharing the results and conferring a new legitimacy on cars.

> "But for the personal computing movement, there would be no Apple."

Activists have also mobilized against technological innovation. The deaf community's response to cochlear implants is a good example. The implants can enable many deaf children to hear – but protests by deaf community activists cast the invention as an attack on their group's identity.

Finding the best strategy for changing group identity can be tough: Do you try first to change beliefs and hope behavior change will follow? Or do you try to change behavior and hope the changed behavior will lead to changed beliefs? Kurt Lewin and other theorists believe groups change in a "three-step process":

1. "Unfreezing" the status quo.
2. Lifting collective practice to a "new level."
3. "Refreezing" shared practice on the higher plane to prevent regression.

> "The challenge for activists is to arouse to action individuals who are usually busy, distracted, uninvolved or apparently powerless."

The "hot cause" and "cool mobilization" metaphors resolve the dilemma and help activists negotiate the challenges of the three-step process. "Hot causes" – such as the cochlear implant's threat to the deaf community – stir people up and energize them to act. They instill passionate feelings, such as "pride or anger," and the heat unfreezes the group identity. Then, by modeling "new behaviors" and giving people "new experiences," cool mobilizations change the group and refreeze behavior at a new level. Hot causes and cool mobilizations create "communities of feeling" that enable groups to forge a new collective identity. Group members don't just think about change; they experience it and learn new information. Successful movements alternate between hot and cool tools.

The Locomobile

In the 1990s, American auto makers tried to introduce electric cars. They had governmental support, at least in some areas: California "virtually ordered" the industry to produce electric cars. However, the electric car was a failure. Consumers resisted adopting it. The auto makers had forgotten the lessons they should have learned from the success of the gasoline-powered car at the turn of the 20th century. Initially, the car represented a radical change in transportation. It was so new that people used many different terms to refer to the invention, which represented their clashing understandings. They called it a "locomobile," "electric buggy," "horseless carriage" and "quadricycle." One inventor expressed his skepticism about gas- and steam-powered cars, saying, "You can't get people to sit on an explosion." Some people who opposed the new vehicles even resorted to violence and shot out drivers' tires. Municipalities imposed legal restrictions on cars.

> "Market rebels enable and constrain radical business innovation in markets and, therefore, represent a potential opportunity and threat for organizations."

Irrespective of these actions, the auto industry flourished – but not due to its own efforts. Instead, driving enthusiasts formed car clubs. They sponsored races, to show that gas-powered cars were faster than alternatives such as steam. They held reliability contests, which helped dispel worries that the machines were unsafe or defective. Distinguishing cars from horse-drawn carriages became a hot cause; the races and contests were cool mobilizations. Together, they established new cultural standards, conceptual categories and vocabularies. Only then could Henry Ford begin producing cars on the assembly line. The activists came first; the market followed.

The History of Beer in America

The beer industry followed a different path, with several stages of community involvement and market variations. In the 19th century, many Germans immigrated to the U.S. Beer drinking was part of their culture, and, by the 1880s, they had founded more than 4,000 breweries. They faced opposition from the temperance movement. As early as 1846, one activist persuaded more than 40,000 people in Maine to sign a petition against drinking, and new laws made founding breweries difficult. The movement lost steam during the Civil War, but revived afterward. It framed drinking as a loss of independence and drunkenness as akin to slavery. When World War I broke out, drinking beer became associated with German culture, and people smeared it as anti-American. The result was national Prohibition, passed in 1920. Many breweries went out of business; only those that began to produce nonalcoholic beverages survived.

> "The renaissance of microbrewing was fueled by a social movement populated by beer lovers and enthusiasts – evange-ale-ists."

After the U.S. repealed Prohibition in 1933, breweries flourished again. Over time, a few brewers cornered more and more of the market until, by 1980, the top five brewers held 75% of the market. However, a countermovement was already underway by that time. President Jimmy Carter legalized home brewing in 1979. Beer enthusiasts formed clubs, educated one another and shared information about how to make beer that tasted better than the mass produced product. By 1982, the first brew pub marked the emergence of microbrewing.

> "As a motor of collective action, social movements differ from fads and fashions in that they are organized efforts to reorganize a social field and result in enduring social change."

Microbrewers pitched their production as a "revolt" against "Big Beer," challenging not only its taste but also its advertising claims, rhetoric and even business model. Their success led Big Beer to create pseudo microbrew beers using "contract brewing." This movement intentionally blurred market categories with limited production runs and unique tastes, but in the same large production facilities it had always used. The home and microbrew movements should not have succeeded; Big Beer had already cornered the market, and it had economies of scale on its side. However, through creating alternative identities and "artisanal organizations," the microbrewers made space in the market for their products.

Nouvelle Cuisine

Before the French Revolution in 1789, France's nobility engaged in public displays of fine dining and success. Cooks were essentially functionaries in wealthy households. After the revolution, however, dining became "more egalitarian," and chefs became part of the market economy. As the field opened, chefs and writers systematized their discipline. Auguste Escoffier was the final voice of this movement. In 1897, he instituted a radical innovation: he printed menus that specified the order in which the restaurant would serve each element of the meal. This imposed a system of cooking and presentation that was a fundamental change from the prior

practice of placing all the food on the table at once and allowing patrons to choose among the dishes. This new system was so influential that it lasted more than 70 years.

> "Social movements arise when there is a political opportunity, available mobilization structures and frames that articulate grievances and proffer solutions."

Then, during 1960s, waves of change moved through France, culminating in the student and worker revolts of May 1968. In accordance with the tenor of the times, a group of young French chefs made "freedom from Escoffier" into a hot cause. Their strategy illuminates the way innovation spreads through creative industries, which differ from others. In the arts, the level of technology does not determine productivity; rather that depends on the skill of the artist. What's more, the arts have "networks of cooperative production," in which artists and producers work together to maintain conventions and determine which modes of production are appropriate.

> "New technologies can only thrive when they possess legitimacy – when they are unquestioned by consumers, financiers, employees and governmental authorities."

The French chefs' cool mobilization was to use "fresh, exotic ingredients" and to position themselves as artists and innovators rather than as "technicians" who simply followed predetermined patterns. Like the student rebels, the chefs who developed "nouvelle cuisine" were seeking freedom and autonomy. Whereas classic cuisine had codified cooking, nouvelle cuisine broke the rules and borrowed ingredients from other cultures. Chefs built new knowledge in their field. Many of the chefs who led the movement were already established, an example of how the mainstream copies would-be rebels.

Activist Shareholders

"Shareholder activism" dates back to the late 1940s. Between then and the 1980s, occasional nuisance cases seized public attention. However, in the 1990s the practice gathered steam, as more individuals invested in the market and corporate takeovers and abuses roused them to take action. Activists' most common cool mobilizations are antimanagement resolutions. Although they usually don't get much support and rarely change organizational policy, they serve as "symbolic protests." "Vote-no campaigns," which mobilize shareholders not to vote for any of the candidates on the board's slate, demonstrate a lack of faith in the corporate officers and reframe the disputed issues. Corporations often have to appoint officers to deal with these kinds of protests. As the activists gain a place in the conversation, they are able to reshape how the corporations use their power.

The Case of Wal-Mart

Communities began clashing with chain stores in the U.S. as early as the 1920s. Opponents took out ads and aired their grievances against the stores on the radio. They built on these rhetorical attacks by trying to pass state laws to restrict chain-store expansion, arguing against the sameness of the chains and endorsing investment in local uniqueness. When groups of local stores tried to organize, they faced challenges. Getting small store owners even to contact one another, much less work together, was difficult – a problem the chains didn't face.

> "Much of the impact of social movements on social change comes via their impact on organizational policy and practice."

The attacks had mixed success. Some laws were passed, but the courts struck many down for inconsistency. The economic impact of the chains was also mixed. Small stores limited worker advancement. In the 1930s, the chains proved their value by helping farmers who faced crises due to overproduction.

> "Causes that lack heat fly below the radar – they do not arouse intense emotions or mobilize public opinion."

Consolidation again defined the American retail marketplace during the 1990s. Opponents saw it as threatening local cultures and the small businesses that served them. Wal-Mart provides a fine example both of the expansion of chain stores and the resistance they faced. In 1993, Greenfield, Massachusetts, approved Wal-Mart's proposal to rezone land in preparation for building a large store. When residents learned of this, they formed several groups who opposed the move. While their rhetoric emphasized "small-town quality of life," they also shrewdly used Wal-Mart's own research against it to demonstrate that the store would damage the local economy.

Biotech in Germany

Germany was an early entrant in the biotechnology field. It had a national "biotechnology development plan" in place as early as 1972. In 1981, it expanded the plan and built three new institutes that focused on genetic engineering. However, 10 years later, many German pharmaceutical plants lay idle. Companies delayed building new facilities. Even though German investment was continuing to pour into biotechnology, 75% of it was going to foreign companies, especially in the U.S.

> "A key element in packaging hot causes is exploiting unexpected events and issues that crystallize grievances."

The German antibiotechnology movement was not a unified movement with a sharply defined focus. Instead, it consisted of about 60 allied groups, each opposed to different aspects of biotechnology. The coalition succeeded because of the way it "interacted with the internal processes of the pharmaceutical firms." First, it made a hot cause of the risks of biotechnology, linking the innovations to Nazi crimes against humanity and warning that scientists might produce "Frankensteins" through their experiments. Religious leaders expressed concern over the prenatal genetic screening that the European Human Genome Project, supported by the German government, offered. They argued screening would lead to more abortions.

> "The challenge for managers is to stop thinking like bureaucrats and to start thinking like insurgents."

Public protests then functioned as cool mobilizations to create new identities. Activists took advantage of corporate regulations that allowed stockholders to speak at company meetings by buying single shares in biotech companies, then voicing their concerns at meetings. They protested at large facilities where they were likely to get media attention. They also took indirect routes to get their message heard, such as spreading antibiotechnology messages in public schools. They used emotional pleas to move their audiences. Eventually, because of the antibiotech climate, corporate decision makers switched to work in other fields or moved their production facilities

overseas.

About the Author

Hayagreeva Rao teaches in Stanford's Graduate School of Business.