

## **Informality and employment relationships in small firms: humour, ambiguity and straight-talking**

### **Abstract**

This paper presents in-depth qualitative research on three small professional service firms whose owner-managers sought to introduce greater degrees of formality in their firms' working practices and employment relationships. We focus on humour as an ambiguous medium of informality, yet viewed by owner-managers as a tool at their disposal. However, while early studies of humour in small and medium-sized enterprises support such a functionalist view, our findings indicate its significant limitations. We argue that humour obscures but does not resolve disjunctive interests and it remains stubbornly ambiguous and resistant to attempts to functionalize it. Our findings contribute to studies of humour in small and medium-sized enterprises by challenging its utility as a means of managerial control or employee resistance. They also contribute to studies of employment relationships by exploring humour's potentially disruptive influence within the formality-informality span, especially as small and medium-sized enterprises seek greater degrees of formalization with implications for how those relationships are conducted and (re)negotiated on an ongoing basis.

**Keywords:** Humour; Small and medium-sized enterprises; Informality; Formality; Employment relationships; Professional service firms

## **Informality and employment relationships in small firms: humour, ambiguity and straight-talking**

### **Introduction**

Employment relationships in small and medium-sized enterprises (SMEs) are (re)negotiated in contexts of greater spatial and social proximity between owner-managers and employees and greater degrees of informality than in large organizations (Marlow and Patton, 2002; Marlow, Taylor and Thompson, 2010). The progress and development of relationships and practices are not linear progressions of ongoing negotiation but more ad hoc and improvisatory, often *renegotiating*, altering course or shifting focus. As SMEs grow in size and complexity, owner-managers' attempts to increase the degrees of formality governing employment relationships and working practices are therefore complex processes with important implications for the organizations (Bacon *et al.*, 1996). The degrees of formality and informality can affect not only the policies and practices in operation but also the ongoing, everyday social interactions and organizational culture. This therefore has crucial implications for the development and relative success of SMEs (Messersmith and Wales, 2011; Verreynne, Parker and Wilson, 2011), which play a significant role in the British economy and economies around the world (OECD, 2012).

We present longitudinal, ethnographic research on three SMEs whose owner-managers sought to 'formalize' their businesses. Our findings suggest humour as an ambiguous medium of informality in ongoing, everyday employment relationships. Humour represents an important feature of the employment relationships in SMEs, it not only resists attempts to functionalize, deploy or constrain it but can also compound the underlying tensions and ambiguities found in these firms. We therefore contribute to the debate on formality and informality in organizations and address the significantly under-researched role of humour in SMEs. We highlight the persistent ambiguity and potentially disruptive influence of humour, providing some insight into the interaction between

formality and informality within organizations as informal humour's limitations require a greater degree of more formal, less ambiguous 'straight-talking'.

### **Employment relationships and informality in SMEs**

Informality can be usefully defined as 'a form of interaction among partners enjoying relative freedom in interpretation of their roles' requirements' (Misztal, 2000, p.46). It can be particularly heightened in the employment relationships and working practices of SMEs, although it is still evident to lesser degrees in larger firms (Gilman and Edwards, 2008; Marlow, 2002; Ram *et al.*, 2001). SMEs, especially small firms, frequently exhibit close spatial and social proximity, which can foster an overlap between personal and working relationships (Ram, 1999a) and a greater degree of familiarity in the workplace (Goss, 1991). This can produce greater employee satisfaction (Tsai, Sengupta and Edwards, 2007) but may also create intensified relations with the potential for conflicts that can be particularly disruptive for small firms (Goss, 1991). Small firms therefore provide a distinctive, 'fertile environment for the persistence and dominance of informal employment relations' (Marlow, Taylor and Thompson, 2010, p. 956).

Employment relationships in SMEs are therefore complex and heterogeneous (Ram and Edwards, 2010). Completing work tasks on ad hoc, informal bases, according to internal and external negotiations and perceived business needs, frequently fosters degrees of ambiguity around responsibility for particular tasks or job roles (Diefenbach and Sillince, 2011; Nadin and Cassell, 2007). Working practices evolve over time such that these ad hoc, informal practices become routines for addressing various organizational challenges (Beaver and Prince, 2004; Ram *et al.*, 2001; Scott *et al.*, 1989; Taylor, 2005). The informal negotiation of mutually adjusted working relationships is a two-way process but it remains deeply rooted in the interplay of power and conflict (Adler, 1995; Edwards, 1986; Taylor, Thorpe and Down, 2002).

A need for greater degrees of formality can result from managerial challenges provoked by internal

employee demands and external forces such as client requirements for particular practices (Gilman and Edwards, 2008). The formalization of employment policies, along with other aspects of organizations, has therefore been presented as almost inevitably accompanying firms' growth in size and complexity (Kotey and Sheridan, 2004). Introducing formal policies or practices to govern what was previously accomplished through informal, interpersonal means can impact employment relationships as well as the practices in question. Tensions may arise as a result, reducing mutually developed forms of understanding and trust (Misztal, 2000). Owner-managers themselves also commonly prefer forms of personal supervision and may seek to informally defend their authority even while they replace unwritten understandings with more formalized practices (Marlow, Taylor and Thompson, 2010; Nadin and Cassell, 2007).

Yet a transition *from* informality *to* formality through a process of formalization is not a simple progression through which organizations must inevitably pass (Ram and Edwards, 2010, p. 238). Degrees of informality remain a requirement for their effective functioning and embedding formality is neither simple nor straightforward (Gilman and Edwards, 2008; Ram and Edwards, 2010). Different degrees of (in)formality may be deployed in response to particular internal and external demands, and informality and formality can be therefore considered as coexistent (Marlow, Taylor and Thompson, 2010). Instead of a competing duality, this coexistence can therefore be considered in relative degrees of a formality-informality span (Elias, 1996; Marlow, Taylor and Thompson, 2010; Misztal, 2000). Research is needed to further explore the place of informality in newly formalized employment relationships, how employees experience the transition towards greater formalization and how owner-managers seek to defend their personal authority as it is delegated to formal policies and procedures (Marlow, Taylor and Thompson, 2010).

This paper will explore employment relationships in the context of the push towards greater formalization in three small firms. We suggest that humour is a crucial aspect of the employment

relationship that presents particular tensions within the formalization process. By exploring the ways in which humour is used, as representative of a particular form of informality in working relationships, we can deepen our understanding of complex and contested formalization processes in small firms. In doing so, we contribute to discussions of informality and formalization by suggesting how the compounding of certain tensions associated with formalization might be avoided.

### **Humour and organizations**

Humour has been broadly defined as a form of communication that ‘establishes an incongruent relationship or meaning and is presented in a way that causes laughter’ (Duncan, 1982, p. 136). It is found in much, if not all, human social organization but is also highly context-specific (Critchley, 2002; Palmer, 1994). In the employment context, humour and forms of humorous play have been discussed as autotelic (Sørensen and Spoelstra, 2012), often engaged in for its own sake and without specific purpose. It can, however, not only help to alleviate boredom (Korczynski, 2011; Roy, 1960) but also remove overt hostility from relationships, providing a ‘safety valve’ (Cosser, 1959; Radcliffe-Brown, 1940) that enables employees to express discontent whilst reducing pressure to address the underlying causes of their grievance. This is possible because communicating through humour allows room for ambiguity and multiplicity of meaning (Mulkey, 1988), offering a means of tentative interaction and negotiation in relation to sensitive topics (Grugulis, 2002; Hatch and Ehrlich, 1993; Kahn, 1989) or where parties may be of unequal power (Kets De Vries, 1990; Martin, 2004; Terrion and Ashforth, 2002; Ullian, 1976). In its potential uses (and abuses), humour is therefore particularly relevant to the (re)negotiation and maintenance of employment relationships.

Working relationships in SMEs are potentially subject to greater degrees of proximity, familiarity and interpersonal dependency and influence, blurring lines between the personal and the

professional (Nadin and Cassell, 2007; Tsai *et al.*, 2007). These contexts therefore suggest themselves as spaces where humour may be apt to cross hierarchical boundaries and therefore come to be an important aspect of the relatively informal employment relationships. However, research into humour in SMEs is limited, especially in small firms. Many studies have focused on small groups but, because the nature of their employment relationships can be clearly distinguished from a small working unit that is part of a larger firm, small firms should be treated as a distinct area of study. For example, humour has been suggested to reduce the psychological distance between workers and managers (Cooper, 2008), something that may be especially important given the face-to-face nature of employment relationships where people might reasonably wish to maintain close interpersonal relationships.

In a rare exploration of humour in SMEs, Vinton (1989; see also Lundberg, 1969) spent seven weeks observing the uses of humour in a small, family-owned firm. As with larger firms, humour was found to be prevalent and to perform important organizational roles, for example in communicating group norms and socialising new members of staff (Janes and Olson, 2000; Tracy, Myers and Scott, 2006). Vinton distinguished between ‘banter’ and more task-related ‘teasing’. She viewed banter as the ‘great leveller’ in that it could be used to deflate importance and cross the organizational hierarchy. This was in contrast with task-related teasing which, in virtually every instance, was used by those in high-status positions to engage with those in lower-status positions. Framed by the particular spatial and social proximity of small firms, this was considered a pleasant way of giving instruction, contributing to harmonious working relationships. This is supported by a recent study of humour in a small firm (Ojha and Holmes, 2010) that also found teasing to be very common and to perform an important role in terms of communication, bonding and alleviating stress. While Ojha and Holmes’ study acknowledged some negative effects of humour within a small firm, this was not pursued as part of the research findings and there was little or no evidence

of humour being used by employees to challenge their managers.

However, the identification of a functional, unproblematic role for humour in SMEs is at odds with studies of humour in larger firms. Such studies suggest humour can become a powerful mechanism for reinforcing the established order (Bradney, 1957; Collinson, 1988 and 2002), serving as a means of control (Lang and Lee, 2010) and a reflection of management power. However, humour has also been suggested as a tool of resistance, employing satire, mocking or ridicule (Collinson, 1988; Critchley, 2007; Taylor and Bain, 2003). Fortado (2001, p. 1204), for example, suggests the role of humour in 'defying authority and ridiculing distasteful managers' through acts that are largely hidden from their targets as, among themselves, employees seek to degrade their superiors. Humour has also been identified in more confrontational forms as employees use public displays of humorous insubordination to undermine supervisors' and managers' authority (Taylor and Bain, 2003).

These studies of larger firms also suggest greater complexity and ambiguity than in Vinton's (1989) identification of humour as a functional means of giving instruction, suggesting that humour carries multiple meanings and opportunities for alternative (mis)understandings (Rodrigues and Collinson, 1995). Understood in this way, humour cannot be packaged or deployed, it cannot be attributed a particular function, or set of functions (Collinson, 2002). Often autotelic (Sørensen and Spoelstra, 2012), humour cannot be directed or turned on and off by the will of management (Collinson, 2002; Fleming, 2009; Warren and Fineman, 2007) and managerial attempts to enhance staff productivity by creating 'staged corporate humor' can be problematic, generating cynicism among employees suspicious of management motives (Fleming; 2005, p. 288). This suggests something of the potential disruptive influence of humour, especially where managers attempt to increase the degrees of formality.

To-date, Vinton's (1989) research into humour in small firms has yet to be developed, particularly in

terms of power, resistance or in relation to the formality-informality span of organizational practices and employment relationships. We therefore focus on humour as an apparently informal communicative activity (Lynch, 2002; Mulkay, 1988) where incongruent meanings or relationships are presented to arouse laughter (Duncan, 1982). We are interested in how humour manifests in employment relationships that may experience tensions brought about by moves towards greater formalization in predominantly informal small firm contexts.

### **The research study**

The original research study was primarily focused on employment practices and relationships in small firms, as part of the second author's ESRC-funded doctoral work. While studying the employment practices and relationships in these firms, where previously informal arrangements were being considered for formalization, the manifestations of humour emerged as important to understanding the empirical material being gathered (Ackroyd and Thompson, 1999). This emergent realisation, that humour was important to understanding our findings, reflects the experience of others who have written about humour (Collinson, 2002; Grugulis, 2002) and related topics (Sørensen and Spoelstra, 2012).

To explore the dynamics and processes of employment relationships in SMEs we adopted a longitudinal, qualitative multiple case-study approach (Yin, 2003). Our study is located within an ethnographic tradition of research (Alvesson and Deetz, 2000), inspired by the research accounts of Holliday (1995) and Ram (1994) that generated insights into working lives in small firms by studying working practices and relationships over time and in context. The 'often opaque and complex internal dynamics' (Ram and Edwards, 2003, p. 727) that shape SMEs' employment relationships require in-depth analysis to develop our understanding (Ram, 1999b; Scase, 2005), drawing out the explicit and tacit negotiations around the employment relationship (Marlow, Taylor and Thompson, 2010; Moule, 1998; Ram, 1994). This approach enabled access to formal and



informal, spoken and practised forms of ongoing, everyday negotiation, allowing us to get close to the working practices and daily interactions of which humour was found to be an integral part.

### *The organizations*

Three SMEs were recruited to the study as separate cases via purposeful sampling and through a combination of networking with company owners and company-specific letters following identification in local business magazines. Each of these firms had acquired 'Investors in People' accreditation and were seeking to implement greater degrees of formality into their employment practices as part of their development strategies. This involved, for example, the introduction of timesheets, 'standard operating procedures' and formal wage and progression structures. These changes signalled a desire to alter the balance in the organizations from hitherto ad hoc and informal practices towards more formalized employment relationships and working practices within the firms.

In response to calls for more balanced, context-sensitive understandings of the complexities of the distinct nature of SMEs (Blackburn, 2005; Forth, Bewley and Bryson, 2006; Harney and Dundon, 2006), it is important to note the distinct features of the firms participating in this study which can each be broadly considered as small professional service firms. Specialist employees are difficult to replace (Behrends, 2007) and more central to organizational value (Holliday, 1995), they are therefore likely to have a strong bargaining position (Behrends, 2007; Ram and Edwards, 2010) and produce high degrees of interdependence with owner-managers (Goss, 1991). These firms were therefore chosen as having potentially interesting negotiations around working practices and employment relationships.

### *ComCo*

ComCo Limited is a broad-based communications consultancy offering public relations, strategic marketing, design and internal communications services. ComCo was incorporated almost four

years prior to the commencement of this study. The three founding directors, Patrick, Roger and Steve, had worked at the same large company before starting ComCo. They were later joined by Eddie, a former colleague of Roger, who became a junior director alongside Steve. The business is divided between public relations/communications professionals, the growing design team and a small sales team. It employs 14 people.

### *SciRec*

SciRec Limited specializes in recruiting staff for scientific industries, providing associated services such as psychometric testing and interview training. The managing director, Alex, had taken voluntary redundancy from his senior recruitment role at a major pharmaceutical company and founded the firm three years before this study commenced. He is the sole owner and employs five other people. SciRec serves a small number of clients across Britain on a contractual, relationship-focused basis, akin to an outsourced recruitment function, rather than adopting the more highly sales-driven form of 'high-street' recruitment agencies.

### *FinRec*

FinRec Limited specializes in the recruitment of permanent staff to the largest operators in the financial services and consumer credit industry. When the research commenced, the business had been established for around 10 years. It was founded by owner-manager Paul who had worked in retail finance and was still involved in this industry via a separate business venture. He employs around 14 people. FinRec distinguishes itself from the 'high street' model of recruitment, an avenue pursued earlier in the business' history, by tailoring its services specifically to relatively few major clients.

### *Data collection*

Each company was studied over an 18-month period by the paper's second author. This comprised an initial on-site phase of data collection at the company premises followed by telephone, e-mail

and some personal contact during an intervening period before a second significant phase of on-site data collection. Data collection involved observations (348 hours), semi-structured interviews (35) and company documentation (600 pages). The three sources of data facilitated triangulation and built understanding to inform the on-going study. Observations were conducted to gain a sense of day-to-day practices, capturing the frequent, informal interactions occurring on a day-to-day basis but also allowing us to record instances of physical humour such as miming or the use of gesture to emphasise jokes. The researcher also attended team meetings, coffee breaks and other events to allow informal interaction with staff (Holliday, 1995; Ram, 1994), during which they would often relate office stories or explain in-jokes (Gabriel, 2000). This contextual knowledge was supported by access to a broad range of documents such as standard operating procedures, employment contracts, performance management policies and appraisal records indicating the introduction of greater degrees of formality.

The semi-structured interviews were conducted towards the end of each on-site research phase so that questions could incorporate the data collected and capitalize on rapport developed during observations (Alvesson, 2011). Care was taken to interview people across each firm to gain a rounded understanding of working lives. The interviews typically lasted around 60 minutes, ranging between 35 and 105 minutes. Verbatim interview transcripts were produced in their entirety for phase one and for relevant sections in phase two (excluding introductory chat and digressions). All interviews were loosely structured around topics including recruitment and selection, training, reward and recognition, performance appraisal and staff exit, with space given for participants to relate their own descriptions that were then pursued by the interviewer.

### *Data analysis*

Drawing too-sharp a distinction between collection and analysis of qualitative data can hinder the depth of a research study by closing-off lines of enquiry arising from emerging ideas and reflections

(Eisenhardt, 1989; Glaser and Strauss, 1967; Miles and Huberman, 1994). In light of this, interview recordings and field notes were reviewed for points of interest or potential elaboration. The second author performed the majority of the initial analysis alongside regular, detailed discussions with the first author. Subsequent, close readings of the data, conducted by both authors, informed on-going discussions to develop a rich understanding of the organizations.

It became clear early in this process that humour played a central role in the ongoing, everyday negotiation of employment relationships. In particular, we became interested in ‘situational’ (Kahn, 1989, p. 57) or ‘spontaneous’ (Hatch and Ehrlich, 1993, p. 506) humour, that which relates specifically to the organizational context being observed (as opposed to generic, imported humour). These instances were identified as ‘humorous’ if they met one of three criteria: participants laughing or smiling; situations participants described as humorous or fun; incidents that the researcher observed as intended to be humorous (Tracy, Myers and Scott, 2006). Such instances were then analysed in relation to the ongoing employment relationships and, where appropriate, particular negotiations or formalization efforts. Any disagreements in the analysis were resolved with recourse to the data.

## **Findings**

Our findings are organized as broadly representative of the relations between instances or discussions of humour and the employment relationships and formality-informality span in each firm rather than in terms of any specific typology (cf. Strömberg and Karlsson, 2009). We begin by suggesting actors’ views on what they perceive as the role of humour in creating and maintaining informal working environments and relationships before pursuing the more problematic side of these suggested roles and then the relation of humour to the formalization process.

### *Humour and informality*

All three participant firms exhibited large degrees of informality in terms of their employment

relationships and working practices, derived, at least in part, from closer spatial and social proximity. Humour was perceived as playing an important role in this and its influence in creating a 'fun' working environment was encouraged in all three firms. Humour was ubiquitous; there was barely an hour of observations that passed without some humorous exchange, especially when offering a means of distraction as individuals became bored in their work. Light-hearted conversations included, for example, a humour-filled exchange at FinRec about the relative (de)merits of various pop stars. Our findings therefore support Vinton (1989) and Ojha and Holmes' (2010) findings on the prevalence of humour in small firms. As with these studies, in each of our participant firms humour was perceived by organizational members to play an important role in easing social interactions and maintaining an effective informal working environment.

Owners, managers and employees all invested time and energy in maintaining these fun environments and their attempts at humour were regularly participated in by others, suggesting that organization members accepted, or had adapted to, the informal tone implied by such interactions. As a result, many humorous routines had developed. At SciRec, Alex would tip-toe across the main office, cartoon-like, to get a glass of water when the consultants were quietly working. At FinRec, 'Charlie the Chicken' joined team meetings where the toy was ritually strangled by consultants frustrated with clients. Ongoing participation supported the general consensus of relaxed, informal working environments where it was possible to 'have a laugh'.

Roger, Managing Director at ComCo, embraced this sense of fun, taking pride in his own disruptive influence, whether by circulating humorous emails or moving his work station around the office. At times he appeared to have stepped straight from the TV programme 'The Office' (on such representations of the 'funny boss', see Tyler and Cohen, 2008). This not only increased the spatial proximity between Roger and his employees but developed interpersonal relationships and an atmosphere of informality:

I spend time going around the office and the people I'm sat next to today, they said 'Oh well, we're not going to get a lot of work done today!' and that might be right!

Fellow director Steve explained how humour was encouraged as part of people enjoying their work but also to help reduce the distance between management and their employees:

We want ComCo to be a fun place to work, where you come in and get the work done but also have a laugh...it brings you closer to people, you get to know what they're thinking, feeling or what their opinion is...

Employees at all three firms outwardly supported the owner-managers' efforts to encourage humour to create fun and relaxed environments, reporting their enjoyment and regularly participating, echoing the non-hierarchical humour reported by Vinton (1989). Wendy, a public relations consultant at ComCo, explained how '[m]y friends always ask me what it's like to work here...and I always say it's really good fun, we have a really good time.'

#### *Humour and informal negotiation*

Within these informal environments, humour was used as a means of raising issues or giving instructions without detracting from the informality and closeness of relationships. The attempted use of what Vinton (1989) termed task-specific humour to provide instruction whilst maintaining an informal atmosphere was deployed in a variety of contexts, some relating to relatively trivial matters such as whose turn it was to make cups of tea. Humour was also involved in the negotiation of particular requests for action. For example, Paul, FinRec's managing director, circulated an amusing e-mail about cigarette butts littering the building entrances and the potential threat posed by the litter to local squirrels. Although the humour of the e-mail was enjoyed, Paul's message was quickly understood and the cigarette butts immediately attended to. Other light-hearted emails provided information on short-term incentives, targets and other task-specific issues, for example, at

FinRec it was used to promote competition between members of staff, especially around targets. In this way, humour was viewed by owner-managers as something with which to ‘sugar-coat’ instruction in such a way as to maintain the fun, informal working environment and positive employment relationships.

At SciRec, team-manager Simon asked the consultants what they knew about ‘phase one’ of clinical trials, only to receive a limp response. The next morning, following a brief oral dissertation on the history of the Cornish pasty, Simon repeated his question in a more light-hearted manner. At this point, Max, a consultant, uncovered some information and called it out. Simon then switched to a more serious tone to explain that this information was necessary to support a colleague in recruiting a particular role. Simon later explained to the researcher that this was part of a deliberate strategy to get the team thinking more actively about what they were doing.

Contrary to Vinton’s (1989) findings, in our study task-specific humour was also observed to be initiated by employees. At FinRec, new starters served a six-month probation period used as part of the selection process with those deemed to be below par being dismissed. This period was structured with progressively harder activity and outcome targets that were constantly monitored by team managers like Jane who closely supervised unpopular new recruit Paolo. Probationers embraced humour as a means of voicing bargaining positions informally, without seeking formal engagement, and therefore attempting to ‘test the water’:

Jane: 11 CVs! Well done, Will! Paolo’s on five...

Michelle: Only seven more to go!

Jane: Paolo’s target’s only five for the week so he’ll crash his target!

Paolo: Then it’s eight next week? (sounding hopeful)

Jane: No! It's ten next week! Non-negotiable!

Paolo: But if I do well this week, can I trade off against next week's target?

Jane: No! Doing well shows that you can work at that level! So next week Will's target should be 15!

Although discussing something that was of great importance for all concerned, the probationers' good performance permitted some scope for 'trying it on' with Jane who responded in kind. Paolo's tentative attempt at renegotiating his target for the following week was couched in suitably humorous tones such that he was not seen to overtly challenge the targets set, allowing Jane scope to respond by reinforcing the targets.

#### *Informality, humour and power*

However, the apparent closeness of relationships and the degree of freedom encouraged by these forms of informality was not without a darker side that has so far gone unresearched in small firms. Humour was observed to be used in ways that caused discomfort or upset with the clear potential to denigrate and exclude as well as to enforce group norms. For example, a new member of staff at FinRec, Paolo, was frequently ridiculed for acting differently from the 'normal' work behaviours that were expected, such as when a colleague recounted a mocking story of her struggle to train him on various company processes. This was later expanded upon to include jokes about his accounting background and the difficulties of working with such 'geeks'. Other members of staff shared their dislike, often failing to respond to Paolo's own attempts at humour and making him the victim of humorous pranks such as altering the meticulously-positioned settings on his office chair. Such acts brought the majority of the team together but in opposition to the clearly excluded team member.

Similarly, the use of task-specific humour had some negative consequences stemming from the informality and close proximity of small firms. For example, interviews with the directors at



ComCo revealed a frustration with employees' working hours; they felt that their employees were too focused on the nine-to-five working day and sought for them to work longer hours as proof of their commitment to clients and to the company. While the directors had done nothing to voice these concerns with staff directly, several 'humorous' instances made their dissatisfaction clear. The directors made supposedly humorous reference to employees' leaving times, such as director Patrick referring to Hannah's (agreed) early departure for a weekend away as being 'on company time'. On another occasion, a 'late' arrival was greeted with the comment 'made it out of bed then?'

The potential impact of the directors' use of humour in this context was described by manager Terry:

[In my team] I can see that people are getting very tired...They're worried about leaving at five-thirty, they're worried about 'what happens if I get in at eight-thirty instead of eight o'clock?'

Meanwhile, salesperson Jenny related her experiences:

If someone wants to get off at five o'clock, which I often do, they're quick to take the piss...they're quick to say 'Oh look at you! Bell's gone!' but not quick enough to say 'Well Jenny you were in at half-seven this morning', which I was this morning, and I'll go at five o'clock. I'll think 'Fuck it! I've done my hours' and I'll go!

In these examples it appears that the light-hearted humour used in other instances to express the wishes of the owner-managers could, at times, become a means of expressing or implying views that undermined the fun working environment. Further, such apparently humorous comments, by not fully acknowledging the serious underpinning of the issue at hand, gave little scope for employees to explain their actions unless it could be incorporated into a quick-witted riposte.

### *Humour and employees' responses to formalization*

Staff frequently mocked owner-managers in each of the firms, especially when their employers were not present. This most frequently involved personal comments such as jokes about FinRec owner-manager Paul sending work e-mails from his Blackberry while away on a friend's stag night or family holiday. Instances of humour enacting more focused or confrontational forms of resistance were relatively rare, although, where resistance did manifest through humorous exchanges, it was often in relation to the organizations' attempts at formalization.

One occasion, representative of such responses towards increased formalization, occurred at SciRec. Owner-manager Alex was keen to formalize many aspects of the organization's working practices, drawing on his years of experience in a large firm to do so through the creation and dissemination of standard operating procedures (SOPs). Manager Simon explained that this move to formalization had met with resistance, some of which manifested in humorous forms. Several consultants had made comments to Simon about the number of SOPs and asked questions such as: 'Do we need an SOP for making the tea?' Simon explained that, as the number of SOPs had increased, staff had started 'taking the piss'. However, he did not feed these comments back to Alex and they had no impact on the move to formalize working practices.

The introduction of more formal timesheets at ComCo also caused tensions, clearly illustrated when director Roger arrived late one morning. He explained in a subsequent research interview how, as he arrived, Barry, a designer and one of ComCo's longest-standing employees, stood up and, theatrically checking his watch, called across the office: 'What time do you call this you fat fucker?!' Roger noted that everyone found this funny at the time, including himself. However, he also explained that, on reflection, he deemed Barry's conduct as being inappropriate towards a Managing Director so he later raised the matter with Barry, ensuring that he deployed a more direct and unambiguous means of communication. While not always effective, these types of humorous

exchange allowed employees to attempt to informally negotiate their employment relationship and working practices by expressing forms of dissatisfaction.

### *Humour and the new formality*

Part of the reason for a lack of active resistance enacted through the use of humour was the boundaries established by owner-managers. Although humour played a significant role in negotiating the nature of working relationships, there were occasions when its use was curtailed or denied as a means of interaction or negotiation and such restrictions were increased as owner-managers sought to introduce greater degrees of formalization. However, making these changes in register was not always found to be easy and could lead to miscommunication, misunderstanding and breakdowns in the ongoing, everyday (re)negotiation of the employment relationship.

Across several research interviews Alex, SciRec's owner-manager, repeatedly expressed doubts about his management style and how he was perceived by his staff. For example, Alex was sensitive to any comments about the benefits he was afforded through his business income, which he interpreted as suggestions that he was undeserving of rewards such as a premium-brand car or luxury holidays. Consultant Carly discovered this sensitivity during a regular team meeting. Alex was planning out his time with the consultants and organizing urgent tasks because he would be away on holiday from late August to mid-September, at least two-and-a-half weeks on a rough count. Carly's tentative, humorous remark of 'That's a nice holiday time' was met with a very firm 'Yes. *Two weeks*' from Alex. The jarring nature of the response apparently surprised Carly as she communicated non-verbally to other members of the meeting, including the researcher.

Such instances caused Alex to worry that he had allowed too informal an environment to develop at SciRec, causing his employees to see him as a colleague rather than their boss and creating a lack of clarity between the two roles:

I think it's probably evolved and I think the culture is quite...I think it's quite relaxed, so friendly environment, probably a bit too relaxed some of the time...so what I want to try and do is to sort of not distance myself from everybody but just to make sure that there is sort of, authority and respect...

A set of related concerns was reported by two directors at ComCo. Having cited the benefits of a fun culture, such as bringing managers and employees closer together, Steve added:

But on the other hand it's difficult to discipline people and sometimes the atmosphere [in the office], there is too much distraction and everyone gets involved in a joke or conversation and probably not as much work gets done as perhaps should be done.

I think we've generated a slight, sort of too friendly atmosphere, erm, because its grown from being a very small to, very quickly, you know the office started with me, Patrick, Roger, Christina so five (sic) of us just joking along all day really...I think now the size we're at and we're all in that office downstairs, there's been, because there's been no clear line, lines of authority for the people who've been with us from the start, that's then rubbed off on the people that have joined us...I think when you do sit down there and look at it, some of the comments and people behave towards me, Eddie and Roger, at the level we're at isn't, isn't how it should be...

Fellow director Roger explained a key change which would support the shift towards greater formalization in the employment relationship: in the move to a new office space it was intended that the directors would have a separate working space. It was expected that this move would create a distance that they saw as necessary to create boundaries against the types of informal exchange found in humour.

## **Discussion**

The relationships between owner-managers and employees in small firms are typically understood as (re)negotiated within predominantly informal, interdependent and close proximity contexts. Attempts by owner-managers to embed greater degrees of formality governing working practices and employment relationships are complex processes with consequences for employers and employees. Degrees of formality and informality co-exist (Marlow, Taylor and Thompson, 2010) with implications for how employment relationships are conducted and negotiated, not only in SMEs but larger organizations as well. In this light, humour represents an important medium for informal communication, creating potential tensions as owner-managers seek to replace the informality and closeness of their organizations' pasts and increase the formality-informality span.

Humour can be understood as important in maintaining informal relations by downplaying status differences and indicating a sense of personal closeness (Cooper, 2008; Radcliffe-Brown, 1940). The owner-managers all sought to deploy humour in a way that would facilitate formalization not only of working practices but also employment relationships. They appeared to believe they could control humour as a means of conveying their wishes unambiguously, while retaining a sense of closeness in the working relationships with staff. The ambiguity of relationships mediated by humour might mask the degree to which the interests of employer and employee are disjunctive. Such disjunction, held in tension by the ambiguity of humour and the wider employment relationship, may allow a sense of pleasant, conjunctive interests to prevail. Vinton (1989) suggests humour as an effective managerial tool in SMEs and this functionalist interpretation was broadly shared by the owner-managers in our study. It was seen by ComCo director Steve, for example, as giving access to employees and 'what they're thinking' as well as creating a positive working environment.

The owner-managers viewed the creation of fun working environments as something they *permitted* within their businesses, akin to Radcliffe-Brown's 'permitted disrespect' (1940, p. 196). Employees

could engage in humorous exchanges with them because they were permitted to do so. This was particularly clear in the repetitive routines of physical humour that have received limited specific attention in the literature. However, the owners did not see their allowing 'disrespect' as *giving up* their right to respect and recognition derived from being at the top of their organization's hierarchy. Defining a role for humour by prescribing it a function, reflecting management interests, can be seen as an attempt at formalizing this part of the employment relationship. Reflecting their functionalist approach, the owner-managers pursued this formalization by attempting to establish what they perceived as 'appropriate' humour (anything they had initiated or that affirmed their interests) and 'inappropriate' humour (anything that undermined them or distracted staff from work).

No formal or explicit rules were put in place to negotiate the use of humour. However, employees who crossed the owner-managers' (unspoken) line, such as ComCo's Barry who humorously referred to Roger as a 'fat fucker' and chided him for his lateness, were chastised. Such retrospective interventions, revealing the unvarnished power dynamics of the employment relationship, jarred with those in the organization who, until that point, may have been unaware of their employer's underlying desire for deference. The capacity of humour to obscure *but not resolve* disjunctive interests becomes apparent during processes of formalization, requiring reductions or removal of ambiguity around work tasks and providing a clear indication of whose interests prevail.

Pursuing their desire to maintain humour in a controlled, functional form, the owner-managers persisted in attempts to deploy it as a means of negotiation. These interactions were partly prompted by the high degrees of monitoring fostered by close proximity in these small firms, providing regular opportunities for owner-managers to comment or intervene. Such opportunities were frequently seized upon and humour was a preferred mode for such impromptu communication. It was as if, whilst in close proximity, humour was invariably the first communication tool that came

to hand, irrespective of any formalizing intent.

However, our findings suggest such an approach is not sustainable. For example, the use of humour by ComCo's directors to attempt to alter practices around working hours failed to achieve their stated aims and in fact caused resentment and uncertainty among staff. This was partly because the directors failed to communicate the reasons underlying their dissatisfaction but also because the employees had little recourse to justify their own position (that they come in early so did not work as late). Further, within the close proximity of a small firm, such humour is not easily targeted at particular individuals but, instead, may affect everyone within earshot. Thus, anyone who heard the humorous criticisms of early departures might also have felt under increased pressure to work longer, irrespective of the owner-managers' views of their individual productivity. Despite these problems, humour's limitations as a management tool went largely unacknowledged.

Employee humour may manifest as a form of resistance against the formalization process itself, for example in the responses to the introduction of standard operating procedures at SciRec. Such reactions are unlikely to be constrained by the imposition of rules or sanctions attempting to restrict such behaviour. Further, 'allowable' humour may escape the owner-managers' attempts at control to become a form of satire, capable of puncturing power or influence and acting as an influential form of resistance. Whilst Barry's abrasive welcoming of Roger to the office could not be described as biting satire it does cast Roger, his time keeping and his power within the organization, in a potentially different light. Such an incident could tip the balance of the interdependent relationships within the organization. However, despite owner-managers' concerns about humour's ability to degrade their authority, those instances of resistance engaged in through humour were largely ineffectual as tools of negotiation and, like many instances of humour, may serve a more autotelic function, allowing forms of bonding between staff and for them to 'let off steam'.

Just as the ambiguities of humour limit its utility as a management tool, its deliberate deployment as

a tool of employee voice or active resistance is similarly constrained. For example, the underlying tensions around the introduction of timesheets that may have provoked Barry's outburst went unacknowledged, the incident instead becoming about his inappropriate behaviour. Similarly, while the mocking of new standard operating procedures at SciRec clearly expressed dissatisfaction and suggested future problems in their implementation, the humorous nature of this resistance seemed to negate any sense that this should be fed back to the owner-manager.

While the ambiguity of humour allowed a platform for tentative negotiation, this ambiguity also afforded management an escape from seriously discussing employee concerns. Some forms of resistance in humour may in fact be supportive of the existing labour process insofar as it makes monotony and other undesirable characteristics of working life bearable and alleviates pressure to resist these factors and power asymmetries in a direct, more confrontational way (Korczynski, 2011; Roy, 1960). This 'radical functionalism' perspective (Collinson 2002, p. 272) recognises how humour conforms to social norms that still recognize an organizational social hierarchy and, despite initial appearances, does not remove hierarchy but rather exists in recognition of it. In our study, some forms of mockery in owner-managers' absence actually reinforced their position and authority.

Humour, by its nature ambiguous, multiple in meanings and implications, can come to compound the underlying tensions that formalization processes produce. It cannot be controlled or constrained, packaged or put to functional ends. It is plausible that humour may have some part in finding the balanced shape necessary for an effective formality-informality span (Misztal, 2000) but this is not a functional role that can be assigned amid the formalization process. Instead, in light of its limitations, employers and employees might seriously consider alternatives to humour. They have recourse to more explicit, perhaps more formal, 'straight-talking' where parties discuss their interests and differences explicitly.



Straight-talking, in the form of explicit conversations around disjunctive interests, could prove uncomfortable, particularly if ambiguous and informal humour has previously helped maintain a pleasant sense of conjunctive interests. However, informality requires some formal boundaries (Misztal, 2000) and the humour necessary to social interaction clearly requires a complimentary form of less ambiguous styles of communication in small firms. It is in this way that formality and informality are codependent. Straight-talking requires commitment from all parties to maintain an explicit focus on the matters in hand and not retreat, seeking refuge in humorous ambiguity. Straight-talking is about recognizing the limits to humour and resisting attempts to deploy it as a functional tool. It acknowledges that increasing formalization of changing working practices also affects employment relationships and how these relationships are conducted, reinforcing arguments that formalization involves complex processes of adjustment rather than a simple transition from one state (informal) to another (formal).

Establishing more formal relationships does not deny a role for informality. By viewing organizations as exhibiting particular formality-informality spans, where formality and informality coexist and are codependent, any dichotomous, restricting decision to pursue either formality or informality becomes redundant. What matters is the ways in which the formality and informality manifest and are balanced within the employment relationship. In ongoing, everyday employment relationships humour will persist and offer degrees of ambiguity and informality necessary to close, interdependent working. Our study suggests that humour should not be seen as offering a means of communication or negotiation beyond this, either as a managerial tool or one of employee voice. Humour may help to obscure but it cannot be functionalized to resolve disjunctive interests within an organization. Instead, owners, managers or employees in organizations seeking formalization could benefit from less ambiguous and more explicit forms of negotiation and communication that provide clarity around the changes and their implications.

## Conclusion

Relationships between SME owner-managers and their employees are typically understood as (re)negotiated within largely informal contexts characterized by close spatial and social proximity. Attempts by owner-managers to increase degrees of formality governing employment relationships are complex processes (Marlow, Taylor and Thompson, 2010) which carry implications not only for how operational processes are carried out, for example according to formal procedures, but also for how employment relationships are conducted and (re)negotiated on an ongoing, everyday basis impacting the success of these firms (Messersmith and Wales, 2011; Verreynne, Parker and Wilson, 2011). To explore these processes we have focused on humour as a distinctively ambiguous medium of informality in organizations' employment relationships.

We have outlined actors' views on what they perceive as the role of humour in creating and maintaining informal working environments and relationships, especially the functionalist views, assumptions and intentions of the owner-managers (Collinson, 1988) as well as their fears of humour's potential for disruption and resistance. We have also highlighted the more problematic side of these suggested roles, unacknowledged by participants, demonstrating that the ambiguities of humour (Rodrigues and Collinson, 1995), which do much to facilitate working life, also create problems as they compound already uncertain relationships and tensions. The capacity of humour to obscure *but not resolve* disjunctive interests became particularly apparent during processes of formalization, requiring reductions or removal of ambiguity around work tasks and providing a clear indication of whose interests prevail. Our findings therefore contribute to studies of humour in SMEs by questioning the functional utility identified in earlier studies (Vinton, 1989).

They also contribute to studies of employment relationships by shedding further light on the nature of their formality-informality span (Misztal, 2000) and the employment dynamics involved in formalizing small firms. By examining the ways in which humour is used, as representative of a

particular form of informality, these findings deepen understanding of the under-researched complexity and contestation of formalization processes (Marlow, Taylor and Thompson, 2010). In doing so, we contribute to discussions of informality and formalization by suggesting how the compounding of certain tensions associated with formalization might be avoided through the adoption of straight-talking. Straight-talking recognizes the limits to humour and resists attempts to deploy it as a functional tool. Straight-talking requires commitment from all parties to maintain an explicit focus on the matters in hand. It acknowledges that increasing formalization of working practices also affects how employment relationships are conducted, reinforcing arguments that formalization involves complex processes of adjustment rather than a simple transition from informality to formality (Ram and Edwards, 2010).

Understanding the complex, negotiated nature of employment relationships requires that researchers adopt data collection and analysis tools capable of capturing the subtle informalities occurring in organizations' mutually adjusting employment relationships (Holliday, 1995; Ram, 1994). The study of humour in SMEs has been significantly under-researched so there are many potential avenues for future investigation. Humour may be an ineffective, potentially dysfunctional tool of negotiation but its role in human interactions more generally (Critchley, 2002; Palmer, 1994) implies it will remain a ubiquitous, informal element in many SMEs. Our findings, focusing on humour as a stubbornly persistent form of informality, suggest something of the complexities involved in the interaction of coexistent, codependent (in)formality that has implications for maintaining a balanced shape in the formality-informality span, such as how owner-managers' and employees' relationships are conducted and (re)negotiated on an ongoing basis. In light of our findings, we should also continue to develop our understanding of how moves towards greater formalization are played out in organizations' employment relationships more generally.

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