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A Systems-theoretical Analysis

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Introduction: The Philosophy of Organizational Values

Moral theory is often based on examples from everyday life. These could be the conflicts that occur in relation to smaller occurrences such as borrowing books from the library, making women pregnant or hitting children. However, more often the theorists of morality compensate for their quiet lives through the use of dramatic examples such as murder, quarrels and destruction. Rarely does moral theory address problems encountered in modern organizations. Although most people work in organizations and are exposed to them whenever they need surgery, want to gain political influence, do their shopping or send their children to school, the moral dilemmas of organizations are oddly absent from moral theory. It is as if they are too prosaic. Perhaps organizational dilemmas are not sufficiently sophisticated for discussion. As they form the invisible conditions for actions they are not in themselves worth a mention.

The concept of management has for many years been surrounded by a moral taboo. To put it in another way, management is automatically located on the wrong side of the distinction between right and wrong. To practise management is suspicious and pertains to the misuse of power. Power and the use of power are seen as something unwanted which we need to rid ourselves of in order for interpersonal relationships to take on moral qualities. Although we are all exposed to management, in our workplace, in our spare time and in our political lives, management is not seen as a neutral and unavoidable phenomenon allowing collective decisions to become effective. If one ceases to define power and management as something diabolical and if one ceases to glorify power-free relations as if they were possible and desirable, then it becomes a crucial question to distinguish between good and bad management rather than between management and no management. And then, one is able to assume a more sober perspective on management and power rather than leaving the matter to consultants or the mass media, which prefer to wait to address the topic until a manager is involved in some perspicuous scandal.

To discuss moral theory without including organizational life suggests a shabby-genteel blindness. Even though we are all human beings, our individual lives unfold within the boundaries of organizations – using them or working within them. Disregarding those collisions of values that take place inside organizations does not contribute to a wiser or more relevant moral theory.

These reflections form the background of an attempt to define what morality and ethics might be and mean in a modern society and to specify the problems they might create within organizations. The aim of this book is

to define the place of organizations in society and the place of ethics in organizations.

Some years ago Stephen Toulmin asserted that medical science had saved ethics.[1] The use of new medical technology raised completely unexpected, almost disastrous, moral questions that asked for concrete answers. The theorists of morality could no longer confine themselves to their preferred pursuit: a protracted dance around a number of constructed examples in esoteric journals. Ethics was freed from the dusty studies and needed a few years to recover from the shock. It was compelled to seek relevance. It is surprising that moral theory, which is also called practical philosophy, could have sustained itself in a pursuit so evidently impractical.

Since then ethical questions have become fashionable. They have spread to every part of society at a speed and with a rhetorical barrenness that seem nauseating to many people. However, with or without nausea, the dramatic compulsion towards change in modern societies continuously places people – us – in dilemmas which have not been defined in moral terms for generations. No solutions or even themes have been adjusted or normalized. We are constantly caught off guard because reality changes so fast that the language of ethics is unable to keep up. Often, it is difficult to find a constructive approach to these dilemmas because a simple either-or distinction is activated. 'It has to be either right or wrong,' is the mantra, often followed by an angry pounding on the table as an expression of the embarrassment accompanying antiquated assumptions. Ethics is ever-present, but helpless, although some theologians attempt to compensate by means of an authority, which seems to be somewhat out of step. Theologians and pious people have strong and old-fashioned views that date back to a time when the Church enjoyed power and respect. Their faith is still strong and they sense a breeze of spring air and a fair wind as they seek to restore a lost tradition. And they are able to obtain a disproportionate influence on the debates because the swarm of relativists and pragmatists do not hold strong opinions. They are parasites on other people's ideas. In that way, they can subsequently show up on the scene with their criticisms and deconstructions. They themselves have little positive to contribute.

In this schism between dogmatism and relativism, ethics might easily revert to a helpless attempt to slow down a development that nobody is able to control or comprehend. Ethics can become an expression of a general feeling of discomfort concerning the development. It can jump out like a Jack-in-the-box when something goes wrong, and it can even enjoy the benefits of the pathos that engulfs the word 'ethics'. But it becomes increasingly difficult for it to describe *what* goes wrong. Christian morality, humanism, Kant's morality of duty, Stuart Mill's utilitarian morality or rationalistic discourse ethics contribute very little to questions regarding bio-technological possibilities, the reasons why meat that has been treated with hormones should not be sold in our supermarkets, or even the clash of civilizations.

Neither dogmatism nor relativism provides valuable solutions. The first one is too rigidly focused on a random belief, the other one rejects any form of stability. Also, it seems to be a pointless venture to rely on Jürgen Habermas' attempt to define ethics as a rational question of good arguments. Even if we argue about right and wrong, we are unable to provide argumentation for our most profound moral sense. We take it on, and unfold it, without being able to explain why.

Hence the problem has been laid out: how is it possible to argue in favour of right and wrong in a society that presents a legal framework for a network of life forms each with its own notions of right and wrong and each with its own moral intuition? How can one speak of a binding ethics in a society that has accepted the freedom of each individual to choose his own lifestyle with the predictable consequence that society is struck by moral plurality?

This book proposes the answer that ethics is an expression of *sensitivity* towards the visions of other people about how to define a good life. The Truth-model, presenting universal values to which everybody ought to comply, is replaced by the Democracy-model, refraining from absolutes, accepting conflicts and finding changing balances between the views of different groups. Since no one – not even oneself – is able to prove their assessment of right and wrong, *everyone has a right to establish, present and defend their assessments*. Everyone has the right to describe and redescribe as they see fit. Thus, myriad descriptions face each other, stressing the importance of dialogue and, with that, the acceptance of 'the other' as part of a dialogue. The minimal requirement of ethics is that the other is observed as someone worth engaging in a discussion with.

The outcome of the dialogue is unpredictable. There are no universally binding reasons that might ensure a consensus, and simple information is not enough. More information might result in more conflict. Moreover, in modern societies, conflict and deviation are seen as constructive qualities. Since dialogue never takes place in a social vacuum, it is able to draw from widespread values and views. It can also draw from a legal system that makes a distinction between words, by which anything goes, and actions, which are divided into legal and illegal. This improves the chances of friendly interaction but does not guarantee ethical unity. Hence modern societies have abandoned morality as a societal responsibility and instead employ laws and legal measures to define that which binds everybody. A court can make binding decisions which do not solve moral problems but which do create temporary clarity on how to act.

The method of the book is based on the system theory of the German sociologist Niklas Luhmann. Observing values from a sociological distance, they are considered empirical premises for decisions, showing their indispensability by fulfilling necessary functions better then any alternatives. In what Luhmann calls his 'functional method', the idea of obtaining perfection or

consensus is given up in favour of a comparison of existing alternatives. Only what has no alternative is stable.

To locate the book within the plurality of approaches to organizational ethics, four negative features can be enumerated. In this book:

1. Values are not presented in a *religious* manner as part of spiritual leadership.
2. Values are not presented in a *normative* manner as integrated in a universal 'ought' to which everyone should comply.
3. Values are not presented as a *tacit dimension* of organizational behaviour, transferred informally from experts to novices.
4. Values are not presented in an *economic* manner as means to economic ends.

Business Ethics and Organizational Values stems from years of dealing with a practical method called Ethical Accounting, which has been employed in private as well as public organizations. The phrase has been an equal nuisance to theological moralists, professional ethicists and people who work with accounting on a more down-to-earth level. The ambition is to make it possible to define organizational values and to measure to what degree the values are fulfilled.

It is the aim of any book to be helpful. As this can happen in a variety of ways, it might also be helpful to state which kind of help the book provides. It is:

- *not* an analysis of the way ethical dilemmas are actually defined and handled in organizations. The book contains no questionnaires and no delicate revelations of what happens on the floor – polished or unpolished;
- *not* a key to the right and wrong answers to be used as reference or to be installed on one's hard drive in order to better calculate what is ethically correct and how to escape an ethical fix;
- *not* a handbook for organizations to better handle ethical problems and dilemmas. The book is not an 'ethics manual' with a checklist of ten points and a toolbox for the manager. The aim of the book is *understanding*, not controlling. And finally
- *not* an academic analysis of the theory of knowledge and ethics of the organization but an attempt to address the so-called educated public.[2]

The book is divided into three parts. In Part I, *Society*, some features of a systems-theoretical analysis of modern society are presented, focusing on the differentiation in functional subsystems. Even if the book focuses on organizations, an attempt is also made to place the organization within a general theory of society. The first three chapters address the dynamics in modern societies which sends out blasts through the entire organization. We look at that part of the blast which emerges as an interest in ethics and soft values.

Part II, *Organization*, discusses some features of a theory of the organization. The basic tenet is that an organization is a system not of people or objects but of communication and, more specifically, of *decisions*. Subsequently, the organization can be divided into subsystems, each delivering a specific contribution to the decision-making process – management, expertise, vision and politics. As organizations are arenas for conflicts between incommensurable values, the political system of the organization, management, must take on the job of balancing the demands inherent in values. With that in mind, the call for values and ethics can be seen as a call for organizations to base their decisions on particular premises and hence take on a number of new considerations. Chapters 4 and 5 concern these issues.

In Part III, *Value*, the nature of values is analysed. Here the argument draws upon modern stakeholder theory showing that every organization has a number of stakeholders who influence and are influenced by the decisions of the organization. Each has its own specific interest and presents idiosyncratic demands. Based on the organization's relationship to its stakeholders, the organization might present an idealistic claim for all stakeholders to be able to accept the organization's decisions. That, of course, is impossible. All parties will never be in complete agreement. Everyone has a different background and different visions for the future. Moreover, it is an illusion to believe that everybody could participate in the organizational decision process. The ethics of an organization emerges in the attempt to find a navigable course between defining decisions as a mere question of power and money on the one hand and inviting everyone to participate in the decision-making process on the other. These questions of values, stakeholders, morality and ethics are the focus of Chapters 6 to 10.

In Chapter 11 a method for measuring organizational values is presented. This issue has caused quite a bit of irritation and amusement. Of course values cannot be measured in the same way that one might measure the length of a piece of wood or the size of a bank account. However, if an organization makes a commitment to work with values, then there must be a way to measure whether it respects the values or secretly violates them so that they are mere make-up and PR. If there is no perceptible way to decide whether the values mean anything, they quickly become irrelevant.

Finally, I jump from an argument concerning what ethics might do in organizations to what it actually does. Values have many uses, both internally and externally, and even if it seems hard to combine ethics and hypocrisy, it is shown that hypocrisy might be a moral duty for managers who have a keen and true ambition of making ethics part of the organizational life.

Many people wonder if ethics is a phenomenon which is here today and gone tomorrow. My guess is that because words move fast these days the word 'ethics' might wear out in a few seasons. But the word is not merely a nostalgic or regressive attempt to suspend that which we somewhat despondently

refer to as 'progress'. When the urge to renew ourselves constantly puts us in situations that are neither planned nor predictable, the language of ethics becomes inevitable when determining who benefits and who is hurt, what the risk is and how – or whether – certain risks are avoidable. *The ethical debate is the ongoing reaction from society to the irritation caused by change.* In this debate consequences are examined, positions emerge, stakeholders define their positions in order to determine which issues belong to legislation and which issues can be left to individual judgement. Ethics is an irritation caused by an irritation. There is nothing definitive about it. It is not infallible for the simple reason that no one can plan for or predict change and its consequences. Since there is always a wide range of stakeholders, there will inevitably be a conflict about what is ethically correct, and no ethical council will be able to end the debate or provide authoritative answers. Hence, ethics contributes too little, is always late and makes a blindfolded effort. But as the first reaction from society to changes that cause society to 'lose itself', it plays its imperative role.

This is true whether one uses the word 'ethics' or some other word. In a few seasons we might request new words that bite and redeem and do not taste like old rags. The crux of the matter, however, would remain the same: that we need ways to make selections in and about the variation which modern societies stir up in order to determine what to preserve and what to dispose of. It might turn out that what we end up preserving is not what most people believe or even expect. The important thing is that *something* is bound to be preserved and to be durable enough to become stabilized in societies that cultivate the unstable.

Notes

1. Stephen Toulmin, 'How Medicine Saved the Life of Ethics', in Joseph P. Demarco and Richard M. Fox, *New Directions in Ethics: The Challenge of Applied Ethics*, New York, 1986.
2. Notes following each chapter include commentary, documentation and suggested further reading.

Part I
Society

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1
Functional Subsystems

Before we can approach organizations as a theme, we need to look at the conditions under which modern organizations work. The epoch which is normally called 'modernity' is characterized by *differentiation*. Society is divided into a range of different systems that each specializes in the management of a vital *function*. Hence we call them *functional systems*.[1] They form the semantic frameworks within which organizations work. Economy, politics, science and art are prominent examples of functional systems. A functional system is oriented towards one and only one value, so the list of functional systems is also a list of the most important values in modern society. Each of them creates a world of its own and measures success and failure by its own value. That is why we speak of the 'world' of art or the 'world' of economy. Functional systems are organized not in a hierarchy but as parallel entities. They are not geographically delimited but include the entire world society in a single dimension. None of them represents all of society and none of them is applicable as a model for society at large. A society that is *solely* economic or *solely* aesthetic would be a nightmare. When subdivided into many functional systems, each with their point of view, it becomes senseless to speak of society as a whole. There is no place in society from which society as a whole can be observed and described. Economy only pertains to economy, politics only pertains to politics, and the same applies to science, law, technology, education, religion, etc. None of them have the format of a society – even if the political system has the troublesome task of balancing the claims of different functional systems in its decision-making process.

An organization defines its own agenda. But this agenda relies on conditions which the organization does not choose but meets. No system is able to know or control all its conditions. For example, an average person knows very little about the way his bone structure sustains his digestive systems or the way his brain works. Similarly, one does not have to be completely up to date on economic trends in order to run a hot-dog stand.

In pre-modern societies, the differentiation of society was different. Society was divided not according to functions but according to social position. In

the Middle Ages, every person was born to a social position as an important and unchanging part of his life. One was fully integrated into a social class – as farmer or nobleman – regardless of other qualities or activities. One carried one's identity in one's blood and heritage. As Marx notes, to be a nobleman was almost 'a quality inseparable from his individuality'.[2] There was no mobility between social classes. A farmer could never become a nobleman, and a soldier could not work as a tradesman. Every social class had its dignity and its position in an order which was explained with reference to God's design.

It is no longer like that. From the Renaissance till the French Revolution people slowly became mobile and specialized. Functional systems like science, politics, and economy disentangled themselves from the grip of the Church and insisted on their own principles and regularities. They did not accept to be held back by the Church's ideas of right and wrong. However, contrary to social position and class, neither economy, nor science, nor politics constitutes a conceptual framework for the entire person. Rather, they are areas where people can choose to get involved. This means that identity is no longer a given but depends on job and career choices. The type of career one ends up 'making' depends not only on year of birth and what parents one has chosen, but also on personal efforts and the prevailing state of the functional system. Thus a functional system constitutes a 'language in language' as a common resource for self-descriptions. It is a runway for the career that people choose.

However, no person can exist merely within the framework of one functional system. A person is never only a businessperson or a scientist – he or she is also a citizen and consumer, a member of a family and maybe of a religion.

Functional systems have a dynamic of their own which exceeds all physical and national boundaries. Each of them has become disseminated across the world so that, in the nineteenth century, terms like world trade and world literature emerged. At present there exists only one society: the global society.[3] Here, millions of people who will never meet each other face to face must be integrated. For that, everyday language is not enough. It lacks the necessary precision and is too loaded with tacit presuppositions. To be able to communicate worldwide, precise and nuanced languages are required – the language of economics, the language of technology, the language of intimacy . . .

Thus we have approached the stuff of which society, functional systems and organizations are made, namely *communication*. What functional systems do to communication is to provide an advantage of speed.

Communication and code

According to the German sociologist Niklas Luhmann, a social system such as an organization or a nation state does not consist of things or people. It consists of communication.[4] Communicating does not mean transmitting

something, which belongs first in the hands of the sender and subsequently in those of the recipient. It means coordinating a change in the sender with a change in the recipient. Communication is an *event* and thus transient. It ceases to exist the moment it comes into being. Hence a social system that consists of communication has to continuously make sure that new communication can be linked up with old communication. It has to continuously choose its next condition and is, therefore, in a state of incessant unrest. Organizations handle this problem by unfolding a decision-making process which continuously creates and absorbs. In the constant pulse of decisions the organizational communication is maintained. No matter how solid an organization might seem – with its headquarters and its logo and its heavyweights – it is an immaterial system that can never be seized upon. It we follow Luhmann in his attempt to define social systems in only one dimension, as communication, the functional systems become vital since each of them supplies organizations with premises for decision-making.

Communication means handling a unity of three selections of information, message and understanding. When information is sent and understood, communication has taken place. A fourth point is the way in which the recipient reacts to the message: whether he says yes or no or maybe, or simply turns his back and refuses to continue the communication. Even if outside communication proper, this point normally is vital.

Inherent in all communication is a choice of *information*. That is what the communication is 'about', although information pertains to more than just factual matters. We inform each other about who we are, what we want from each other and what we like. Information presupposes alternatives. Only if there are several possibilities does it hold informational value to know that one and not the other option is a reality. Information is difference and should, in the cunning words of the American ethnologist Gregory Bateson, 'make a difference'.[5] It has to have relevance so that someone cares to decode it, and it has to change its recipient. No matter how small the difference, one is a different person after being informed.

Information does not only pertain to positive conditions, such as the fact that it is raining or snowing. Neutral values or values of absence can be informative. Under certain circumstances, and to those who know the code, a light that does *not* blink might contain an important message.

Not only does the information have to be selected from a large amount of information. It also has to take on the form of a message. The message is a selection as well, since knowing and saying are two very different things. In the strict sense of the word, there can only be communication if there is a message, although we also 'communicate' through the clothes we wear and the way we speak. Things that are not meant to be communication can be interpreted as communication. Thus a sender has no way to control all channels of information.

The message is as important as the information. As important as it is to know, it is equally important to determine when to send a message and when not to. John Kenneth Galbraith asserts that 'the wise in Wall Street are nearly always silent. The foolish thus have the field to themselves.'[6] Information is not only important in the factual dimension ('what') but also in the social dimension ('who'). That is why we will also discuss who is entitled to get information, and that is why information is a matter of trust. By breaking a promise not to pass on some information, one can indirectly let a third party know how important he is. Even promises have degrees.

There are certain things – many things – which we keep to ourselves because personal relations would break down if everything were communicated. Even good friends, close colleagues and old lovers avoid excessive use of the truth because it easily leads to unnecessary conflicts. Although we highly support principles about not lying, we readily employ white lies and social lies and many other kinds of lies, without the faintest bad conscience.

Finally, information must be understood. It must be decoded in the same way in which it is coded. Communication does not take place until this happens. Understanding is also a selection even though we generally do not choose to understand. When hearing words in a language known to us, we understand them spontaneously and are unable to not understand. We can be distracted and we might not understand every nuance, but we understand the words. However, we are able to decide to what extent and how deeply and loyally we wish to understand. We can decide to understand based on conflict or out of sympathy. Understanding is no automated matter. If the sender is 'one of us', she can count on our understanding. If, on the other hand, she is 'one of them', it takes very little for understanding to fail. Understanding is not merely a technical matter but also a question of acceptance, both in relation to *whom* we accept and *what* we accept. We understand more than we can accept.

Above all, understanding is mirrored in the ever-present possibility of mis-understanding. People have different backgrounds and see different things. Thus an ongoing test of understanding must take place. Since understanding is invisible it can rarely be immediately determined whether the message is understood. Subsequently it might become evident that 'there was a misunderstanding' – with dire consequences.

The problem with communication is that each party is free to communicate as he pleases – about any kind of topic, in any kind of way, adapting or deviating, using odd words in odd ways. And when each party can do as he pleases, and react to the other's reactions as he pleases, it suddenly becomes difficult to communicate. How does one make sure that the message reaches others, that others are motivated to receive and that they understand the message? Basically, communication seems to be a highly improbable affair.[7] When coming across a stranger, it is difficult to know if you share interests and if cultural codes are attuned.

This is where functional systems come into play. They facilitate communication by providing a shared language and shared themes. At the same time they offer frameworks for personal identity. We choose who we want to be when we choose the functional system most to our liking. With that choice goes a choice of social circle, heroes, and a mix of ignorance and contempt for people who lay their eggs in a different functional system.

When organizations communicate, it is difficult to grasp the message because many strategic considerations become interwoven so that only an insider can comprehend the background, that is, which underlying motives, or combination of motives, govern the communication. When organizational scandals are brought to court it is not the involved parties' desire for the truth which brings out the truth, but the fear of the offenders to be stuck with the problem. So the truth emerges – if it emerges – as an unintended by-product of the attempt by the parties to wipe criminal acts off on each other.

This is precisely where functional systems become important. They increase the probability of successful communication because each of them is constructed around a particular *code* – a binary difference that creates a forced division of the world so that a positive side is mirrored in a negative side. The two sides are not equally good. The code has an inherent asymmetry, which means that the plus side is always preferable. That is why it provides a value and a basis for selections which are easy to understand. Within economy this pertains to the difference between owning and not owning, often represented by money. Within politics it is the difference between exercising power and being struck by it, often represented by the difference between government and opposition. Each functional system creates a framework which specializes in a particular code so that each party can expect other parties to know the language and share the interests symbolized by the code. Thus, each functional system constitutes a particular basis for decision-making. This is particularly important in organizations since they constitute systems of decisions.

Standardized codes increase the probability of smooth communication between different parties. The fact that the code is employed by many people has nothing to do with truth-values. Codes are not judged by their degree of truth but by efficiency. They make it easier to build expectations. The businessperson is able to presume that the fact that his aim is to make money and that the bottom line is his measure of failure and success is normal and understood. At the same time, he is able to reject political considerations by presupposing a social division of labour. Economy and business are different realms with different principles. Hence, there exists a predefined basis for decision-making although it, alas, does not eliminate the risky task of deciding *how* to make money.

To make that decision, the mere difference between the plus side and the minus side of the code is insufficient. If the only knowledge one possesses is the fact that more money is better than less money, one is hardly

able to get on in the economic world. In every functional system we see the emergence of a particular *culture*[8] as a supply of traditional knowledge and experiences about what is normal and deviant, acceptable and offensive. Culture represents a reservoir of preconceived notions so that it can pre-programme different situations. Communication never takes place in a social vacuum. A national or local level of normality normally emerges, and if met, it is difficult to criticize and inappropriate to moralize.

Symbolic generalized media

The codes of functional systems are operating in *symbolically generalized media*. Each functional system has one and only one medium. More than one medium would create uncertainty and hence the time-consuming task of clarification which would put strain on communication. A medium simplifies, motivates, and measures success and failure.[9] Hence it is able to create a familiar basis for decisions. The simpler the medium the more easily it can be decoded. Communication obtains an advantage of speed when people are involved in a context in which there is a presupposed agreement about a focus on money, political influence or truth. That is why the world society can be integrated by means of a simple medium such as money whereas the communication of everyday life is too concrete and ambiguous for it to bring together more than a few people. The encounter with a person as a 'whole' requires a wealth of knowledge, which can never be anything but a local resource.

The *standardization* of the medium means that it is limited, but this is not a 'limiting limitation'. Rather, it is a limitation that gives way for expansion. Based on the heavy simplification of a medium, very complex semantic systems can be constructed.

Organizations are guided by media which each creates a shared direction within a functional system. A private enterprise observes through money in its relationship with its environment and through power in its relationship to itself.[10] A public organization observes based on the purpose prescribed by the law and the budget assigned by the law.

Society's most effective communication is steered in the direction of the functional systems and their media. It gives them social weight. That is why each functional system believes that it has special access to reality. A prevalent assumption in the business community is that values not directly related to money are either mere ornamentation or in fact horses in front of the monetary wagon. The moment of truth is about sale. To a politician, the moment of truth is being elected and there are no better values than the ones that make voters vote for him. If an organization depends on feedback from its users, it is unable to move into the future any faster than them. Even if it is experimenting with the cutting edge, it has to follow the MAYA principle of the American designer Raymond Loewy: *Most Advanced Yet Acceptable*.

Due to their strong simplification, media make it easy – or at least easier – to communicate and make decisions. By employing media, an organization

develops *sensitivity* in a particular domain. It is, however, also a way to make it insensitive: the organization makes itself blind to anything that cannot be observed and described in the language of the medium. Furthermore, an organization becomes *autonomous* through the use of a medium. It allows it a certain amount of freedom in choosing what is relevant and how to approach its environment.[11] In a chaotic space of possible choices a medium pre-chooses by creating an either-or that allows for a swift decision. Finally, by employing media, an organization becomes *coherent*. It commits itself to the past through rules and to the future through visions. It uses its self-description – its identity – to exclude certain possible actions. This is a useful simplification. If an organization were to open itself up to any possible observation and action, it would cramp up and become chaotic.

The market

Functional systems are imbued with the *characteristics of the market* since they employ the mechanism of supply and demand to regulate the flow of communication. The market represents a refined mechanism to connect people who do not know each other and do not care about each other without central planning and bureaucracy.[12] In the words of Alvin Toffler, the market is the way communication takes place between producer and consumer when in different places.[13] Any producer has the freedom to produce as he pleases – within the bounds of the law – and any consumer has the freedom to acquire what he needs and can afford.

A market does not depend on whether certain parties have formed a contract or whether they agree on the conditions of the market. As Marx put it, the market has become destiny.[14] It also does not depend on whether the parties know each other or are sympathetic towards each other as demonstrated in Adam Smith's classical analysis of the economic markets.[15] Those conditions would be too risky. Egoism is a more stable mechanism then sympathy.

Modern societies are market societies to a much more radical extent than assumed by liberalism. There is a market for more than just products and services. Each functional system is a market which works parallel to the financial market. In this context, the market for intimacy does not facilitate an exchange of erotic services for money. It is a symbolic area where people use a particular code in order to express, form, reject, simulate and assign love.[16] In the same way, science, politics, education and technology possess the characteristics of a market at which independent producers offer themselves up for sale. Although the law is usually seen as being above the market, that, too, is subject to changes which are merely of a different time and a different feedback mechanism between senders and recipients.

Markets can expand even though society's options for practising tight control are very limited. Adam Smith talks about the invisible hand that ensures macro-level harmony although each participant focuses only on micro-level personal gains. In the market, individuals can stick to serving personal

interests and assume the existence of a system of complementary roles which enable individuals to communicate – not in person or face to face, but functionally through many levels so that a Taiwanese television factory worker or a Russian politician or a newscaster on CNN is able to partake in a global exchange where the recipients of their products are unknown.

We can draw up an incomplete list of functional systems in modern societies. The reason why the list is incomplete is not only that functional systems are interconnected but that it is difficult to estimate when the outlines of a semantic system are sufficiently sharp to refer to it as a functional system. In order to establish a functional system there has to be a certain degree of certainty with respect to its code, particularly if its functions are vital to the stability of society.[17] For that reason we have not seen the emergence of a 'moral functional system'. There is too much uncertainty and noise in the communication concerning right and wrong and too many local preconditions to allow us to solve moral conflicts accurately and swiftly (see Table 1.1).

It is open to discussion whether the models shown in Table 1.1 are the exact ten functional systems or whether there are fewer or more. That is an empirical question, and it can be argued that functional systems of healthcare or sport have been established.

Functional systems are distinguished by the strength of their code in terms of power of simplification. Communicating about money and prices is easy because numbers allow a simple more or less. It is a lot more difficult to establish swift agreement about the 'interest of the child', which is a known fact to anyone who has been close to a divorce. 'The interest of the child' is too vague and uncertain for the involved parties to assume a predefined agreement about what it means and how to measure the scope of the interest. It is easier with money or hierarchical orders. If we were able to assume that the person with the biggest income would also automatically be the one to serve the child's interest in the best way, or if a woman always overruled the

Table 1.1   Markets in modern societies

Area	Goal
Economy	Money
Science	Truth
Politics	Power
Mass media	News
Technology	Efficiency
Law	Legality
Religion	Faith
Education	'The child'
Art	Impression/expression
Intimacy	Love

man, it would be simple to determine who should be granted custody of the child. Likewise, the efficiency of a wastewater treatment plant can be more accurately measured than that of a school.

There are also codes without a functional system. As suggested, there is no functional system for morality because of the inherent disagreement over how to distribute the two sides of the code, right and wrong. It is possible to argue, like Kant, that only intentions matter or, like John Stuart Mill, that only consequences are important. And there is no functional system for culture because the 'culture' of a society represents a loose framework for many different lifestyles or subcultures, from neo-Nazis to conservative Christians.

Functional systems are not carefully planned, not in their entirety nor in every detail. That would make them too vulnerable. There is no agreement about their quality and they are often subject to criticism, for example that they inevitably create social inequality. However, they have proved to be robust and capable of surviving, not because of their perfection but because of the lack of better alternatives. All functional systems suffer from the inequality that they create and which might destroy them if they were not supported by other functional systems. Although each functional system is autonomous, it partakes in a division of labour with other functional systems and needs their support. But of course, the support system is normally made invisible. The individual experiences a sense of freedom when picking and choosing between the standardized offers made available by the different markets. A farmer considers himself to be independent although he is highly subsidized. Business people do not see the support they receive from the political system that finances the infrastructure of society – its education, roads, hospitals and legal system. Instead, they complain about the burdens put on them by 'society'.

What makes functional systems so sophisticated is that they provide the capacity for developing highly complex contexts based on the simple distinction of a code. A decision need only direct itself according to one criterion. A functional system does not, however, make decisions – this is left to organizations – but it creates a semantic space in which people can form shared expectations so that communication does not have to start with Adam and Eve each time.

Moreover, there is no compulsion in a functional system. It merely provides a shared framework, which makes communication easier. Nobody is forced to become a technician or lawyer, and if one chooses to become just that, it can happen in many different ways. But the arbitrariness ends once a career has been chosen. Then one is forced to do a number of things in the particular domain of the career. In the next chapter we will look at these *forms of compulsion*.

Functional systems are different but they are characterized by a number of shared traits. We can sum up by taking a look at eleven of these characteristics.

1   The most effective communication in society is directed by and around functional systems

When people live close together, in a small town or a family, they know each other's histories and particular characteristics. They are able to obtain a comprehensive understanding of each other. When many people need to interact, the ambitions regarding understanding have to be reduced. It becomes necessary to develop effective ways of communication. It takes standardization and simplification to decode signs quickly. Irrelevant concerns have to be disregarded as noise. That is precisely what a functional system does. Thus a person is never entirely present in a functional system. One partakes in several functional systems even if one's professional career falls within one functional system, for example as a teacher or artist. This dispersal minimizes the risk of becoming a complete loser. In the case of failure in one area, there are other areas and other identities to fall back on.

2   A functional system is closed

A functional system uses its medium to distinguish between that which belongs to the system and that which belongs to its environment. Without the medium there would be no system. A medium can be used to observe what is *relevant* so that the elements of the system become consistent and, consequently, inconsistent with elements from other functional systems. The observations of an art dealer when seeing a painting is different from those of an aesthetician, although in a banal sense they are looking at the same painting. Thus functional systems are creating their own elements. They do not exist as finished entities in the environment.

The fact that a system is closed means that it is demarcated from its environment. It also means that its operations are *internal*. To make a simple comparison: even if the eyes are seeing the external world, they do not reach out and touch what they see. Seeing takes place in the mind, not in the environment. In a similar, if not wholly identical way, business people are unable to relate to their customers, politicians are unable to relate to their constituents and scientists do not concern themselves with reality. That would be too overwhelming. A scientist is not dealing with 'reality', as reality is not true or false. It is what it is. Science concerns itself with theories which are much easier to handle than reality. Each functional system needs to construct its own reality in a highly simplified form. It must delimit itself from an environment which can only to an exceedingly limited extent be observed.

The closure of functional systems does not mean that they cannot be influenced causally. The assassinations of John F. Kennedy and Olof Palme had great impact on the political system, but the impact was determined by the political system *itself*. The bullets entered the bodies of the two politicians, not that of the political system. The stock exchange measured the economic

impact, and since then the mass media have tried to extort permanent news value from the two assassinations.

The fundamental unit in the economic system is *payment*. The economic system determines whether a payment has been made, even if both in normal and in hard cases it needs assistance from the legal system. In the process of changing hands, money 'forgets' its former employment and is free to enter into a new context. Money can only relate to money or to products that can be bought with money. But the product bought is not part of the monetary cycle. The product is what a trade is 'about'. It is comparable to words. A cow is that which the word 'cow' is 'about'. That does not mean that a cow will suddenly appear in mid-sentence. Words relate only to other words, money only to money. As we use words and put the words together with other words, we are able to presuppose that the meaning of the words is understood by the person we are talking or writing to. Likewise, once a payment has been made, we are able to presuppose that the product has changed ownership.

3   A functional system stabilizes itself

Modern functional systems are of a global scope which makes it impossible to obtain a comprehensive grasp of them. They are domains of invisibility. No matter how strong the tools of observation, we can see only representative signs. Any society which is functionally differentiated becomes obscure to itself. That pertains to any isolated functional system and even more so to the interaction between functional systems. When each party makes its assumptions about the assumptions of the other parties, and when all parties act on behalf of these assumptions which are invisible to others, uncertainties turn up which strengthen and weaken each other in strange and unpredictable ways. The result is that modern societies are incapable of observing and controlling themselves.

Every functional system constitutes a framework for *specialized observation*. The observations of each observer, and the actions taken based on these observations, are observed by other observers who hence take their precautions. Thus they establish a new situation, which the first observer might relate to and so on, so that a triple spiral of action, observation and information is created, branching off in all directions.

This does not mean chaos, since chaos is a state in which any occurrence is equally probable. A functional system possesses an antidote against chaos. The mutual observation of many observers results in the materialization of *experience*, that is, expectations that are not immovably stable, but stable enough to allow general expectations. These stabilities are called *Eigenvalues*.[18] They come into being and perish, and unforeseen events such as the Fall of the Berlin Wall in 1989 or the development of the Internet in the 1990s can undermine any attempt to do long-term planning.

The fact that the functional systems allow for restless movement with respect to what is variable, what to select and what to preserve does not make

the functional systems unstable. As frameworks for instability they are surprisingly stable. They are not stable in the sense that they are 'unchangeable', but stable in the sense that they can deliver even under restless circumstances. They are *meta-stable*, meaning that they are stable frames for instability and therefore not threatened by instability, just like democracy is a stable frame for political fluctuations. Societies that leave their responsibilities to functional systems, thus accepting instability, are more stable than societies seeking to maintain stability by means of strong central control. Control leads to opposition, whereas there is no one to oppose in market-based societies except for 'conditions' which are difficult to locate and throw rocks at.

4   A functional system overestimates its importance

Each functional system has a memory of its own, its own way of observing and its own interest, which is about its stability and growth. Each functional system cherishes its 'questions' – we speak of these as an 'economic question' or a 'health question', etc. To doctors and psychologists, nothing is more important than the cure. The costs are less important as they do not have to pay themselves. To politicians, on the contrary, prices are important since their constituents demand more welfare combined with tax cuts, so that they must decide which election pledges they can afford.

Each functional system has its spokesperson who promotes its interests. They see the world from the blind spot that constitutes their interest and feel mistreated by 'society' on a regular basis. Functional systems are not in contact with each other and only understand each other by means of simplified models that are always experienced as a distortion. Business people have a tendency to become annoyed when actions are taken in the name of the environment or political concerns such as equality. And artists feel that society ought to support modern art even though members of society hold no interest in modern art, which provokes with one hand and asks for money with the other.

Every functional system demands the support of the others. 'This calls for more research' is the monotonous claim from researchers when seeking to have their grants raised. But they want the grants to be 'fluid', that is, with no conditions attached. Preferably in the form of money, which is a medium that any system can employ as it wishes.

A functional system has its heroes, whereas heroes from other functional systems look like fools – that is, if a scientist were to have the faintest familiarity with the art scene. When not a politician yourself, it is hard to understand that anyone would want to be a politician – to be surrounded by people whose only aim is to benefit their own cause and who is willing to stab their colleagues' backs for personal gains. Having to read loads of dull reports. Having to live through the humiliations of an election campaign with ritual discussions, ridiculous slogans, and pictures of oneself on every other lamppost, in rainy and rough weather as the laughing stock of everyone else.

However, to those people who are enamoured of the game we might apply a remark I once heard in a television programme. The host showed a box filled with hamsters and exclaimed: 'See how they crawl and move about, the little creatures. *But that is how they want it and that is how they like it.*' Politicians have chosen their trade and must accept its rules. They might, in turn, wonder why some people choose to become scientists and spend an exorbitant amount of time combining words with other words in their solitude.

5   A functional system does not take on outside considerations

Economy is about the exchange of products and services and about creating a profit in the monetary cycle. This is the fundamental concern and without it there would be no private enterprise. However, this is also its limitation. A private company does not consider itself responsible for the creation of jobs; it has no interest in acting as a subdivision of the social services department, or to ensure peace in Europe by involving itself in high-risk investments in the former socialist countries in Eastern Europe. Its concern is to make money. Milton Friedman[19] even asserted that it is the social responsibility of companies to make money, and that too many further responsibilities would merely blur their focus, as when a lion chases more than one zebra simultaneously and ends up with empty claws. The legal system is not about justice or about the personal opinions of a judge but about existing law. Its job is to curtail itself and disregard moral considerations, even though laymen may find it absurd that a murderer who admits to his crime may get off because of a procedural mistake – and subsequently even sue the legal system for unjustified imprisonment!

6   Functional systems make it impossible
to speak of 'society as a whole'

Because functional systems are closed around their own concerns, society becomes differentiated into a range of parallel functional systems, which means that 'society as a whole' has vanished from the picture. Each functional system simplifies and interprets from its own perspective. In the same way that God only becomes visible through people interpreting His words, the whole only becomes visible through its parts – which could be any part. Since a functional system has a global scale and includes thousands of organizations and people, it does not have the capacity to have a comprehensive view of itself or the other functional systems. A politician does not need knowledge of science and although a businessperson might collect art, it is merely a private interest, which might provide her with a certain nimbus without, however, making her a better businessperson.

7   Functional systems do not form a hierarchy

Functional systems are parallel, not superior or inferior, to each other. They each have their own principles and dynamic. 'Society at large' becomes the

incalculable association of many functional systems. The task of regulating the relationship between functional systems goes to the political system, even if politicians in modern societies have their own agenda, so that their talk of 'society at large' must be met with scepticism. Usually, it is merely a rescripted version of their own vision, as the political system is governed by parties that always disagree. When the values of functional subsystem collide, there is no objective solution as the values cannot be compared to each other. Consequently, it takes political decisions to balance the claims. Aided by the mass media the political system makes collectively binding decisions.[20]

8   The mass media regulate the relationship between functional systems

The mass media constitute a particular functional system that observes and simplifies its environment based on the difference between what is news and what is no (longer) news. The mass media provide society with its current self-description – not in a form agreeable to everybody, but in a form accessible to everyone. They provide a meeting place for the functional systems. This is where the functional systems find out whether they are fulfilling their job or whether they have gone too far in the pursuit of their own benefits.

Only to a very limited extent are the mass media able to relate to the other functional systems. They have their own agenda: news production. That is why the other functional systems are both interested in and irritated by attention from the mass media, because the mass media 'distort' – which simply means that mass media observe the world through a difference different from theirs.

The public space is where the *boundaries* of the functional systems are discussed and where the common agenda of society stabilizes. Therefore, the functional systems all depend on the media. Even though they tend to be sufficiently consumed by the torment of their own system, they partake in a division of labour and are thus dependent on each other. They cannot afford to affront public opinion without losing their licence to operate.

9   A functional system does not know morality

Functional systems are domains without morality. Or better: they are reckless and blind *in their pure form* – which actually is very rarely or never pure. The more precise the code, the easier for individuals and organizations to find relief from a confusing reality by observing it in the rational or 'technical' perspective of a functional system such as economy or science. The ideal is the ability to make objective decisions which do no longer depend on the decision-maker but are, so to speak, forced by reality. Almost as if it was not a decision but something matter-of-factly so that the decision makes itself. This is, of course, an illusion. Even if a decision is rational according to its premises, it takes a decision-maker to select the premises.

Organizations have no automatic interest in assuming the limitations of morality. They have no solidarity with the 'general interest'. They hire employees because they need them, not in order to solve political problems of unemployment. They invest in order to create a profit, not in order to stabilize Eastern Europe. The solidarity of Wall Street with society is not negligible; it is 'nearly nil'.[21] The focus of the media is the media themselves. As referred to in Carmen's song, love is a bird that does not know law.

Money and power are technical and allow communication almost without communication.[22] They relieve themselves of the demanding duality of morality regarding motive and consequence.[23] For that precise reason, it is strange – and confusing – to see how the interest in making money or obtaining power leads to a conduct which resembles morality.

Organizations are unable to offend their stakeholders without hampering their own future. Out of rational prudence, as opposed to moral goodness, they have to develop and maintain confidence so that the consumers will accept their products without knowing exactly what goes on in the organizations or what the products contain. Organizations are only able to get a licence to operate if they do not overstep the invisible lines that indicate the public boundary between acceptable and unacceptable.

We may speak of the *pseudo-morality* of the market. Organizations keep their path clean, not because deception is not tempting but because it is stupid. In the place of morality we see prudence, which resembles morality and which is happy to hide behind morality. To the public, there is no difference. It is concerned with whether the organization acts decently, not why.[24] And generally, that is enough. We do not expect sincerity from organizations, and motives are unimportant as the public is unable to test whether an organization is sincere or not. People, not organizations, can be sincere.

As already mentioned, there is no functional system for morality. It is not because morality does not exist but because it cannot be discussed objectively. Unavoidably, what is objective becomes mixed up with social and subjective regards, and intentions have to be balanced with consequences.

As a functional system has one and only one medium, it has to disregard morality. That means two things: *First*, that the code of a functional system cannot be overwritten and supplemented by the code of morality so that one side of the code is automatically morally correct and the other morally wrong. The government has no automatic moral right; it is no more moral to have money than not to have it; and the winner in a legal trial can still be the moral loser. *Second*, that a functional system generally relieves itself of the burden of observing its operations morally. Morality is activated only when something goes wrong, whereas normality is seen as natural and morally neutral. Therefore, it might take days for morality to become an issue. Only the actions of the others – the strangers – are unnatural and should be prohibited. Unfortunately, 'the others' feel the same way, except in reverse. That is why

morality represents a sensitive area, a minefield that one is happy to avoid and hence seeks to privatize.

Concentration camps can generate quality science – science which cannot be dismissed simply as sadistic, because *as science* it is acceptable, even if done in a *morally* horrifying manner. My father, who was a doctor, went to Germany with the Red Cross during World War II to help concentration camp prisoners, and of the stories he recounted after his return, one in particular stuck in my young mind. It was about prisoners who, as part of a scientific experiment, had their legs covered in plaster, whereupon the scientists sprayed a corrosive liquid under the plaster cast. As the muscle tissue in their legs slowly disintegrated, the prisoners were forced to pace the room so that the doctors could observe the prisoners' attempts to hold their balance as they slowly lost control of their muscles. Afterwards, only the bones were left; and after their legs were amputated, the men became known as 'the broomstick men'.

It was gruesome, but it was good science. Under extreme conditions, science had been allowed to remove a moral consideration that is basically foreign to science. The results were interesting and the technical procedures were properly carried out with control tests and scientific records.

In the history of ideas we can observe how functional systems have evolved by insisting on their right *not* to embrace moral considerations. Machiavelli claimed that those in power should pursue power for the sake of power alone and accept lies and cruelty as a potential necessity in order to win the game of power.[25] Political conduct cannot be judged by moral standards, only by power standards. One cannot be in power without obtaining a cynical relationship with the people over whom one has power (as a dictator) or by whom one has been elected (as a democratic politician). Galileo Galilei (1564–1642) sought to describe the physical world without appealing to God or purpose. He wanted to describe the world mathematically, that is, as a simple relationship between measurable entities such as mass, time and force. Adam Smith (1723–90) argued that we do not appeal to the 'benevolence' of the baker, brewer or butcher when we do business with him but rather to his egoism.[26] An employer is allowed to hurt his competitors. He is also free to put on the plastic apron and fire his employees if there are economic reasons and he follows current legislation. The victims are unable to protest and the employer is not viewed as a bad person – except if something abnormal takes place.

In the seventeenth century the economic trend called *mercantilism*[27] worked stubbornly and steadily to liberate business from the tight grip of the Church in order to turn profit, interest rates and economic growth into acceptable measures. In the writings of the Catholic Thomas Aquinas and the Protestant Martin Luther in the Middle Ages, trade and economy were treated with great suspicion as pure deception and exploitation.[28] Mercantilism instigated the tradition of measuring the success or failure of a society in purely economic terms.

Even religious belief, which is so close to morality, is able to justify behaviour which is harmful to humans. Jehovah's Witnesses reject the use of blood transfusions, even for their own children. Søren Kierkegaard spoke of a religious 'suspension of the ethical'[29] when trying to justify Abraham's sacrifice of his son on the Mountain of Moria after hearing a voice which he believed to be that of God. Even if Kierkegaard appointed Abraham a religious hero, that argument would not stand in a modern courtroom.

In intimate relationships morality is often suspended when partners choose or leave each other. We do not choose each other based on moral considerations but because of love. We leave each other because we have found someone else, hopefully better, so that we cannot avoid hurting someone. 'Love is a tough business,' a poet tells us, 'stay away/or take whatever comes.' Hurting is not the purpose but an unavoidable consequence.

A functional system is unable to accept dependency on the cultural backgrounds of all participants. It is like in the Olympic Games. Being a good sportsman is not dependent on race or religious beliefs since the games are organized in such a way that culture plays no role. The measures of proficiency as a businessperson, politician or lawyer are not cultural – even though politicians have to be accepted by their constituents *as human beings* so that cultural difference might play an indirect or strategic role.

For that reason, we make a distinction between the role or the mask[30] – which a person must adopt in order to live up to professional requirements – and the private convictions of the person. Within the functional system and more specifically inside an organization, one's motives might be taken over by the system so that one's action can be in conflict with one's personal beliefs. One feels obliged to do what seems to be needed, and hence a mild schizophrenia becomes normal.

We make a distinction between professional and private, although it has become increasingly more difficult to draw a precise line between them because we ask of our public figures to pretend to speak to us in intimate and familiar terms. It is more interesting to look at the content of a politician's refrigerator than of his election programme.

10   The boundary between functional systems is a critical area

A functional system is meant to simplify and to connect people who do not know each other. Being able to have confidence in a functional system is important, both because its services are vital to society and because it is unable to obtain control and have a comprehensive view. Therefore, a lot of attention is given to attempts to tip the scale – scientific fraud with the intention to make a profit or bribery of politicians to gain their support for a specific case. Trust is based on familiarity with the name and rules of the game – and the assurance that they are followed. It is important to know whether public building activities such as bridges are based on economic criteria or are political prestige projects when judging their success or failure. Hence a lot

of attention is given to potential cover-ups by politicians and administrators of the budgets in order to give the appearance of a financially sound project. Even if the operations of a functional system are invisible to the public, there is a demand for openness, not about all details, but about what kind of game we are in. When politicians from different parties team up in their private lives, problems of loyalty arise, since it is hard to determine if pillow talk can be kept clearly separated from statements made in the party room.

It is important to us, therefore, to be able to distinguish the individual from the uniform and avoid, if possible, that the same individual wears two uniforms. The person with the two uniforms will always try to assure us that she is capable of distinguishing. And maybe she is. But other people do not have that certainty and since they see the issue from a different perspective, the attempts to convince people that the distinction can be made might simply increase suspicion. As in the words of Hamlet's mother about the player queen: 'The lady doth protest too much.'[31]

Conflicts between functional systems that hold their own measures of success and failure cannot be solved rationally. It requires a prioritization, which is impossible because the different considerations are incompatible and incomparable. But even if impossible, it has to be done, and the means of doing it is with political decisions that, consequently, are by definition not objective. Such conflicts are frequent in modern societies, and this encourages the differing interest to increase their rhetoric in the hope of being met with sympathy in the mass media so that their demands are hard to reject. Rhetoric replaces the beautiful, but impossible, dream of rationality.

11 Functional systems can work together

There is no reason why functional systems should not be able to work together so that a solution must meet several demands simultaneously. A research plan has to be economically, politically and scientifically acceptable. That increases the demands but does not necessarily render it impossible. There are 'themes' in between different functional systems which are observed differently by each system, but which also establish an area of cooperation between them. A work of art is observable as an aesthetic, economic and moral object.

So far, we have explored the rough outlines of the way functional systems are built and the way in which they both differ from and rely on each other. Now, we will address the dynamic that they convey to modern societies.

Notes

1. See Niklas Luhmann, 'Generalised Media and the Problem of Contingency', in Jan J. Loubser, Rainer C. Baum, Andrew Effrat and Victor Meyer Lidz (eds),

Explorations in General Theory in Social Science, New York, 1976, p. 519. See also Niklas Luhmann, *Social Systems*, Stanford, 1995, p. 161.

2. Karl Marx and Friedrich Engels, *The German Ideology*, http://www.marxists.org/archive/marx/works/1845/german-ideology/ch01d.htm, Part I: Feuerbach. D. Proletarians and Communism, 'Individuals, Class and Community'.

3. Niklas Luhmann, 'Die Weltgesellschaft', in *Soziologische Aufklärung 2*, Opladen, 1975, pp. 51–88.

4. I am basing this on Niklas Luhmann's theory about social systems without providing further justification. Luhmann's theory of social systems as systems of communication is presented in Luhmann, *Social Systems*, Chap. 4.

5. Gregory Bateson, *Steps to an Ecology of Mind*, Frogmore, St Albans, 1972, p. 428.

6. John Kenneth Galbraith, *The Great Crash 1929*, Boston, 1961, p. xxii.

7. Luhmann, *Social Systems*, p. 157.

8. Luhmann, *Social Systems*, p. 163.

9. Luhmann, *Social Systems*, p. 161.

10. Talcott Parsons, *Sociological Theory and Modern Society*, New York, 1967, pp. 279f.

11. Luhmann, *Social Systems*, p. 204.

12. In Hegelian concepts, modern societies are divided into a number of systems in which people exist in relationships of exteriority with each other whereas the notion of an organic society, as expressed in the state as the symbolic unity of society, has disappeared, see G.W.F. Hegel, *Philosophy of Right*, Oxford, 1967, 1976, §183.

13. Alvin Toffler, *The Third Wave*, New York, 1984, p. 42.

14. Marx and Engels, *The German Ideology*, Part I: Feuerbach, A. Idealism and Materialism, 'Private Property and Communism'.

15. Adam Smith, *The Wealth of Nations*, Chap. 2, New York, 2003.

16. Niklas Luhmann, *Love as Passion,* Cambridge, 1986.

17. These reservations are due to the fact that some functional systems not only survive despite, but live because of, uncertainty with regard to their code. The art system has never reached agreement about what art is, how to define beauty and ugliness, nor established the definitions of successful and unsuccessful art.

18. Heinz von Foerster, *Observing Systems*, Seaside, Calif., 1984, pp. 274ff.

19. Milton Friedman, 'The Social Responsibility of Business is to Increase its Profits', *New York Times Magazine*, 13 September 1970.

20. Niklas Luhmann, *The Reality of the Mass Media,* Stanford, 2000, p. 103.

21. Galbraith, *The Great Crash 1929*, p. xxi.

22. See Niklas Luhmann, *Power*, New York, 1979, p. 156, and for additional commentary Jürgen Habermas, *Theorie des kommunikativen Handelns*, Frankfurt am Main, 1981, vol. 2, pp. 231f.

23. See Aristotle, *The Nichomachean Ethics*, Oxford, 1998, in which he also stresses the fact that virtue is not just satisfied with doing the right thing if the acting person is not also in a 'specific state of mind' when he acts according to virtue. Doing the right thing must be chosen for its own sake.

24. See Hegel, *Philosophy of Right*, about the old attitude which only looked at behaviour and the new attitude which includes motives and 'heart' (§121). Generally, this distinction cannot be employed in connection with organizations and hence an outside observation will have to suffice.

25. In *The Prince*, written c. 1505, published 1515.

26. Adam Smith, *The Wealth of Nations*, New York, 1993, p. 15.

27. Eli F. Heckshler, *Mercantilism*, 2 vols, London, 1994.

28. See Thomas Aquinas, *Summa Theologiae*, II-II, Qu. 77: 'Trade entails a certain touch of lowness,' quoted from Paul E. Sigmund, *St Thomas Aquinas on Politics and Ethics*, New York, 1988, p. 73. Martin Luther also claimed that business was sin to God. The assertion of the inferiority of trade and economy dates back to antiquity when philosophers like Plato, Aristotle and Cicero defended the world-view of the landowning aristocracy against businessmen and tradesmen. They perceived working with one's hands and making money as degrading.

29. Søren Kierkegaard, *Fear and Trembling*, Princeton, 1983, p. 54.

30. Richard Sennett presents a defence of the mask as a tool for both presenting and protecting oneself, *The Fall of Public Man*, New York, 1974, p. 269.

31. William Shakespeare, *Hamlet*, Act 3, Scene 2.

2
Forms of Compulsion

Functional systems do not 'do' anything. They constitute a semantic framework for organizations and people, and they are maintained by organizations and people. Semantic systems need actors, and actors need semantic systems.[1] Their close relationship means that forms of compulsion which come into being in functional systems also become forms of compulsion for organizations and people. 'A form of compulsion' means a condition for operating. The point is not that anyone is forced to be a scientist or an artist. However, if someone has a hankering for power, or for art, and if that person defines the significant part of his identity – what he 'is' when introducing himself – through reference to a functional system, then he has to abide by certain rules. No one is able to be a businessperson or teacher all by themselves. Our identity is defined in relation to other people.

A functional system is a place for the *observation of observation*. Each party observes and is observed, strengthens or weakens other parties, is similar or different. Functional systems are created by this second-order observation and are at the same time a framework for it. They develop structures in order for the parties to be able to hold reasonably stable expectations of each other. Opportunities depend on such structures that might change, but not randomly. And some of them have become stabilized beyond control. Even if they are man-made, no man or woman has the power of changing them, because everybody else supposes that they are still working and act on this presupposition. We are going to discuss some of these forms of compulsion.

Forms of compulsion of the market

1 Compulsion towards wealth

Each functional system has one and only one code which works as its guiding distinction.[2] The unity of the two sides of the code shows wealth, which gives the functional system its directions. Wealth is many different things, depending on one's interests: money is wealth, but so is art or power or intimacy,

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Forms of compulsion of the market

Compulsion towards wealth   Compulsion towards information
Compulsion towards growth   Compulsion towards reflection
Compulsion towards competition   Compulsion towards individuality
Compulsion towards change   Compulsion towards masking

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and hence the loss of one form of wealth can be compensated through the gain of another. We do not expect that any person is the wealthiest in every sense of the word the way the old Egyptians required it of their king. If one loses one's money, one might find consolation in the fact that one is healthy or happily married or a dedicated chess player.

Operating within a functional system implies accepting the use of the code as a value, that is, a reason for choosing. Every code indicates a motive that has become normalized. That a businessperson wants to make money or that a politician seeks election needs no explanation. This is a premise that can be presupposed. However, if they decide *not* to employ the code and disregard its distinction, they are out of business. If a lawyer disregards the distinction between legal and illegal or if a lover does not care whether his beloved says yes or no, then they can no longer operate in the functional system of legality or intimacy.

Employing a code is not a question of authenticity. A functional system would become overloaded if motives had to be tested for sincerity.[3] The important thing is actions, justification of actions, and coherence between words and actions. Only in close relationships is sincerity a problem which can be solved and hence posed – and still not be quite solved.

2   Compulsion towards growth

Every functional system, and every organization, uses its growth to measure its success and failure.[4] And since the measure is symbolic – a code value – there is no natural upper limit for growth. A functional system observes in only one dimension and is, consequently, unable to restrict itself, because that would need another criterion. There is no limit to how much money, how many voters, how much truth or how deep a faith one might wish for. Growth can be quantitative, as when a city or a car park grows.[5] And qualitative, as when a computer becomes more advanced or a relationship deepens. Functional systems require growth both in the sense of 'expansion' and in the sense of 'refinement'.[6]

No matter how rich a modern society, it is never rich enough.[7] And wealth is measured in many dimensions which do not automatically support each other. There are possible combinations. Often, people compose a menu with

a little bit of everything. A few people are passionately obsessed by one type of wealth and sacrifice their family, weekends and sleep to improve their ability to program computers or make more money. They live by the old motto which claims that the purity of the heart is its power to focus on one goal.

3   Compulsion towards competition

A functional system provides a shared direction for organizations and people. They all want to conquer the same wealth. And when people want the same thing, they do not just work with each other, but also against each other. When many people seek to make money or a career they automatically end up getting in each other's way. They compete whether or not they wish to do so. Even people who reject competition and believe that it corrupts humanity have to stand up for their views and ideas and hence compete on the market of opinions. There is competition even for those who do not wish to compete.

4   Compulsion towards change

Change is the strongest competitive card in modern societies. We expect what is new to be better. And if nothing else, it has automatic news value. Thus modern societies are internally restless. They need no outside enemy to get aroused but are in a state of constant self-arousal.[8] They mercilessly push themselves to their edge and allow for progress with incalculable consequences. Although trust in progress is generally on the decline, progress does not let itself be stopped by little things such as the discomfort and fear which it creates, but presses on in all directions. This pressure is the collective result of a myriad of smaller changes and improvements, initiated by organizations in the attempt to become better, expand their markets and win the competition – willingly supported by people in their effort to make a career.

The dynamic of change can be traced in all functional systems. It meets organizations and people as a requirement that they cannot ignore if they have any desire to participate in the game. Nobody is forced into participating. One is free to leave the fast lane and switch onto a sidetrack. However, this does not change the dynamic, which is a systemic compulsion and thus independent of single individuals. The dynamic is not, however, independent of *all* individuals and relies on the fact that this compulsion has entered the human soul which has become obsessed with observing the status quo in the light of better alternatives. The result is a mindset of critique and reflection.

Compulsion towards growth and change is the flipside of the banal human desire to find a freer and more exciting life – and of the symbolic tools which organizations provide them with when seeking to demonstrate what freedom and excitement mean. The endless supplements in the Sunday papers

illustrate the way that travel, house and garden, health, lifestyle, culture or computers have become arenas for a battle over the meaning of life.

Compulsion towards change surfaces as a continuous production of obsolescence. The newness of one thing indicates that something else is becoming obsolete, unless the new thing is radically new. When newness is considered a quality, every idea or solution is short-lived and might never be thoroughly tested before it becomes obsolete in the light of a new idea or solution. As a consequence, the sense of *time* is ever-present in all functional systems.

A social system consists of transient communication and needs tools – structures – for the choice of its next condition. Functional systems deliver such tools in the form of values which facilitate change. A transition to new states is forced and pre-empted when actors are competitive and seek to get ahead of everyone else. Thus innovations are continuously stirred up, which forces organizations to adapt with more innovation. Very little survives. We only need to remind ourselves of how many words are written and how few remembered.

The dynamic of change is not only *factual* and pertains not only to improved solutions. It is also *social* and pertains to competition between different solutions where the public has to be persuaded. Moreover, it is a *subjective* dynamic through which the individual might promote his career by presenting something new and convincing others that it represents the solution of the future or at least of the season.

Hence we see a constant modelling and refinement of our desires.[9] The heroes of modern societies are not only those who create solutions but also those who create problems and in that way stir up society to growth and renewed efforts. Doctors do not only make people healthy when inventing still more sophisticated and costly cures – they also make them more sick. If sickness is not merely a biological condition, but a difference between the actual condition of the body and the condition it *could* be in if treated, then sickness is also a social condition, which means that doctors create new diseases every time they come up with new forms of treatment. Thus, infertility has been transformed from destiny to disease, and thousands of people gain the support – of doctors! – for the transformation of their personal problems into public welfare problems. In the same manner, obesity, alcoholism, smoking and gambling mania have changed from being personal problems to being public health problems. People insist on their right to receive treatment which should, obviously, be 'free'. In the same way, consultants make people stupid, or at least not smart enough, beauty experts make people ugly and psychologists can transform normal transitions in an ordinary life into crises that require professional assistance. We might end up needing emergency psychological help when dropping a bag of groceries in the supermarket in order to work through the loss.

The point is not to brand this development as wrong or perverted, however tempting it might seem. The development also represents a pursuit of

civilization. Change results from a comparison between what we have and what we could have. In this way poverty is reproduced on endlessly higher levels, if we agree with Plato that poverty should not be measured by what people have but by what they desire. This does not only mean that the slick salesmen have no problem producing desires that might ruin their victims. It also creates a modern mindset of perpetual frustration, an unceasing sense of discontent which leaves us with the feeling of *always* having too little – and since it is always someone else's fault, it is easy to feel betrayed.

In the eighteenth century, the physiocrats[10] characterized any trade and industry as perverted. The physiocratic movement was based in an agricultural society and had no appreciation for the emergent industrial society. In the same way, based in the industrial society, it is easy to fail to appreciate the importance of the new economy of knowledge and desires and normatively reject it because it breaks norms.[11]

The compulsion for change means that organizations cannot rely on spontaneous demand, which is too inert and uncertain. Hence our desires must be given not only massage but also new tools. Business people instruct their customers about potential needs,[12] politicians try to create attention and support for their social fantasies and readily expose their private lives in order to create additional interest and 'a human face', and social workers push the losers in front of them so that they can serve themselves and their clients at the same time. By establishing support groups, articulating their interests, increasing their sensibility for special demands and promising to fulfil them, a functional system secures its growth. Some are more proficient than others. Doctors have been extremely effective at creating health demands so that there are basically no longer healthy people, but only patient groups who feel betrayed. Politicians and artists are not that good at gathering public support for their interests. They work hard, and often in vain, to convince people of the importance of their products.

The result is an *inflation of demands*, which we will discuss more thoroughly in the next chapter.

5   Compulsion towards information

One condition of operating in a minefield of competition, threatened by ongoing obsolescence, is to stay informed. The demand for information appears in all dimensions. This pertains to:

- *factual* information about products and the development of products,
- *social* information about competition and legislation, about the desires of customers and clients, and about potential future environmental regulations, and
- *subjective* information about people who are important for a cause or career as resources or gatekeepers.

Not only the factual *what*, but also the social and the subjective *who knows what* is interesting.

The need for more information leads to the development of stronger tools for storing and processing information. It does not, however, lead to a saturation of the need, since the information deficit repeats itself on increasingly higher levels.[13] There is no limit to the amount of information one might want to include when making a decision. Anything *could* be relevant.[14] It is an old *dictum* that knowledge is power. Logically it would follow that increased knowledge means increased power. However, that is a qualified truth. Experience teaches us that:

- The important thing is not information as such but relevant information.
- Relevant information is not free, it has costs.
- Relevant information is not a readily available asset, it is kept hidden.
- The important thing is not information as such but power to assert information in the battle over relevance and over what should be the basis for decisions.[15]

Modern societies are obsessed with knowing and obsessed with registering. We enthusiastically measure our condition on monitors, databanks and endless paper trails with statistics and numbers, we manically compare ourselves with the ones we usually compare ourselves with out of fear that we might fall behind. The result is a double spiral of information, in which information creates new conditions, which subsequently requires more information. Thus the information process becomes reflexive and is nearly capable of feeding itself. Information creates change, and change creates a need for information. And thus the endless pursuit of the right information begins. However, information not only reduces uncertainty, it also produces uncertainty, because every bit of information is a selection surrounded by details not specified and other ways of observing considered irrelevant.

Behind the desire for information lies the desire for informed decision-making. However, the opposite of knowing is not simply not knowing, that is, not paying attention and/or being too lazy, poor or incapable to obtain relevant and accessible information. Besides knowing and not knowing there is the form of *not-knowing* which pertains to issues about which one is in principle unable to obtain information.[16] When a functional system comprises a cross-section of the entire globe and includes millions of organizations and people that all change and deviate, then the notion of full information becomes absurd.

Moreover, it becomes absurd to believe that it is possible to estimate the consequences of one's own or other people's decisions. First of all, a decision can be judged by so many parameters that isolating a particular set of causes and effects is struck by a certain arbitrariness. And second, it is impossible to predict the reaction of people who are themselves trying to predict reactions.

Often, one cannot determine what the situation is and how to react until *in the situation*. Although people are always in a situation, it is not always clear *what* the situation is. It emerges from interactions in which many parties try to assert their interpretation. Calculation requires few and precise parameters. Even if a decision-maker has made an effort and found a solution which, based on the accessible information, minimizes the risk of loss or damage, he cannot be sure that the involved parties believe that it is a good idea to be exposed to risks at all, just because someone else makes a decision.[17]

Organizations and people have limited attention spans and limited capacity for storing and processing information. They cannot spend all their time obtaining information. At some point they have to make up their mind and make a decision. That creates a new situation, which then requires information. When everybody makes up their mind and acts from the perspective of their particular blindness it creates a mild chaos of interferences, which subsequently requires strong tools for simplification. That is, to curb arbitrariness with arbitrariness.

6 Compulsion towards reflection

Growth, competition and change challenge natural and traditional boundaries. They are unavoidably exceeded in the pursuit of change. Taboos are brought to the table and are talked to death. All intuitive obviousness comes into focus, and everyone tramples into spaces where even angels did not previously tread. What is sacred becomes profane,[18] because people with calculating eyes observe the sacred in the light of profit, scientific importance, political support, entertainment and advertisement effects, artistic expression, etc. All means and ends are judged from still new perspectives with a view to either preserving or changing them. And routinely, the answer is that the status quo does not suffice, but needs improvement. Starting with Descartes, the modern mind is a critical mind.

7 Compulsion towards individuality

In a society structured around inherited social positions, a person obtained his identity from his class. He was supposed to stick to his last and be his father's son. Our names still contain traces from the time when one had the father's name in addition to one's own. Back then, Ole Thyssen would have conveyed the information that my name was Ole and my father's name Thyge. My son Adam would then have been given the last name Olsen. Indeed, there are certain advantages to the new system!

When segmentary differentiation is replaced by functional differentiation, it changes the significance of being an individual. No person can exist inside only one functional system. It does not comprise the entire person, only a part. Each functional system constitutes a framework for careers where one must be visible and stand out. This promotes narcissism with no pre-defined loyalty.[19] One is loyal to those who show loyalty towards

oneself – perhaps, and unless something better comes along. Loyalty is nego-tiated and renegotiated. It does not last forever and cannot always be trusted. It is marked by time.

A modern individual is not only observing the world, but also observing the way other individuals observe her and how she herself observes. That makes her volatile and puts pressure on organizations, political parties and families who previously were able to count on lifelong loyalty. In modern societies sit-uations change quickly, new possibilities emerge and require reconsideration, often resulting in change.

Individuality leads to differentiation. One does not accept one's status as 'someone' but wants to be 'oneself'. Being oneself means being different from everyone else. Thus normal solutions have no appeal, only unique solutions. Fortunately, for the benefit of simplicity, it has become normal to be unique, and conformist to be an individualist.

Traditional societies contained a compulsion towards conformity so that even initiators had to pretend that they were merely repeating old manners.[20] In modern societies, there is more identity in deviation than in adaptation. In the same way that we tend to remember grievous rulers like Nero, Napoleon and Hitler more clearly than meek and peace-loving kings such as – no names seem to pop up! In the same manner, what is unusual has higher news-value than normality. The newspapers never report on how people have once again awoken to a day very similar to the previous day or that most trains left the station at their scheduled time. Change and individuality become normal demands. Organizations must both create and comply with new demands from their employees and customers. But neither private nor public organ-izations are able to fulfil all the demands for special consideration of the very particular aspects of the life of employees or citizens. This calls for an analy-sis of how to handle the unavoidable value conflicts which, alas, cannot be solved in an objective way by appealing to super-values.

8   Compulsion towards masking

A functional system can only relate to a limited segment of a person. We can term this segment a mask, remembering that the word 'person' derives from the mask worn by Roman actors in order to simultaneously become visible to and remain hidden from their audience. We each have a set of masks which we switch between in different situations. There is the professional mask, whether it is that of the businessperson, the politician or the doctor. And there is the private mask that we put on when we declare that 'now we take off the mask and become ourselves'. Being oneself, however, does not imply communicating about everything one thinks or senses. No relationship could endure the flood of chaotic and flighty thoughts which include doubts, insecurity and perversion – things which would lead to unnecessary conflicts. No relationship would last more than eight, perhaps ten, seconds if we did not protect ourselves and others with masks. Thus a mask is not merely a

strange and estranged cover for the 'real self'. Rather, the limitation of the mask is the way we express ourselves.[21] It represents a basic politeness towards others.

With the description of modern functional systems, we have outlined the frameworks within which modern organizations have to work. A functional system is built on conditions that cannot be controlled centrally. It materializes because the leading code is sufficiently robust for the creation of temporary stabilities so that the system can perform even under unusual and uncertain conditions in which people cannot be expected to behave predictably or hold steady values. In the next chapter, we will focus on the demand for growth.

Notes

1. When for the sake of simplicity I still talk about functional subsystems 'observing' and the like, it must be understood as a reference to organizations and people using the language of the functional system.
2. Niklas Luhmann, 'Distinctions directrices. Über Codierung von Semantiken und Systemen', in *Soziologische Aufklärung 4*, Opladen, 1987.
3. Hence, functional systems have to reverse the development which according to Hegel characterizes modern societies, i.e. that they do not only inquire about the integrity of a man but also inquire into his motives, see G.W.F. Hegel, *Philosophy of Right*, Oxford, 1967, §121. Generally, a functional system has to limit itself to the external.
4. After the Renaissance, a particular social theory emerged that has been called 'possessive individualism' in which the individual measures his success and failure in relation to his property and in which society measures *its* success in relation to its wealth, defined by its stock of precious metals; see Eli F. Heckschler, *Mercantilism*, 2 vols, London, 1994, vol. 2, Part V, Chap. 2, Part 1, 'Freedom and Trade'. In Adam Smith's theory about the market in *The Wealth of Nations*, Chap. 2, the two views merge; see also C.B. Macpherson, *The Political Theory of Possessive Individualism: Hobbes to Locke*, Oxford, 1972. Thomas Hobbes talks about a desire for 'Power after Power that ceaseth only in Death' (*Leviathan*, Oxford, 1965, p. 95, where 'power' is not just political power, but everything having social effects, so that also money, fame and knowledge are forms of power.
5. Russell L. Ackoff thus contrasts *growth*, which is quantitative, with *development*, which is qualitative (*Creating the Corporate Future*, New York, 1982, pp. 34f.). The special thing about modern markets is that they perceive both growth and development as growth, which means that growth also pertains to immaterial values such as equality and health. Democratization and rationalization represent growth as well.
6. See Hegel, *Philosophy of Right*, §191, where Hegel speaks of 'an endlessly continued multiplication'.
7. See Hegel, *Philosophy of Right*, §195.
8. Niklas Luhmann employs words as powerful as 'neurotic' and 'drug-like' to describe the compulsion towards change in the functional systems and claims that 'a society committed to growth is constantly threatening itself with its own past' (*The Reality of the Mass Media*, Stanford, 2000, pp. 21, 39, 29). What was

good enough yesterday is not good enough today. Increasing, thus, also means decreasing.

9. See Hegel, *Philosophy of Right*, §191 and §195, to which we have previously referred in Chapter 1. Karl Marx continued this discussion in claiming that the first historical act by man was the creation of new demands. And this step was taken when people no longer used only what they could find but began to produce the means to sustain life (Karl Marx, *The German Ideology*, http://www.marxists.org/archive/marx/works/1845/german-ideology/ch01a.htm#a1, Part I: Feuerbach. A. Idealism and Materialism, 'History: Fundamental Conditions').

10. On physiocracy see Pierre Guillet de Monthoux, *The Moral Philosophy of Management from Quesnay to Keynes*, New York, 1993, Chap. 1.

11. Again, Hegel is a pioneer. As early as 1821 he described how it is no longer needs, but 'meaning', i.e. symbolic meaning, that has to be fulfilled, see *Philosophy of Right*, §190. Prior to that, Thomas Hobbes described how people are excited by small symbolic differences so that 'trifles, as a word, a smile, a different opinion, and any other sign of undervalue' are able to create conflicts (*Leviathan,* Oxford, 1991, p. 88).

12. The importance of advertisement, and thus the rejection of the classical theory of the sovereign consumer, is an important point in John Kenneth Galbraith, *The New Industrial State*, London, 1967. Similarly, Jean Baudrillard asserts that today one has 'to produce consumers, to produce demand' (Jean Baudrillard, Paul Foss, Sylvere Lotringer, Chris Kraus, Hedi El Kholti, *In the Shadow of the Silent Majorities*, tr. Paul Foss, John Johnston; contributors Sylvere Lotringer, Chris Kraus, Hedi El Kholti, Semiotext(e), 2007, p. 52).

13. Baudrillard maintains that the more information we receive, the more we end up as an 'atomized, nuclearized, molecularized mass' (*In the Shadow of the Silent Majorities*, p. 51).

14. Thus it is important to find a way to limit relevance; see James C. March, *A Primer on Decision-making: How Decisions Happen*, New York, 1994, p. 12, in which he speaks of 'editing' information.

15. In this context, Stein Bråten speaks of 'model power' as the power to assert one's interpretation of a situation, see 'The Third Position', in Felix Geyer and Johannes van der Zouwen (eds), *Sociocybernetic Paradoxes*, London, 1986.

16. On non-knowledge, see Niklas Luhmann, 'The Ecology of Ignorance', in *Observations of Modernity*, Stanford, 1998, pp. 75ff. The term 'non-knowledge' has unhappily been translated as 'ignorance', which is something else.

17. Niklas Luhmann, 'Risiko und Gefahr', in *Soziologische Aufklärung 5*, Opladen, 1993, pp. 131–69.

18. Jürgen Habermas speaks of the 'linguistification of the sacred' in *The Theory of Communicative Action*, Boston, 1989, vol. 2, p. 145.

19. Narcissism, asserts Christopher Lasch, 'appears realistically to represent the best way of coping with the tensions and anxieties of modern life, and the prevailing social conditions therefore tend to bring out narcissistic traits that are present, in varying degrees, in everyone' (*The Culture of Narcissism*, New York, 1979, p. 101). By the 'prevailing social conditions' Lasch refers to the bureaucracies which both private and public organizations have developed.

20. In *The Name of the Rose* Umberto Eco demonstrates in the form of a novel how the struggle for change in the religious realm is hiding behind the struggle about interpreting the writings of the church fathers.

21. See Richard Sennett, *The Fall of Public Man*, New York, 1974, p. 264.

3
Growth as Inflation of Demands

Speaking of growth, we tend to think of growth in material consumption or in purchasing power. Growth means more cars and televisions and vacations. However, the dynamic of modern societies relies primarily on *growth in immaterial values* such as health, education, entertainment or equality, which have become so natural to us that they function as base values[1] – weakly defined and therefore with the ability to comprise different content in different situations. Although values are assumed to be common, they pave the way for conflict, both with respect to *which* values to include and to *what* their actual meaning is.

Values cannot be proven. Hence they contain a certain degree of dogmatism, and their groundlessness increases when values collide with other values. A single value might, in isolation, appear natural, but values always appear together and always with incompatible demands. That puts decision-makers in an insoluble conflict, which, nonetheless, has to be solved. Economic, social and ecological considerations are incomparable. They each have their own range. Weighing them against each other is like comparing camels, holy water and goodwill. It is precisely the absence of objective solutions that necessitates a decision-maker. The decision has to be 'made' in order to 'end' the uncertainty, and, curiously enough, incompatible demands do not necessarily obstruct the decision-making. On the contrary, they can widen the space of potential decisions and thus become a *resource* to the decision-maker. The presence of many values creates ambiguity, which in turn gives way to interpretations and provides possibilities for action.[2] By actively cultivating conflicting values, a decision-maker gives himself room to breathe and act.[3] Even though value conflicts might seem frightening and insoluble, they also possess an abundance of tempting possibilities.

The mass media continuously advance demands for increased health and education and environment and … ministers rage, patients feel let down and teachers substantiate the idea that our children are less intelligent than children in other countries. These are always demands for growth. They are carried on a wave of criticism of society and, more concretely, its

organizations in relation to values, perceived as demands on solutions.[4] The message is that what 'we' are doing is not good enough, whether it be with respect to positive sins or – negatively – with respect to sins of omission. A number of base values have become testing points by means of which societies compare themselves to:

- *themselves* with a view to the past,
- *other countries* with a view to the present, and
- *technological possibilities* with a view to the future.

Base values are evident because their contrary terms are so evidently unacceptable. Therefore, it is important to conquer them and make sure to have them on one's side. Since they are weakly defined, they can be concretized in many different ways. Hence there is always room for criticism. Any new medical treatment is not judged *relatively* to a desirable or acceptable level of health but *absolutely* in relation to sickness and death so that it becomes evident that grants are needed. If not, it will result in 'loss of human life' for which the appropriating authorities must take responsibility and become virtual murderers. Society is stirred up by the fact that its performance is always judged in the light of maximal growth in base values. This does not mean that society has the economic and technological possibility to meet all demands on the highest level, but it does mean that modern societies have to exist in a constant state of arousal and that organizations have to live with continual criticism.

The abundance of immaterial values means that performance is evaluated not only in relation to the naked product but also in relation to the circumstances and consequences of the product. That is why organizations can be caught off guard when they are suddenly called to account for values that they have never even recognized or – more often – for special circumstances that are termed unacceptable in the light of a particular value, for example health. Asbestos, computer monitor radiation, ergonomic chairs, sexual harassment, career planning for women, observance of safety requirements in faraway countries, or human rights violations committed by sub-suppliers – there are endless possibilities for failure and public critique.

The base values include health, justice, knowledge, beauty, equality, rationalization, environment and wellbeing.

Growth

is not only an increase in material consumption but also an increase in

health	equality
justice	rationalization
knowledge	environment
beauty	wellbeing

The demands on the functional systems are extended and intensified in all areas and subsequently passed on to the organizations which, in contrast to the functional systems, are able to take action. The result is an *inflation of demands* which is invincible because it stems from a unholy alliance of:

- *business people* who wish to sell more
- *politicians* who seek re-election and hence promise more
- *professionals* who seek to expand their professional field and hence offer more
- *mass media* who seek to sell more and hence criticize more
- *trade unions* who want to make their mark and hence demand more
- *ordinary consumers* who generally want 'more of everything', preferably paid by the government.

The demands have no upper limit since each demand normally is presented in isolation, for example by experts or interest groups. To the presenter of the demand, their case is the only important one. The rest of the world is filtered out, so that the demands are not cooled down by being integrated in a political or economic whole. That is why some municipalities have invited interest groups to the city hall to create a virtual budget for the municipality in order to convey to them the way their particular demands need to be orchestrated with other demands that are equally justified. The demands are transformed as they become reinserted into the context that they disregard. Often, the demand relates *not to truth but only to effect*. The important thing is not scientific documentation but whether the demand will have an impact so that it creates anxiety if it is not observed. Factual weakness can be compensated for by social impact. Again, rationality is replaced with rhetoric.

There are obvious advantages to joining forces and forming an association to facilitate a demand. It is difficult to negotiate with each individual, but an association might give cogency to the demand and become a partner in the negotiation. And in a society of negotiation, everyone has to benefit when partaking in a negotiation. In this way, the bar is continuously raised and, as a result and based on the demands that are met, new demands are continuously discovered and become the new focus.[5]

Inflation of demands

- unholy alliance of business people, politicians, professionals, the mass media, trade unions and ordinary consumers
- no limits to demands
- no relationship to political or economic whole
- no call for truth, only effect
- in a society of negotiation everyone must 'benefit'

We are going to address certain points in this development.

The development of new demands

At the centre of growth is the creation or refinement of requirements and *simultaneously* the effort to make them legitimate so that they become difficult to reject. New products have a factual as well as a social dimension. On one side there is a new nose-hair clipper or a handy machine for cleaning jewellery. On the other side there is the demand for these products. Not only the product itself has to be created but also the wave to carry it since it is not a given that there is a natural need for clipping nose hair or cleaning jewellery. Thus it is important to keep base values weakly defined so that they can become specified in a desired direction, and to make sure that their *opposite* is clearly negative. It almost takes cruelty or stupidity to not say yes. We can observe the dynamic in a concrete example.

In 1993, the department of fertility at the National Hospital of Denmark sends out an announcement stating that they are now able to provide 'a new chance for men with bad sperm'. The choice of words is interesting: a new chance, that is, something not to pass up. Now more men can become fathers even though they have bad sperm. It does not explain *why* their sperm is bad – maybe because their pants are too tight so that the heat surrounding the little spermatozoa scorches their tails and prevents them from reaching the egg with sufficient force. It may also be that men do not eat enough organic celery or that the plastic wrapped around our food contains female hormones so that men become woman-like and grow bigger breasts – and sperm cells with shorter tails.

The method entails producing a little sperm, which can be done in the old-fashioned way by hand, and subsequently drilling a hole in the egg and coaxing the weak sperm cell into the egg and then reinserting the egg into the woman's uterus. The performance of a normal sperm cell is comparable to a human being using his forehead to hack through 11 metres of concrete. This is indeed an unacceptable demand for a sperm cell. It calls for welfare and support.

In 1993, the method was accessible only in private clinics where people had to pay for the treatment and therefore were a little hesitant. Until then, the public health system had also been hesitant, which meant that doctors felt that they had to market their cause. That happened in the following unforgettable piece of prose:

> Many of us feel that the public system should extend their services to include couples who have problems with poor sperm-cell quality. Micro-insemination is indeed expensive, but not expensive enough to pass up the treatment. A much larger number of couples would be able to receive help, which would obviously cause waiting lists to get longer. However, then the capacity would have to be increased [says the medical expert].

These few lines are indeed interesting.

Who is the 'we' that he refers to? It is always interesting to analyse the word 'we' because it is frequently employed in order to smuggle in a presupposition of a shared interest. 'We' cannot be business people, politicians or ordinary citizens who have never heard of the treatment. 'We' can only be the doctor and his colleagues. They constitute the 'many' who 'feel'. The statement suggests that it would be sexist to reject the method – why should only female ailments require treatment? The statement also includes the word 'should'. Hence it is a moral requirement. We refer to the Bible but find nothing about artificial insemination. Not even moral sense contains requirements in this realm since, for obvious reasons, we have not yet developed a moral vocabulary concerning childless men. Until now, infertility has been a fate, not a treatable condition. This is the precise transformation that the doctor is working towards. He is creating a clientele by proposing new services and creating new desires, so that people who previously resigned themselves can be turned into demanding consumers, who pound at the doors demanding their right to treatment and who are ready to feel rejected if their demands are not met. The word 'should' is *the technological should.* We should do it because we are able to do it. There is no consideration of whether scarce resources should be used in this precise area, whether it is a human right to have children or whether there are already enough children in the world. That is not the doctor's concern. He sees it as his mission to develop a medical technique and to ensure its use. Again, he pushes his clients in front of him: they will be able to get help.

In the end, it is demanded that no one must suffer and no one must die. The risk of that can always be reduced through increased efforts. The fact that this will lead to longer waiting lists does not pose a problem to the doctor. That is merely a question of increasing resources.

In Denmark, between 1993 and 1997, the right to be treated for infertility slowly found its way into public health services. In June 1997, following a public debate where involuntarily childless couples shared their traumas with the public, the parliament decided to take on all costs for the treatment of infertility. Even though the traumas of infertility are transformed concurrently with the development of technology for rectifying childlessness, they were still considered real.

'We meet needs you never dreamed of having,' declared the producer of luxury audiovisual equipment Bang & Olufsen some years back. And the fashion industry knows that needs are not merely something people have, but something to be created in an endless spiral in which luxury requirements are transformed into ordinary requirements. This is where modern experts step in and offer guidance. There are cures for despondency if you find yourself on the piste without the faintest skiing excitement. If someone does not feel like skiing, there is a simple piece of advice: don't. But that is old-fashioned thinking. We have the right to want to ski, in the same way that people seek

treatment for their failing sex drive, since erotic happiness belongs to our rightful happiness, whether we want it or not.

Individualization

Part of the inflation of demands consists of *increased demands for individual considerations*, that is, demands for solutions that are tailored to fit the individual person. Advertisements make it clear that standard solutions are ludicrous since we are all different. They offend the individual's unique personality. Instead, one should seek individual solutions – like everyone else. When no one wears ready-to-wear clothes, the tailors get busy. And that is precisely the goal.

Demands for individuality

Demands for self-realization
Demands for the inclusion of 'the person as a whole' including the psychic dimension ('I feel')
Testing 'what is in it for me'
Demands for the recognition of cultural and ethical differences

Result:
Intimatization of society

On the surface level, the demand is not to do as 'everyone' does and that the norms of others need not be the norms for oneself. However, this transforms the notion of 'everyone'. The demand for individuality implies that one becomes *unique like everyone else* so that there is *more* adaptation and *more* deviation at the same time. Not either adaptation or deviation but both at the same time.[6]

Modern individuals do not get married because 'everyone' gets married. They will not move into a home that has been furnished by someone else. They want meaningful jobs. Up until World War II, the obligation to marry and hold a job put stronger pressure on individuals who were at the same time more receptive to that obligation. They accepted marriage even if they did not want to marry and a job even if it was no fun. Today, individuals want to make their mark. They want attention and gratification. They are vulnerable to authorities, that is, attempts to push or threaten demands on them, but also hungry for authorities who have the courage to act as role models. Not only do they want to be loved, intimately, for who they are, they take it a step further and demand that society, publicly, relate to them as unique and maybe even 'whole' people.

With respect to health and hunger, house and garden, travels and leisure, we are required to make our mark through our own personal style. We engage

in blissful differentiation by being a vegetarian, or radical vegetarian, or watching our blood pressure or cholesterol. We can eat eggs, but only the whites, or cheese, but only low fat. Beer, chocolate and coffee are transformed into luxury products for connoisseurs. The refinement of the desires happens in relation to the development of particular lifestyles so that an old-fashioned haircut is transformed into a sophisticated lifestyle experiment performed by an artist 'in his field' and at ten times the price.

Individualization leads to requirements concerning *the recognition of cultural differences*. This, too, entails a minefield of possible offences. The inflation of demands also comprises a cultural sensibility so that people redefine their identity from professional competence into a culturally vulnerable space which is continuously threatened by discrimination or failing attention. Obviously, the problem with cultural sensibility is that it cannot be captured in simplistic forms in relation to cause and effect. It can always be maintained 'despite' actual circumstances by simply insisting that 'I feel'. The embarrassment caused by the groundlessness of the matter can then be covered up by intensified rhetoric.

When people demand that the 'psychic dimension' be considered in their workplace, they localize their neck pains, sleeplessness, red spots, headaches and ear buzzing as a result of workplace conditions, which they then demand should be changed. This *expansion* requires the subversion of workplace taboos and requires a *reduction* in the opposite direction as taboos are built up in relation to the intimate sphere. One kind of vulnerability, which opens up, is protected by a different kind of vulnerability, which closes: it becomes tactless to inquire into the influence of someone's marriage, teenage children or mild alcoholism. The workplace is to blame, end of story.

The demand for individuality creates a jargon of intimacy. Everybody is on first-name terms, and befriends each other and pretends that everyone is equal, although everyone knows the differences in position and power. Cold relations between experts and clients are wrapped in a pseudo-personal atmosphere, and the expertise of the expert is in part a question of making the client feel comfortable and to give a cold relationship the appearance of a close and warm relationship. The anonymous relations between strangers represent the evil. 'Warmth has become our God', asserts Richard Sennett,[7] and his conclusion is that the more we attempt to relate to each other in an authentic way, that is, as 'whole people', the more difficult it becomes to be together and to enjoy each other's company.

Victimization[8]

The fact that responsibility becomes localized outside the individual is an indirect result of the growing number of therapists, consultants, psychologists and caseworkers. Their job consists of pointing to problems and offering solutions. Therefore, they put strong emphasis on 'feasibility', especially on

what they can do themselves. They lay open and affect contexts that are not accessible – that is, visible and adaptable – to their customers or clients. The leap from seeing a connection to claiming that this connection is active, that is, to isolate it as *the* cause, is small and almost imperceptible. However, it is a leap which has sizeable consequences. It is a leap from a *moral language of action* to a *technical language of objects*. The language changes from being about people, who can be held accountable, to things that do not act but are acted upon.

Victimization

- the right to describe oneself as a manipulated object that does not act but is acted upon or treated
- the right to locate responsibility outside oneself
- the right to demand public solutions to private problems
- the right to complain
- the right to hold double standards

Result:

- strain on bureaucracy
- permanent increase of expenses

Professional therapists develop a language of objects which they offer up to their customers or clients. When accustomed to describing oneself in a language of objects, one might take offence from the ascription of actions to one's person because one does not feel that one has acted. One says, 'Suddenly there was a knife in my hand' rather than 'I reached into my pocket and took out a knife.' One says, 'Suddenly the knife was in his stomach' rather than 'I stabbed him with the knife.' One does not act. One is the victim of something which turns into a situation for which no one is responsible.

This breaks with the traditional regulation of behaviour through rules and norms which we are required to abide by. Normative regulation is replaced by considerations of the cultural origin of norms, whether they are experienced to be meaningful and what it costs to demand their observance. In the end, the question is whether it makes sense to hold people responsible for not observing rules if rules and people are merely seen as structures in a system of social causes and effects. If someone assaults an unoffending man on a train, we might redescribe the offender as a blameless victim and go on to ask whether it is worth it to punish him if it means that 'society' has to first pay for his imprisonment and then offer him transfer payments because he loses his job. Does it make sense to penalize a truck driver for drink-driving if it means that he and his family will end up on the street?

This puts the expert in a similar situation to the fox herding the geese. As a technician, he sees a causal connection and has learned to make himself blind to other types of connections. His temptation is to believe that since he sees the connection, he is also the one who can modify it. There is a career and money in the shift from a language of action to one of objects. From the perspective of the clients, it is tempting to take over a technical language that excludes. Many people have given in to that temptation. They insist on their right to describe themselves as objects being harmed by others. They are filled with anger towards parents, teachers, workplaces or even society, whom they feel have let them down. They always locate responsibility outside themselves, since other people can act whereas they themselves are only acted upon. This asymmetry is an *asymmetry of the loser* and is turned into a blind spot, which is defended aggressively.

Because they are victims, they have the right to demand public solutions to their private problems. They have the right to complain and feel offended if someone holds them responsible for anything. They insist on their right to hold the double standards of employing one set of words – responsibility and action – for others, and a different set of words – victim and rejected – for themselves.

Let us look at a few examples. A few years ago a newspaper ran a story about how 'violent men are let down'. For someone with a slightly old-fashioned way of thinking it is difficult to conceive of violent criminals as victims, since *their* victims are the real victims. However, that is precisely an old-fashioned view. Violent men are not guilty of their conduct because they are men, equipped only with a vulnerable Y gene, not with a strong X gene. This makes them unstable and prone to depression, alcoholism and aggression. But this condition cannot be helped by punishment, only by counselling. The strategy, according to the article, is 'to make sure that the municipalities, schools, police, emergency rooms and *everyone else* [my italics] react a lot sooner so that these tragedies may be avoided'.

The key word in this piece of prose is the little addendum 'and everyone else'. It is included as a safety measure. The demand is increased attention, increased efforts and thus increased funding. After all, 'we men' have to admit that we can be so thoroughly provoked that we get an invincible urge to grab the snake by the neck and mash her up against a doorpost. And hence we have to be wary of ourselves and everyone else. And so does everyone else. There is no end to the efforts that can – and should – be made in this field.

This is the professional point of view. From the point of view of the victim, the situation looks different. In another newspaper story we hear about Per, who is 17 years old and who claims that 'the municipality turned me into a criminal'. One may wonder how a municipality could do such a nasty thing. Per is in prison for jail evasion and for breaking into schools and factories. He has also assaulted a couple of police officers. These things happen, just like

shit happens, and they do not make Per feel particularly guilty. What really turned him into a criminal was the municipality's appalling behaviour: 'I feel like the municipality failed me when they would not find a place for me in the countryside.' This sums up the human rejection and the catastrophe. The rest is cause and effect beyond human control.

Inflation of demands, individualization and victimization – these are some of the patterns of reaction developing as a result of the dynamic of functional systems. And because functional systems form the framework of organizations, these reactions are forwarded to organizations, as a threat and as a challenge. However, before we can discuss the way organizations meet these threats and challenges, we must look at the characteristics of an organization.

Notes

1. Niklas Luhmann refers to base values as a 'civil religion', see 'Grundwerte als Civilreligion', in *Soziologische Aufklärung 3*, Opladen, 1981, pp. 293ff.
2. On the relationship between ambiguity and decision, see James G. March, *A Primer on Decision-making: How Decisions Happen*, New York, 1994, pp. 175ff.
3. See March, *A Primer on Decision-making*, p. 179: 'Ambiguity refers to features of decision-making in which alternative states are hazily defined or in which they have multiple meanings, simultaneously opposing interpretations.'
4. This definition of value is taken from Talcott Parsons, *The Social System*, New York, 1951, p. 12. See also Chapter 5 below about the four systems of the organization.
5. This dynamic has been described by G.W.F. Hegel who asserted that, in the 'bourgeois society', which is a society where people's relationships with each other are superficial or controlled by the market, any 'convenience' immediately becomes a platform for a new 'inconvenience' (§191), which means that the desire for more never ends. 'Every detail, every predisposition, every fortuitousness of birth and happiness break free,' so that all passion pours out, *Philosophy of Right*, Oxford, 1967, §182.
6. This dynamic of opposites, which cease to be opposites, can be found in many different places. The inflation of demands does not want to choose between the material and the immaterial, centralization and decentralization, adaptation and deviation, authority and break with authority. Both sides of the distinction are unfolding simultaneously.
7. Richard Sennett, *The Fall of Public Man*, New York, 1974, p. 259.
8. The development in the direction of perceiving of the individual as a victim is described in Christopher Lasch, *The Minimal Self: Psychic Survival in Troubled Times*, New York, 1985.

Part II
Organization

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4
What is an Organization?

The organization as a system of decisions

The question 'what is an organization' often leads to a kind of embarrassment: everyone knows the answer, but it is difficult to find the right words to describe it. As a point of departure it might be agreed that an organization is a system. That just does not get us very far – a system of what? Hesitant suggestions might come up: a system of people or a system of things. Obviously, an organization needs to be populated, and even though virtual organizations exist without a tight connection to any place or objects, they still have to involve things: buildings, furniture, computers, telephones and fax machines. Even though the Internet is immaterial, it is inconceivable without material objects.

But such answers contain obvious difficulties. People can be hired and fired without fundamentally changing the organization. People perish, organizations live on. If all employees were struck by lightning, the organization would still exist. Objects can be bought and sold and addresses be changed without anyone acquiring or changing the organization. And what does it mean to say that a person or an object is part of an organization? A person can drink a cup of coffee, but can an organization do the same?[1] No one becomes a member of an organization by simply being present there, and an object does not become part of the organization by simply existing within its domain. A forgotten umbrella in the reception room does not instantly become engulfed and consumed by the organization.

We must take a closer look at the people and objects that the organization systematizes. An *object* becomes an object of the organization when the decision is made to buy it. Myriads of suggested new acquisitions or localities are proposed in every organization. Most of these suggestions die instantly, some are considered and a few are adopted. These negotiations *about* the objects constitute the organization rather than the objects themselves.

A *human being* becomes a member of an organization when the decision is made to hire her. The organization makes a clear distinction between

members and non-members and relates membership to particular conditions, thus regulating admission and resignation.[2]

To be or not to be a member – that is the question. A member is not a human being. From being a human being, skin and all, one becomes a person who has a role to play.[3] That does not imply being locked up in an iron cage. As an individual, one can make one's mark by adopting a certain style: underacting or overacting, adjusting or mis-adjusting.[4] The organization does not employ 'the whole person', only a segment of him – his obligation to show up, deploy his competence, solve problems of a particular kind and be loyal towards the decisions of the management. Full acceptance is not required, and one's soul cannot be controlled. The only requirement is loyalty, not sincerity. Being an employee means to allow the organization to take over one's motives and accept a temporary suspension of one's own will: one does as agreed upon and assumes the required mask. One becomes a sailor, nurse or salesperson for as long as it takes.

Nobody is forced to act as an employee. Roles can be rejected. However, they have to be played for as long as they last. Not only the ring of power, as in Tolkien,[5] but also the uniform makes people invisible. The demand for roles replaces motives so that the organization ends up as a domain without personal morality: 'The soldier marches, the clerk keeps the protocol and the minister governs, whether they like it or not,'[6] and for as long as both parties see their advantages. They adjust as accomplices – without being forced – although many people consider their job so important that they put up with endless insults to keep their job.

One is employed, accepts being restrained and uses the restraints to grow: to become more and more visible than one would be without the job. Or to feel confined, if the requirements of the organization seem unreasonable, without the possibility of protesting because it would be perceived as disloyalty. An organization turns human beings into masks, and a mask is not a human being but a structure in the organizational communication.[7]

What goes on behind the mask is not important to the organization.[8] Even if it wanted to capture the soul and body of its employees it would not be able to because they are made of a different stuff. Even if the organization reaches out its claws, in a sophisticated or blunt manner, towards leisure time and family, it does so for selfish reasons: it seeks to coordinate the employees' actions, so that everyone can play his part without noise and time-consuming negotiations. An organization needs to orchestrate its communication flow in order to minimize transaction costs,[9] and the sentimental longings and desires of the employees can be rather effective in this respect.

An 'organized' person is a person under observation. She observes herself and is observed by others. It pertains to factual, social and subjective matters – is she competent? Does she know how to cooperate? What is her type? Every remark is noticed and every action comes under scrutiny. People label each other even when they seek to avoid labelling. They position each other in an

ongoing flow of gossip, rumours and judgements. They simplify each other to the point of quickly convertible clichés. Vague words intensify or weaken each other and become inert reality.

Formally and informally, it is the flow of communication that characterizes the organization. Hence we can claim that the organization is *a network of communication, not of people and not of objects*. Physical, biological and psychic phenomena are not a part of the organization but belong to its environment.

This contains important information about organizations: they are closed systems, and *for that reason alone* they are able to be sensitive towards their environment. They scrupulously maintain their boundary and try to control the borderline between system and environment. They can be influenced causally and can obtain information, but information is a state 'in' the system even when it is 'about' the environment. An organization cannot let itself be directly guided by occurrences in its environment since that would leave out all autonomy and make the organization a causal football. Basically, an organization is in no direct contact with its environment, just as the mind is in no direct contact with the physical world. It is guided by information obtained on the very few wavelengths where the organization is sensitive. In a less figurative language, functional systems constitute such sensitive areas.

This *distance* from reality gives the organization freedom. It does not have to react immediately to occurrences in its environment. But the distance also creates uncertainty. In the face of the complexity of the world, the organization must realize that blindness is a condition of seeing. To regard is also to disregard, and the organization is forced to create its own simplified image of reality – with the risk implied in that process.

Communication consists of events, and events are volatile. As soon as they appear, they vanish again. If the organization is to live on, it has to continuously choose its next state. At any moment it must choose among the endless possibilities provided by language and reality. This radical *temporality* makes it difficult to get a grasp on organizations. Not only are they invisible, because communication cannot be observed directly so that one has to infer its existence,[10] everything they are, they are also not, as they are constantly changing, both openly and covertly. This indeterminateness opens up for a free rein, which the organization uses to exact demands from itself. Time passes and something has to happen. The result is 'compulsory change', because the next state has to be different from the present state. Simple repetition is not possible. Doing the same is to do something different, just as the second kiss inevitably is different from the first one. The first time was not 'the same'.

The decision

Social systems are also systems of communication, but, unlike society and functional systems, organizational communication is organized around

decisions. Society and functional systems can neither observe nor act, and they defy all notions of unity. Organizations become society's *systems of action*,[11] using the codes of functional systems as premises for their decisions.

Organizations are networks of decisions creating new decisions in reflective loops. Through a decision, the organization enters a new state. Everything in organizations has been decided, or is observed as decided. As action systems they are goal-oriented and have to decide what the goals are and how to realize them – even if goals might be cover-ups for other goals and even if the goals reached most often are not the same as the goals aimed at.

In order to stay alive and kicking organizations whip up possibilities so that they live on a powder keg of homemade excitement. They produce complexity. They use these possibilities as raw material and close the space of possibility which they have created. They reduce complexity. In this light, a decision is equal to absorbing uncertainty.[12]

An organization is a system

Its ELEMENTS are:

- *not* people
- *not* things
- *not* strategies
- *not* values

but DECISIONS which:

- link up with other decisions
- use humans, objects and values
- use the codes of functional systems as premises

A decision is a point of intersection in a network of communication. The word 'decision' comes from the Latin 'decaedere', which means to cut away, and what is cut away is uncertainty, even if every decision opens for renewed uncertainty. Negatively, a decision is a selection by rejection, so that it, in the strong metaphor of Marx, 'drinks the nectar from the skulls of its killed enemies'. If possibilities are not cut away, no decision has been reached. In a complex manner, a decision also turns back to itself, so what is cut away is also the *very possibility*: to cut away, at least for the time being. But of course, it can be decided to postpone a decision or to leave the area uncontrolled.

A decision is an event. It takes place at a certain time although it might be difficult to exactly pinpoint the moment. Some decisions are not made by decision-makers but are constructed by observers from the outside. It is always possible to decide that behaviour has been decided, even if the 'decision-maker' might not want to acknowledge it. One might even observe one's own behaviour in this way.

A decision regulates behaviour. In organizations, the reduction of uncertainty brought about by a decision is weakened over time, so in order to endure, a decision must be backed up by sanctions. Moreover, new uncertainty may emerge after the decision – unpredicted issues, unexpected interpretations or a gradual loss of memory. Although a decision is always made at a specific time, it concerns the future and hence is constantly threatened. The organization has to make sure that the individual decision as well as the chain of decisions are maintained in order to continue the flow of reduced complexity.

If the chain of decisions comes to a halt, the organization comes to a halt. Therefore, the organization employs a sophisticated technique to transform even the lack of decisions into decisions. While no decision is being made time passes. Everyone can see that nothing happens, even though something might have happened. Hence the fact that nothing happens does not mean nothing. It is an *absence*, which is not perceived as *merely* a void. It is constructed as a decision to not make a decision. Thus a decision is installed in a non-decision, which means that a decision which is not made obtains the same structure as a decision which is made. Not making decisions is perceived as a conscious choice even if the decision-maker does not perceive it as such.

Management cannot, therefore, avoid making decisions. Not to act is not just neutral, but a sin of omission. There is no refuge. The organization steps into character willingly or against its own will. It does *something* because it had the choice to do something else,[13] whether or not it is aware of the possibility. Often one does not realize that one has made a decision until after an act, so that one observes in retrospect the 'values' guiding the decision. We know our decisions once we see our actions.

The organization cannot decide at random, as decisions live under certain conditions and have a certain price when they are 'realized'. Not everything is possible, and the resources of organizations are always limited.

In relation to its internal resources an organization must accept loss of control in the form of misunderstandings, costs resulting from weak links and bad coordination, active resistance, inattentiveness, etc. In relation to the environment the power of an organization is minimal. It has no direct access to its environment, the environment is overwhelmingly complex, and its decisions are used by others as the basis of *their* decisions, which might strengthen, weaken, redirect or completely suspend the effect of the organizational decision. This risk is inherent in all decision-making when seeking to transform uncertainty into certainty.[14]

Decisions are based on observations which again require *sensors, memory and information processing*. It is obvious that, in pursuit of this, an organization uses people, but this does not make people part of it. No system is capable of including all its conditions in its operations. In the same way as the consciousness uses the brain without knowing how, organizations use human beings who never become transparent to them.

On closer examination it becomes obvious that human beings are too complex to be fully observed, whether they are employees, customers, clients or other personal contacts. However, an organization cannot allow itself to be grossly ignorant. It must compensate by constructing its own reality and continuously test it against selected information, either from sales graphs, key figures, press statements or quotations. However, testing a strategy or a campaign is no swift matter. Once an organization has settled on something, it is like a supertanker – difficult to turn – even if reality does not support its assumptions.

Before a decision, there is *contingency* in the shape of open possibilities. After the decision, there is contingency in the shape of closed possibilities. Thus a decision is transformation of contingency.[15] More specifically, this means that a decision transforms uncertainty into risk,[16] because there is always uncertainty about what will happen next, that is, whether the decision is sustainable and able to overcome resistance from deselected or unexpected events.

Decision is selection, and selection requires structure. There has to be something to choose between, and somebody has to make the choice. Moreover, the range of possibilities is not lying prepackaged in the environment.[17] It has to be constructed and that again requires structure. Neither decisions nor structures exist in the same robust manner as a rock. They are created and employed by the organization in its self-creation or *autopoiesis*.[18] It decides which structures it will use both as a basis for decisions and for making decisions. Logically, this involves the organization in a vicious circle. In practice, however, organizations do not allow themselves to be caught in logical traps. They jump out in order to continue their operations, exciting themselves by considering what precedes and what follows the decision and whether the decision will have to adapt to or deviate from regular demands.

The decision is an important moral category because it is a choice. And choosing is not only to make a choice, but also to 'choose the choice', that is, create the dilemma and the tension which is released in a choice. In this way, an organization is a system that relates to itself: it establishes its own boundary to the environment and decides what is located on which side of the boundary. Only by doing this can it avoid confusing itself with the environment. By linking decisions in time and space an organization becomes an island of interwoven decisions in a chaotic environment.

Autopoiesis means that everything in an organization has been created by the organization itself. Nothing exists in a completed form prior to its self-creation. There are objects, people, other organizations and societies. In short, there is a world which makes organizations possible. But the organization creates all its elements in its own network of communications. It chooses the distinctions through which it will observe. It designs situations to offer only a limited number of options.

Making decisions the prime mechanism of organizations provides an elegant solution to the question of the organizational boundary. Like any

self-referring system, an organization needs to be able to demarcate itself from its environment. But how to draw this boundary? Obviously, it is not physical. If an employee is out for lunch, it does not mean that the organization sends out a pseudopodium and takes over a restaurant table for a short while. The organizational boundary is symbolic and extends to the point where its decisions are no longer in force.

Management

Not any decision is valid and binding. Not anyone can employ or purchase. A decision has to be accepted by the organization, so that the organization decides what is a decision and what is mere noise. What does that mean?

An organization is not a person although it is a frequently employed metaphor. Organizations are described as willing or unwilling, sincere or insincere, cynical or moral. In legal terms, organizations are 'legal people'. However, an organization is, above all, a system. And how does a system make decisions?

The mechanism is to select a person, or a group of people, *within* the organization who are able to act as if they are standing *outside* the organization and can 're-present' – be present and act on behalf of – the entire organization. Establishing an organization means to begin a chain of decisions, and the first decision is always to provide the organization with purpose and structure in order to allow it to (1) distinguish between relevant and irrelevant and (2) obtain tools for making decisions. One or more people must be appointed to make decisions, so that a part of the organization is allowed to observe and act on behalf of the entire organization. This part has to perform the paradoxical operation of being a part which introduces the unity of the system into the entire system and thus represents the system in the system. Managing an organization is to make decisions on its behalf. A manager is a decision-maker.

A system as such cannot act – but has to do so. A part of a system cannot observe the whole system, including itself – but has to do so. In these dilemmas we find both the possibility and the limitation of management. A manager is unable to observe everything, not least his own observation, which, nonetheless, is a part of the whole. He is also unable to observe all the communication going on in the organization. But as before, exactly the distance between management and organization makes management possible. If management were present all over the organization, it would *be* the organization and, hence, unable to manage. When management observes and describes the organization, it is the organization observing itself *on the level that creates unity.*

Self-observation requires a self with some stability. Otherwise there would be nothing to observe. Without structures for unfolding its identity it would become unpredictable to itself and others. It would constantly surprise everyone, including itself, and would only be a system in spite of itself. In the same

way that a psychic system refers to an 'I', an organization has to operate with a 'we'. It must coordinate its decisions *in light of itself* in order not to block or dissolve itself. This applies whether it, as an institution, has a general objective that everyone is expected to share or whether it, as an organization, is a formal framework for group-egoism.[19]

That creates a circular relationship between organization and management. The management decides on behalf of the organization. Therefore, a manager is observed by the organization as well as by its environment when she observes the organization, because her observations lead to decisions on behalf of the organization. Without the simplification instituted by a management, the organization would be unobservable. Simplification is created through decisions. The probability that the management will make decisions is increased by the fact that everyone expects it to do so. Through the management, the organization comes into its own, almost as if 'in itself' it is able to be 'out of itself'.

Making decisions, therefore, is not something that management can decide its way out of. It is obligated to make decisions. Just as society secures itself against uncertainty by implementing decisions by means of a majority (in parliament) and by means of a judge (in court), an organization uses its management to secure itself against uncertainty *although it cannot be sure that the result is the most rational or the most moral one.* If an organization were to carry on the discussion of what is sensible or right until everyone agreed, everything would come to a halt. Many things can be said for or against an issue if the day is sufficiently long. It cannot, however, be rationally or morally right to postpone rational or moral decisions until one has found the chimera that is called 'the right one'. Or that the 'optimal decision' should prevent any decision from being made at all. A parliamentary majority, the passing of a verdict or a decision by management does not create agreement, does not solve moral issues and is always up for discussion. But their unfading advantage is that they reduce uncertainty in a way that is socially binding, so that society and organizations do not come to a standstill.

No central perspective is able to solve the problem of unity. An organization is obscure because all observation, including that of management, takes place from a blind spot. When the management chooses how to observe, it also chooses what to consider irrelevant and thus make itself blind to. This often happens imperceptibly because it is hidden in routines and preconceived notions.

Any form of management is struck by the limitations[20] implied in all observation: limited attention,[21] one issue at a time, heavy time consumption, poor ability to handle complexity and limited capacity to process information.[22] It has its blindness because blindness is a precondition of seeing. It has its ambiguity because it has to comply with many values that cannot all be complied with.[23] A decision puts an end to uncertainty about alternatives – which implies that the organization has been open to them.

However, the construction as well as the destruction of uncertainty comprises arbitrariness, above all the arbitrariness which consists of:

1. Determining what is relevant, that is, within which frame the organization works.[24]
2. Determining how to weigh many considerations ('values') which hold incompatible demands, and
3. Determining when the decision is 'good enough' even though one has to accept a great loss of information by disregarding matters which *might* be relevant.[25]

Without arbitrariness and ambiguity there can be no decision. The more arbitrariness a decision absorbs, the more visible it becomes because it *closes* possibilities. But this also applies in reverse: the more arbitrariness it does *not* absorb, the more visible it becomes because it *opens* up for possibilities. If a decision follows from the situation like the consecutive clause from the axiom, the decision-maker becomes superfluous. If situations repeat themselves mechanically or become routinely interpreted, a decision can be made automatically.

Before choosing, the choice must already have been made, and often the most important choice is the choice of the model which defines the range of possibilities. This choice, however, is often made invisible, either because of traditions, or of time limits, or of control over the meaning of words.

Regardless of the official significance by which the decision-maker gets credit, he is a parasite on the decision-making system of the organization.[26] But even if the significance of management is often highly overstated, it would be foolish to deny that management makes a difference, so that it is possible to distinguish between good and bad, effective and ineffective management.[27]

Even if decision-making, in theory, may easily lead to arbitrariness, in practice it does not. One keyword is *experience*, which has to do with expectations. To an organization, experience is shown in routines which liberate the organization from the fatal self-agitation of decision. Another keyword is *law*. Modern societies do not leave weighty decisions to a single organization. Each organization operates in a field regulated by law. A third keyword is *competition*. Not just anything is possible if an organization wants to stay in business, and other organizations can take over its tasks if necessary.[28]

Management represents practical simplification. The identity paradox – a part having to act as if it was a whole – is solved by its unfolding in time. In a simplified language which does not overburden the psychic budget, people refer to the attitudes and actions of 'the university' or 'Coca-Cola' or 'Moscow'. Only if conflicts arise are the perspectives widened and more parties included. Once the dust has settled, the interest in details disappears and everyone reverts to the comfortable simplification.

Decisions are so important to an organization that they become enveloped in solemn rituals. In this way, organizational decisions become reflective: it is decided where, when and how to decide. The organization establishes times and places for meetings and holds strong expectations that decisions will be made. That increases the likelihood that they will. If someone is hired to make decisions and a meeting has been scheduled at which decisions are supposed to be made, it is embarrassing to leave the meeting without having reached that goal. Something is wrong – possibly the decision-maker.

A decision is composed of a *factual*, a *social* and a *subjective* dimension. It has to clarify its factual content, that is, establish *which business we are in* and which technical considerations must be included. It also has to clarify its social dimension, that is, which resources of competence it may draw on and how to coordinate them. And it has to clarify its subjective dimension, that is, which qualifications – or even virtues – are needed in a decision-maker for him to do the job.

It is possible to switch between the three dimensions. A decision is always composed of a case, a group of stakeholders and a decision-maker. It is a three-sided form. Therefore, decisions always entail a fundamental uncertainty although the purpose of decisions is to clarify uncertainty. What is considered, and what is the background for the decision? Is the manager 'merely' feathering his own nest while pleading social considerations? Does it merely represent a tepid desire to increase profits disguised as environmental and social concerns?

The decision is shrouded in the basis for the decision. It is obscure since there are always suspected motives, even when we cannot act on our suspicion. We are unable to resolve the suspicion and have to accept the doubt.

Decisions and the basis of decisions

Decisions are a way of handling uncertainty, and uncertainty is the same as conflict – not necessarily conflict between people, but conflict between options and considerations. Thus conflict is vital to the organization. Only by actively creating uncertainty and conflict and only by forgetting that which was cut away is an organization able to disengage itself from its past. It needs new chaotic resources, as in a game of patience, in order to give the decision machine something to work with. In many fairy tales, the hero needs a daft friend who will create those problems that the hero is himself too smart to create but has to encounter and solve in order to prove his heroic status.

Conflicts and decisions are perpendicular to each other. Conflicts are resources for decisions and can block decisions. Hence organizations have to simultaneously open up to and close off uncertainty. Obviously, this means that it cannot be the *same* uncertainty. There are no abstract or mechanical answers to the question of *where* to open up and *where* to close off in organizations that might comprise thousands of people in a global environment.

Certain departments have ample routines, for example the wages department. The department of development or marketing, in turn, has ample uncertainty. However, it pertains to any oppositional relation that if there is one side, there is also the other. Uncertainty also springs up in the wages department concerning new requirements and new systems, and routines emerge in the marketing department in order to distinguish between normal and unusual solutions. Creative solutions require a calm background.

This is merely a different way of saying that management requires a high level of sensibility, which produces uncertainty, and a high capacity for simplification in order to reduce uncertainty. Therefore, management cannot be replaced by a decision system. It requires tact and a sure instinct when comparing and weighing incompatible demands, for example when the demand for profit has to coexist with demands for environmental or ethical concerns.[29]

In a world where everything repeats itself, routines and rules can be used to make decisions. But modern organizations are not machines that automate decisions.[30] The possibilities between which a decision has to choose are not pre-existing states in the world like apples in a basket. They emerge, but only to those who can see, and perhaps in an unusual way. Decisions are made in the organization, not in its environment. They have to be constructed, and simplification has to take place so that the number of alternatives is manageable before the decision is made.

Moreover, before making the actual decision the basis for decision has to be decided on. It has to be decided which criteria are relevant in order to allow for the judgement of good and bad decisions. The framing of the decision is also not a given fact, although organizations sometimes develop strong traditions which give decision-makers an intuitive sense of the background for a decision and enable them to focus their conscious efforts on the concrete content of the decision. The background has disappeared from view and has become blindly incorporated in the body and intuition. That frees up attention and creates an advantage of speed. The price, however, is failure to recognize new conditions as these might be dismissed as noise.

Although nobody knows all the consequences of a decision, we use decisions to *localize*: whether things are going well or badly, we are able to track the decision back to a perpetrator and hold him responsible whether we applaud him like a hero or pillory him as a loser. It might seem irresponsible to place responsibility when nobody knows the consequences.[31] Is an organization responsible for whether or not its users follow or disregard the instructions in the user's manual? And what if it *knows* that its users do not care? That, too, is a question of responsibility, which has many alternative answers depending on shifting political trends and tendencies.

Non-knowledge seems to be exempt from responsibility, because it is difficult to be responsible for something which is *in principle* impossible to know. However, responsibility is exactly what decision-makers are employed to take,

even if they are not personally guilty. They represent the organization and, consequently, all consequences of its actions. We do not accept that they overact their lack of knowledge and pretend to be victims of circumstance. Their job is to accept the risk of the decision. As a decision normally reaches into the future, it is measured in relation to an organizational image of the future and is continuously trying to minimize the difference between the status quo and the vision. Without a vision there is only administration, not leadership.

Frames, schemes and scripts

Only if a context has been decided is it possible to make a decision. This, of course, sounds like a paradox. Even if there are no logical solutions to paradoxes, there are practical ones. One such method is invisibility. The context is presupposed and left out of sight until problems – perhaps – arise. We will look at the implications of this.

A decision sets limitations. Its purpose, however, is not to set limitations, but, above all, to expand. Regulated complexity can develop only against a background of strong simplification. An organization must determine what is relevant, what is quality, which strategy to follow, who to employ, how to measure failure and success. Making decisions means to continue communication by channelling it, thereby being able to disregard and to make itself insensible to noise.

How does one choose a basis for a decision? Does one refer to a 'basis for the basis'? Obviously, that is unproductive since the problem would recur in an endless sequence. The basis for a decision cannot be a part of the decision itself and must, for logical reasons, be arbitrary. For obvious reasons, one cannot choose one's preconditions, because there are no more basic criteria. They cannot be legitimized by entering a mirrored room of basis for basis for . . .

The endless sequence is broken when decisions come into play. The sequence cannot be broken through logic. If one seeks certainty, it leads to logical paralysis. But no organization can live with paralysis. It has to fix on a decision and thus throw itself into the future. Although it is logically unable to do this, it has to put itself above that kind of sophistry and do it anyway. The organization has to make decisions and stick by its decisions. It has to establish expectations strong enough that people can rely on them.

That does not happen in a social vacuum. The functional systems provide a pre-existing repertoire of well-tried ends and means. They create a frame for normalcy without suspending imagination and unusual solutions.

This allows for the organization to presuppose an environment in which legislation and functional systems have stabilized a background that the organization can both use and go up against. Only in such a context is the organization able to claim its identity and make its mark vis-à-vis other organizations.

The keyword is not reason, but survival and development. The organization must establish its own reality based on what has stabilized itself as a 'sufficient reality' in its environment. Even operating in a world which it has not created itself, the organization must create an environment as the other side of itself and dependent on the sensitivity of the organization.

In terms of logic, arbitrariness cannot be circumvented. Decisions are necessary, precisely because choices cannot be left to machines of logic. If we want to discuss the way arbitrariness can be broken, we may look at three concepts: *frames, schemes and scripts.*

A *frame* is a background of simplifications, motives and tools for the measurement of success and failure.[32] Functional systems represent such frames that provide different parties with preconceived notions, which they do not have to discuss but can presuppose. Even if posing constraints, a frame does not prescribe actions but allows for endless variation. In the same way, an organization's 'business concept' functions as a frame that makes it possible to distinguish between relevant and irrelevant. Unexpected demands for environmental or ethical concerns may result in a *reframing*, a reshaping of the frame, which gradually stabilizes itself as a new frame. This can happen in a mildly chaotic process where different methods are tried out, from complete rejection to complete acceptance, until a new level becomes normalized.

A *scheme* is a way to regulate what to remember and what to forget. Whereas a frame contains *preconditions*, a scheme represents an *interpretation* of what is central and what is peripheral. The problem about forgetting is that, if one forgets, one simultaneously forgets that one has forgotten. Even though oblivion frees up capacity, and hence provides freedom, it is a sign of senility if oblivion happens randomly. Schemes help organizations to define rules for what must be maintained and reused and what are unimportant details. With schemes, an organization is able to handle the distinction between what is normal and what is extraordinary. Therefore, a scheme cannot be employed schematically. It has to continuously adapt to a reality that never quite fits the scheme, which means that the organization must choose between whether to disregard certain aspects of reality or whether to adjust the scheme.

Thus, a scheme has no exact scope. This is another reason why management is necessary. Management has to ensure that an interpretation takes place and, if necessary, to implement its own. It would not be possible to speak of creativity, flexibility and learning without schemes. And without management, the interpretation of the schemes would float in an endless stream of discussion.

A scheme is not an image but rather rules for the repetition of operations. It can be applied to objects and to people. A scheme for objects explains the use of the object whereas a hierarchical scheme imparts the way in which superiors and subordinates are expected to relate to each other. In that way, normal expectations arise, but the way they arise and what the precise content is cannot be exhausted verbally. It is known and shown in the everyday

life of organizations through thousands of little suggestions that allow each person to play his particular role.

In a complex world, schemes give us rough guidelines for how to behave in situations that are, logically, always unresolved. As more information does not necessarily reduce uncertainty but may, on the contrary, reinforce uncertainty, schemes contribute to the needed simplification.

Schematic rules of thumb do not force us to simply impress the same stereotypes on complex situations. The opposite applies as well: complex and unmanageable situations irritate and must be simplified, perhaps by introducing new schemes.

A scheme does not aspire to be objective. That would be too much. It is, however, useful as a tool for the coordination of expectations. The production of evidence in a courtroom is based on schemes about motives. An organization might of course insist on its own schemes, but it is problematic to stand alone. In the context of an organization, schemes unavoidably emerge about how to respond to superiors, how to fulfil tasks, whether environmental considerations are important, etc. Much of this tacit knowledge can be put into words. But no organization is able to verbalize everything that goes on inside it.

When considering how to act, one generally takes the difference between normal and scandalous for granted and presupposes that others know the difference as well. In this way a scheme creates relief, and the system of schemes is what inevitably gives an organization its particular *culture* – consciously or unconsciously. Its culture consists of themes that are widely debated, required conduct that is generally complied with and types of reasoning that are generally convincing. There is no compulsion. Anyone can go against the expectations. But everyone knows what that means and what the risks are. And normally, people follow the group.

Culture is a diffuse word, which is precisely the point. Any organization employs tacitly a range of cultural premises for its decisions – habits, matters of course and cognitive routines. They are active without being decided upon, so that culture might be defined as the undecided premises of decisions.[33] In modern societies, this rational vacuum is not filled with dogmas. It is open to free reflection and change. That is why we can observe a steady stream of guru-made recipes for what managers should do. In spite of the obviously arbitrary nature of these recipes they are capable of being convincing for a period of time. They produce premises for the organizational chain of decisions and thus allow simplification. Ever-changing prescriptions may create increased sensitivity in the organization so it is able to react quickly to change. The ability to react quickly is the same as the ability to learn. If an organization is to maintain its ability to make decisions in unstable conditions, it has to be able to create its own stability beyond the instability of the market.

It is curious to observe the level of stability that has evolved in relation to the notion of 'instability'. For years, and with paralysing monotony, we

have been told that monotony as such has vanished. It has become normal to claim that the normal is the abnormal and to formulate slick expressions such as 'only instability is stable'. But both turbulence and instability demand a stable background. They demand their contrary term.

Niklas Luhmann maintains that, without schemes, there would be no memory, no information, no deviance and no freedom.[34] Through the use of schemes, organizations avoid having to engage in endless and futile discussion of the basis for its decisions. It does not mean that these kinds of discussion cannot take place, only that they do not have to take place all the time. When different groups in an organization fight over influence and power, they confront different schemes with each other. Usually, the disagreement is not about the physical world. But there is disagreement about how to employ the scheme active/passive – what can work as an excuse and what is seen as a taxing responsibility. There is disagreement about how to employ the scheme cause/effect or success/failure – what 'really' happened and what is good enough. These kinds of conflicts may determine the future of the organization.

The last concept is *script*, which can be translated as 'procedure', 'programme' or 'policy'. A script is a scheme that unfolds over time and thus stabilizes and normalizes an entire process. An organization may have a 'policy' for how to distribute rooms, dismiss patients, fill out applications or fire employees. Here, too, there are a number of operations that establish common requirements for playing one's role.

Frames, schemes and programmes generate the necessary simplifications so that we are allowed to forget details because we still remember essentials. They facilitate actions because we do not have to consider every possibility and test anything which might be relevant. But as usual a price must be paid. When they guide our attention towards what is normal, we may become inattentive to the extremely important resource of abnormality.

In this chapter we have described an organization as a system of *communication* that uses *decisions* to sustain its autopoiesis. In the next chapter, we shall see how different systems inside organizations focus on different values so that organizations become arenas for value combats.

Notes

1. Accordingly, Niklas Luhmann rejects the notion that a social system consists of people and asks rhetorically if society can have its hair cut. The relation between organizations and human beings is discussed in *Social Systems*, Stanford, 1995, pp. 315ff. and in *Organisation und Entscheidung*, Opladen, 2000, pp. 62ff.
2. Niklas Luhmann, 'Interaktion, Organisation, Gesellschaft', in *Soziologische Aufklärung 2*, Opladen, 1975, p. 12.
3. Thus a better suggestion is to define an organization as a system of roles, see D. Katz and R.L. Kahn, *The Social Psychology and Organizations*, New York, 1966, p. 172.

However, the problem remains the same, namely that roles represent organizational products, which makes them unsuited to be defined as its fundamental element. The role refers to something else, which we will identify as *decisions*, i.e. decisions concerning the definition of a function and with this a role.

4. A mask is not a human being. And the opposite is true as well: no human being 'is' his mask. It is coloured by the person who is a parasite on his mask. We distinguish, therefore, between expectations that 'die' with the person and expectations that are anonymously tied to a mask, see Niklas Luhmann, *Social Systems*, p. 315.

5. J.R.R. Tolkien, *The Lord of the Rings*, in which the great ring allows its bearer to control the whole world while being invisible to others.

6. Luhmann, 'Interaktion, Organisation, Gesellschaft', p. 12.

7. Niklas Luhmann, *Die Wissenschaft der Gesellschaft*, Frankfurt am Main, 1992, p. 34.

8. It is useless, therefore, to perceive the organization as a framework for primitive instincts, see for example Antony Jay, *Corporation Man*, London, 1972, in which he refers to Freud and Lorenz. Jay argues that the pursuit of position and status symbols represents an 'unchangeable part of human mentality' – at the same time as he asserts that any organization constitutes the framework for smaller (hunting) groups which suspend individual motives, i.e. the pursuit of position and status symbols, because the group can only function if it allows individual members to become successful despite the failure of the group.

9. See Oliver E. Williamson, 'Transaction-cost Economics', in Peter J. Buckley and Jonathan Mitchie (eds), *Firms, Organizations and Contracts*, Oxford, 1996, pp. 168–98.

10. Luhmann, *Social Systems*, p. 164.

11. 'Organizations are indispensable for all functional systems in modern societies. Precisely because a functional system such as science or upbringing, economy or politics cannot be organized as a unity and erodes all notions of unity … the organization takes on the function of interrupting mutual dependency' (Niklas Luhmann, *Universität als Milieu*, Bielefeld, 1992, p. 99 – tr. by OT).

12. This definition can be found in James G. March and Herbert A. Simon, *Organizations*, New York, 1958, pp. 164ff.

13. Thus any action entails a decision even if it is routine and is not considered in the light of any alternatives, so that the actor does not experience a moment of decision-making. One can surprise other people – or oneself – by realizing that one has reached a decision, see Luhmann, *Social Systems*, p. 295. In the same way as one might discover one's values by looking at one's actions. I ride my bike – hence bike riding must be a value to me.

14. See Niklas Luhmann, 'Risiko und Gefahr', in *Soziologische Aufklärung 5*, Opladen, 1993, pp. 140f.

15. See Luhmann, *Social Systems*, p. 296.

16. See Niklas Luhmann, 'Organisation und Entscheidung', in *Soziologische Aufklärung 3*, Opladen, 1981, p. 338.

17. See James G. March, *A Primer on Decision-making: How Decisions Happen*, New York, 1994, pp. 179f.: 'Decisions are perceived as tools for constructing meaningful interpretations of fundamentally confused worlds, not as the outcome produced by a comprehensible environment. The decision process is sometimes used to avoid or disperse of ambiguity and sometimes as tools to intercept and intensify it.'

18. On the concept of 'autopoiesis', see Niklas Luhmann, 'On the Autopoiesis of Social Systems', in *Essays in Self-Reference*, New York, 1990.

19. See Luhmann, 'Die Universität als organisierte Institution', in *Universität als Milieu*.

20. March refers to problems of attention, memory, understanding and communication (*A Primer on Decision-making*, p. 10).
21. A decision-maker cannot, for example, take into account all the other decisions that are made in the organization. He has to assume that they are made and react accordingly if he discovers that the assumption does not stand.
22. See Luhmann, 'Interaktion, Organisation, Gesellschaft', p. 15.
23. Herbert Simon's classical distinction between complete rationality and bounded rationality led to the equally classical distinction between optimizing and 'satisficing', or between perfection and that which is 'good enough', see Herbert Simon, *Models of Man, Social and Rational: Mathematical Essays on Rational Human Behavior in a Social Setting*, New York, 1960, and *The New Science of Management Decisions*, New York, 1960. See also March, *A Primer on Decision-making*, pp. 18ff.
24. See pp. 56ff.
25. 'Actually, satisficing [i.e. establishing whether a decision is good enough even if it is not the best one conceivable] is less a decision rule than a search rule. It specifies the conditions under which search is triggered or stopped, and it directs search to areas of failure. Search is controlled by a comparison between performance and targets' (*A Primer on Decision-making*, p. 27).
26. Neither the *I* of the psychic system nor the *management* of the organization are masters in their own houses. They are unable to observe the whole which they represent, both for empirical reasons (limited attention) and for logical reasons (nobody can observe themselves *in actu*). Thus, it is the consciousness, not the I, and the organization, not the management, which represents the movement of the system. The I and the management are controlled by the system they control. They represent centres in systems without centres.
27. See Ole Thyssen, 'Luhmann and Management', in Tore Bakken and Tor Heines (eds), *Autopoietic Organisation Theory*, Oslo, 2003, pp. 213–34.
28. Public institutions which previously had the monopoly of a particular responsibility are increasingly faced with seeing themselves transformed into organizations and having to compete with other organizations on market terms.
29. Aristotle first pointed to the fact that moral dilemmas do not allow for mathematical or technical solutions, see *Nichomachean Ethics*, Book 1, Chap. 3. Later, philosophers such as Kant and John Stuart Mill have, with limited success, tried to develop techniques for solving moral dilemmas. Economic techniques have also been developed for solving multiple criteria problems, although these require that each criterion is precisely defined, both in terms of its own parameter values and in terms of its prioritization in relation to other criteria. As always, the mathematical stringency works by disregarding the fact that real problems rarely have a mathematical structure.
30. The classical description of bureaucracy as a machine can be found in Max Weber, *Economy and Society*, 2 vols, Berkeley, 1978, vol. 2, pp. 956ff.
31. Niklas Luhmann, *Observations on Modernity*, Stanford, 1998, pp. 91ff.
32. 'Decisions are framed by beliefs that define the problem to be addressed, the information that must be collected, and the dimensions that have to be evaluated' (March, *A Primer on Decision-making*, New York, 1994, p. 14). On the concept of *frame*, see also Erving Goffman, *Frame Analysis: An Essay on the Organization of Experience*, New York, 1974, and Niklas Luhmann, *The Reality of the Mass Media*, Stanford, 2000, Chap. 15.
33. Luhmann, *Organisation und Entscheidung*, p. 145.
34. Luhmann, *The Reality of the Mass Media*, Stanford, 2000, p. 114.

5
The Four Systems of the Organization

Organization, institution and company

An organization is often defined in contrast to both an institution and a company. An *institution* is assumed to have a purpose which is beyond dispute and which everyone is expected to share. The means to reach its end are inscribed in a tradition that is not normally up for discussion. Managing an institution, therefore, might simply be a question of following routines and resisting pressure towards change. Management is administration. An institution does not struggle to survive since its purpose is perceived to stand above the inconstancy of time. It does not need to renew itself or discuss its vision and its mission. If its financial foundation disappears, it can abolish itself with dignity.

An *organization*, too, can have a purpose, whether to cure or to make money. But the methods to meet the goals are not fixed and are open to continuous discussion. This gives the organization certain degrees of freedom and places focus on the management. It is not merely a parasite on decisions that have already been made, it has to develop and nurture the ends and means of the organization. Its decisions reveal the choice made by the organization. Change is not only a threat to the organization but above all a necessity for its survival.

The compulsion towards change in modern societies means that institutions increasingly redefine themselves as organizations. Public institutions have to give up their monopoly and accept that certain tasks do not necessarily belong in their domain. They have to observe themselves in the light of alternatives and thus change their self-description. They have to get accustomed to a competition that they often perceive to be beneath their dignity, and, like everyone else, they have to invent, refine and market the goals that they want to meet. Thus, they become struck by the freedom and paralysis of reflection. Everything in an organization – its management style, its strategy and its *image* – come to represent choices and, therefore, contingency.

This is the *first* reason why we choose to refer to organizations rather than institutions.

An organization is also defined in contrast to a *company*. Here, the difference is between private and public. Whereas a public organization has a purpose that is established politically and finds expression in an appropriation and an objects clause, the purpose of a private company is to survive on the market by rendering services that observe existing law and attract a sufficient clientele. Whereas a public organization measures its success or failure by its ability to secure *political* support, a private company measures its success and failure in relation to its *economic* surplus.

This simple distinction becomes increasingly less simple as private companies receive public grants and hence need to ensure political support, whereas public organizations lose their monopoly and find themselves in the company of both private and public competitors. Public responsibilities often become outsourced and move into private domains, so that many organizations have to adapt to both an economic and a political market. They find themselves in an ambivalent situation where it is sometimes unclear whether their success and failure is measured economically or politically.

A mixed economy does not abolish the distinction between public and private. Mixed forms are only possible to the extent that the distinction is maintained. But it means that it is never crystal clear whether we are dealing with a public organization or a private company. A decision process is rarely or never 'clean' in the sense that it only has one criterion and that this criterion provides an unambiguous basis for a decision. Decision processes regularly become described as muddy: there are conflicting criteria and different decision-makers with conflicting agendas. This lack of transparency may cause imperceptible shifts when private organizations begin to incorporate public support or even turn into faintly shrouded public organizations, while public organizations begin to describe themselves in private terms as when someone refers to the 'owners of public hospitals' or when municipalities refer to themselves as companies.

The theme for this book is not the distinction between public and private or the possibilities of combining the two sides of the distinction. On the philosophical level of this book, the distinction is not significant. That is the *second* reason why we refer to *organizations* below. 'Organization' will be used as an inclusive term covering both private and public organizations.

Four systems

If it is true that an organization is a system of decisions, it can be divided into subsystems according to the reasons that motivate a decision. We can refer roughly to four such subsystems: (1) *Who* makes the decision? (2) Which *factual* considerations are involved? (3) How is the decision *legitimized*? And

(4) How is it *negotiated* into effect in the organization? This gives us four subsystems:[1]

Four organizational systems

Authority	– Formal responsibility
Expertise	– Technical competency
Vision	– Identity and meaning
Politics	– Alliances and informal power

Subsequently, each of these subsystems can be divided into, for example, different forms of expertise or different levels of management. An organization, therefore, becomes a system of systems.[2]

Regardless of how many subsystems an organization becomes divided into, it can implement its decisions in four different ways. These ways represent types of questions that are normally asked of a decision.

First, there is the *localization* of the decision, that is, the formal decision-maker or 'authority' who is responsible for the decision and to whom the decision can be referred back when it becomes a success or failure.

The second type pertains to the *factual* basis for the decision, that is, the economic and technical background supporting a decision to produce or market a new product.

The third type pertains to the decision's relationship to what is perceived to be the organizational *vision or mission*, that is, its meaning. Regularly, when an organization terminates an activity, the explanation will be that it wants to concentrate on 'what it does best'. It wants to maintain a simple and strong vision and avoid product confusion.

Meaning is a strange concept because it has no counter-concept.[3] An organization cannot choose not to work with meaning because 'no meaning' equals meaning of a particular kind. Nothing can be entirely meaningless and, hence, to state that one's work is without meaning contains plenty of 'meaning'. The desire to make the most amount of money in the shortest possible time is a normal way of explaining actions. In this context, 'meaning' signifies the ability to relate concrete and daily routines to an overall context that may motivate and substantiate certain sacrifices. The work is not *just* hard but has economic, political and maybe even moral qualities.

Fourth, we may ask whether the decision has *political support* in the organization – whether it has been negotiated through the involved parties and thus been generally examined and maybe accepted so that it might evade sabotage as it becomes dispersed throughout the organization.

These four systems are not geographically located but rather refer to four types of arguments. A decision might succeed or fail in all four areas. We shall take a brief look at them.

1 Management

The status of management in an organization is paradoxical. It is part of the organization and represents the organization as a whole.[4] It is an organizational tool for symbolic self-representation which allows the organization to observe an act as a whole.[5] Externally it represents the organization and internally it coordinates interactions between employees of the organization by making decisions that function as premise for their premises and by linking decisions to previous decisions and parallel decisions.[6]

The position of management makes it tempting to place it outside the organization. It seems that only from a privileged position would it be possible to observe and regulate the entire organization. That opens up for *cybernetics of the first order*: control and regulation of a system that responds in the dimension of physical objects.[7] Like God, management stands outside the world it creates.[8] However, when organizational members possess professional competencies that management cannot fully comprehend, and operate in contexts that management also cannot fully comprehend, the organization can no longer be perceived as a trivial machine. That opens up for *cybernetics of the second order*: regulation of self-regulating systems. Management does not reside outside but inside the organization. Its observation is observed, so that the controller is controlled. Instantly the grandiose illusion of the Manager as sovereign Creator dissolves.

To state that a management holds values *different* from the organization is to accuse it of neglecting its job.[9] It is a suggestion that something is wrong. Ideally, the interests of management and of the organization naturally merge. But because management both represents the organization as a whole and is represented by people of flesh and blood, conflicts may arise. Management is highly exposed because of its symbolic and maybe real power. Its actions are closely watched and scrupulously debated. Whether it wants to or not, it takes the lead and signals what the organization stands for, which values it observes, and whether or not there is a conflict between the organizational *image* and its actual performance.

When management makes decisions, its motives are thoroughly examined. Particular attention is given to who benefits and who does not. However, although a manager as a person contributes to the management style,[10] the question of *authenticity* is usually absent. The important thing is not that the manager 'means' what he says, but rather whether his statements can be trusted. If an organization indicates that it wishes to consider issues of ecology, for example, it is not a question of whether its managers live a green lifestyle in their private lives. Although we worship the manager as a person and consider him a hero or villain by his audacity, the hair on his chest, his cunning and foresight, it is still not the individual but the organization that makes the decisions.[11] The term 'manager' represents a comfortable simplification, which compensates for our poor ability to pay

attention to detail, as when we speak in highly political terms about the attitudes and judgements of Washington or Paris.

As premises for decisions we unavoidably find *values* perceived as demands on solutions.[12] To decide is to indicate values, even if the decision-maker does not think about values or openly rejects them. Implicitly a decision states that the chosen alternative is better than the rejected one. Thus, values can be activated *prior* to the decision or construed *after* the decision. Maintaining organizational values is part of the role of a manager, which transforms her into an official person, a spokesperson whose words and actions are not expressions of her personal beliefs but of the mask she has agreed to wear. The difference between private and official values can be almost schizophrenic, even if people normally are attracted by positions with minimal tension between public and private man. The twentieth-century emblem of this conflict could be the concentration camp command-ant who performs his extreme duty on the job and his intimate duty at home.

To manage is to exercise power, which in the words of Talcott Parsons can be defined as the ability to make collective decisions effectively.[13] His-torically, we can observe a shift from classical power, which uses coercion and violence, to modern or democratic power, which is expected to find support among those subject to power. Moreover, it often does not suffice for a decision to be legal if it is not also legitimate – with legitimacy for-mally defined as the acceptance by involved parties and concretely defined as public support from the mass media.[14] If a manager forces through his own solutions without considering those subject to his power, his high 'techni-cal' efficiency in the exercise of power will quickly encounter a great deal of resistance.

The power of management has to be legitimized. It has to ensure the support of those subject to its power. That can happen through formal pro-cedures, accepted by all stakeholders, or it can happen through reference to *values* that are shared or assumed to be shared by them. It requires trust, since values are invisible and since not everyone is able to participate directly in the decision-making process. Management is a precarious balancing act between power and trust.

The *risk* involved in management is that those people who have been chosen to represent the organization end up as a closed group with little or no contact with the organization. It is not unusual for managers to have illusions about 'their' organization. Like everyone else, they are struck by the blindness that underlies and surrounds all observation. But in the case of management, the risk is bigger than normal because managers make decisions that may affect thousands of people.

Although managers are supposed to 'stand for' their organization, they also have to protect themselves against it. They cannot observe and man-age everything. In the same way that politicians observe their constituents

through Gallup polls, managers have to use numbers, tables and statistics when obtaining information about their organization. They may find protection in a sealed power system where they observe only what they wish to observe and where they react to criticism by killing the messenger. Since they are permanently and unavoidably tempted to mistake their own interests for those of the organization, they may easily convince themselves that it is in everyone's interest that they control the power game by destroying the opposition or follow their illusions of what is best for the organization and what they themselves are worth.

For members as well as non-members, the organization as a whole is obscure. Everyone has to filter and choose what they want to perceive as information, what they want to reject as noise, what they want to pass on as message and what they want to understand.[15] Here, hierarchy becomes both a tool for the distribution of information throughout the organization and a tool for *preventing* the dissemination of information. In addition to the power of a manager, therefore, there is the power that resides with the *advisors* who supply the manager with selected information.

People of formal power are continuously confronted with people of informal power[16] who, by monopolizing a specific professional competency or through political proficiency, can have a stronger influence on organizational decisions than the formal management, which spends a significant amount of time on representation.[17] We will address this point more closely under the fourth heading.

Before we discuss the second heading of expertise, we will take a closer look at the difference between two different types of management: *political management* and *management of organizations*. There is an important difference between political and organizational management. Whereas politicians are elected by the people to represent them and therefore have to answer to their constituents through the feedback mechanism of the election, private and public managers are appointed by a smaller group, a board, to handle functional tasks. They do not have to answer to constituents or employees, but to a board or another small responsible assembly. They cannot be fired through direct action from below. Their authority is given from above.

In a classical analysis of political power, the English philosopher Thomas Hobbes asserted that the sovereign in power could not wish to harm his subjects for the simple reason that he depends on them: the harm done to them is, through intermediate links, also done to him.[18] But precisely the intermediate links might blur the picture so that the systems logic that the sovereign deploys, or claims to deploy, cannot be observed by his subjects, who also – as Hobbes notes – perceive everything from a particular perspective through which everything small and close is magnified whereas everything big and distant is diminished.

Hobbes appeals to the abstract necessity for 'law and order' when he grants extensive power to the sovereign. His reasoning is that the alternative is

worse: without a powerful centre, society would disintegrate into a free-for-all and life would become short and dirty.[19] That alternative is so frightening that *any* law and order becomes acceptable. Unlike the Italian philosopher Machiavelli, who claimed that power is a goal in itself and needs not to be morally legitimized, Hobbes installs a contract between the sovereign and the subject, making the exercise of power legitimate. The fiction of a contract means that the regime is tacitly acknowledged as long as the subjects remain in the country or – in an organization – do not resign.

Whereas Hobbes insists that the sovereign has untied hands,[20] modern rulers have to seek the acceptance of those subject to their power. Even when the subjects cannot formally object, there are many ways in which they can bring their influence to bear. The manager navigates in a minefield and must embrace endless considerations. Not because he 'authentically' supports them but because he needs to in order to deliver the desired results – a precondition of his success.

Obviously, politicians need to consider the demands of their constituents, regardless of how much they despise their voters and how adeptly they are able to manipulate their demands. They are directly up against the political market mechanism and must worry about the risk of not being re-elected. Managers in organizations also have their market mechanism, but it is distributed along different paths and is channelled away from the direct dependence on *vox populi, vox dei*, which gives it a more authoritarian and factual quality.

This paves the way for misunderstandings. Private managers get tired of the political game and demand that the political system make decisions in the same way as the economic system, thus failing to appreciate the difference between two systems that are unable to take over each other's functions and mechanisms.

The aim of Hobbes' analysis of power is not to insist on power for the sake of power, but power for the sake of peace and stability. That is why there has to be one central power. In modern societies, the political system formally defines the framework for the other functional systems, based on the democratic fiction of 'the people'. In the case of conflict, the politically established legal system gets the deciding vote. However, the political system cannot control the other functional systems. This task is passed on to organizations, which gives them a paradoxical autonomy within the political framework.

In the relationship between functional systems, the political system is *primus inter pares*. However, it holds only political power, while additional power is sent on to private and public organizations that handle specific societal responsibilities. In this way, organizations are able to focus on their own business and trust others to fulfil *their* responsibilities. Inside a legal framework, organizations have the freedom to define their means and ends, unburdened by political obligations. This simplification makes management possible.

2 Expertise

To supply a product organizations need experts with in-depth knowledge about products and production, about customer and client relations, about the mass media and politicians, about financing and new markets, about motivation and wages. The importance of expertise finds expression in statements like 'employees are an organization's most important resource'. These are not moral but functional considerations.

Certain requirements apply to the planning, production and marketing of new or renewed products:

1. Increased span of time from decision to product
2. Increase in the capital for investment
3. Inflexibility in the performance of a particular task
4. Requirements for specialized manpower
5. Requirements for organization
6. Necessity of planning.[21]

No matter how inventive one person may be, how strong her memory and how much energy she possesses, she is unable to manage every function at a hospital or a factory. Even if such a superwoman existed, she would not be able to allow for the fact that many processes are to take place simultaneously and therefore are outside her control – which not even inventiveness, memory and energy can compensate for.

The classical solution to this problem is division of labour and coordination of distributed functions and people.[22] Coordination is the central responsibility of management.

In societies based on a division of labour, qualification equals specialization, and specialization creates a need for management. The counterpart of the *relief* that specialization entails is the *strain* incurred by having to recoordinate the divided functions.[23] As promotion generally means moving from a profession to the administration of a profession,[24] specialists often wish to take on this role, which, nevertheless, removes them from their profession.

Usually, specialists are heavily involved in their profession and are, in turn, inattentive or insensitive to what takes place in the rest of the organization. They become absorbed and go into details. They become annoyed if they are disturbed or presented with problems which they consider irrelevant to their profession but which are significant to the organization. Blinkers are necessary in order to achieve outstanding results in a professional field. A doctor has little interest in or understanding of the responsibilities of the financial department, and marketing people and engineers approach each other with a combination of ignorance and mistrust. Every group has their own clichés about the others: the boring engineer, the slick marketing person,

etc. Every profession creates, therefore, its own protective filter, consisting of a particular language, a particular blindness and a particular monomania.

The problem of integration increases with the level of specialization.[25] The problem can be defined as a question of the relationship between *centralization*, where coordination is the sole responsibility of central management, and *decentralization*, where the principle of division of labour is rolled back so that each person, in addition to his profession, has to take on a part of the coordination task.

At present, the word *decentralization* has become a mantra. It is often proclaimed that bureaucracy has to be subverted, although there is usually no alternative to bureaucracy. The characteristics of bureaucracy, which spoke in its favour in Max Weber's classical analysis[26] of bureaucracy, are rejected or demonized: the fact that it is effective, precise and impersonal so that people fit into the system like cogwheels in a timepiece. Now it is charged with being inefficient, misanthropic and uninventive and with causing massive loss of information in the organization. What Weber saw as its advantage – that bureaucracy is insensitive to individuals – now becomes its irreparable failure. Instead, we glorify the project group and the network, which allow people to work together informally and draw on each other's resources through personal contacts.[27] To employ a person, it is said, is also to employ his entire network of people, so that less competent people might nevertheless qualify because of their social talents.

Organizations often use *culture*, everything from rituals to leisure-time activities, as a tool for the informal coordination of employees. Personal relationships allow for people to coordinate their jobs outside the formal chain of command, which can transform a simple task into a nightmare of delays, costs and annoyance. It is a lot easier to pick up the phone and call a colleague from the pay office if one already knows him from badminton practice on Tuesdays or the art club on Thursdays. A network of personal relations can counteract the inertness of the formal bureaucracy – to the point of nepotism and lobbyism.

The tendency in modern societies towards decentralization is a result of the fact that management has limited capacity for storing and processing information. Faced with the 'techno-structure'[28] no manager is able to maintain his authority, if authority requires insight into the subtleties of the work process. At most, management might 'be in touch'. Thus managers lighten the burden by letting specialists do the detailed coordination job. It has been called the transition from hierarchy to network and, in popular terms, these organizations have been called 'spaghetti organizations',[29] as the network structure is like a bowl of spaghetti. Besides the bureaucratic relief, the professional and social energies of the network may strengthen each other.[30]

The choice between bureaucracy or network, centralization or decentralization, is not either-or. It is also not both-and, but rather a *more of both*. No organization can allow for the network to replace bureaucracy. But in

particular areas it can make work processes more informal and reduce inter-mediaries. But still the overall context is unavoidably bureaucratic. So in spite of its poor reputation bureaucracy survives, not because of its perfection but because of the lack of alternatives.

When management gives up strict and detailed regulation and frees itself up by establishing more general guidelines that are sufficiently robust and clear to be communicated through the organization and works as a frame-work for decentralized decisions, it does not mean that it gives up control and allows each employee to interpret freely. No management can relinquish con-trol. That would turn the organization into a chaotic place where the chance of repeating performances would rely on coincidence. Even though manage-ment cannot regulate strictly and down to the last detail, its job is still to control people who often have to be creative and thus cannot be controlled. We will return to the question of how to solve this paradoxical task.

Hence, when managers proclaim that they create 'flat' organizations or tear down pyramids, they work with a sophisticated illusion. If one takes a closer look, management never works to eliminate itself. Rather managers silently position themselves on the invisible top of the broken pyramid. They know that the relationship between centralization and decentralization is never a zero-sum game where more of one equals less of the other. More decentralization entails more centralization.

Expertise involves the *risk* that it might close in on itself and has to be con-stantly forced to consider compromises with other professional groups that are equally necessary for an organization to fulfil its entire mission. In its pure form, expertise is insensitive to everything but itself. Often, a strong professional identity is accompanied by a lacking sense of the social dimen-sion and by unwillingness to integrate professionally faultless solutions into a concrete project. The tradition of promoting technicians to be managers is criticized under the heading of the *Peter Principle*, in which the logic is that a person is promoted until he reaches his 'level of incompetence'.[31] Dynamic experts may come to realize that, unless they accept the fact that their pro-fessions also entail economic and political aspects, they are not qualified for their job. If a biologist is employed to monitor the quality of water, he will have to accept that quality of water is not *only* a biological problem, but also has economic and political dimensions. Technicians who consider themselves artists in their field may perceive it as the obvious responsibility of the organization to ensure optimal conditions for the unfolding of their geniuses so that any compromise is a crime.

3 Vision

Any organization has a vision in the limited sense that it has an answer to the question of why it exists – and an answer that does not lose itself in technical details. The 'meaning' of a publishing house is not *how* it makes

books but *why* it makes books. The simplest answer to the question lies in the mechanism of supply and demand: the meaning is to satisfy customer or client demands. However, the relationship between supply and demand is no longer innocent, and maybe never has been.[32]

In modern societies there is competition between different products of the same kind. Hence an organization has to not only manufacture a product but also make it known vis-à-vis customers and clients. When the technical difference between products of the same kind is small, the symbolic difference comes into focus. Products are placed in contexts of visions and values to demonstrate a positive difference in comparison to competing products. Moreover, the organization is judged not only by the inherent quality of the product but also by the processes surrounding the product, which might not have anything to do with the product itself – the organizational values, its attitude towards the environment and its employees, its political profile, its social responsibility or its contributions to cultural projects.

The classical definition says that institutions have visions whereas organizations have to, more modestly, survive in the market or fulfil a political function. That no longer applies – and again: it might never have. Organizations, too, need to work with visions and values. The tricky point is that if they choose not to, they do it anyway. Asserting that one does *not* want to work with values entails a value statement. It is a way of saying that values are valueless, which makes it a paradoxical value *not* to work with values. Even if an organization tries to avoid the value game, it is involuntarily thrown back into the game as others observe and judge its actions.

Vision is receiving renewed attention because the notion of planning is under transformation. Strict and detailed planning is an ideal of the industrial society. The notion was based on the impossible fiction that a planner can become an invisible God, who plans from outside the system without being planned *himself*. However, although the notion is impossible, it can still be approximated. For that to happen the organization must be constructed as if it consisted of simple relations between simple things: cause and effect, command and obey, bigger and smaller. The processes of an organization can be planned as a system of tight couplings that can each be isolated and controlled. That requires taming human unpredictability, that is, discipline.

The classical ideal of planning has been disputed from many different sides. We have drawn up the following:

1. No management can access all information since information requires time and money. And even if it did have unlimited access, it would drown in information. More knowledge does not necessarily entail more certainty. It can also entail confusion.
2. Any isolation of causes and effects contains an element of arbitrariness because an incalculable and interlacing number of causes and effects link

up in unpredictable and uncontrollable ways. Planning has to take place, therefore, on the basis of a simplified model that could always be replaced by a different model in which different causes and effects are brought to bear and different issues are left out.

3. Processes and people included in planning do not passively receive planning but respond in ways that no management can predict, no matter how sensitive it is. We could call it 'the revenge of reality' when issues that have been disregarded in the planning process suddenly prove vital. If one perceives of 'catastrophe' as a sudden transition to a new and unexpected state, working with heavy simplifications can have catastrophic effects.

4. The attempt to reduce human beings to trivial machines entails a loss of the most valuable resource in organizations that are driven by compulsory renewal. To turn human beings into machines means to make them irresponsible and unimaginative.

It is a classical assumption in the relationship between those who are responsible for planning and those who are subject to the plans that *more information* means *less conflict*, which leads to a use of information as a way to counteract the resistance caused by the planning. In order to do that, however, the planners need to retain a surplus of information compared to the people planned for. Since they have been professionally involved in the planning, they often perceive themselves as knowledgeable whereas the recipients – 'people' – become amateurs who need to be informed so that their prejudiced resistance can be overcome. Doctors are irritated by some patients' refusal to receive the treatment that they offer as experts and with the best intentions. Politicians try to lecture their constituents about why they should endorse the European Union even though the voters are unwilling to do so. They see themselves not as representatives of the people but as knowledgeable guardians. The signals of the people become noise or resistance.

The problem pertains not only to the rationality of *knowing*, where specialists have an advantage, but also to the irrationality of *emotions*, where people react adversely to becoming cannon fodder no matter how many good reasons they are presented with.

Many organizations are currently learning – the hard way – that the more information they provide, the more conflicts may arise because more information can lead to increased possibilities for conflict. It is of course possible for a solution to be sensitive to the values of both the planner and the planned so that information can be built on a shared framework. For that to happen, one-way communication has to be replaced by two-way communication, shifting the focus of planning from technique to vision.

The question can be analysed by means of the distinction between risk and danger.[33] If we define *danger* as a factual threat, for example of earthquakes

or poisonous drinking water, and *risk* as a social threat as a result of decisions made by others, then it becomes apparent that there is a significant difference between viewing a threat as a risk or as a danger. It determines where to take action. It also becomes apparent that one can choose to orient oneself either towards the factual or towards the social dimension. This situation is familiar in driving, where the husband as a driver orients himself according to traffic, that is, the danger, whereas the wife as a co-driver orients herself according to the risk, that is, the driving of her husband. The situation can lead to quarrels not easily resolved. Therefore, it has been argued, marriages are contracted in heaven, but break down on the highway. While people responsible for planning believe that they respond factually to the danger of nuclear power stations, pesticides, genetic engineering, etc., the people affected by their plans question the reasons that they should be exposed to certain risks merely due to the decisions of other people. No matter how much factual information the planners provide, people can still maintain that they do not want to be exposed to risks simply because it suits the planners.[34]

Organizations are unable to respond to all issues, internally or externally. They do not contain what has been called *requisite variety*,[35] that is, a sufficient multiplicity with respect to their environment. Hence they have to accept risky simplifications. And hence their future is always full of surprises. It is unpredictable and uncontrollable.

This is where visions become important, since one solution can be to slacken precision in order to increase the chances of getting it right. Visions are more general and thus more flexible than precise prognoses. Precision creates vulnerability. Instead, an organization may choose to define the future in ambivalent terms so that many different scenarios become compatible with the established goal. In that way, it can begin planning with a slightly diffuse aim and subsequently clarify ends and means in the light of current events. It can avoid being worried that reality always turns out different than expected. Visions contain no precise descriptions of concrete actions, but indicate a direction, so that employees, customers or clients have an *idea* about what to expect.

Since visions indicate something 'better', visions and values are linked together. An organization can employ visions to coordinate expectations, increase motivation and develop a shared language as a counterpart of the specialist languages which separate professionals and amateurs as well as professionals of different backgrounds. In this way, it becomes easier to cope with the extreme differences in background and interest of stakeholders and still orchestrate them in a coordinated effort.

Economic regulation and *rule*-based regulation are two classical ways of relating to the future. Both have inherent problems. The *balance sheet* represents a precise but also simplified and insensitive way to measure success and failure. Moreover, it is oriented towards the past. Thus, the precision of the balance sheet often contains an optical illusion: it gives the impression

of delivering more information than it actually does. If the accounts are presented only once a year, the chances of surprises are great. A lot can happen which does not show up in the accounts until much later.

Neither can *rule-based regulation* compensate for this. Even though rules can be insensitive to failure so that the fact that a rule is broken does not mean that it is abandoned – and this applies to legal as well as moral rules – the problem is that rules have to be precise in order for them to function as a tool for regulation. Rules need to accurately state what and how. With respect to legal rules, only that which is precisely contained in the rule applies. New circumstances are invisible in the light of the rule, which poses a problem when compulsory innovation makes a rule of the exception. Moreover, there is a decreasing respect for rules. It is as often following the rule as breaking the rule which receives criticism and is held accountable when something goes wrong.

The economic and human costs inherent in rule-based regulation create a permanent crisis with respect to their enforcement. Breaches of rules are often treated therapeutically, that is, with support and care rather than punishment. In a society of victims, rules easily assume the role of the executioner.

To cure the shortcomings of rules with a more refined set of rules, or more law and order, would be like trying to drive out the devil with the help of Beelzebul. One solution can be to involve the most amount of people in the planning process so that they, too, are responsible when reality does not match expectations. Another solution is to supplement – and the word is 'supplement', not 'replace' – rules with vision and values which carry stronger motivation and are more flexible.[36]

This is the reason for the increased focus on visions and values. They are not static and cannot be taken for granted but have to be continuously maintained and developed. They are not well defined and are subject to decay if they are not actively integrated in the daily life of the organization, so that the organizational practice shows exactly what is meant by the visions and values. Often it is easier to enact values than to talk about values.

If an organization wishes to create its own language concerning values it does not have to start from scratch. Values are given in the sense that they are difficult to reject within a specific cultural context. Due to the variety of values, they need to be selected, specified and orchestrated. Still, they must be sufficiently general for many kinds of people with many kinds of motives to be able to employ them in their work.

To activate a vision an organization can apply cross-pressure and use the mass media to launch a futuristic description of the organization, which is also presented internally, so that the employees receive the message in stereo and have to take a stand. If public interest is aroused, the employees will have to explain what is going on, and if the organizational visions and values are presented with rhetorical skill, the employees will have no better words than

the words furnished by management, thus assuming the role of ambassadors of their workplace. Such technical artifice cannot, however, take the place of the basic conversation about what is acceptable and unacceptable and what the vision and values mean to the organization.

If visions and values are to obtain the acceptance of many different parties, each party, and ultimately each person, has to be treated with respect. The individual is not just an object or a tool, but is capable of reflection.[37] Respecting individuals as worthy partners in dialogue removes the *cruelty* of disregarding or dismissing what is important to other people.[38] So the employees must have a chance to express what is important for them and how they interpret the vision and values. This means that the vision and values must be discussed among different audiences all over the organization. Involving many different partners does not mean that an organization has to discuss 'in depth' with all employees or even all stakeholders at the highest level. That would be too time-consuming and allow undue space for cantankerous people.

Involving many different parties does not lead to the Truth. Visions and values are not made of the stuff that truth is made of. But a dialogue about values can act as compensation for the blindness that every observer is unavoidably struck by. The task of the management is to make decisions, also in a dialogue.

Dealing with visions entails the inherent *risk* that they easily become rigid and irrelevant. It can be exciting and even engaging to develop them. A vision may increase motivation, ease cooperation and heighten the sense of purpose. However, to the successors the vision merely consists of dead words. If the vision is not kept alive and does not avoid banality,[39] it degenerates into celebratory ornamentation.

4   Politics

In an organization, the political system is not a system parallel to the other systems but rather the way in which their mutual relations are regulated. It is comparable to the political system in society, which regulates the mutual relations between functional systems.[40] The political system is accessible to everyone and is able to draw on all resources and all types of arguments. There is no Truth at stake. What defines success and failure in the political system is purely a question of pragmatics, the ability to gain a hearing and to assert one's observations and descriptions. Even though an organization is never transparent to itself, public opinion will still – or therefore? – emerge as an expression of the position(s) that have stabilized themselves and that any decision-maker has to take into consideration, if not for moral reasons then at least for pragmatic reasons.

Thus the political system constitutes an 'arena'[41] for the demarcation of interests that are tested in relation to each other in order to clarify what is a private opinion, what is backed by strong alliances and which people want to – and are equal to – walk the line.

In a continuous trial of strength every interest finds temporary clarification. Here, everything comes under scrutiny and incomparable considerations are compared. Trials of strength between different wings can go on for years and might only find a solution if one of the parties stands down or if an unexpected event sets a new agenda, which renders the discussion between the two wings irrelevant by creating new oppositions and new alliances across the old one. Conflicts between the political right and left wings lost their momentum as issues of the environment and decentralization defined a new agenda in which different groups who used to be each other's opponents, to their surprise found themselves to be allies.

A classical ideal is that there exists a 'non-constraining constraint in the better argument' in the clash between different interests, so that the political system constitutes a framework for a rational discussion about means and ends in which the better argument wins.[42] The claim is that when different parties discuss, and are serious about it, those arguments that benefit only one party will lose their grip because they do not create common agreement, whereas general and common arguments will endure because they benefit everyone.[43] However, it seems inconceivable that this mechanism would work outside contexts in which parties have a pre-defined agreement about means and ends and view each other as members of a 'we'. And even then, agreement is a fragile matter. Neither values nor interpretations can be determined technically.

Politics can be approached in an entirely controversial manner and many organizations nurture their conflicts like delicate flowers because conflicts stir up energy and heighten motivation. However, they need to have a mechanism that can curb the conflict so that it becomes productive. The question is not a choice between conflict and consensus but – again – to have more of both. Obviously conflicts cannot be fine-tuned. No managers are that skilled. However, they can use their authority, that is, their decision-making powers, to define conditions for conflicts. That does not necessarily solve the conflict. But if conflicts could be solved technically, there would be no need for managers. Managers have to decide how to perceive of the relationship between conflict and consensus – whether there is too much consensus so that conflicts are needed, which types of conflicts might be productive, whether a conflict should be left to itself or whether intervention is needed, etc. All this has to be done also when at least one of the parties feels offended. Authority compensates for the fact that conflicts are *not* merely factual and contain many dimensions besides reason – emotions, vanity, career calculations, loyalty towards people and ideas, etc.

It is normal in the political system to work with *cross-pressure* as each party mobilizes support for its cause. As mentioned before, cross-pressure can be created by involving the media so that a description of the organization spreads to the external environment and returns to the organization transformed. Generally, any type of argument can form an alliance with any other

argument. Authoritarian, factual and visionary arguments can strengthen or weaken each other, and since each of them employs its own reason, there exists no *higher* reason, no Rationality with a capital R. The result of this struggle is an empirical issue: this is how it turned out. One's perception of rationality depends not only on metaphysics or religion, but also depends on who possesses sufficient knowledge of concrete organizational conditions to be able to navigate around them.[44]

The fact that the political system represents a free-for-all does not mean that the result is chaotic or arbitrary. First of all, every organization employs *frames, schemes and scripts* that indicate what is normal and what is unusual. Normal expectations might be interrupted, but it requires reasons. Moreover, there is an important mechanism, which is the organizational counterpart of that which the German philosopher G.W.F. Hegel termed the 'cunning of reason'.[45] Each party seeks to strengthen its cause through alliances. The important thing is not merely to be right, academically, but just as importantly to get one's way, politically, and in order for the different parties to convince each other they need to pose arguments – either publicly or in the dark where rats mate. Each party has its own interest and thus its own way of observing. However, each party can also observe the fact that others observe differently and that what convinces one party does not convince the other. Nobody can give up their own interest without resigning from the game and nobody can overemphasize their own interest without becoming isolated.

Appeals develop, therefore, in the political struggle for a common interest, even though the 'common' changes with the situation. That which two departments have in common is not necessarily the same as what is common for the entire organization. The language concerning commonality does not necessarily hold truth-value, but is used to test and stabilize expectations. In that way it is a matter of staunch pragmatism. In order to assert one's interest one has to appeal to commonality since that alone can legitimize one's own interest. However, commonality eventually develops a language and dynamic of its own when everyone has to make the detour around it in order to cultivate their own interest. In the end, commonality may turn around and confront each individual party as if it had an independent reality and dynamic *different* from every local interest. All parties work to give it words and bring it over onto their side.[46] It is an *Eigenvalue* in the sense that, although is not unchangeable, it is sufficiently stable for everyone to rely on for a period of time.

So when different parties get together, highly involved in their own interest, they have to use the common cause as an argument to find support for their own cause. The important thing is not whether they are found out. They probably will be since all parties examine 'what lies behind'. But sincerity is not important because the other parties are in the same situation.

It is possible to come to an agreement in this way because there is a joker in the political game: the fact that disagreement is costly for all involved

parties. Disagreement can stall everything and incur significant costs. Thus there can be an extra motive besides the other motives, which may take the edge off conflicts and cause the parties to be more flexible, namely the desire for agreement. Parties may concede in areas that seem less important and make ongoing evaluations of the price of conceding against the price of conflict. Hence all positions become fluid, which increases the chances of compromise.

Another possibility subsists if a conflict does not come to an end and if viewpoints continue to clash: to redirect the conflict from the factual to the social dimension and establish agreement about the *procedure* needed in order to move the organization beyond the dead spot.[47] This does not solve the conflict but it can phase it out and draw it out over time so that it becomes manageable. Without such a mechanism, a conflict might eat its way into the central nervous system of the organization, which constitutes its ability to make collectively binding decision.

Such procedures could be voting, drawing lots, auctions, ombudsman or appeals to a higher level of the hierarchy, which relieves the involved parties so that a decision is made without anyone losing face. They can even get together to criticize 'those up there' who have forced a solution on them, while secretly rejoicing. These are important measures, although organizations often resort to them too quickly, so that the parties' ability to reach a solution on their own is not pursued in depth. Rather than continuing the decision, they resort to the casting of votes. This favours those people who do not compromise because they become highly visible in the debate. Formal procedures are also tempting for managers who are afraid to increase conflicts by 'making the call' and hence refrain from using tools of power to which they have legal access.

The political system has no characteristics of unity except as a stage for continuous variations that are tested in relation to the status quo. A multitude of suggestions emerge, most of them disappear, a few are tried out and some are decided on. It is a struggle in the dark and with a result that, like works of art in cyberspace, has no distinct originator.

The lack of principles is the *risk* of the political system. Any interest can make its mark and employ the means that hold the key to prospective success in the given context. Since relationships based solely on strategic alliances are uncertain, and since the conflicting parties may be opportunists, there are no guarantees that the result will be 'in the best interest of the organization'. But no one has the authority to say what the best interest would be. The organization remains silent and the parties quarrel. So once again the political system survives and thrives for want of better alternatives. It establishes temporary solutions which remain open to revision but do not represent a higher reason.

The notion of the common good presupposes that an organization is transparent to itself and that it is possible for one of its members to simultaneously

partake in the organization and see it from the outside. It is not possible to do both. All observation is local, and when claims of unity and totality are put forward, we suspiciously ask: who speaks and what lies behind? Thus we have forsaken the notion of a common good or a 'we the people'. Instead we refer to public opinion and the political system. These are generous categories because they allow room for everyone and because they are open to revision – if not for the better, then at least for something different. Above all, their advantage is that they undermine any appeal to a higher reason, which is replaced by negotiation and voting and compromises and all the other not so glamorous techniques created by the political system. Not perfect, but better than any existing alternative.

Notes

1. This is in accordance with Henry Mintzberg, *Power in and Around Organizations*, Englewood Cliffs, NJ, 1983, Chaps 3 and 14.
2. Edgar Schein argues in favour of a division of the organization into 'subdivisions' according to technology, market, product, geography and profession, see 'On Dialogue, Culture, and Organizational Learning', *Organizational Dynamics* XXII (2), 1993, pp. 40–51.
3. Niklas Luhman, *Social Systems*, Stanford, 1995, p. 62.
4. Mintzberg asserts that 'the CEO is an influencer too, with his own personal goals to pursue' (*Power in and Around Organizations*, p. 225). The same argument can be found in R. Edward Freeman and Daniel R. Gilbert, *Corporate Strategy and the Search for Ethics*, Englewood Cliffs, NJ, 1988, p. 72. Here, management's concern for itself is one of seven enterprise strategies.
5. It is important to note that the notion of unity does not refer to the organization as an 'actual' unity. In that sense, the organization 'as a whole' can only be observed from without and always with a great loss of information. To an external observer the organization is always obscure. In order for the 'unity' to be operational within the organization, it has to be a representation of the organization, which is introduced into the organization as its simplified image of itself.
6. 'The social reality of decisions in organizations must be perceived as a mere assumption or precondition or suggestion in the parties who partake in the system ... The reality of the organization cannot be perceived as a sum of facts [about the psychological background for decisions], but appears as a wilfully selective process of ignoring, oblivion, selective observation and overestimation. That which "one" assumes is, on the one hand, a contraction and abbreviation, and, on the other hand, a simulated whole where holes have been filled ...' (Niklas Luhmann, 'Organisation und Entscheidung', in *Soziologische Aufklärung 3*, Opladen, 1981, p. 354, own translation).
7. Heinz von Foerster, *Observing Systems*, Seaside, Calif., 1984, p. 201.
8. That is also Russell L. Ackoff's description of the type of mechanical organization by which the management tries to reduce all organizational elements to that which Heinz von Foerster calls 'trivial machines', where a simple input is reliably transformed into a simple output, *Creating the Corporate Future*, New York, 1981, p. 26.

9. The seven stakeholder strategies enumerated by Freeman and Gilbert are defined on the basis of which stakeholder perspective is dominating. Each strategy is basic. It indicates what the organization stands for. As one possible strategy they mention a management strategy by which the 'organization is to maximize the interests of management'. Here, the interests of management do not coincide with those of the organization; see *Corporate Strategy and the Search for Ethics*, p. 72. The teasing question is *what* the interest of the organization is when, in reality, it consists of special interests and conflicts between special interests. What is the 'we' of the organization? Who represents the general will and is able to impose privations on others based on an assertion of *civitas*, i.e. an assertion about a general consideration?

10. Or its lack of style, which is also a trait.

11. John Kenneth Galbraith made this point in *The New Industrial State*, London, 1967.

12. As already mentioned in Chapter 3, this definition of value is taken from Talcott Parsons, *The Social System*, New York, 1951, p. 12.

13. Talcott Parsons, 'On the Concept of Political Power', in *Sociological Theory and Modern Society*, New York, 1967, p. 300.

14. Legitimacy cannot be defined as support from all concerned parties without the concept crumbling and becoming impossible. It is worth noting that legitimacy represents support here-and-now, i.e. in the light of what is convincing at a given point in time, see Niklas Luhmann, 'Risiko und Gefahr', in *Soziologische Aufklärung 5*, Opladen, 1990, p. 145.

15. Cf. the definition of communication as the unity of three differences: information, message and understanding.

16. On informal power, see Niklas Luhmann, 'Power', in *Trust and Power: Two Works by Niklas Luhmann*, New York, 1979, pp. 182f.

17. See Galbraith, *The New Industrial State*, Chap. 6: 'The Technostructure'.

18. Thomas Hobbes calls the one in power sovereign and views 'him' either as a person or as a group of people. Not only a ruler, but also a parliament or a bureaucracy can assume the function of sovereign. Hobbes refers to the political leader who is, in Hobbes' context, not democratically elected and thus not directly accountable to the people; see *Leviathan*, Oxford, 1965, p. 131. In fact, Hobbes' ruler represents a third form of power, *dictatorship*, which I have chosen to disregard in this context.

19. Hobbes, *Leviathan*, p. 97.

20. Hobbes, *Leviathan*, p. 135.

21. Galbraith, *The New Industrial State*, Chap. 2.

22. The classical analysis of the increase in efficiency caused by the division of labour can be found in Adam Smith, *The Wealth of Nations*.

23. See Milan Zeleny, 'Knowledge as a New Form of Capital', *Human Systems Management* VIII, 1989.

24. In institutions of higher education that have extensive autonomy, it is possible to observe the shift in motives when a researcher is gradually drawn in the direction of administrative functions, perhaps driven by a desire to obtain influence and benefit a specific area of research. Once this shift in motives has happened, it is usually difficult to return to research. One has got used to a lifestyle of movement, meetings, negotiations and receptions.

25. See Zeleny, 'Knowledge as a New Form of Capital', p. 9.

26. Max Weber, *Economy and Society*, 2 vols, Berkeley, 1978, vol. 2, pp. 956ff.

27. This applies to an extreme degree to Antony Jay, *Corporation Man*, London, 1972. From the growing literature about networking we can mention W. Powel and

L. Smith-Doerr, 'Networks and Economic Life', in N.F. Smelser and R. Swedberg (eds), *The Handbook of Economic Sociology*, Princeton, 1994; Bengt Johannissen and Mette Mønsted, 'Networking in Context', presented at the 9th Nordic Small Business Research Conference, Lillehammer, Norway, 1996; and Kristian Kreiner and Majken Schultz, 'Informal Collaboration in R&D: The Formation of Networks across Organizations', *Organization Studies* XIV (2), 1993, pp. 189–209.

28. This expression is taken from Galbraith, *The New Industrial State*, where it refers to 'all who bring specialized knowledge, talent or experience to group decision-making' (p. 71). On the other side is the management, which is also collective and includes 'the chairman of the board, the managing director, those managers who hold important responsibilities within the whole, and people in other important positions further down in the hierarchy' (p. 79).

29. An example is the Danish company Oticon, a producer of hearing aides, which underwent extensive changes from 1990 onwards that resulted in open, mobile and electronic offices and project groups. Generally, it did not, however, mean that the managing director became less powerful – far from it. Hence, the paradoxical end result was the simultaneous development of *more centralization and more decentralization*.

30. Antony Jay actually perceives an organization as a framework for such informal groups of three to five people, see *Corporation Man*.

31. Laurence J. Peter, *The Peter Pyramid*, London, 1986, p. 15.

32. In *The New Industrial State*, Galbraith presents a classical analysis of the way that organizations not only presuppose but also create and model demands.

33. See Luhmann, 'Risiko und Gefahr', pp. 131ff.

34. 'This kind of difference is not easily resolved through communication. What can today be seen as communication between the decision-maker and the involved parties is more likely to result in a mutual distortion of the standpoints' (Luhmann, 'Risiko und Gefahr', p. 156, tr. by OT). We might ask: how *else* could this difficulty be resolved?

35. This is a central concept in Ross Ashby, *Introduction to Cybernetics*, London, 1971.

36. Luhmann seems to accept this although he is generally highly critical of the notion of 'shared values'. The solution to the problem of the relationship between decision-maker and the parties concerned 'presupposes, at least, that all parties recognize the necessities of the other parties, try to consider them, and involve them in the definitions of their position. A social-theoretical reflection (as opposed to "shared values" which one has to accept) could provide the basis for this' ('Risiko und Gefahr', p. 156, tr. by OT). Aside from the fact that it remains unclear what would be the result of a 'social-theoretical reflection', shared values are precisely *not* something that one 'has to accept', but they emerge – if they emerge – from a conversation in which the parties recognize each other's 'necessities'.

37. This ideal notion of respect was formulated by Immanuel Kant in the third definition of the categorical imperative which states: 'So act as to treat humanity, whether in thine own person or in that of any other, in any case as an end withal, never as means only', 'Fundamental Principles of the Metaphysics of Morals', in *Basic Writings of Kant*, New York, 2001, p. 186. Antony Jay formulates this principle from an organization perspective and argues that 'the instrumental mistake' of treating people as mere tools leads to inefficiency and evasion of responsibility; see *Corporation Man*, Chap. 5.

38. This definition of cruelty can be found in Richard Rorty, *Contingency, Irony, and Solidarity*, Cambridge, 1989, p. 141.

39. By this we simply mean that any vision has to be able to pass a 'banality test', which entails asking whether the opposite vision makes sense. If a hospital states that it works to cure people, it is a banal vision, since it makes no sense to claim that its vision is to make people sick. Only visions that allow for an opposite view are informative, with the exception that a banal statement can be used to indicate a focus area, e.g. 'We aim to employ the most advanced technology', where the opposite view is not 'the least advanced technology', but rather 'not to define technology as a central area'.

40. See Niklas Luhmann, *The Reality of the Mass Media*, Stanford, 2000, p. 104.

41. The expression is taken from Mintzberg, *Power in and Around Organizations*, pp. 224ff., where the political system is first criticized for its lack of principles but subsequently becomes the 'place' where the organization comes into its own, i.e. defines how it wants to describe itself as a whole – apparently surprising even to Mintzberg, who is caught by his own argumentation.

42. See Jürgen Habermas, 'Wahrheittheorien', in *Vorstudien und Ergänzungen zur Theorie der Kommunikativen Handelns*, Frankfurt am Main, 1984, p. 161.

43. This position is defended by Jürgen Habermas, see e.g. *Moralbewusstsein und Kommunikatives Handeln*, Frankfurt am Main, 1985, p. 81.

44. 'The organized decisions represent an area where everything meets everything and everything becomes confused so that it requires a certain know-how to break through' (Niklas Luhmann, *Universität als Milieu*, Bielefeld, 1992, p. 122, own translation).

45. G.W.F. Hegel uses the expression to describe how individual passions are used as fuel for the universal Spirit without the subjects' knowledge, see 'Vorlesungen über die Philosophie der Geschichte', in *Werke in zwanzig Bände*, Frankfurt am Main, 1986, p. 119.

46. See n. 6. When all parties make their own assumptions and fill out their holes, it creates a (or several) image(s) of the organization, which become communicated throughout the organization.

47. Conflict and consensus might arise in relation to (1) Concrete decisions, (2) Procedures and (3) Values, see Peter Pruzan and Ole Thyssen, 'Conflict and Consensus', *Human Systems Management* IX (3), 1990, p. 143.

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Part III
Value

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6
Values

What is a value?

So far we have, following Talcott Parsons, defined a value as a *demand on a solution*. A demand entails the possibility that it is not met. It is not logically possible to make a demand without accepting the possibility of rejection. Hence a value has a *binary* structure. It represents a distinction in which one side is acceptable and the other side is unacceptable. The two sides of the distinction are asymmetrical. It matters which side one is on. Besides having a logical structure, a value has a social structure.

Although to different degrees, a value creates an artificial division of the world and indicates two domains – plus a third domain, which is the excluded third. The value of 'care' implies a rejection of carelessness. It contains a factual dimension, which defines *what* is careful and what is careless. It also contains a *social* dimension, which pertains to *what* happens around a demand for care – who makes the demand and what are the chances that his demand is met? Finally, a value has a third dimension, which is the *subjective*, which pertains to *who* observes in this way. It is a question of who feels obligated. However, it is also a question of who observes from the perspective of the value 'obligation', and thus rises above it. The person who observes through a value, steps outside the value as the excluded third. He is located on neither side of the distinction of the value.

Even if two people are theoretically in agreement, they may still dispute about concrete issues. Generally, values are not defined precisely in the sense that it is crystal-clear what is located on either side of its distinction – and what falls entirely outside it. They focus on certain 'normal examples' or *prototypes* about which there is usually relative agreement.[1] The more remote or unusual instances are located on the outskirts where the plus and minus sides of the value become questionable. Conflicts may arise if a person omits a value altogether and refuses to see the world in the light of its particular distinction. Many managers refuse to discuss ethical issues and insist that

'this is not a question about ethics but about getting an organization going'. This gives us the following:

A The social structure of values	B The logical structure of values
The factual dimension – the 'what' of the value	The value as distinction: $+/-$
The social dimension – the 'who' of the value split into 'us' against 'them'	Normal examples or 'prototypes' of acceptable and unacceptable
The subjective dimension – the blind spot of the value	Hard cases in need of interpretation

A value is a premise for decisions. It is often tacitly present and is activated spontaneously. It is often a trump card because references to values are assumed to carry weight ('but, one should not ...'). However, expectations are often disappointed and leave the disappointed party to decide whether to resign or persist.

To say value is the same as saying conflict. Values are always in conflict with each other, also because they have no clear dimensions. Classical values such as freedom and equality are in clear conflict with each other, and it is often a matter of finding a 'balance', that is, a compromise, which is logically impossible, but socially possible. This poses the question of what happens when values collide in a context *without access to super-values*.[2] Moreover, it is unclear how to interpret values. The conflict may pertain to (1) *Whether* to activate the value, (2) *What* is acceptable and unacceptable and (3) *How* to interpret the concrete instance. Even if there is agreement about rape as a violation of the value 'personal freedom', there can be disagreement about whether or not it is rape if Mary accepts John's invitation to come to his boat to see his stamp collection at 3 am on Sunday and what is bound to happen, happens. She *must* have known – or must she have? Is a no not always a no?

A value is *normative*. That means that, even if a product or a process is located on the unacceptable side of the value, we still do not forsake the value. We do not adjust the value to fit reality but rather seek to adjust reality to the value. Even if a value is rejected, it is stubborn and 'rejects the rejection'. We usually refuse to learn from situations in which values are not fulfilled – although we sometimes accept the fact that a value is unfeasible and only creates unnecessary conflicts, and hence we resign and give up. An authoritarian leader might sense the fact that his demands are out of sync with the times and draw in his horns – or he can refuse to draw in his horns and spend his last years holding out against the decay of time.

A value indicates a *blind spot.* We see 'through' the value and hence do not see the value itself. Someone's upbringing means that they become programmed so that certain ways of perceiving are spontaneously activated. That does not only apply to values. Without reflecting on it, we see that the forest is green, the guy impolite and the painting banal. In that way, we possess many more values than we recognize. The character of values is often such that we discover by observing our actions – which obviously means that we do not give words to our values until they are violated. Hence it is impossible, in principle, to state the amount of values in the world, or the amount of values involved in a decision. Any action may be redefined and ascribed values unknown to the actor. The definition of value does not depend on the way of the world but on people's ways of observation.

Values are tacitly present in actions we do and stories we tell. If we say of a man that 'since he retired he has become completely indolent', we base our statement on the value of an active life. In a few words, we tacitly implicate an entire universe of values. We are usually more proficient at discussing the unacceptable side of a value than its acceptable side. We know more about diseases than about health and more about what we do *not* like than about what we like – maybe in order to allow for some flexibility so that we do not just see ourselves as marionettes for our values.

Values are also referred to as norms. The opposite of normative orientation is empirical orientation. The difference lies in the readiness to learn if expectations are not met. We do not demand that the forest is green, but we do demand that people do not interrupt us when we speak. Values that are spontaneously activated constitute our prejudices. Although we are not aware of them ourselves, other people can see them and with the help of others we, too, may learn to see them so that we become freer as well as more uncertain.

When we have to describe who we are, we make clear distinctions between 'me and you' and between 'us and them'. These distinctions are also a question of values. Thus values are not merely used to indicate agreement but also to indicate disagreement. Because deviation signals strong identity we work hard to find and create differences. Values do not only, therefore, have a factual side – that which the values are 'about' – but also a social side: the person or people who 'have' the values. We can indicate a factual and *thereby* a

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When empirical expectations are disappointed
– I accept to learn

When normative expectations are disappointed
– I demand that you learn

To learn or not to learn –
That is the question!

social position. That happens when opinions divide us into different groups. But the relationship can also be the opposite: we can indicate a social and *thereby* a factual position. If someone asks me to close the window – something I was in the process of doing – and does so in a commanding voice, I might refuse to close the window *because* I was asked to do it. If someone makes a decision that I agree with on a factual level, I might criticize the decision *because* it was made by that person. Should I have to accept the decision just because someone made it?

Values collide necessarily with each other. There are no factual solutions to conflicts of values, partly because the most profound values are groundless by nature and partly because values also concern questions of *what* is factual and *whether* to be factual. The factual is factual because it is possible to disregard the social. However, no one can be prevented from *not* disregarding. Hence a new situation arises. If people live close together, they often develop what Freud spoke of as 'narcissism of minor differences' – they indicate their positions by placing undue emphasis on minor differences so that it appears *to the involved parties* as if they strongly disagree whereas *other people* see the differences as details. When the involved parties describe themselves in opposition to each other, the difference becomes absolute – one is completely pedantic, the other completely reckless, or one is too much of a nerd, the other much too social.

Even if value conflicts do not have an objective solution, yet there has to be a solution. That does not mean that it is possible to sit on the fence because that, too, is seen as the expression of a decision and hence indicates a value. It does mean, however, that the involved parties express their identity by way of their approach to the conflict. A conflict of values suggests a *non-factual space*. We jump from the unpromising factual dimension to the social dimension where we observe what happens. And fortunately, *something always happens*. A conflict is bound to find a solution one way or another. The result demonstrates identity, that is, non-objectivity, by the principle that 'only that which, in principle, cannot be done, can be done by *us*'.[3] Because values appear in bundles, often called 'philosophies of life', it becomes possible to modify and compromise and yield a little in one place in order to gain a little somewhere else, all in the name of irreproachable values.

In this way, values become *Eigenvalues* – stabilities that are not unyieldingly stable, but sufficiently so, and that we cannot rationalize but still unfold.[4] They become temporary fixed points in the endless negotiations we have with ourselves and others about how much we can ask of each other – or whether we should even ask. At times, they might change in shocking ways, as when someone suddenly experiences his life as meaningless and frustrates all expectations. Generally, however, they change imperceptibly. The things that we *cannot* rationalize, the things we do out of routine and have stopped justifying – those are the tacit values that we 'are' more than we 'have' them.

In addition, there are the obvious values that we continuously discuss and that we can find words for anytime.

Values contain identity, in the values that we blindly appropriate as well as in the values that we perceptibly activate. Moreover, there is identity in the values that we do *not* have, directly and indirectly. Hence there is sensitivity and conflict around values. They show a deep and groundless part of us. Choosing to work with values and hence making itself more sensitive does not give an organization direct access to Paradise. It may desist from working with values because it fears the rage they can bring on. Since we are unable to rationalize our values we have to protect them with aggression.

Although values are risky, they are still tempting. There is motivation in values. They allow for a sophisticated approach to *change* by opening up to a language about *trust* – something we shall address later in this book (Chapter 10). People are motivated by compulsion, wages and the prospect of power, but also by values that are so important to them that they happily make an extraordinary effort.

The values of individuals and those of organizations are both similar and different. With respect to people, we can inquire about motives, sincerity and profundity. With respect to organizations, we can ask questions about the reasons that a particular consideration is used to justify a decision and whether there is consistency over time. A value represents a *theme* or topic which is handled differently depending on whether it 'belongs' to an individual or an organization – in the same way that the theme 'sickness' is handled differently by an individual patient, a hospital, a political party, a doctor or a pharmaceutical company.[5]

In any society, certain values have become banal – although making them concrete does not have to be banal. Hence there is an ongoing battle about conquering these values and bringing them over to one's side. This 'battle over labels' can be observed in the mass media when a news event is described in different ways – what are the active elements, who is the victim and who is the executioner, who is responsible, etc? Often there are no neutral descriptions. Words betray our values as well as the position we assume when the parties in a divorce struggle to make their description of the conflict the official description, when a student and a teacher debate who is responsible for the poor grades, when authorities and the business community discuss who should pay the costs of pollution, or when politicians discuss the consequences of a common currency in the European Union.

It is difficult to reject efficiency. It could easily sound as if one supports slackness. However, it is not given whether efficiency implies a strict hierarchy with very precise regulations, or whether it implies working groups within flexible frameworks for the involved parties to fill out.

A distinction can be made between *fundamental* and *instrumental* values. Certain values are maintained only because they help to fulfil more fundamental values. If someone defines a value such as punctuality as a goal in

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Values

1. Reason for choosing – individually or collectively
2. Premise for action
3. Condition for acceptance
4. Distinction between basic and instrumental values
5. Only compromise through collision
6. Identity expressed in the way that insoluble conflicts between values are solved

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itself, they could easily be accused of pedantry. But punctuality makes it easier to coexist, so that people avoid wasting each other's time, and, moreover, is a way to show respect for other people. Thus punctuality becomes a means to show respect for others. Values that function as means can, however, become isolated over time and become ends in themselves. One example is money, which we strive for with furious rage although, in itself, money is not particularly interesting. It is important because it provides access to *other* things.[6]

A classical ambition is to define a system of values so that value conflicts can be solved in purely technical terms. No one has ever accomplished that. For that to be possible, values would have to be precise, independent of context, partake in an unambiguous hierarchy and be transitive.[7] Depending on the context, values are activated, unfolded and interpreted differently – and, moreover, the fact that a specific person activates a value leads another person to consider whether or not to support the value. On the Internet, where people discuss anonymously, out of context, it can be terrifying to realize whose argument one has supported. And if I am a friend to the friends of my friends, I am tempted to accept things that I would not otherwise accept – it is, after all, a friend or at least the friend of a friend.

Because there are *always* insoluble conflicts between values, an organization has to be able to *use* the conflict of values as a resource to stir up energy as well as *curb* the conflict of values so that its decision process is not stalled. Above all, it has to make sure that it is located on the right side of those values that are considered banal.

Values are often perceived as limitations that irritate and might become an impediment to tempting possibilities. But there is also another side to them. Values can help *increase the amount of possibilities for action* because a large number of values mean that actions can be legitimized in many different ways. Thus a broad spectrum of values, hard and soft, and the employment of general values that can adapt to different situations also provide freedom. But it requires certain routines in order to prevent random interpretations of

the values. It requires *consistency*, which then becomes a value of the second order – a value that pertains to the way that values are made trustworthy. Another requirement is the inclusion of many different parties so that values do not become the privilege of one group.

An organization shows who it is by indicating the values towards which it is sensitive and the way that different value demands are assessed in its decisions. As organizations necessarily make decisions, there is no way of *not* showing values, consciously or unconsciously, even though there might be intense discussions of the 'actual' premises for the decisions.

The disintegration of a shared value base

It is debatable whether there has ever, in any society, been agreement about values. Harmony is likely to seem prevalent in the rear-view mirror of nostalgia in which 'the good old days' emerge from the mist. If there are severe punishments for deviation in a society, the surface might look calm whereas there is turmoil below the surface. Some sociologists maintain that a society can exist only on the basis of a community of shared values.[8] Others maintain that it is entirely possible for a society to have only an 'external' framework, that is, a *de facto* recognition of what is wise to consider in the pursuit of success in a particular context.[9]

We shall address four dimensions in which it is becoming increasingly difficult to view modern societies as communities of values.

Changing values

From nationalism to globalism
From class cultures to subcultures
From tradition to breaks with tradition
From personality to subject

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1 From nationalism to globalism

To speak of social classes or 'layers' is to indicate differences, which also represent differences in values. A class or a layer is assumed to have interests that mirror its position in society. Similarly, functional systems each have values that do not become united in a hierarchical top but exist side by side as alternative options.

In the nineteenth century the *nation* was invented as a community of shared values with respect to history, geography, habits, symbols, language and perhaps even religion and ethnicity. *The people* became the bearer of this community and to be unpopular meant to place oneself outside a collective 'we', which was, nonetheless, broad enough to allow for many kinds of

freedom. However, it was never obvious who had 'the people' on their side in a political conflict, and with representative democracy, the people became divided into parties and interest groups, which meant that the homogeneous 'people' slowly developed into a rhetorical figure – the normative counterpart to the empirical concept of the 'population'. 'The people' cannot unify a society which is divided into functional systems, each with their own value and way of observing. Loyalty towards the people has been replaced by more specialized loyalties, and the people have been relocated to the Eurovision Song Contest and sports where nationality can be used to choose sides in symbolic conflicts. Without a place to focus one's loyalty, it is hard to have a keen interest in observing sports! Thus strong and itinerant emotions become stirred up and trigger off harmless dramas, because whenever there is a people, there is also an enemy, either in the form of unpopular forces, enemies of the people, or as an external enemy around which the people can get together.

Functional systems exceed the physical boundaries of the nation. Neither the business world, nor science, nor politics acknowledges national boundaries, and even as an administrative entity the nation is on the decline. The framework for organizational activities is defined not only by nations, but also by functional systems. In this conflict of loyalty it becomes difficult for the nation to assert itself. Hence, organizational loyalty to the nation is usually not absolute, but highly conditional. An organization is loyal only to the nation if the nation is loyal to the organization. Citizens are loyal only to the nation if the nation endorses particular principles, for example constitutional or human rights.

Through strong mass media the population receives news, commentary, entertainment and advertisements from all over the world. If culture represents a resource to communication, we certainly live in a global culture. Local habits and themes are surrounded by a multitude of alternatives gathered from the entire globe. Anything local is witnessing the scattering of its distinctive marks to the winds by the music industry, the food industry, the museum industry and other industries. Although some people still live and die in the place they were born and have no experience of the outside world, this kind of fidelity to the native soil is no longer a virtue. It represents what Marx bluntly termed 'the idiocy of country life'.

This establishes the first dimension of the disintegration of communities of values: from nationalism to globalism. Today, there exists only one society: the global society.[10]

2   From class cultures to subcultures

For many years, advertisement agencies have sought to establish a connection between people's values and their attachment to a specific socio-economic group. Even if they allowed room for individual variations, the ambition was

to divide the population into a manageable number of types defined by a limited number of variables such as age, education, place of residence and income. Such attempts are becoming increasingly futile.

In the Middle Ages, membership of a social class constituted the most significant aspect of someone's identity. One belonged to the social class as a whole person. Today, membership of a functional system, an organization, a circle of friends or a family is optional and often temporary. If people commit themselves it is usually out of personal concern, and since every functional system bursts with possibilities, everyone is free to compose his own diet of values: money, power, truth, technology, love, faith, art ... The possibilities increase when the values of work, leisure and family can be combined or are allowed to compensate for each other. Thus cultural identity is different from social identity, and this distinction is what made it possible for an insurance company, some years ago, to present advertising pictures of an extravagant woman in a slummy apartment while a hippie woman was shown in a luxury villa. The message is that individual lifestyle does not follow socio-economic boundaries.

Modern societies constitute a restless network of lifestyles[11] or subcultures[12] that are often transient, partly due to the compulsion towards change and partly as a result of recurring situations that cannot be settled through moral routines. A modern identity is not a given. It is universal, individual and reflexive. A modern human being, in the definition of Niklas Luhmann, is someone who observes his own observation,[13] thus making himself slightly indefinite. Although one generally pledges oneself to one's life story and meets expectations that one has helped to create, there is always room for change. If nothing else, at least as a possibility to ponder over. Modern people do not want to be well defined. They leave doors open and observe with calculating eyes. Part of the game is to experiment with many different lifestyles and to explore disconnected connections until everything becomes true of any person and classical notions of coherence collapse. One smokes but opposes pollution. One boycotts products from the country where one goes on vacation. One combines regular work with a self-description as a nomad.

This generally does not happen in isolation. People need each other and find their identity in the eyes of each other. Individualists lean on other individualists until they eventually form a chorus of hermits.

Subcultures may be subdivided into acknowledged and ascribed. Some subcultures are overtly acknowledged, so that the members proudly assert their affiliation. In other subcultures the members disclaim any affiliation, so that an integral part of the subculture is to reject any connection to itself. Individualists tread their own path and despise being in step with anyone else until they eventually all share their steps of individuality. Yuppies and bribed officials are members of subcultures that they claim do not exist, even if external observers have no problem in recognizing them. That does not

change the fact that modern societies consist of networks of subcultures of which none, not even religion, is fundamental to society. They are a matter of private choice. This is the second dimension of the disintegration of communities of values: from class cultures to subcultures.

3 From tradition to breaks with tradition

In traditional societies, it is assumed that the future is bound by the past. The types of situations which may occur and the convincing arguments for decisions have become stabilized in an unknown past and do not allow for sudden changes. In the Middle Ages, the Catholic Church declared that the Truth was to be sought in the Bible and in the Church and that change, therefore, was a questionable endeavour. Original thinkers, as a result, had to veil their findings as if they were mere variations on already established truths.

This changed with the shift to modern society. With the division into functional systems, change becomes interesting simply because it was new. Newness is intriguing and can be expected to receive attention, not rejection. Anything new is given a chance, even if only briefly. *Fashion* is guided exclusively by newness and speeds up the step of change by freeing itself of the need for justification.

Every functional system produces a tremendous spectrum of variation. It stabilizes itself by means of strong tools for choosing and forgetting. The strongest mechanism is change itself: what is new now is not new tomorrow and thus has already lost the charm of novelty. If nothing more happens, it can easily be forgotten, so that the compulsion to innovation mirrors itself in the compulsion to obsolescence. The fact that it requires an effort to maintain a new product or idea is the best protection against news congestion.

Change does not follow a plan, but methodically breaks with any plans. It cannot be predicted, but methodically breaks with predictability. It deviates and thus adapts to the demand for deviation. And it does not have a specific aim. It moves with focus in all directions. Since people find their identity in changes that they propose and perhaps realize, a dramatic amount of experiments and provocations are created.

In this kind of climate, the solutions of tradition are never left to rest. They are observed and evaluated. They irritate and are irritated. In the place of the solid tradition, another and even more solid tradition is formed to break with tradition, favouring the strain of change rather than that of petrifaction. Organizations stir up themselves, their employees, customers and clients with a torrent of change with respect to products, production and sales.

This provides the third dimension of the disintegration of communities of values: from tradition to breaks with tradition. In turbulent societies, stability is often only found in turbulence itself. It is reliable and robust. It soothes by

means of its unrest – even if variation as a matter of logic demands constancy: without a stable background instability is impossible. Total variation is a self-destructing concept, so that chaos is unstable and, out of randomness, structures emerge.

4   From personality to subject

The 'personality' of classical culture was a figure of strong and often frightening predictability. He had a centre, which was, however, invisible to the surgical eye. He had his Truth from which he never deviated. His choice of profession, political party, spouse and values were not up for discussion. Once a choice had been made, they were no longer optional. Thus the person was able to put together a configuration of family, social circles and work and become like a 'pillar'. It was as if he lived outside himself in the arrangement which sustained him and which he helped sustain.

Compulsory change has also eaten its way into the personality and has dissolved its centre. Above all, a gap has been created between personal values, which may still be stable, and professional values, which can no longer be stable. Professional competency has become reflexive and requires a swift turnover. Hence loyalty to an organization cannot be linked to a specific condition that is to be maintained but must pertain to a dynamic that is to be nurtured. Faithfulness has to be combined with unfaithfulness.

If a person commits to a specific arrangement in the organization she becomes outdated and out of step. By not moving, she moves backwards. Not only news but also organizational fads change quickly and the programming of the past is no reliable guide in situations that still have not found their profile. Hence flexibility becomes an inflexible requirement of managers and employees of modern organizations. If someone develops a rash or cannot sleep at night from having to make decisions and take on responsibility, or meets everything new with mistrust or authoritarian rejection, they are on a collision course with the organization. Employees who resist change are no longer promoted as organizational supporters but criticized as an impediment.

That does not mean that personal values are inappropriate. If someone's values change depending on which way the wind – and his employment – is blowing, people will notice and he will be seen as untrustworthy. Trust is at stake here. Although image can mean more than meticulousness and although modern organizations favour narcissism, leadership still requires trustworthiness.[14] Personal trustworthiness has to be combined with professional unfaithfulness in relation to the status quo. Here, an appeal to basic values may do the trick of smoothing out the apparent contradiction.

The classical personality required a stable environment in order to maintain its stability and to receive acknowledgement. Today, not even public employment provides any guarantees of stable relations. Even mail services

strive towards flexibility, rationalization and modernization. Thus the personality is transformed into a *subject*. A modern subject is sub-jected to change and reacts by being changeable itself: flexible and ready to learn. In this way, it no longer guarantees a community of shared values unless one believes that values such as 'dynamism' and 'flexibility' provide access to a community of values. One might assert that. However, it is a peculiar community in which commonality is based on aversion between people who strive towards the same thing and who *therefore* deviate from each other and maybe even fight each other. The market is not a place for solidarity but for strategic alliances and modern opportunism, as analysed by Daniel Bell and Christopher Lasch.[15]

This gives us the fourth dimension of the disintegration of communities of values: from personality to subject.

Types of values

Our provisional conclusion is that it is not possible to presume similar values in different people or to presume that people will be loyal to the values they meet in the organization. The postulate about harmony between the values of individuals, organizations and societies appears rather forced.[16]

Moreover, values are not simple and robust things. They vary not only in relation to context, but also in relation to weight and kind. In organizations, we can distinguish between six types of values, which in different ways combine the differences:

between 1 *empirical and normative*
between 2 *individual and collective*, and
between 3 *argued and unargued*

To say that a value is empirical simply means that although it does make a difference, it does not make a distinction between right and wrong. We are not in the realm of morality. Generally, the difference between a good and a bad knife is not a matter of morality – unless the difference is included in a game that is otherwise about morality, for example a game about promises.

Types of values

	empirical	unargued	argued
individual	taste	intuition	conviction
collective	style	morality	ethics

1   Taste

When a value is empirical, individual and unargued we refer to it as taste, which pertains to someone's external presentation – their clothes, glasses and haircut, their way of decorating their home and choosing their car, their favourite vacation spots, restaurants and films. We observe all this based on the principle that taste cannot be discussed. A discussion of taste is unlikely to succeed if 'succeeding' means that one of the parties yields for rational reasons. We express identity through differences in taste, and therefore we are more inclined to engage in a discussion about taste to assert ourselves than to reach an agreement. A principle about tolerance makes us lenient, particularly since the taste of one person has no consequences for others.

If one takes a look at company photographs it becomes apparent that the tendency in the past thirty years has gone in the direction of more difference in taste. Whereas a photograph of a class of police officers from the 1950s reveals little more than a collection of uniforms with something inside them, maybe people, a photograph of a class from the 1990s is close to indistinguishable from a sports club on an outing.

Taste is an individual matter. Most organizations allow space for each individual to express their taste. However, individual taste might be in conflict with the image that the organization is trying to create. Even though the organization does not challenge the right of extreme leftist groups to voice their opinion, it has no interest in employing an activist in leather and with lip piercing as their receptionist or cashier. The front-row employees who are responsible for the direct contact with the customers and clients must live up to standard conventions. What goes on behind the scene is left more to the individual. Particularly the 'creative' employee groups are given the freedom to persist in their personal taste.

2   Style

When a value is empirical, collective and unargued we refer to it as style. Here, we are approaching the realm of morality, since style can be required even if the requirement is unspoken. When a student at the end of his studies has to go to a job interview, he is often almost beyond recognition – swanky haircut and a newly shaven face, shiny shoes and a pressed suit with a tie fastened tightly under his Adam's apple, unless the dress code reads *casual wear*. Requirements with respect to style are requirements for adaptation, whereas fashion represents deviation with the intent to make *others* adapt. The characteristics of style are ritual, and, like fashion, it has freed itself from justification. It can be required and changed, without reason. A 'this is how we do it here' ends further inquiries. There are no *reasons* for style requirements other than the fact that they exist as part of a regime. Organizations may stress a particular style which makes it easy to recognize their employees, and the style might apply to objects as well as people. Science fiction books

tell us stories about people who are programmed and modelled to be an exact copy of a particular prototype in the way that we meet the exact same staff in fast-food restaurants across the world.

The history of style gets lost in tradition. There is no logical explanation for why ministers wear black dresses or why businessmen wear ties. And the same applies to the reason that punks colour their hair and left-wing radicals pierce their ears, lips and nose. But the requirement is there, and digression is noticed. And it gets even worse if the deviant demands to have the style explained. It creates embarrassment because such a thing does not exist. Posing such a question means to challenge the identity of the group and, therefore, one comes increasingly close to being excluded from the group. One expresses doubts and becomes unreliable. Such a double deviant might be met with ice-cold politeness or with scorching antagonism. Whatever he does, the group will not take him seriously. He has proven that he is not serious. He is no longer 'one of us'.

Style can be an important issue for the organization. It can be used to express identity, so that members and artefacts of the organization can be easily localized. A 'strong image' can make the organization more visible in the overwhelming mass of symbols and signals in everyday life. The army, where uniforms are mandatory, is the extreme example. Accepting the stylistic requirements is an expression, on a symbolic level, of one's willingness to follow suit.

3   Intuition

When a value is normative, individual and unargued, it belongs to the realm of moral intuition. Most people do not activate their morality based on logical thinking. It is programmed into their bodies and is triggered spontaneously under normal circumstances. If I see someone splashing around in the harbour while calling out for help, I do not advance a logical estimate of his virtues and vices upon which I gauge whether rescuing him would benefit or harm society.[17] Most people would not be able to live with themselves if they did not help him. If they did not, the face of the drowned man would forever be with them and torment them for the rest of their lives. It takes intensive training to make oneself insensitive to the suffering of others. Even film, which we know to be fictitious, is able to provoke strong moral feelings of disgust or compassion.

The fact that moral intuition is triggered spontaneously provides us with an enormous advantage of speed. Under normal circumstances we need not reflect but can act without wasting time. The same applies to practical experience that 'knows what it is about' and need not refer to colleagues or manuals for advice. The problem with reflection is that even if we really reflect, we will often fail. Even the simplest of calculations can quickly become incalculable and so we simplify the process by accepting, with Pascal, that the heart has reasons unknown to the mind.

The moral intuition has 'gone into the body' and is no longer accessible to the will and knowledge. It has been formed in childhood and is linked, therefore, to a fundamental experience of the way of the world. Even though it can be changed, for example through therapy, all humans carry around their historical weight as ballast that they cannot shake off. Even though we are able to change, and do so imperceptibly, we cannot pretend that we do not have the experience that we actually do.

Most people commit themselves to their personal history. They refrain from doing what they *could* do when doing what they usually do. They maintain an identity because, beyond the familiar way of life, there is only fear and uncertainty. They do not want to lose the respect of their family, their colleagues and themselves. Moreover, it is not logically possible to make a radical break with one's identity since that would require, literally, for someone to be outside himself. And that is not possible, not even theoretically. The person who breaks is a part of that which is broken.

The only times that we are forced to reflect are in a turbid situation in which principles clash or in which a habitual moral conduct has not stabilized itself. However, this happens with increasing frequency as the compulsion towards change continuously creates borderline situations in which the moral intuition fails us. It does not know whether to agree with artificial insemination for older men and women, or whether to accept that our food is irradiated and filled with hormones. The Ten Commandments are silent, our sense of duty is bewildered, and the calculation of long-term utility and general happiness becomes engulfed in deep-seated uncertainty. Those parties who possess a direct economic interest put on their masks and insist on their right to make money. But the public opinion is not sure and engages in a continuing debate in order to test the different positions. This type of discussion might change the political and ethical framework for organizational behaviour.

4 Morality

When a value is normative, collective and unargued, we refer to it as a moral value. Morality is a common concern. However, although its classical ambition is to pertain to everyone, morality has become a local concern. Each morality is surrounded by other 'moralities' that are equally justified. Many Christians still believe that the future of the nation depends on their values, and they perceive of the decline of Christianity as a national tragedy. They have not realized that modern society does not consider the language of religion to be a particularly significant language and that most religious people do not take religion particularly seriously but give the emperor what belongs to the emperor and God what belongs to God. Today religion is one functional system among others, subdivided into different kinds and sects. Even if it may be structurally coupled to other functional systems and affect consumer behaviour, political agendas and medical practice, everyone has

the right to his own belief or unbelief. Thus *tolerance* becomes a complicated second-order value, which entails that one stands by one morality and perceives it as true and also accepts the right of other moralities to exist even though they are seen as wrong. But whether one should be so tolerant as to tolerate the intolerance of other people is a difficult question which does not have a theoretical, only an empirical, answer.

Morality plays an important role. It is used to indicate a person's or group's conditions for *esteem*.[18] Morality pertains to respect for oneself as well as for others. Not just respect for professional skills but respect for the entire person. We use morality to indicate whom we want to be respected by and which expectations we intend to live up to. Whereas professional demands are asymmetrical – I use a plumber because he knows something I do not know – moral demands are symmetrical: what I ask of others, I, myself, must live up to.

Moral demands cannot be substantiated. One cannot even claim that it is moral to be a moral person because morality cannot appear on one side – the right one – of its own difference between right and wrong. Thus morality is easily rejected, which means that moral demands have a high miss ratio. And since morality often stirs and provokes strong emotions because it pertains to what people believe in with an almost instinctive intensity, it is understandable that organizations try to stay away from issues of morality. It can incite angry and insoluble conflicts. Thus morality is defined as a private matter that organizations prefer to exclude from their life. They wisely refrain from testing or influencing the morality of their employees as long as they play the role they are paid to play.

In the place of morality, organizations often develop tacit routines for what to do and not do in specific situations. It has been called 'tacit morality'.[19] Such a morality generally does not come into being as a conscious product. It is often related to the 'founding fathers' of the organization: they defined an agenda that is upheld with certain veneration even though it only applies in general terms and has silently undergone countless adjustments. Tacit ethics can stabilize itself imperceptibly through thousands of concrete situations through which routines and normal expectations develop, planned and willed by no one but becoming the organization's 'own morality': how to employ and dismiss, the level of freedom of the employees, how to associate with customers and clients, etc. The organizational values become a custom that has formed itself through informal encounters and which is adjusted in the same way:[20] in unclear situations one feels one's way, and discusses with colleagues, customers and clients until the time when a profile slowly emerges – a product created by everyone and no one. New employees encounter the values as normal demands, and it causes surprise if someone deviates or criticizes.

By relying on implicit values and a tacit morality an organization can avoid the complications of discussing moral questions. In our daily behaviour we

are often morally sensitive to a degree to which we are unable to give words, so that it causes embarrassment to be forced to express one's values explicitly. The subtlety of behaviour is confronted with the banality of words.

Some organizations have an explicit set of moral values but insist on *not* presenting them in public, because moral standards should be shown in practice, not discussed as theory: moral discussions, they claim, do not solve problems, but only increase confusion. But even if it might be tempting to avoid ambiguity, the compulsion to change is hard to resist, so only very authoritarian organizations are able to rely on a tacit morality which, in practice, is a cover-up for values defined by managers or owners.

Demands for change are tested when they collide with normal expectations. Change is not impossible but has to prove itself by overcoming resistance, formed by the custom that has assumed a fixed and even blind form: custom is what we are normally not aware of. But even if custom resists change, it also allows for change to happen at all. If an organization does not have a normal practice and normal description of itself it will not be able to open itself up to change. It would not have anything to renew itself 'with'.

There is also a different way to test deviation: depending on the status of a person, the importance of her professional competencies and how difficult she is to replace, she is able to negotiate certain privileges with respect to the right to deviate. It can be a conscious decision and it can happen blindly through a myriad of insignificant everyday situations. In some organizations, only employees high up in the organizations have the right to *refuse* to use a mobile phone, and creative people may be allowed eccentric behaviour that becomes part of their image as well as that of the organization.

5   Personal conviction

When a value is normative, individual and argued, we refer to it as personal conviction. These are values that we happily discuss. We seek to disseminate them and make them collective, maybe even turn them into organizational values. However, sad experiences have shown that there is little attentiveness. The values do not convince and, rather than discuss them in factual terms, others protect themselves by making a leap into subjectivity and localize the values: they are values of a particular person. He is a pacifist, vegetarian, religious or politically active, which is okay as long as it does not interfere.

The same applies to ideas about the future of the organization that many employees develop and try to champion. They are included in the repertoire of possible strategies which an organization has at its disposal but usually does not employ. There are dreams and utopias in any organization, which are discussed in the recesses of the organization but usually are not made public. They may be small dreams about personal careers, but also greater dreams about the future of a specific department or even of the organization

as a whole. Some of these are addressed in earnest but most of them are raised and dropped again at meetings and receptions. Even fewer make the important leap from idea to reality and become an organizational mainstay. Ideas can lurk and live in the shadows for years, waiting for a chance that perhaps never materializes.

It is interesting to observe that while professionals may adhere to unsuccessful visions for years, because they may consider failure as delayed success, managers do not have such a generous timeframe. If their visions are unable to motivate the employees, they are not doing their job.

Many employees show no interest in value discussions. Whether they are narcissists or nerds, they hold no convictions about how to change the organization. They use the organization as a frame within which they are able to develop and nurture their professional qualifications. However, many do become ambitious on behalf of their profession. They develop convictions about how to organize and try to convert their personal ideas to organizational reality. They get an urgent feeling that they need to supplement their professional interest with a political interest in order to promote their profession, so that they slowly move away from the profession that was initially what it was all about. They transfer to the political arena and lose touch with their profession.

Generally, personal convictions are not extremely important to an organization. They belong to the external environment and usually interfere neither with the decision process nor with the daily work routines. But allowing a certain amount of room for personal convictions can prove a resource of alternatives, and hence a source of variation and change that an organization might benefit from.

6   Ethics

When a value is normative, collective and argued, we can speak of ethics. Colloquial language and newspaper columns do not distinguish rigorously between ethics and morals. Some consider morals to be a set of universal values while ethics is personal; others think the opposite. In philosophical terms, ethics represents the theory of morality, that is, the substantiation of the validity of moral commands and restrictions. In this context, I suggest a specific distinction between morals and ethics which allows for ethics to be employed in an organization.

I will use the two words in the following way. Whereas 'morals' constitutes one group's precepts for right and wrong, 'ethics' is a second-order morality, a morality for the interaction between moralities. Ethics represents common precepts for groups or people, who each have their morality but who, *at the same time*, operate within a common framework where they are unable to merely avoid or fight each other – typically a workplace, but also a family, a neighbourhood or an association. Ethics emerges in collisions between

different moral demands. It seeks solutions to insoluble problems that arise when different 'moralities' clash. In these conflicts values are tested to find which are sufficiently robust to be collective and to constitute what in the apt words of John Rawls is called a domain of 'overlapping consensus'.

In modern society morality is a local affair even though morality often perceives itself to be universal. The difference between morality's strong claims for universality and its feeble and sectarian reality can be almost grotesque. But when there are many different life forms, we are no longer able to speak of one morality. Morality has gone to the plural and has become 'moralities' – even if the word sounds awkward. One often obtains membership of one group by violating the precepts of another group. That removes some of the frightening aspects of the classical moral sanction, exclusion. If one is excluded from one group, one is automatically granted a ticket to another group.

It is a classical ambition that moral conflicts should be able to find a factual or even objective solution. Traditionally, appeals have been made to God or some authoritative religious text. The problem with that is that even if God is beyond mortal life he only reveals himself in the mortal realm, which makes it necessary to interpret: how do we know that the voice we hear is that of God and not just a hallucination? What makes a text a holy text? And who is entitled to advance an interpretation that obligates others? Such questions do not have a factual answer.

In more recent times, Immanuel Kant's *ethics of duty* and John Stuart Mill's *ethics of utility* represent attempts to define the solution of moral questions as a technical matter. Both of them tried to reduce morality to only one dimension, thereby making a moral calculus possible. Kant appealed to the motive and demanded that it be universal: all people must act in such a way that the maxim of their action can be a universal norm.[21] Mill appealed to consequences and asserted that we should give preference to the act, or precept for action, which produces the highest degree of happiness and utility.[22]

None of these attempts to simplify morality and reduce it to only one criterion have been successful. One might even say that they have failed in more than one way. First of all, neither of them is able to solve moral dilemmas and, second, they both make morality simpler than it is. When deciding whether to sell genetically modified beans, or pornography, or do a burglary, Kant and Mill generally do not provide much guidance. Motives are invisible and can easily be reinterpreted, and consequences are uncertain. Moreover, moral discussions always entail the option to jump between issue, motive and consequences or vice versa, which makes it impossible to have a moral 'technique'. A technique demands that moral problems can be defined in only one dimension, whereas in everyday life they always have a factual, a social and a subjective side. As a rule-of-thumb it can be observed that if an offence is committed by a closely related person, one is inclined to consider

motives, while offences committed by foreigners are judged solely by their consequences.

A more recent attempt is Jürgen Habermas' effort to define the solution of moral conflicts as a rational matter. When moral claims collide, he claims, the involved parties have to enter into a discourse, a conversation, in which they present their cause and discuss it through. If the parties stay in the performative mood and do not have strategic concerns, they will be convinced by the 'unforced force of the better argument'.[23] Obviously, they might have a hidden agenda, and, obviously, they can protect their morality and refuse to engage in discussion. However, if they do that, they will have excluded themselves from the moral community.

There are many problems inherent in reducing moral conflicts to a question of reason and arguments. Habermas needs to assume that only one party is right when two parties discuss. He also needs to assume that a solution exists that will 'benefit everyone equally'. However, he makes a distinction between a fair compromise, which has to do with the weighing of interests, and a moral solution, which presupposes that moral claims are analogous to empirical claims: that they can be true or false. If they were not, Habermas argues, it would be absurd to discuss morality, which we do, in fact, do.

I shall limit myself to four problems.[24] (1) In everyday life moral conflicts do not seem to find objective solutions. That is the reason that morality is perceived as a private issue that pertains to our intimate space. We do not allow just anybody to get involved in our moral dilemmas and protect ourselves by dismissing 'moralizing' or by ridiculing people who engage in excessive use of morality. (2) How do we know whether people are rationally convinced or merely charismatically persuaded when they themselves have to draw the line between convincing and persuading? We will never know for sure if an argument is rational since, logically, there cannot be rational reasons for what a rational argument is. (3) What happens when there are deviants, that is, people who are unconvinced even though everyone else is convinced? Are they antisocial, do they need to be disciplined and lectured, or should they simply be excluded from the conversation? How do we know that they are not in fact right? Usually, we feel reasonably confident about this when faced with cantankerous people, speech saboteurs and muddled thinkers. However, in principle it is an open question, and history provides ample evidence of stories in which the outsider turned out to be right. Habermas does admit that moral claims are fallible. They can be adjusted. And consequently, in trying to solve the problem, he does it in a way that reintroduces the problem. (4) Finally, there is the problem of where the good arguments come from. Habermas argues that they have their root in religious and cultural interpretations of the world. However, such interpretations are blowing in the wind. Nobody can prove their interpretation, only unfold it. There is no super-interpretation that can clarify the conflict in the clash between interpretations.

Habermas presumes that the involved parties can afford the time it takes to continue the discussion to the bitter end. But organizations are not part of a universal communicative community in which discussions can go on all day long. The conversation has to be ended and decisions have to be made, even if not everyone has been consulted or feels that they have been understood and considered. The function of management is to compensate for the lack of rationality and the lack of time, and we have public-interest organizations and the mass media to compensate for the fact that not all parties concerned can be included in the conversation.

We have to find other solutions, therefore, when moralities clash. We will address these in Chapter 10, which addresses the movement from values to morality and subsequently to ethics. In this chapter, we have sought to define values and the reasons that they are encumbered with uncertainty in modern society.

Notes

1. See Mark Johnson, *Moral Imagination*, Chicago, 1993, p. 189. See also George Lakoff, *Women, Fire, and Dangerous Things*, Chicago, 1987, pp. 287ff.
2. Even if we had access to super-values, the problem would repeat itself in the relationship between super-values. It is difficult to imagine all values merging into one, and only one, super-value, in the same way that Plato claimed that the values come together, like a cascade, in the highest value of 'good', see Plato, *Symposium*.
3. Heinz von Foerster, 'Ethics and Second-Order Cybernetics', *Cybernetics and Human Knowing* I (1), 1992, p. 12.
4. Heinz von Foerster argues that *Eigenvalues* stabilize themselves in recursive networks. Even though they are not immovably stable, they are sufficiently stable that they can be used as a starting point for a period of time, see *Observing Systems*, Seaside, Calif., 1984, pp. 274ff.
5. See Niklas Luhmann, *The Reality of the Mass Media,* Stanford, 2000, p. 102.
6. See John Stuart Mill, *Utilitarianism,* London, 1962, pp. 290f.
7. The economy of neo-classicism, which has tried to employ a model of *economic man*, has had to turn this 'man' into a virtual monster, consumed with his own benefit, ruthlessly rational and never motivated by social considerations, see Herman E. Delay and John B. Cobb, *For the Common Good: Redirecting the Economy Towards Community, Environment, and a Sustainable Future*, Boston, 1994.
8. E.g. Talcott Parsons in *The Social System*, New York, 1951.
9. E.g. Niklas Luhmann in *Social Systems*, Frankfurt am Main, 1984.
10. See Niklas Luhmann, 'Die Weltgesellschaft', in *Soziologische Aufklärung 2*, Opladen, 1975, pp. 51ff., and *Social Systems*, Stanford, 1995, p. 430: 'Society today is clearly a world society.'
11. See Jürgen Habermas, *Die philosophische Diskurs der Moderne*, Frankfurt am Main, 1985, p. 397.
12. On subculture, see Dick Hebdige, *Subculture: The Meaning of Style*, New York, 1979.
13. Niklas Luhmann, *Observations on Modernity*, Stanford, 1998, p. 7.
14. See Christopher Lasch, *The Culture of Narcissism*, New York, 1979, p. 94.
15. Daniel Bell, *Cultural Contradictions of Capitalism*, New York, 1996; Lasch, *The Culture of Narcissism.*

16. See John Kenneth Galbraith, *The New Industrial State*, London, 1967, pp. 159ff.

17. These kinds of calculations can often be found in the moral theory of antiquity by which, for example, two men who are left with one plank after a shipwreck are able to compare their virtues and thus decide who should have the plank, see Cicero, *De officiis,* Book III, xxiii, London, 1961, p. 365.

18. See Luhmann, *Social Systems*, p. 156.

19. See Verner C. Petersen, *Tacit Ethics – Creation and Change*, Aarhus, 1994. The development of this concept has been parallel to Polanyi's concept of 'tacit knowledge', see Michael Polanyi, *Personal Knowledge*, London, 1958, Part II, 'The Tacit Component', pp. 69ff.

20. We can refer to the fact that the words 'morality' and 'ethics' both mean custom in Latin and Greek respectively.

21. Immanuel Kant, 'Fundamental Principles of the Metaphysics of Morals' (1785), in *Basic Writings of Kant*, New York, 2001.

22. John Stuart Mill, *Utilitarianism* (1863), London, 1962.

23. Jürgen Habermas, *On the Pragmatics of Social Interaction*, Cambridge, Mass., 2001, p. 98.

24. The polemical background of these four points is Jürgen Habermas, 'Discourse Ethics: Notes on a Program of Philosophical Justification', *in Moral Consciousness and Communicative Action*, Cambridge, Mass., 1996.

7
Why Values in Organizations?

Hard and soft values

The claim that an organization is required to fulfil values is so banal that it hardly deserves mention – and thus it has now been mentioned. Generally, however, these values are linked to organizational products. Inquiries about quality tend to focus on whether the metal or the education or the chicken meets certain requirements. An organization uses the fact that its products are in demand and the quality high to legitimize its existence. What goes on inside the organization is only interesting if it affects the product. Only if it turns out that chickens are infected with salmonella do the mass media begin to look into what happens behind closed doors. The organization then has to answer a number of questions, since refusing to answer is perceived as an answer, too: the organization is trying to hide something. But in daily life organizations are impenetrable.

Organizations compete in order to make money or establish political support, whereas people compete in order to establish a career. Whenever there is competition, there is value. Otherwise there would not be anything to compete for. It can be discussed whether the values create competition or the competition creates the values. We will not do that here.

However, there are other values than the ones associated with the product. The compulsion towards growth and the inflation of demands mean that the focus is turned to an increasing number of issues that were previously taken for granted or not even considered a problem. The environment came into focus in the 1960s first as a problem and subsequently as a value in the wake of R.L. Carson's book about the *Silent Spring*.[1] The focus on environmental issues is part of a context which has completely changed the balance between public and private.[2] Examination anxiety, handicaps, alcoholism, cancer, marital problems, sexual harassment and many other issues remained in the murky realm of private affairs. Criminal offenders could not expect to be met with greater understanding by referring to their childhood traumas, and the quality of their life after prison was not a public concern. If young

people wanted a place to play music they would have to find it themselves, and alcoholics and drug abusers did not establish organizations through which they could fight for better treatment possibilities. They did not step forward into the open but hid away. They did not have anything to show off.

But things have changed. Now, these demands are openly publicized as part of the onslaught on public funds. We get *the deviant as consumer* in addition to the *political consumer*, who emerges partly from consumer patterns and partly as mass media constructions. And more consumers are in the making, such as *the eccentric consumer* and the *quality consumer*, who also have specific demands. And because the mass media construct the collective perception of society,[3] they are extremely important for the organizational reputation. Through the media, the organization's employees, customers and investors can observe the general view of the organization in society and decide if it is trustworthy. The mass media form the social agenda.

Naturally, organizations – and everybody else – experience distortions by the mass media. That is simply because the media observe from a specific perspective in which news value is important, which means that a massive loss of information must be accepted. However, whether or not the mass media are trustworthy, they are certainly effective, mainly because alternatives do not exist, so news consumers have to live with their suspicions. Organizations cannot pretend that media headlines do not matter. They have to engage in dialogue with the mass media either before or after the damage was done.

The political consumer is obviously made by the mass media as a peculiar mix of fact and fiction. He resembles the *economic man* of economy. He is not reliable. He might raise demands for organic products without living a green lifestyle himself. He is most inclined to protest in areas that do not interfere with his own habits. However, even if he is fictitious, he still creates reality, just as the category 'witch' had severe consequences for women in older times, even if witches do not exist. We are informed of 'his' wishes when the media report about pollution, poisonous substances, nuclear power, irradiation and genetic engineering. All of a sudden, organizations are called to account, *even if* their investments are economically irreproachable and observe existing legislation – and, moreover, might be beyond their control since they are in the hands of professional investors.

The moral sensibility

All this is new. Organizations are realizing that they are navigating in troubled waters. It is difficult to know the currents, and they are visible neither on the balance sheet nor in legal regulations. Some organizations take the bull by the horns and write down ethical guidelines with respect to child labour, working hours, equality and democracy. Others stick to a tacit morality that – so they claim – is expressed through their actions. Some organizations establish ethical requirements as fundamental limitations that apply to any economic

activity. Others content themselves with 'criteria of relevance' so that the ethical claims do not interfere with the economic basis of the organization. Regardless of whether organizations decide to face the music from case to case or whether they work out ethical guidelines to forestall enemy attacks, they have to establish a readiness and a language that pertains to issues of violation. Their approach to values affects their earnings and reputation even though it is not *directly* related to money. Values management is about this *new sensibility*.

It remains an open question whether it is in fact ethics or pseudo-ethics when an organization works with ethics. There is an inherent concern for the customer and client in the market mechanism of supply and demand. When the political consumer asks for ethics, or for an organization to only sell pesticides if it also offers an educational programme for the protection of the people who will be using them, an organization is able to make a pragmatic adjustment to the demands of the market. It is difficult to tell whether this can be called ethics or whether it is merely a question of the familiar cynicism of a market that does not care about the colour of the cat as long as it catches mice.

An organization has no heart and we cannot measure its sincerity. What we can do is to:

1. Compare what it says to what it does and find out if there are differences between espoused values and values in use,[4]
2. Study the values over time to see if the values are merely rhetorical or whether they are actually used as premises for decisions, and
3. Examine whether the values have an impact or whether they always lose out in conflicts between money, power and values.

Later, we will discuss *if* it makes a difference and, if so, *what* difference it makes whether the pseudo-ethics of the market rules or the organizational ethics has its own standing.

The new feature is that organizations need to expand their sensibility and run the risk of being economically penalized for violations that can only indirectly, through their consequences, be described in the language of economy. What we are seeing is a counter-movement to one of the grand historical movements, which made it acceptable to disengage the functional systems from ethical considerations.

Neither movement nor counter-movement has emerged as a result of central planning. They have developed spontaneously through continuous cross-pressure. The moral boundaries for growth came under attack during the *mercantilist movement*[5] of the seventeenth century, when trade and manufacturing worked to legitimize an economic way of thinking that had been banned in the Middle Ages, that is, to gain a social hearing for profit motive, interest rates and efficiency. In the period following World War II the moral boundaries disappeared as society gradually ceased to be observed in moral

terms which can slow down growth and demand. Expressions like public spirit or *civitas* vanish and survive only in nostalgic fantasies in the minds of conservative sociologists.[6]

In the 1980s and 1990s, the moral themes gradually and confusedly return, perhaps as a reaction to a faithless *fin-de-siècle* sentiment. But because modern societies have no collective reservoir of values, references to morality and ethics become rather diffuse. Either they are kept in vague terms, making it difficult to understand them or even to know what is implied in a yes or no, or they become very concrete, making it difficult to agree with them.

There is a curious common denominator for the movement towards 'pure' functional systems and the counter-movement towards 'ethical' functional systems. *Both movements are forms of growth* – even though an organization might perceive it differently when suddenly faced with demands for new considerations. 'The ethical wave' can be seen as one of many subtle ways in which the information society assures continued growth. The fact that a functional system grows means that certain organizations come under pressure. All involved parties in the unholy alliance discussed in Chapter 3 participate in the onslaught of the new demands. Even environmental issues, ethics and health are products which are produced, marketed and sold. In economic terms they represent *big business*, since the economic system observes through money and like Midas transforms everything into gold. In the same way that the physiocrats of the eighteenth century perceived only agriculture as acceptable whereas trade and industry were perceived as corrupt and unnatural, we now see a tendency to define the values of the industrial society as healthy and normal whereas the explosion of new wants in the information society is looked at with suspicion. What is normal will not, normally, be observed in moral terms. Only what is unusual triggers the moral distinction.

If the demands to live up to soft values were imposed from without, they could perhaps be ignored or complied with on a symbolic level. However, the demands also come from within, from the organizations themselves. It seems, therefore, to go beyond a trend that springs forth and quickly disappears like an 'ethical wave'. Even if the term 'ethics' is worn out in a few seasons, the problematic to which it refers will remain. Soft values represent an area of growth which is not going to be neglected by a society obsessed by growth. Their peculiarly ambiguous status stems from the fact that they often stand *in opposition* to the economic growth to which they also contribute.

The inflation of demands and hence the growth in values to which an organization must make itself sensitive happens in a counter-pressure between:

1. The mass media of society which describe the relationship between functional systems,
2. The legal-political system of society which defines the legal framework of the functional systems, and

3. The political system of the organization which regulates the relationship between organizational subsystems and tests the power of the demands to catch on.

On the one hand, the organization is irritated by the new demands. On the other hand, it makes new demands on itself when it no longer only provides products but also 'solutions', which include the physical and social *environment* of the products and the *use* of the product, that is, service, maintenance, upgrading and changes. These areas, which used to be of secondary importance, are becoming increasingly more central as the distinctions between organizations and products are increasingly of a symbolic nature. They compel the organization, *on its own initiative*, to expand its repertoire of values. Human rights cannot be discussed in the same language as costs of production. It is not possible to use the same measure to assess the quality of the hardware, software and service of a computer. There are different principles pertaining to technical problems and interface problems, but they still have to work together. This increases the demands twofold so that the organization is forced to develop a language that can be employed by both technicians and customer-service employees. And thus organizational values become central, partly because only general values can be shared by several professions, and partly because the image that the organization has of itself contributes to the forming of all its processes and procedures.[7] This image is not left in the darkness of tradition or intuition but is accentuated and put into words.

Certain values are endorsed by organizations in order to improve their image, but remain of lesser importance. When an organization endorses modern art, or contributes to social projects such as creating employment for people with disabilities or decreasing the number of cars in the city, it is not due to urgent problems. However, it would be misleading to define the interest of a private company in public issues as a question merely of image. Difficulties in finding qualified employees can lead an organization to make itself visible and attractive by improving the relationship of older and handicapped people to the labour market, and a car factory can have an interest in contributing to future traffic solutions, and perhaps assist in getting 'the car out of the city', in order to give itself ample time to plan for changes and avoid having political solutions suddenly imposed on it. It may, therefore, strip itself of its traditional role as narrow-minded lobbyist and combine economic and political premises – from the point of view of its economic perspective, only in a more long-term perspective.

The social basis of values

We shall look at what underlies the growth in values. We shall look at five aspects: violations, meaning and identity, control of the uncontrollable, blindness and loss of reality, and risk and non-knowledge.

The social basis of values

Violations
Meaning and identity ('expanding limitation' – Kierkegaard)
Control of the uncontrollable
Blindness and loss of reality
Risk and non-knowledge

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1   Violations

The more a person focuses on her individuality, that is, on being special, the more her identity becomes vulnerable. She does not rest in a tradition but asserts herself through deviation – even if she has to invent a tradition to give her a foothold, although others may find it difficult to see the hostile tradition that she envisages. Identity requires difference.

A modern identity is not bound by a concrete arrangement because relations – choice of partner, work and political affiliation – have become optional. They can be chosen and hence rechosen. They depend on the state of the market.[8] Still, identity has to have content. One must have a persuasive answer to the question of what 'one does'. Thus one has to commit to something that one is not committed by.

Even people whose lives do not differ significantly from the lives of their parents know that the things they do are surrounded by other things that they could do. This reinforces the sense of *contingency*, that is, that things could be different. Contingency, asserts Niklas Luhmann, is the Midas gold of modern society.[9]

That makes identity more nuanced and more fragile. It is tied to competencies and meanings which the individual has to independently endorse. In the beginning of the modern era, Hamlet complained that 'the time is out of joint' because our actions are no longer inscribed in a fixed world order.[10] At the same time, however, identity has to be maintained in the company of others. Here, being special means greater demands for consideration. Also the inflation of demands pertains to demands for consideration, and behind demands lurks a violation. Thus we assert ourselves by making demands on clothes and food, on entertainment and interior decoration. *The focus on consumption* in private life means growth on all fronts. But we also make demands on workplaces and in public life. We make demands for smoke-free rooms, the abolishment of sexual harassment, swearwords and alcohol, radiation-free computer monitors and ergonomic chairs, consideration for psychological problems and weight-related, alcohol-related and other problems. We demand of the authorities that the bureaucracy takes our individual characteristics into consideration, which the bureaucracy is

unable to do, triggering a mild or serious fury. *The focus on politics* also means growth although it goes through different channels.

The demands flow from many different sources. They obtain social weight in the mass media and are sent on to organizations that are hence exposed to a twofold pressure.

The classical Hawthorne experiment showed that regardless of how researchers changed physical parameters such as, for example, lighting in the workplace, the result was always increased motivation. The important thing seemed not to be lighting but attention. The other way round we can strengthen our identity by demanding that organizations are attentive to special wishes. Hence women show up in the delivery room with long lists of how their baby should be born, cafeterias are flooded by demands for special menus, and both the physical and psychological work environment are scrutinized for possible flaws. When young people run amok, society is to blame, so demands for reforms are made.

A classical solution is to dismiss such demands by referring to economy or to regulations. That is no longer possible. First of all, that kind of arrogance will surely be penalized through the usual channels of the market and, second, the question of consideration is not formulated in the language of economy or law. Thus organizations need to develop a language of values in order to be able to test which values are acceptable and which are not, that is, what is legitimate and what can be dismissed *within the organizational context*. That requires an increased sensitivity to values. Otherwise explosions might arise at any moment and too much energy will be needed to put out one fire after the other. Soft values entail a permanent state of crisis which cannot be solved through reference to economic necessity, tradition or the higher wisdom of management.

2 Meaning and identity

The organization *as a whole* is expected to be able to legitimize its existence and provide a good answer to the question of why it does the things it does. Making money is the minimum requirement of a private company. That is not merely a question of meeting demands from private stockholders, but also of the survival and development of the organization. Profit equals freedom. However, mere profit does not convince those groups who make demands as to the *ways* in which profit is generated and who are not swayed by the old Roman saying that money does not smell. Other minimum requirements concern complying with the law and with trade agreements. Managers often see these things as their only social obligation when they are asked about the ethical standing of their organization.

An organization that meets only the minimum requirements creates minimal motivation. It is not able to speak of a genuine 'we' and to motivate its employees to make an extra effort except through monetary rewards and – if necessary – monetary retribution. Of course, deft exploitation of

its employees' desire to make a career can create results. Employees can be played off against each other at the prospect of symbolic differences, but this does not create loyalty. Likewise, skilful use of PR methods might establish a good image, but it remains feeble unless backed by reality.

When an organization commits itself to values that go beyond making money and complying with the law, it is able to create what Søren Kierkegaard referred to as an 'enlarging limitation'.[11] A value can be imposed from without and create a loss of motivation for that reason alone. However, it may also contain a limitation that liberates and motivates.

There is an old story about two men who had the exact same job. They were bricklayers. One of the men, when asked what he did, replied that he was standing in the burning sun, submitting himself to exploitation at a measly salary while the rich bastards creamed off profits. He probably did his job, but did not feel responsible for anything beyond that. The other man, when asked the same question, replied that he was building a cathedral. If cathedrals were important to him, he was probably prepared to make an extra effort to complete a project for which he felt ownership.

So, when teenagers are asked to be home early after a party, they feel limited by the values of their parents. But even if any value contains a limitation the feeling of restriction may be totally absent. When a man falls in love with a woman (or vice versa) he accepts a severe limitation: *this* woman and not all the others. Only it is not felt this way, even if that may come later. Instead the limitation creates an expansion of motivation and activity and bliss.

Values are not readily available and there is no agreement about them. Each person considers them with the intent to settle on an unbound yes or no. If someone calculates with one's response, one might turn around on a dime out of defiance. Saying no is a heavy blow. However, even though anyone can comply or disagree, it is not possible to not indicate values. Saying no to one position means saying yes to another – or can be seen as a yes. Hence the amount of values is endless.[12]

Values are strengthened or weakened depending on the number of people who comply with them. They can be in force and they can expire. Which values are taken for granted at a particular time, and hence need no further justification, is a purely empirical matter.

Fundamental values cannot be chosen. For that reason they provide identity and may activate strong and easily aroused feelings. Their binary scheme refers to the strongest and most primitive feeling of right and wrong.

Therefore violations of values often mean violence. They strengthen identity by separating 'us' from 'them', so that 'we' can assert ourselves by defining and perhaps fighting 'them' as non-humans – barbarians, heathens and unbelieving brutes who offend the most basic human values. In themselves, as pure distinctions, values are of no great importance. We need to know who holds the values, how strong their commitment is,

which other values are at stake and how the values are perceived by other groups.

3   Control of the uncontrollable

The compulsion to change turns the past into a poor guide for the future. What happened in the past does not necessarily happen again. Repetition is a relief. But repetition requires that the situation is the same. If it is not, repetition is *not* repetition. Mechanical repetition, based on blind routines, may easily lead to disaster.

The basis for regulations and manuals is *prescription*, that is, to 'write in advance'. They presume that it is possible to describe situations that may occur and prescribe a conduct for each of these situations.[13] In this way they seek to eliminate uncertainty with respect to behaviour.

The classical bureaucracy, the assembly lines of the 1930s and the elementary school of the industrial society were based on the treatment of humans as trivial machines under strict regulations and without responsibility. Frederick Taylor's notion of *scientific management* required a strict division of planning and execution and turned the manual worker into a stupid robot.[14] Basically, in a factory there was no need for a human being, but only for a single function: an eye, or an arm, or an eye plus an arm.

When processes repeat themselves mechanically, manuals are useful and indispensable. A machine without a manual is a nuisance. The same applies when it is possible to *feign* that processes repeat themselves without loss of relevant information.

Operating a machine does not, in the first place, call for creativity. Here creativity comes after routine. Initially, one has to learn the things in the manual. Any other learning represents a breach of the rules. Instead of receiving praise for one's unusual effort, the offender receives criticism and perhaps punishment to teach him *not* to learn.

Many organizations focus strongly on economic and rule-based regulation and view all issues in the light of money and power. Whether or not they do more than the minimum requirement might be invisible and without importance for customers and authorities. Customers focus on the quality of the product – or the price – and authorities focus on whether laws and regulations are observed. But for the employees the consequence can be a loss of meaning. The motivation is minimal when decisions are imposed, solely based on money and power. Work becomes a matter of obedience rather than desire.

Unexpected things which are not written down in the manual or trade agreement happen in any workplace. This is not something which employees are required to deal with. However, if one simply does one's basic duty, everything comes to a halt. A manager once told me a story about one day when he walked through a big hall in which hydraulic sewing machines were lined up. He walked by one machine that was making a strange hissing sound, while the woman who was supposed to operate it was reading a magazine.

When he asked her why she was not working, she replied that the machine was broken. When he then went on to ask her why she had not called on someone to come and repair it, she said that it was not her job to do so. She was not to blame. But the factory had a problem.

This problem has to do with change. Only if change can be ruled out or be strictly controlled does the organization not have to concern itself with the motivation of its employees. But when the workforce is educated and perhaps even spoiled, when the compulsion towards growth opens up to a cascade of change and learning, and when the attention of the public is no longer just focused on the product but also on the physical and social circumstances, then the traditional and blunt management with its strong focus on regulations becomes problematic. Regulations have to be continuously adjusted when situations that are not included in the regulations become more than just unusual one-time occurrences. In the end, the regulatory system may be overburdened and hard to remember, which again calls for more bureaucracy. Breaking this vicious circle calls for a shift in the relationship between employers and employees.

In the first two-thirds of the twentieth century, the labour market was characterized by a conflict between 'them' and 'us', between employers and employees. The involved parties strongly emphasized the issues that divided them and had less focus on what united them. They did not speak *with* each other but rather *to* each other – and often not even that. As late as around 1990 I heard an interview on British television with the chairman of an organization where the workers were on strike. When asked if he had talked to them, he replied in a stifled Oxford-and-Eton accent: 'Talked to them – I would not dream of it.' We can presume that the conflict was not easily resolved and could very easily break out again.

A mid-level manager of a public organization once told me that his colleagues probably worked no more than two hours a day. The rest of the day was spent engaging in social activities such as needless meetings and black-market trading with objects that could be found in the organization – paper, furniture, building material, light bulbs, etc. The informal means of payment was a bottle of aquavit. If an employee was absent, the others would cover for him: 'No, Smith is not here right now – I have seen him, though, and he will probably be back soon,' they might say, even though everyone knew that he was sweating it out in the steam bath or had gone on a fishing trip. When I asked why all this creativity could not benefit the public, the answer was swift: 'They do not count on us' – 'they' being top management. The mid-level manager's description of the top management was forthright – whether or not it was true: '"They" show up around 10 in the morning and walk up to the cafeteria for something "they" call a working lunch. Around 2 in the afternoon "they" come back down with lobster juice still on their faces and get into their big cars, and then we do not see them for the rest of the day.' The result was a system of private strikes.

The problem with manuals, regulations and legislation is that they have to be extremely precise. They have to state exactly what is allowed and what is not. This brings us back to our previous point: rules require that situations can be planned for. This was never a big problem in static societies, where a general clause could be inserted stating that 'in case of uncertainty, the case will be transferred to . . .' someone of specific authority, for example the prefect. This provided a rule for what action to take when the regulations did not apply. Thus regulations ended up elegantly covering all imaginable and unimaginable situations. There was a box for each of the described situations and then a big box for 'everything else'.

It requires judiciousness to make decisions in those cases in which the 'decision machine' – the regulations – cramp up. In large organizations with a highly specialized workforce it is impossible for one person to cope with or fully comprehend all work processes. Decision-makers have to realize that they lose authority if they pretend to know about things that they do not. There is of course the option to transfer the hard cases to the nooks and crannies of bureaucracy, where the case will hopefully find a desk that will take it on. That is, however, a time-consuming procedure. And while the grass grows long under one's feet the chance might be lost.

In 1995 I attended a presentation by the CEO of Oticon, a European company producing hearing aids. He told us that when he joined the company a few years earlier there were thirteen binders, 'of the heavy kind', with detailed prescriptions for employee conduct. In his view this was nonsense for two reasons. First of all, even the biggest head would find it difficult to comprise thirteen binders. Just imagine how ugly that head would look, stuffed with so many binders. And second, it is highly improbable that the regulations in the thirteen binders would still cover the exact situations that the employees would be faced with. One of the characteristics of innovation is its unpredictability, which means that, as a matter of logic, it cannot be captured by a set of rules. If it could, it would not be innovation. Thus regulations often function as the dead hand of the past. If the bureaucracy tries to adjust the regulations to keep up with the times, they swell up to monstrous proportions.

When faced with a complicated situation in one's work, it is not only time-consuming but also impossible to refer the case back to headquarters. The person faced with the situation knows the situation better. She is most likely the person who would be able to solve the problem, but in order to do that she has to be free to make decisions not only about *which* situation she is faced with but also *what* to do. Situations are not always self-explanatory. It is often a complicated matter to simply determine what the situation is. Here, routine can be deadly. At a party in the American navy in the 1990s, pictures were taken of drunken officers undressing and feeling up female privates. As a complaint was made, a number of navy officers made the mistake of dismissing the episode as mere routine. A corresponding number of promising

careers ended right there. They had not sensed that the times had changed and believed everything to be as usual. What used to be *cool* and perhaps *macho* was now not only offensive but also illegal.[15]

To surrender the 'power of definition' to the person who is faced with the situation is, from the perspective of management, the same as giving up power. And that is a precarious matter. For how can management guard against a situation in which each individual makes his own decisions so that organizational decisions become incoherent? It instils a dilemma: on the one hand, the organization is unable to fine-tune its regulations to accommodate any imaginable situation and, on the other hand, it needs regulations in order to counteract arbitrariness. It cannot control and has to control.

A possible solution is to distinguish between *tight* and *loose control*.[16] Tight control means that every decision is programmed by a set of regulations and that the local effort merely consists of the execution of prescriptions. As we have suggested, this ideal has been the aspiration in the bureaucracy and by the assembly line. With loose control, the organization defines its regulations in more undefined terms, so that employees become responsible for making decisions in the concrete situation but within the framework outlined by the regulations. The organization lowers its demands for precision in order to avoid missing the mark. Someone is more likely to be right if he says that he will be coming home between 5 and 7 than if he says that he will be home at 5.36.[17]

The more general and undefined rules are, the more flexible they become and the easier it becomes to take unexpected situations into account. That does not mean that all regulations must be loose. But it means that an organization can employ a continuum of tight and loose regulations depending on the requirements of the situation.[18] Most likely, the result will not be a symmetrical relationship in which more of one means less of the other but rather a simultaneous increase of both types of regulations. An organizational motto such as 'right on time' is sophisticated in its indefiniteness because it leaves it to the employee to decide exactly what needs to be done, but within the framework and tradition that the organization has laid down. In informal ways, the organization develops routines for the interpretation of 'right on time' and what to pay attention to at particular times. Such a motto may be an icon of tradition while being open to change.

That creates a complex relationship between experience and lack of experience. Knowing what to do requires experience, which can, over time, turn into physical, spontaneous knowledge allowing an advantage of speed. Employees do not need to reflect to know what a situation is about and what needs to be done. At the same time, experience can pose a burden and tie someone to the past, so that only the *lack* of experience provides the freedom necessary to handle a new situation in an appropriate manner. It is a conflict without a solution in principle, since solutions in principle do not

exist for change management – except empty solutions such as 'be ahead of your competitors' or 'be creative'.

Indefinite rules take on the form of values. They indicate a direction which allows space for individual interpretation of hard cases. Professionals, so it is said, mind their own time. Their actions are evaluated in retrospect, which means that the *pre-emptive control* of regulation is replaced by the *post-action discussion* of the value, opening for feedback as well as feedforward loops. With a principle about never to compromise on environmental issues, a biochemical organization is able to tell its biologists and engineers that, regardless of their concrete function, this is the general outline. After that, it is up to each person to interpret within the situation and supplement their own opinions with that of colleagues and management as needed.

This distinction can be illuminated by defining two different ways of programming decisions, namely *routine programmes* and *goal programmes*.[19]

A *routine programme* uses the 'if-then' clause in a specific way: whatever is not allowed is forbidden. Here a legal vocabulary is unfolding in regulations and manuals. Also precision is needed, as everything has to be explicit. But when a code of practice has to be very precise, it also becomes very detailed and impossible to get an overall view of. If it has to take account of every possibility, it proliferates in all directions until it is met with an opposite demand of clarity. Bureaucrats oscillate between making regulation more complex and making it simpler, as deregulation. But irrespective of what they do, a routine programme is based on experience and hence the past.

A demand that organizations should renounce experience would be plain idiocy. No organization can be without regulations. But in domains of strong innovation – and this may apply to the whole organization – routine programmes have to be supplemented with programmes of another type which are oriented towards goals and visions. *Goal programmes* suggest a 'what if' clause and are pointing to the future. They construct a vision with the intent of an ongoing diminution of the difference between vision and reality – of course opening up for a revision of the vision if it leads to unexpected and unwanted results.

A vision is never *totally* precise, but still precise enough to create a common orientation, perhaps supported by the tragic dimension of all communication: that sender and receiver only agree because they do not test whether they really agree or the range of their agreement. They operate within the useful and indispensable illusion that they refer to 'the same' with the same words.

Goal programmes should not go into every detail. They must be open to interpretation so that everybody can add their own experience and imagination. The important thing is that the goals are motivating, so that the task of management is to invoke a vision and get support and perhaps even enthusiasm from the employees and the public.

We can summarize in a diagram:

Programmes for decisions

1. Routine programmes
   a. If-then . . .
   b. Regulations and manuals
   c. Precision: everything has to be explicit
   d. Demand for clarity
   e. The past
2. Goal programmes
   a. What if . . .
   b. Construction of a vision
   c. Sufficiently precise: open to interpretation
   d. Demand of motivation
   e. The future

Talking about goals and visions is necessarily talking about values. The point is not that values should suspend traditional means of regulation such as money and power. Regulations and values are not an either-or, but a both-and. Nobody would dream of demanding that a hospital or a control tower in an airport give up regulations. To propose a dismissal of economic considerations or for management to give up control would be nonsense. Values can be used to *meet demands*, to create *motivation* and to *simplify decisions* by installing limitations. Oddly enough they can also simplify decisions by installing *openings*: values can *increase the ambivalence* and thus create an expanded scope for the decision-making.

Facing intriguing possibilities with uncertain economic implications, values can be used as a lever to neutralize uncertainty and facilitate a decision. In the same way that arguments from the four systems of the organization can be played off against each other, values can be played off against economy and bureaucracy or the other way around. Appeals can be made to values if management believes that economic considerations should not slow down a process. Or appeals can be made to economy as a way to impede a vision that seems too crazy. Combining regulations and values creates a useful scope for reflection when faced with a future that cannot be fully present in the present. As the future 'now' gradually becomes the real now of the present, one will most likely have to realize that things work out differently than planned.

It is a blind struggle. Under dynamic conditions, the future is open. We shall return to this question under the heading of 'Risk and non-knowledge'.

4   Blindness and loss of reality

Organizations measure their accomplishments by monetary standards, whether it is a question of creating a profit or meeting budget requirements.

This is inevitable, and it is usually money which curtails ethics. It is difficult to be more ethical than one can afford to be, and although it is always ethical to cure people, private pharmaceutical companies can hardly be expected to invest billions of dollars in genetic-engineering technology unless they are able to protect their methods through patents – even if it would 'save human lives' to offer their products for free. For private companies, the monetary flow is as vital as blood circulation to an organism. For public organizations, the budget indicates the degree of freedom and goodwill they have at their disposal.

Any organization commits itself to specific ways of observing and thus accepts the blindness that follows. There is nothing strange about this. All observation presupposes blindness, as observation has to limit itself to a small range of sensitivity. As the old saying tells us, with a hammer in your hand everything looks like a nail. One cannot see the apparatus of seeing, and this pertains to the hardware as well as the software of observation. If observation means to manage a distinction with a view to indicate one or the other side of the distinction,[20] observation unavoidably establishes an unindicated space. Not only has the side of the distinction that is not indicated slipped into the unindicated space, the same applies to many other things – the observer is unable to see himself while observing, he cannot see the unity of the distinction he employs and he is unable to see other distinctions with which he *could* observe. He sees in the light of the distinction which he uses in his observing and can see only what is visible in that light. Thus he does not see what he does not see. More critically, he may not even see *that* he does not see and thus he makes himself blind to the fact that there is more to meet the eye than what meets his eyes. He is easily seduced, therefore, into believing that what he observes is 'reality' – despite the fact that our capacity for observation is poor, despite the fact that we can only be affected on very few wavelengths, and despite the fact that we never come into contact with anything we observe. In the full sense, reality cannot be observed.

Functional systems and organizations have a tendency to overemphasize their importance because they seem so vast to themselves. Hence they have no problems with accepting a loss of reality and information: they only disregard what is not important. In effect, economists and business people often refer to themselves as realists when they see the world in the light of money and monetary flows. The same applies to politicians in their strong focus on the interplay between government and opposition, whether the arena is a parliament or an organization. However, at closer view, one becomes aware of an immense obscurity. Organizations cannot see each other, politicians cannot see their constituents, and business people cannot see their employees and customers. They scarcely see each other and have to compensate by finding guidance in symbolic signs that they are able to interpret.

The strong focus in modern societies on economy, balance sheets and key figures causes private organizations in particular to view everything as a

question of the 'bottom line'. Everything is measured, directly or indirectly, in relation to economic profit or loss. Even issues that are not directly related to economy are judged by their presumed positive or negative impact on the bottom line. This creates a particular business cynicism by which soft values such as motivation, environmental concern or loyalty are looked upon with an indulgent smile as mere tools for the creation of profit. It may also create a distinct *double talk* where business people pretend to act with regard to ethical principles but with a keen eye to the economic aspects.

Value-based considerations may simply represent a normal adjustment to market requirements. This kind of adjustment entails a defensive use of values. It does not show which values the organization stands for but only the fact that the organization considers it profitable to increase its attention to other people's values and comply with them. It is a matter of pragmatism, not of values.

A peculiar result of the strong focus on the rationality of money is the emergence of a particular un-rationality. As private and public managers are forced to observe reality in the simplified manner of observing random sampling and sales curves, they have to make assumptions about the wishes of the customers and clients and make their calculations on this basis. They have to fill their knowledge gaps with prejudices – a risky affair in a turbulent world. When they want to influence numbers, they do 'something' and subsequently observe if the numbers change. And the numbers do change, but perhaps for other reasons. But these reasons are imperceptible and hence one has to be satisfied with what one has done or to compensate by doing something else. This is the way political parties approach the dark beast that they call the constituent group, and this is the way advertisement campaigns are launched. When the organizational success or failure is simplified and defined in numbers, circumstances become invisible. It gets hard to establish *what* influences the fluctuation of the numbers and what action should be taken. The price of simplification is uncertainty – directly contrary to the alleged certainty of the numbers.

A computer program can employ only a few parameters. If there are just four or five independent variables that affect each other, the program gets out of control. Thus economists must make strong simplifications before unfolding their rationality. They must pretend that everything else is even, even though they know it is uneven. The dilemma is that even if simplification is unavoidable, it involves blindness and loss of reality. That is why sales curves are both comforting and disturbing. They provide comfort because they are based on facts. Stocks have been counted, people have been consulted. They are disturbing because one never knows when the graph is going to level out. It is possible that significant circumstances remain in the great darkness of the unindicated realm – everything that one is unable to see when viewing the world in the light of economy, but which might suddenly prove crucial. A lopsided wave of political, ethical and environmental issues may suddenly

rise out of nowhere and overthrow every calculation. Then, managers must go on television or to the board of directors and explain why it went wrong, although they do not really understand why and perhaps have no words to explain the interplay of external circumstances which suddenly affected the profit and image of the organization.

Operating with more values means to assume greater sensitivity. It means increased attention to matters that are invisible in the light of economy and politics. It means that, although there is still an overwhelming loss of reality, it is significantly smaller. Of course, more values imply complexity and a greater burden of information handling. And of course, attention is a scarce resource which should not be scattered but directed towards what is relevant to the organization. Still, it is reasonable for an organization to increase its sensitivity by engaging in dialogue with employees, customers, clients, environmentalists and neighbours. Here the organization can be made aware of things that do not appear on the balance sheet until years later or that are hidden in the enigmatic fluctuations of Gallup polls.

Values do not allow for simple calculations and comparisons with other values. They are incompatible – and still they have to be compatible in order for them to be weighed against each other. Neither money, nor power, nor soft values can stand alone. No one is dictator. That is precisely why management is necessary. Managers – or some of them, at least! – must open themselves up to this new lack of clarity and learn to speak its language. They must learn that their decisions affect many different parties, often in unexpected ways, and that they do not always win by proceeding with vigour, insisting on their power and authority.

It is not easy to change a dominant paradigm. Managers who try may end up like doctors, who by experience know that hope can make patients recover faster, but who cannot fit hope into their science and talk about it at conferences without becoming a laughing stock.

5 Risk and non-knowledge

The time is always now, and the question of which past it is affecting and which future is to be pursued must be established in the present. Although the past is what it is, it remains uncertain exactly how the past has caused the present and how to construct and judge the importance of various causal chains. The aggressive behaviour of a child can be explained by bad upbringing, brain damage or the clash of civilizations. C.G. Jung expressed this in a subtle manner when he claimed that it is never too late to have a happy childhood.

Organizations innovate and are forced to reflect upon their means and ends. They are also forced to affect the circumstances which affect them. This causes an irremovable uncertainty, which is the thorn one has to accept in trying to pick the rose of success. In this game, information is not simply a blessing and is not always what it appears to be.

Clearly, it is good to be well informed. However, in addition to information, there is under-information and over-information and misinformation. Information is good to the extent that it is of suitable proportions and relevance. But relevance becomes a joker in many games in which factual, social and subjective concerns affect each other. *What* is known, *who* knows it and *how* it is known are questions of interest. To this is added the question of who is powerful enough to assert his information and define the agenda, hereby also defining what is relevant. For managers the important question is not only which reality is true, but which reality can be *made* true. Managers are not scientists describing the existing reality, but creators of a new reality.

Information removes uncertainty and information creates uncertainty. There is information that can be trusted, information that is mysterious and information that might have been planted. Information creates change and change creates the need for information, which means that change and information accelerate each other in a double spiral.

An organization exists with a higher degree of order than its external environment. This is merely another way of expressing the fact that no organization is able to observe every aspect of its external environment. It has to make simplifications. But simplification is risky, so that when an organization makes a decision based on information that is mirrored by an enormous loss of information, the decision does not only happen *on the basis of* uncertainty, it *creates* uncertainty.

Uncertainty refers to the future and has both a factual and a social dimension. Using the distinction between danger and risk,[21] anyone can decide whether to localize the problem of uncertainty in external conditions or in the way in which other people respond to these conditions. In modern societies there is a tendency to place greater emphasis on risk, that is, the social dimension, than on danger, that is, the factual dimension, almost like blaming the weather on the weatherman. In the case of a catastrophic situation, the media tend to be more interested in the issue of the level of readiness among authorities and who will have to pay the bill than about the actual cause of the catastrophe. Earthquakes are what they are, and only fools and tricksters try to predict them. Hence they are without interest.

In order to localize responsibility, it is necessary to isolate the causal factors. However, the number of factors in the network of causes and effects is incalculable. It may be a desperate undertaking to point out *the* decisive factor and thus disregard those factors that work together with it and their interaction. When a chemical additive affects the countless chemical balances of our body, it may be impossible to trace its sequence, isolate the effect of the substance from its interaction with a number of other substances and prove that this particular preservative causes cancer.

We can make a distinction between *knowledge* about causal factors, accidental *ignorance* of causal factors and *non-knowledge*, which is unavoidable ignorance of causal factors and their interaction in space and time.

Non-knowledge means that no one, as a matter of principle, is able to know the possible outcomes or even the probability of a particular outcome.

Obviously, the higher the degree of non-knowledge, the more difficult it becomes to localize responsibility. Faced with the complex conditions in and around modern organizations it becomes almost irresponsible to localize responsibility and point out *the offender* – he who incited the Great Crash of 1929 or he who was responsible for the bombing of Hiroshima in 1945.[22] But when modern societies are moving towards what has been called the 'risk society'[23] in relation to effects that can be intensified or weakened in unpredictable ways, the stronger the calls for placement of responsibility – as if we seek to mitigate our fear of the unpredictable by installing strong people and simple causes as guarantees. Thus the battle over responsibility, and the struggle to free oneself of responsibility, has become an important modern discipline.[24]

Private and public organizations alike face problems of non-knowledge as they act in the present and hence influence future presents. A school does not know whether it benefits or hampers its students in relation to a future that no one knows. If a private company is about to launch a new product that requires, for example, a dramatic shift from analogous to digital devices, it is faced with an incalculable situation. The organization does not know the actual costs, it does not know the future market or the reactions of its customers, it does not know the possibilities for support, *and there is no way to calculate them*, that is, no objective solutions. Above all, it is impossible to compare what would have happened if nothing had been done to what happens as a result of the actions. Planning interferes with the planned, and the effects of planning feed back on the planning, so that only random simplifications make it possible to make a clear distinction between planning and planned.

Faced with non-knowledge the moral intuition fails. No moral sentiment has been formed in response to a new situation. The Bible says nothing about genetic engineering. The morality of the public is stricken with uncertainty. Neither the ethics of utility, which concerns consequences, nor the ethics of duty, which concerns motives, yields a great deal of guidance. Instead one's sense of fear or daring is working as a moral sentiment – whether one is enthusiastic about new possibilities or frightened by the risks.

Modern societies allow for no moral consensus. The population observes and reacts differently not only depending on interests, but also depending on *which side of the difference between planner and planned one is located on*. What seems objective and fair to the person who makes the decision may seem subjective and unfair to the one who is subject to it, even if they agree about factual matters.[25]

The traditional means to curb risk are calculations of utility, that is, economy in a wide sense, and normative rules, that is, legislation and morality. None of these methods can transform risk to certainty.[26] If we try to imagine a

calculation of the effects of nuclear power plants, or of integrating computers and television sets, the calculations will get lost in a myriad of aspects. No rational model is able to describe the process or calculate profits and gains, and no legislation or morality is able to go beyond general considerations of what is acceptable and what is not.

Under these kinds of murky circumstances, values can provide the necessary simplifications. It can be argued that the more uncertain the consequences are, the more carefulness is advisable. But when there are no objective solutions, a solution must unavoidably be unobjective, that is, normative. The question of whether or not to allow for private companies to take out a patent for genetic material is not an objective but an ethical decision. It has to do with visions of the future and thus with values.

When the implications of a decision are uncertain, it becomes risky to be the person to whom the decision can be referred back. One runs the risk of being left holding the baby. One can, of course, disclaim the responsibility and refer to non-knowledge, but overacting the part of being irresponsible can undermine one's authority as a decision-maker. Thus it can be convenient to spread out the risk, like in the insurance companies. In this context, 'reinsuring' could be to include as many as possible of the concerned parties and secure their informed – or uninformed – consent. When others who also do not know the consequences approve and give the green light, they cannot complain about it in retrospect. Thus sensitivity and inclusion can be useful procedures.

A decision-maker is unable to invite all concerned parties into the decision as active participants. That would be too taxing on the decision process, which is already complex enough. Participation is not the solution to the problem of democratic shortfalls.[27] But values, understood as demands on solutions, can define premises for decisions and perhaps, over time, establish confidence that these values will be met. Calibrating values is a useful precaution against a future that always turns out different than expected.

Sensitivity to values can be a matter of mere pragmatism. But to actually base one's decisions on specific values is to take the issue to a different level. It is called *values management* and represents a more committed approach to values.

Notes

1. Rachel L. Carson, *Silent Spring*, New York, 1962.
2. These words are ambiguous. The difference between public and private entails the difference between 'public authorities' and 'private businesses' as well as the private individual and household and a public system. In the latter sense, the private workplace also represents a public system, which has been forced to take

on an increasing number of responsibilities, e.g. in relation to sickness, education, motivation and ethical considerations.

3. See Niklas Luhmann, *The Reality of the Mass Media,* Stanford, 2000, p. 1.
4. Chris Argyris and Donald Schön refer to a possible difference between *espoused values* and *values in use*, see *Organizational Learning: A Theory Action Perspective*, Reading, Mass., 1978.
5. See Eli F. Heckscher, *Mercantilism*, London, 1983, Part I, Chap. 2.
6. Such as for example the three sociologists referred to in the previous chapter, Daniel Bell, Richard Sennett and Christopher Lasch.
7. See Gareth Morgan, *Images of Organization*, London, 1986, p. 246.
8. Niklas Luhmann speaks of 'the two K's', that is, *Karriere* and *Konjunkturen*, or, in English, career and market conditions, as decisive for the modern identity. See *Die neuzeitlichen Wissenschaften und die Phänomenologi*, Vienna, 1996, p. 11. See also Niklas Luhmann, *Gibt es in unserer Gesellschaft noch unverzichtbare Normen?*, Heidelberg, 1993, p. 15.
9. Niklas Luhmann, *Observations on Modernity*, Stanford, 1998, p. 44.
10. William Shakespeare, *Hamlet*, Act 1, Scene 5.
11. Søren Kierkegaard, *The Concept of Irony*, Princeton, 1989, p. 211. (The English translation uses the expression 'enlarging boundary' which I think is incorrect.)
12. Niklas Luhmann asserts that 'like stars in the sky, there are innumerable values', which is why there have to be base values that are difficult to reject (*Gibt es in unserer Gesellschaft noch unverzichtbare Normen?*, Heidelberg, 1993, p, 19, tr. by OT). That is not the case. The fact that there are many values does not necessarily mean that they exist in a hierarchical order.
13. Max Weber speaks of the fact that every bureaucracy contains a fixed distribution of duties and competences so that each person always knows what to do (*Economy and Society*, 2 vols, Berkeley, 1978, vol. 2, pp. 973f). This works on condition that there exist stable external conditions, but if this precondition fails, the bureaucracy might become destructive and act blindly.
14. This method is described in Frederick Winslow Taylor, *Scientific Management*, New York, 1914.
15. *Dagbladet Information*, Copenhagen, 12 June 1997.
16. The notion of loosely coupled systems can be found in K. Weick, *The Social Psychology of Organizing*, Reading, Mass., 1969.
17. Niklas Luhmann, *Social Systems*, Frankfurt am Main, 1984, p. 308.
18. Problems of uncertainty that cannot be solved by an acceptance of ambiguity will then have to be solved through decisions, i.e. through control, see Luhmann, *Social Systems*, p. 308.
19. Niklas Luhmann, *Organisation und Entscheidung*, Opladen, 2000, Chap. 8. In this book, Luhmann talks about 'conditional programmes', even if he earlier used the more idiomatic 'routine programmes'.
20. Niklas Luhmann, *Beobachtungen der Moderne*, Opladen, 1992, p. 98.
21. This distinction between risk and danger is, as we have seen, central to Niklas Luhmann's discussion of the problem of risk, see 'Risiko und Gefahr', in *Soziologische Aufklärung 5*, Opladen, 1990, p. 148.
22. In *The Great Crash 1929*, Boston, 1961, Chap. 10, John Kenneth Galbraith discusses the problem of localizing causes and effects in social systems and dryly notes that great certainty in relation to an explanation is usually an indication of great uncertainty. The less one knows, the more dogmatic one becomes (p. 176).

23. See Ulrik Beck, *Risikogesellschaft – auf dem Weg in eine andere Moderne*, Frankfurt am Main, 1986.
24. See Heinz von Foerster, 'Ethics and Second-Order Cybernetics', *Cybernetics and Human Knowing*, 1(1), 1992, p. 14f.
25. 'By contrast, a corresponding description of the facts can and will generally intensify the social conflict' (Luhmann, 'Risiko und Gefahr', p. 146, tr. by OT).
26. Luhmann, 'Risiko und Gefahr', p. 143.
27. Luhmann, 'Risiko und Gefahr', p. 152.

8
Changing Values of Work

Over the past hundred years, there has been a change in the values that regulate the relationship between employers and employees. From being class enemies, they have become parties and even partners. Whereas 'the workers' around the previous turn of the century were kept at work by means of force and a carrot whose only name was money, the irresponsible workers have now become responsible employees, who work on their own initiative and for their own benefit.[1] External coercion has been replaced by inner necessity – by pleasure and vice. In turn, the managing director, as an intermediary between the two parties, has stopped making direct threats and appears kindly as priest, pedagogue and coach. Employers and employees might not love each other. But the trench warfare has been replaced by the realization that they need each other and are subject to the same necessity. They can now speak of shared values within a shared framework.

One central word is *motivation*. The more motivation, the less control. And since control is not possible (see Chapter 7 above), motivation, and hence values, are necessary. Employees are willing to give not only their sweat but also their soul if the workplace is able to convince them that it works for more than just filthy lucre and also considers humane values. They will long to realize themselves through their work and quietly disregard the fact that they work much harder than their parents. For they no longer work for the employer and also not for a common good. Freed from outside considerations, they work for themselves and their own self-realization. They are still able to talk about shared values and they still want to work for an organization with a good reputation. But even shared values are generally tied to a strong sense of 'me' and 'what is in it for me'. They are also tied to a context that is replaceable. Values are not eternal, but temporary, and can be revised in the light of new circumstances. Normative flexibility, however, does not prevent the individual from having a set of personal values which she can neither justify nor replace and which she brings with her from one workplace to the next.

The second central word is *change*. The demand for change comes from the magnates of the business community, trade unions and government. Although they call for the demise of the past and tradition, they reject the role of executioner. They are under pressure themselves. Even the executioners are victims. The demands are not legitimized by 'the good life' or 'the common good' but by the demands of the market: competition, globalization, and the fear of falling behind and becoming a second-rate society.

It is interesting to see three parties who have traditionally been unyielding opponents form a new coalition. There is now extensive agreement in the public debate between employers, who wish to include unutilized resources, trade unions, which seek to increase competencies, job satisfaction and wages among their members, and the government, which works to secure a continuous basis for collecting taxes and providing welfare. The trench warfare of the twentieth century has been replaced by a wide-ranging partnership.

There are still discrepancies, and these are widely celebrated. However, they are played out within a framework of consensus. Employees have assumed employer knowledge of what is needed, and government experts go along in order to establish what they consider balance. But beneath the surface a new opposition and thus a new class difference has emerged, which we will address later.

Flexibility and lifelong learning

The latest newcomers in this brotherly union are called *flexibility and lifelong learning*. They are advanced by means of a rhetoric that oscillates between the words *demand* and *offer*. And the demand – or the offer – applies not only to private but also to public organizations that have gradually assumed the management models of private companies. Like private companies, public organizations are thrown onto a market in which they are surrounded by competitors and have to continuously adapt. Even if they have had a sacrosanct tradition,[2] where means and ends were a given fact and where loyalty was a precondition, they have now become immersed in a melting pot. The task of management is no longer simply to 'inspect' the observance of standard routines; they have to actively guide the organization into an open-ended future. The traditional inspector has been replaced by a manager. Every workplace must adjust. The stable demand is for instability.

Flexibility and lifelong learning are seen as a double challenge to workplace and employees, which is not a zero-sum game but a game where everybody wins – employees obtain better jobs with more creativity and independent planning, and the workplace reduces friction and bureaucracy so that it is

able to utilize its resources and seize the opportunities of the moment. We can sum this up as follows:

Advantages of flexibility

1. Motivation
2. Introduction of values that facilitate temporary loyalty
3. Self-realization
4. Creativity
5. Self-management
6. Overtime becomes invisible
7. Reduced bureaucracy
8. Utilization of the possibilities of the moment and local resources

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Interestingly, the same story can be told in reverse. The demand for flexibility and learning can be described as the infliction of intolerable uncertainty, the loss of a long-term perspective and experience, a corrosion of character, dissolution and loyalty, and covert exercise of power[3] – *eine grausame Salbe* – which we will sum up below:

Disadvantages of flexibility

1. Infliction of uncertainty
2. Loss of experience
3. Loss of loyalty
4. Loss of long-term perspective
5. Corrosion of character
6. Covert exercise of power

(From Richard Sennett, *The Corrosion of Character*)

One story is about independence and satisfaction. The other is about control and fear. Why is it that the same phenomenon can be perceived so differently? Is one story true or are they both true – or both false?

The demands for flexibility and learning contribute to distinguishing between traditional and modern forms of work, which is also a distinction between the kind of work that was typical of the industrial society and the work that is typical of the post-industrial society.[4] The two types of work still coexist, but the social balance between them has shifted. We will present the contrast in a purified and simplified manner.

The traditional form of work was symbolized by the assembly line. It was heavily regulated and generally required no development or continuing training. What knowledge was needed was taught at the workplace, that is, in practice, and usually what one learned was to unlearn a substantial part of

the theory that one had been presented with in one's education. The responsibility for one's work consisted in doing as one was told and hence agreeing to a precise contract between employer and employee. Often, the work was lifelong and defined by strict degrees of seniority. The course of one's working life was therefore predictable – one could calculate one's wages and pension and retirement. Even though we refer to the traditional work in the past tense, it has not vanished. It lives on side by side with . . .

. . . *the modern form of work*, which is flexible and requires shifts in workplace and work content. The job description is often indefinite so that the competency becomes reflexive. The employee must to be able to change, which means that she not only has to learn but also 'learn to learn'. The employee is given responsibility for a task which she 'owns' and is free to solve in her own way. Employees are expected to invent new areas in which to make an independent effort. Strictly defined work hours are replaced by deadlines. Within a given framework the employee is free to use her inventiveness and the given possibilities of the situation.

In this way, the workplace becomes a market in which people compete for the good assignments. Employees are not only co-workers who cooperate but also competitors. And their energies are stimulated by an internal desire for *recognition*, which is about asserting oneself in relation to the others.

In extreme cases employees do not even know exactly what they have been employed to do, which makes it impossible for them to assess and manage their careers. There is no precise *contract* between employer and employee. It is also not possible to realize long-term values because the employee has to be prepared to make sudden shifts. Not only has work become uncertain, but so also has the relationship to the workplace and colleagues. These points are summed up in Table 8.1.

Naturally, this description of the new workforce is a fiction. Few people are actually like that. Modern 'knowledge workers' or 'symbol analysts' need not rush around like swarming ants. Most people work reliably, often in the same place for years, even though the concrete focus of their work is constantly changing, as is normal for people such as researchers or artists. However, it is an effective fiction because many people come into contact with these new demands and because of the alluring prospects of formidable wealth. The media indulge in stories of staggering amounts thrown into the caps of hard-working nerds, and the net is brimming with people eager to grab a few glowing embers from the fire burning fervently on the stock exchanges of the world.

Implications for management

The difference between the two forms of work is not a simple distinction between 'before' and 'now' or between 'them' and 'us'. Both forms of work exist side by side and the dividing line can often be found in the individual

Table 8.1 Industrial versus post-industrial forms of work

Precise contract	Framework agreement
Expectations of lifelong employment	Expectations of frequent change of jobs
Expectations of fixed work content	Expectations of new types of work
Management	Management of self-management
Manual	Project
No shared community of values	Motivation through values
Fixed competency	Reflexive competency
No demands for continuing training	Demands for flexibility and lifelong learning
Control of time	Deadline
Control of space	Indefinite workplace
Seniority	Individual salary
Long-term planning	Short timeframe
Co-workers	Competitors
Boundaries between work, education and home	Disintegration of boundaries

Table 8.2 The status of management

Traditional	Modern
Protection against overload through *rules*	Protection against overload through *delegation*
Promoted technician	Symbol of unity (*coach*, *conductor*)
Professional example	Personal example
Management of processes (*machine*)	Management of management (*network*)
Outside the system	Part of the system
Information monopoly	Integration of information
Responsible for rules (*hierarchy*)	Responsible for values and visions (*heterarchy*)
Ensuring stability – *supervisor*, problem: obedience	Ensuring dynamism – *leader*, problem: talent and motivation
Function orientation	Function + person orientation (*pastoral management*)
Guarantees binding decisions	Guarantees binding decisions

person who does both forms of work at different times and is drawn to both. It is not unusual for people to seek both security and adventure. But what does this distinction mean for the management of an organization? We can draw up a table outlining the two forms of management (see Table 8.2).

The fundamental difference is that traditional industrial management was directed at physical processes which the employees were to carry out and support. Modern management is directed at both processes and people. A modern manager has to acknowledge that there are many kinds of people working in many different ways.

Both traditional and modern management have to make decisions and ensure that the decisions are put into effect. Both symbolize the unity of the organization. Here, there is no difference between them. However, the compulsion to change and obtain information means that it is not possible for a manager to keep abreast of everything that goes on in 'his' organization. Therefore, he must delegate. Therefore, we include terms borrowed from sports and art so that the manager can be seen as a *coach* or a conductor. Therefore, the manager's personal example, that is, his style and his agenda, is important – whether he is arrogant or open, wilful or democratic, and what conception he has of the organization's past, present and future. Therefore, he cannot pretend to hold a distinguished position outside the organization, almost as if he were God, but has to accept that he is a part of the ongoing conversation that the organization has with itself, and is not its ruler. Therefore, he has to accept to manage people who must themselves be 'empowered' and manage themselves. Therefore, he has to also work with those values that show the requirements that the organization puts on itself and its visions for the future. Therefore, unlike that of the traditional 'supervisor', his problem is not to ensure obedience and stability but instead to ensure the availability of the necessary talent and the motivation among the employees to work and develop. And therefore, what is important is not only the function – the professional competency – but also the person. Modern management has acquired an almost intimate language in which the confessional chair has become a central symbol.[5] Under the guise of a friendly mask, job interviews and annual employee performance reviews systematically lure the employee into saying too much – under four eyes but still for the record. One tells not only about one's professional competency, but also about one's health, one's partner and children, one's hobbies and travel habits, one's illnesses and consumption of alcohol and cigarettes. Nothing is irrelevant because the organization is looking to consume the 'whole person', skin and all. One recounts all the things one did not get around to and promise to make amends. Afterwards, one finds oneself outside the modern confessional chair thinking about everything one told and promised. One has pawned one's soul to a wheedling power machine.

What is learning?

Behind the modern demand for learning we find the compulsion to change, which further represents an acceptance of what we could call *irritation* – not in the sense of being irritated but in accepting that one's routines often must be turned upside down and that experience no longer unambiguously represents a good thing. In traditional societies things are done 'the way they are usually done', which means that old age triumphs over youth: old people know how things are usually done. In modern societies, the opposite is true: compulsion to change means a compulsion towards learning, which

is mirrored by a demand for 'unlearning': experience can be a burden and might cause resistance to change.

There are many forms of learning. We can make a distinction between three different forms. The *first* form of learning happens unconsciously when someone's life situation changes, for example changes in school, partner or job. Even though one feels as if one is 'the same person', new questions arise which require new answers. That which used to be interesting and good enough can become irrelevant and unsatisfactory so that one slowly adapts to a new set of themes, questions and answers. After a few years one might find, perhaps in meeting old friends, that one has become a different person, even if one feels the same. One has imperceptibly *drifted* from one mindset to another.

The *second* form of learning is the good old learning that everyone knows from school. It consists in learning something, which someone else – the teacher – already knows so that learning is a directed process, called teaching, in which one is trained until one is able to repeat at minimal cost. One has the sequence of kings, the major cities and the seven-times table at one's fingertips. One has become an expert and can perform without thinking.

This form of learning is unavoidable and cannot be argued against. Every child has to learn how to speak and how to behave through yearlong practice, in order to adapt to a certain form of life, which, despite certain variations, is characterized by a great level of conservatism. If language is to be used for communication, there is no room for too much ingenuity.

Here, we may employ three concepts, which we have already discussed, namely *frame*, *scheme* and *script*. When learning to ride a bike, one has to know the context or the 'frame': it is about transport. However, one also has to learn to use schemes, which indicate what is central and peripheral so that one might know what to pay attention to. The bicycle's colour and lights are peripheral but its pedals are central. The placement of the bicycle helmet is less important than learning to find one's balance. And one can then repeat a script, that is, a particular sequence, which consists in putting one's foot on the pedal, swinging one leg – never both! – over the seat, sitting down, holding the handlebars and trying to find that precarious and deceitful thing called 'balance'. Hence:

Basis for learning

Frame
• Framework of preconditions, simplifications and motives
Scheme
• Procedure for remembering, forgetting and repeating (relevance)
Script
• Programme or 'policy' for an overall sequence

We can refer to the *third* form of learning as *reflexive learning*. It consists not in learning to repeat couplings which others have already made, but in learning to *make* such couplings. If everything is the way it usually is, this form of learning is not particularly relevant. But when change becomes a normal affair, one must learn that what is repeated is non-repetition. It is not possible to rely on a manual or a 'pre-scription' since nothing is written in advance. The problem may have been solved somewhere else in the world, but there is no existing solution here and now, and it is easier – and more fun – to come up with a solution rather than searching the Internet or various professional journals.

Reflexive learning entails giving up one's swift and routine-based sensory perception and taking a more cautious approach. One has to make oneself sensitive to everything that one usually pays no attention to. In our daily routines we use our experiences to quickly schematize so that we automatically see 'a car' even though we only see a front fender or two lights in the dark. We often move through our daily life in a half-daze because we already know what there is to see. One does not see that one's wife has changed her hairstyle because one knows her and knows what she looks like. On the other hand, when looking at art, we have to give up our sensory routines and agree to observe slowly and with an open mind to the fact that new patterns may continue to appear. Freud spoke of 'freely flowing emotions' when sitting at the head of the couch listening to his patients' free associations, which he had to sort through and systematize.

Reflexive learning means continuous openness to adapt to new circumstances – creating one's own connections between sensory perceptions and experiences. But we need to be a little more precise.

An old anecdote says that the discovery of penicillin came about when researchers in a laboratory were working to find a substance for killing bacteria. They developed the bacteria in inoculation tubes and poured different substances onto them to observe what would happen. After a few days, however, the experiments had to be stopped because the bacterial culture started to mould so the researchers had to begin from scratch. This went on for a long time until Alexander Fleming in 1928 noticed the absurdity of having to give up killing bacteria because they had already been killed. What was at first peripheral, as a disturbing fact, became drawn to the centre as a possible solution: What would happen if mould were used as a bacteria killer? How about studying the capacity of mould fungus to kill pus-forming bacteria?

This story is most likely false. Good stories do not have to be true. The important thing is that the story speaks of the fact that creativity can consist in trusting one's sensory perceptions so that one sees what one sees, rather than that which one habitually believes one sees or others say that one sees. This might mean questioning authorities. One winter, I overheard a little girl complaining to her mother that her hands were cold, to which the mother replied: 'Nonsense, you are not cold.' Perhaps the girl was a spoilt

Table 8.3   Three forms of learning

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1. *Unconscious learning – adaptation*
• gradual change over time, evolution

2. *Learning of competence – learning couplings*
• specific series of operations
• training as technology
• repetition with minimal cost
• *frame*, *scheme* and *script*

3. *Reflexive learning – learning to make couplings*
• repetition of non-repetition
• no fixed programme or manual
• fleeting attention to error, deviation, noise
• openness to possibilities, sense of timing
• creativity as trust in one's own sensory perception
• resource which expands while being used

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brat. Or perhaps she was learning that others decide what she is supposed to perceive.

The strange thing about reflexive learning is that, as a resource, it grows while it is being used. Like the pig Saerimner in Nordic mythology, it cannot be eaten up. Dead warriors were brought to Valhalla and served pork from Saerimner, which each day was slaughtered and eaten, and each day grew whole and lived again. But unlike Saerimner, which did not grow bigger, this resource grows while it is used. We can sum this up in Table 8.3.

The answer to the question of why reflexive learning is to supplement – not replace! – the two other forms of learning is that even though it is nonsense to assert that everything changes, the compulsion to change still cannot be rejected. Obviously something, a great deal, has to be constant in order to make it possible to talk about change. The word 'change' has not changed in many years and the thesis that 'everything changes' has been constant for millennia. Nonetheless, the classical 'pre-scriptions' or manuals which provided relief from responsibility have to be supplemented – and again: not replaced! – with values and visions that indicate an *orientation*, but which do not prescribe in detail what to do. That is up to one's own interpretation.

Or in more poignant terms: the same is different. This can also be said in a different way: the fact that innovation cannot be strictly controlled and that it is often not until *in the situation* that one can clarify the situation one is in. Of course, one may call back to headquarters to ask for instructions if the prescriptions do not 'fit' the situation. However, one is 'in the field' and knows best what the situation is about. Thus, a new requirement of employees is that they have to be able to take on responsibility and not freak out when they have to make independent decisions. To always ask for directions is to allow the past to triumph over the future.

Table 8.4 Why reflexive learning?

1. The same is different
2. The situation is not clarified until in the situation
3. Innovation cannot be tightly controlled
4. The classical bureaucracy grinds slowly
5. Prescriptions may represent the dead hand of the past
6. Control 'in advance' is replaced by retrospective evaluation
7. Right to interpretation and reflection, that is, autonomy
8. Work is also cooperation
9. 'Nerd skills' are supplemented with social skills, for example strategic sense and network capacity: to strengthen oneself, to exchange, to know 'places'

This, of course, does not mean the absence of control. But it means that control is replaced in advance by a problem formulation which a group has to try to solve in their own way. There can be mid-term reviews and ongoing feedback but, fundamentally, experiences have to be made before they can be evaluated so that the manual's control 'in advance' is replaced by retrospective evaluation.

An important dimension of reflexive learning is that it is not only a question of increasing a professional competency. The industrial society specialized in professions and its employees organized in trade unions. But modern work is also collaboration and the classical nerds have to therefore supplement their technical skills with social skills. In short, they have to become better educated (in the sense of the term *Bildung*) since modern *Bildung* means to be able to handle a variety of different ways to observe and describe rather than entrenching oneself in one way, perhaps even on the basis of the illusion that one commands 'the master language' whereas all other languages are inferior and weak. In the same way that a manager cannot be a nerd but has to orchestrate nerds and make them cooperate with one another, increasingly nerds have to realize that they have to strengthen themselves with other skills and learn to partake in networks – not only with like-minded people but also with people from other professions. We can sum this up in Table 8.4.

Loyalty and disloyalty

The demand for flexibility and lifelong learning creates a peculiar ambiguity. On the one hand the organization has to employ shared values in order to ensure a shared direction. When it can no longer regulate strictly by means of rules and their 'if . . . thens' which are linked to the past, it must regulate by means of goals, values and visions which are directed at the future.[6] Thus the organization has to ensure employee loyalty to its values. On the other hand,

each employee is forced to assert himself on the labour market in competition with himself and others. This forces him to be egoistic, hence strategic and hence disloyal. Loyalty and affiliation are observed in the light of existing alternatives.

When people are set free in the labour market, the forms of compulsion of the market diffuse like a corrosive acid and dissolve solidarity and limitation.[7] Everything becomes optional and temporary, and any limitation presents a temptation with an alluring: what can I obtain if I go beyond the limit? The demands of the labour market for learning and flexibility contribute to the fundamental disloyalty of employees – they become disloyal to themselves, their colleagues, their workplace, their family and their native country. As they commend themselves to Faustian striving, many things happen.

1 Employee loyalty to themselves disintegrates, at least at work, but perhaps also in their private life, when they have to accept long working hours and possibly moving from one place to the next. The requirement is faithlessness. They have to denounce what they have just pronounced because 'the situation is different'. They hold one standpoint until they take another.

2 Employee loyalty to their colleagues is undermined. They work together against each other and do not freely share ideas. They play their cards close to their chests until they are sure to be rewarded for their efforts. If, by contrast, promotions are linked to seniority, ideas are wilfully and generously shared. Although they have to trust each other, trust is a continuous problem. When everybody has to assert themselves, cooperation becomes strategic. Each person becomes his own cause and end. Cooperators also become opponents.

3 Employee loyalty to their workplace is weakened because the workplace becomes replaceable and is constantly evaluated in relation to the alternatives. It merely represents a single pearl in the career chain of sparkling appointments. The relationship between employee and workplace becomes not only loose but also indefinite because creative people cannot be controlled. Their job is to provide a change that cannot, in principle, be precisely defined in a manual or contract. They work to seek out new gaps to take over and infuse tempting possibilities into. Each employee becomes a small tradesman who owns his own work and who is always able to work a little harder.

4 Employee loyalty to their families becomes a problem. They are mentally driven out of the home because the energy flows from the home towards work. The family becomes an item on the time schedule and is easily let down, both because the career is a demanding lover and because the workplace may appear much more challenging and tempting than the constricted family space. Although the family is indispensable, it can be dispensed with as long as it is there.

5 Employee loyalty to tradition and the past dissipates. They forget where they came from, that is, their tradition, which is always the first victim

of progress and development. When it becomes a tradition to break with tradition, remembering loses interest. The past is reduced to set pieces.

6 Lastly, employee loyalty to a geographic and historical locality is undermined. The *nation* as a framework for collective identity loses its substance and becomes an administrative framework.[8] Since every market is a global market, the nation becomes a random area whose boundaries are no longer important but only a nuisance. An individual has to assume a global standard beyond his local culture and hence becomes, in the words of Kierkegaard, 'ground as smooth as a pebble, as exchangeable as a coin of the realm'.[9] He becomes a man of the world, who feels at home in every airport, knows every major brand and replaces his native tongue with the mandarin language English. Irrespective of where he lives, he inhabits the world as a modern nomad.

The disappearance of social and emotional ties creates a fundamentally ironic attitude. People exist at a distance and cannot be retained because they are always basically absent, even when physically present. The eyes are aloof although they have learned to smile permanently. But even if turbulence is the mantra, it requires a great deal of stability to open oneself up to instability – which pertains to individuals as well as organizations.

A successful contribution is still necessary in order to maintain a career. Even a narcissist has to work in order to win. The workplace assumes the role previously assigned to the nation. It becomes the centre of a temporary affiliation and a ditto sense of 'we', although the quality of this centre varies greatly. Some people live and thrive with the continuous flow of new challenges while others suffer from the pressure of the demands that they cannot or will not live up to.

Conflicting values

The demand for flexibility and learning may be sugar-coated. However, there are bitter layers underneath the sweet surface – a *compulsion towards development* and thus a new meaning to the term 'developmental disorder'. The result is a growth in *responsibility* among managers and employees alike. The contact between them is broadened. And because managers define the general agenda, we see a *pastoral management*[10] with staff departments, competence reviews, confessions face to face (but for the records), promises of future efforts, concern for health, hygiene, consumption habits, family and leisure time. The demands are broadened with respect to the role as manager as well as employee. The factual competency needs to be supplemented by a social competency and a 'time competency', which is about the planning of one's career.

A nerd has to meet factual demands. However, when nerds have to work together in project groups and teams, they also need social skills. They need to act as actors and clever schemers. They have to make sure that mud and

failure will not stick. They have to play with illusions and images and leave it to others to pick up the pieces so that they themselves can appear immaculate. Reality shows where selected people are isolated on tropical islands and compete for huge amounts of money – the winner takes all – may be seen as a metaphor for this kind of permanent examination between *smiling killers* who threaten each other with expulsion, but where it is uncertain what is required and what leads to a yes or a no. There is no waterproof recipe for success or failure, so the requirement is a highly developed sense of strategy.

The distinction between home and work disintegrates when personal relationships become relevant to the workplace. *The distinction between school and work disintegrates* when learning becomes a lifelong process. These processes can be seen as a gain or as a loss. On the one hand, life obtains a larger degree of coherence; on the other hand, there is a loss of freedom: work is everywhere.

In theory it is up to the individual to decide whether to meet the demand for flexibility and learning. But in practice freedom has a price: expulsion. If one does not move in a world that moves, one does not stand still but falls behind. And because workplaces are not – yet! – established for the simple purpose of creating workplaces, they are not sustained by philanthropy. If someone does not keep up he must be kept out. This may happen in a gentle way, and with offers of in-service training and retirement plans and pension plans. But one senses the iron behind the velvet talk.

Despite the alluring words from businesses, trade unions and the government, harmony between workplace and employee does not occur as a matter of course, and is perhaps only a fiction. Even if a workplace offers to expand the competency of the employee, and perhaps to include the 'whole person' with hats, coats and bicycle clips, conflicts may easily arise between the development that the management wants and the development that the employee prefers.

In the case of a clash between workplace and employee visions for development, the harmonic façade cracks open and old power relations become visible. In the end, it is management that defines what needs to be learned and unlearned. If the employee is not willing to or able to learn, she will lose the symbolic bonuses that establish the distinction between losers and winners. Often, the notion of the workplace as a community of shared values is a myth with which the involved parties consort politely. Reservations are not published but are left to the mumbling gossip so that the illusion is neither eliminated nor perceived as real. It is the task of the management to establish the fiction about unity and the vision about a great future which allows the organization to find its direction. For this it can use every available rhetorical means.[11] However, it remains uncertain whether the response of the employees is one of agreement, cynicism or rejection. And even if the employees air their discontent, the gap between the official self-description and the little redescriptions which circulate internally is often vast.

This conflict between what managers and employees consider relevant organizational development is a sensitive issue. It is normally not possible to find solutions that everybody can accept: what management considers a necessity may collide with strong and personal notions of identity. Employees who have worked reliably for years will find it difficult to accept that they have suddenly become a problem, 'dead meat' or 'time robbers'. And management which does not see any alternative to the demand for learning and responsibility cannot assume endless loyalty to employees who refuse to participate.

The new moral obligation to learn takes place in a zone of indefiniteness which can be perceived in extremely different ways: as pleasure and joy, or as compulsion and duty. On the one hand, employees are given a higher degree of freedom. And it requires an excessively critical inclination to disregard the benefits of a job that can be justified through human values, has extensive degrees of freedom and appeals to a sense of inventiveness. On the other hand, the freedom is regulated, which leaves employees with a diffuse responsibility that threatens to expand beyond measure. On the surface is the shiny and repetitive rhetoric of the political and economic leaders which relays one story about market demands, development, adaptation and harmony. Below the surface employees are *expected* to always work harder so that each acquired competence becomes a platform for *further* demands. Employees are up against each other and everyone is up against 'the development'.

We need not fall back on a nostalgic perception of old and brutal forms of routine work. However, we also need not be seduced by a utopian presentation of the new and agreeable forms of work. Would it be possible, one might ask, for the demand for flexibility to apply to itself, so that flexibility was approached in a flexible manner – that is, with respect for the fact that the need for and qualifications for flexibility vary? But even respect for differences will not prevent the development of a new gap between the employees who are able to meet the demands and the employees who feel that the ongoing competition with oneself and others produces nothing but stress and discomfort.

This is not merely a distinction between two different groups of people, but also a duality in the individual human being, who desires adventure as well as security. Deep down in the souls of most people, the new and the old forms of work coexist in an uncertain symbiosis.

Identity and career

Two keywords are identity and career.[12] In the Middle Ages, *identity* was as innate as rank or as 'blood'. Identity in modern times is acquired. It is tied to a career. Traditional forms of work linked the career to a restricted function and regular working hours. Although modern forms of work do not revive the notion of innate identity from the Middle Ages, we can still speak of a

refeudalization when work becomes the centre of identity and gradually takes possession of our private lives.

Identity is an external description, forced upon the individual from without, as well as a self-description created by the individual. The more freedom one has to shape one's identity, that is, the greater the scope for imagination and illusion, the greater the chance that the external description and the self-description do not coincide. Any self-description can be redescribed if the relationship between past ('where do I come from'), present ('who am I') and future ('what do I want') is re-evaluated.

A *career* is a process. The traditional forms of work reduced the career to a question of *seniority*. Although a career might have its ups and downs, we associate the words with an upward rise that typically reached the highest level; from that point the career becomes stagnant or even declines in its last years. 'People age and do not die fast enough,' remarks Luhmann frostily[13] – not fast enough for the need for adaptation in organizations. The pace of development of individuals and organizations does not follow the same tempo. Older people may find it difficult to find new employment because the 'investment' of employment is deemed 'not worth it' if the number of working years is limited and if older labour is perceived as rigid. The distinction 'old/young' maintains this duplicity with energy, effort, change and rise on one side and tiredness, repetition and stagnation on the other side.

The career comprises a sense of time with respect to a process that is both self-determined and determined by outside forces. When the career depends on the state of the market it becomes a fate of reflexivity. One observes one's work in the light of a 'compulsion towards a career'. Hence the movement in itself can become an obsession so that new job interviews begin the moment one has been employed. The challenge of the career is that it is *impossible* to control and that it constitutes, therefore, like love, a space of self-created uncertainty or 'challenge'. One has to create one's own career, make an effort, and obtain the necessary information – which allows for a certain degree of arbitrariness.

To carry through a career requires a strategic estimate of what is – still – possible. Management must be sensitive to avowed or tacit ambitions in order to retain the most competent employees, who are normally also the most sought after and thus have the most options to choose from. In this game of alternatives age is also an aspect that management has to consider. With age comes experience, which is useful for the creation of continuity, but also a barrier for adaptation. Experience works as ballast that makes it difficult to take on the counterpart of learning: to unlearn and thus discard one's past.

Having done the exercise of learning many times provides someone with the weight to criticize the demand for learning. A continuous flow of new managers and their continuously new – and hence also old – demands for change may create tiredness and cynicism. However, in a world of compulsory change, a critic becomes a *spoilsport* nurturing an unreasonable

and reactionary 'aversion to change'. The access to define the demands of the situation becomes a sophisticated power base and allows for the branding of those who do not wish to live up to the demand. They can be harassed in many ways, particularly if there is no shortage of young and dynamic employees.

It is never quite clear whether irrationality lies in the demand for change or in the opposition to change. But it is not a lack of clarity between equal parties. The management is responsible for defining the organizational vision and making sure that the organizational orchestra plays in unison. Even if it is tolerant of variation and dissonance, the management cannot watch 'its' employees stagnate – even if the employees perceive the situation differently.

The compulsion towards change is also a compulsion towards undertaking a career. Those who expect to 'get a free ride', to repeat their efforts and do as usual are transformed from reliable colleagues into inert and unwilling employees. If they respond defensively and insist that they should receive help, support and therapy, it might increase their problems rather than reduce them. They, too, are becoming time robbers who use more resources than they contribute. This is another management minefield that generally does not allow for strikingly beatiful solutions. On the one hand, for humane reasons but also out of concern for the organizational reputation, it is unacceptable to proceed with brutality. On the other hand, there is a limit to anyone's patience.

It is also a compulsion towards youth. Older people are encouraged to maintain 'youthful' traits, including their readiness to learn. The demand for change can be internalized and become a desire. Employees may feel dead if they are not in movement, and workplaces may feel pressured if they do not adapt. Thus change becomes fashionable, that is, change for the sake of change itself. To not be 'up to date' is a failure – and failure is the taboo and utmost embarrassment of modern working life.

From Christopher Lasch[14] to Richard Sennett[15] the modern *old age anxiety* has been minutely diagnosed. Often, older people become *scapegoats* for younger ones, who use them to demarcate their transient advantage. The older employees cannot keep up; they seek security, moralize and simply do not understand what is going on. The modern information technology, with its computers and Internet and www and dot.com, provides copious examples of how technology creates barriers between generations. The older generations face the fact that their experience does not count because it is linked to the past. Thus their criticism is easily dismissed and is not treated objectively, but is shifted into the social realm: it is the talk of fossils, museum pieces, etc. This kind of age harassment does not motivate older people to involve themselves in the game of learning, but it does make them seek the passive paradise of early retirement.

Although different 'arrangements' may dull the pain of ageing, it is generally glaringly obvious what goes on underneath the verbal façade. And it

is usually a poor solution to separate the social and the professional competency so that an older employee loses his professional responsibility but is kept as a 'senior manager' for the training of younger employees and for using his network, since his successor needs to build his own competency and develop his own network. Having a new and an old manager side by side is usually an open invitation for disaster. It is not possible to make a clear distinction between the professional and the social realm.

If we were to advance a conclusion, it would be that lifelong learning is a challenge and a curse. The problem arises when one story is made into a Big Story that applies to everyone. Lifelong learning is an excellent idea which does not deserve being turned into a demand that is forced on everybody.

Wealth or welfare?

A hundred years ago, the disposition of the upper classes, called the bourgeoisie, was nationalistic. Symbols like God, king and native country had meaning. By contrast, the lower classes, or the working class, were internationally inclined and were condescendingly referred to as 'those without a native country'.

At the turn of the millennium these positions have been reversed. Today a new upper class enthusiastically turns to global issues, with Europe as an intermediary, while the new lower classes have revived the national sentiment. The nation has become a refuge for those who have nothing to gain from a global or even European way of thinking, especially if the level of welfare is above the global average. Whereas the elite is ready to leave the national chrysalis like a butterfly, there are people who perceive the European identity as intimidating or even as a loss of many kinds of security: customs, welfare, language, history. Even the taxation system, which they would generally declaim against, appears affable at the prospect of losing it.

At the moment we are beginning to see the contours of a new *global upper class*. Against them, there are people who, out of necessity or inclination, want to preserve everything that the upper class is in the process of giving up. It creates a *national underclass*. Both classes are represented in a modern workplace – and, as suggested, not only as two different groups, but also as opposing tendencies in the individual. Some employees love the freedom, responsibility and challenge, and some loathe having to work with indefinite tasks. Both groups are necessary. However, the time-spirit is on the side of the former.

Traditionally, a class represents an economic position to which someone is born and which becomes their destiny.[16] It is no longer that way. Although some children are better at choosing their parents than others, anyone can get an education and make a career. Modern people do not inherit their identity from home. They are born as question marks, and it is their own responsibility to come up with the answer. As they enter the school system,

the paths divide between those who are motivated from home and from within to take on the grind and the joy of a career and those who do not have the capacity to make long-term plans. The latter indulge in short-term and intense pleasures – crime, alcohol, drugs and amusement. It is hard to know whether it is motive or talent that is lacking. Meanwhile their fellow schoolmates are already planning their careers before reaching high school and thus have to work reliably.

Although everyone has equal opportunities, there is no equality in the way the opportunities are approached. Thus the labour market is not only a place for equality, but particularly an arena for the creation and nurturing of inequality. We shall discuss the ideal types developed here which represent the new classes: those who are obsessed with the labour market and those who are lost to it. And we shall disregard the fact that, between these extremes, we find a middle class with many ramifications, focusing on finding a balance between work and leisure – neither lost nor obsessed. Schematically, we may distinguish between the warriors, the middle class and the losers.

We have seen (in Chapter 1) that modern society is a framework for a range of markets that can each be chosen as a career path – as businessperson, politician or technician. Each of the markets comprises a compulsion towards growth, change and individuality. *These forms of compulsion define the distinction between upper class and underclass* – between those who can live and thrive with the compulsion and those who despise and avoid it. We have also seen that in order to succeed in a market one has to assert oneself, and thus deviate from others although one is simultaneously thrown on others. How else does one assert oneself? Deviation does not just refer to junkies on the corner, it is also a question of providing more promises for the future than others. Even ruthless people need other people and have to assume a mask of false concern.

Although all forces move in the direction of the global community, with Europe as intermediary, not everyone is able to recognize themselves in the global image of knowledge, information technology and high speed. Many people instinctively sense that they will never be winners in that game. The bandwagon is moving ahead while they are left behind, their bread, butter and security in jeopardy.

These are the outlines of a class that does not long for the future, but fears it, and that does not strive for insecure wealth but for security and welfare. They feel threatened and seek to give name to their fears. And the anxiety seems to flow from many sources which dissolve the familiarity of their lives where they are, that is, in their native country. Based on a defensive sentiment, they construct an image of the native soil as a safe haven that is being invaded by barbarians from without and dissolved from within by the global fantasies which the upper class indulges in. This fear is a solid base for the new right-wing nationalism in Europe, which defines itself in opposition to the upper class embracing of globalization. The new underclass does not

threaten with strikes, but with political destabilization. In many European countries, the new underclass has begun to unite in protest parties of varying moral standards. Their thinking is based on fear and hate. They are frightened and frightening. As democracy has nothing to do with truth, but much to do with winning the majority, politicians are sensitive to the demands of the millions of welfare junkies.

The upper class and underclass have very different attitudes towards their nation. This difference cuts across all old party lines and creates new oppositions. The European Social Democrats, who have historically defended values such as community and solidarity, have accepted globalization and are now under the leadership of career-minded Eurocrats chanting sonorous hymns in praise of a boundless freedom. At the same time European liberal parties have understood that it is a losing strategy to attack welfare. The result is that it is hard to distinguish between the rhetoric of left and right.

The new classes are not destiny. One's own effort may determine which class one belongs to. People are personally responsible for their class. However, it is easier to speak of responsibility for the upper class than for the underclass. As we will see, the underclass works hard to *disclaim* responsibility and place it on the broad shoulders of government in particular.

In effect, the notion of 'European identity' obtains many meanings. Europe is a framework for different nations with their individual history and traditions. But Europe is also in the process of giving birth to a homogeneous upper class that moves around with ease in the streamlined corridors of money, power and technology. While the odd ones and the fools nurture their native soil, the elite takes to the sky. In addition there are the immigrants who unintentionally add fuel to the fire and become caught in the conflict between those who throw themselves onto the future and those who fear it.

People who do not embrace the development as their own project end up fearing it. They see themselves as victims of a many-headed hydra with multiple names: development, politicians, Europe, foreigners. And because they are unable to make a career on the leading edge, they choose a different career: as victims. An increasing number of people describe themselves as victims and exert a great deal of time and energy searching for negligence in order to find attention, care and perhaps even identity. Whereas it is normal to seek recognition as being competent, the new group of losers seeks recognition as being incompetent.

This brings us back to the inflation of demands as we described it in Chapter 3. And as we can see, it becomes divided into two types. On the one hand there are demands for more *wealth* from the upper class. And wealth is not just money but also responsibility and freedom. On the other hand there are demands for more *welfare* from the underclass, whose expectations from the services and support of society or the organization are entirely disconnected from their own contributions to society. They want help, support and consolation. But beneath this appeal lies aggression because they feel

entitled to receive help. If it does not materialize, they become furious. Any attempt to place demands on their shoulders is met with renewed rage and with allegations about custodialism, moralizing and supervision. Those who demand welfare stubbornly refuse to meet the demands about getting their lives together, assuming responsibility, living a healthy lifestyle and working hard.

The new classes

Upper class:
Demand for career ('the strong')
Underclass:
Demand for welfare ('the weak')

The complaints, in effect, are abundant, the air is thick with claims for compensation, and many people feel let down and involve themselves, vehemently and for years, in sad battles over sickness and privation, greedy companies and cold-hearted authorities. They want justice and indignantly insist that because they have paid their taxes for years, society should ... and it is not reasonable that ... In the same way that young people may feel that being chased by the police gives them a boost, others find excitement in being neglected. And the media is a willing mouthpiece and provides daily reports about the outrageous state of affairs.

The function of management is to reflect and act on behalf of an organization as a whole. As this means coordinating many different concerns, a manager cannot be a nerd. A manager has to embrace the career-minded as well as those who shirk the career, and master both languages. He cannot dismiss demands for welfare but has to argue about which responsibilities the organization is able and unable to assume. Unfortunately, there is no theoretical formula for establishing the balance between accepting and refusing demands. The word 'balance' expresses precisely this difficulty. Here, management is a question of practical experience.

The neglected are not, however, without allies in their struggle. In fact, the same upper class that is accused of negligence has a strong and paradoxical need to be accused. Their negligence does not consist in not doing their job. The game is a little more sophisticated.

A group of people being neglected means that it does not receive sufficient resources. The word 'neglect' implies a demand for action. And this action is to be decided and carried out by the career-makers of the upper class – a group which might loosely be called 'social workers' and which comprises the doctors, psychologists, lawyers and ordinary social workers who manage the welfare system. They need 'focus areas' and

reluctantly, although willingly, admit that they have failed someone. Doctors need people to be increasingly unhealthy and enthusiastically fan the flame. The same applies to all the other professionals, who also believe that it is exceedingly important to society that their particular field grows and receives additional funding. Consultants render their customers helpless, and psychologists transform predictable transitions into crises that require expert support. When faced with a great concern about a neglected group, one may moderate the concern with a: *cui bono?* Who benefits from it?

Modern societies drive themselves forth by continually claiming that no matter how good they are, they are never good enough. This song is sung by the neglected as well as by the experts who are accused of causing the neglect. This communal song has an unintended side effect, which is the disintegration of the language of responsibility.

This allows us to elaborate on a theme that we touched on in the paragraph about 'victimization' (see p. 39 above). If experts – including politicians – are to provide an effective solution to a social, mental or physical problem, they need to employ a reliable technique. And when people are the subject of such a technique, they are inevitably described as if they were trivial machines, controlled by causes and effects.

But causes and effects exempt from responsibility. If someone is merely a link in a causal chain, he cannot be held accountable for the outcome. Many people eagerly assume the new semantics and describe themselves as victims who do not act but with whom action is taken. They are always prepared to excuse themselves but in turn find it very easy to accuse others. They gradually lose their conscience but not their anger.

Upper class and underclass meet in a double inflation of demands, which secures the wealth of one group and the welfare of the other. Winners and

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The new winners and losers

Two types of inflation of demands across party lines

Wealth	Welfare
Challenge	Security
Offensive: winning	Defensive: losing
Change	Status quo
Breaking boundaries	Maintaining boundaries
Euphoria	Fear, nostalgia
Inclination	Duty
Motivation	Control
Flexible	Stable
Global	National

losers meet in brotherly harmony on either side of the divide, because victims represent *big business, high tech and cool politics.*

The compulsion towards work: the social responsibility of the organization

The upper class wants the underclass to work as well. However, many people have definitely lost their connection to the labour market and have no motivation. Motivation can be presumed in the upper class because it works for itself and on its own initiative. The underclass works not because of inclination but because of control. It has to be allured, threatened and encouraged to take on a job that it does not happily do. The word 'duty' has vanished from its language. As opposed to the agricultural and industrial societies there is no longer an abundance of unskilled work for those who do not want to make a career but just to make a living.

In effect, we have two types of labour markets. First, a normal labour market with real jobs and an upper class that is generously rewarded because it creates the wealth that drives society and finances the welfare. Second, a political labour market with jobs that are politically backed and perhaps subsidized. On this labour market, activities are carried out which resemble work and are compensated by something that resembles wages. This creates two kinds of people who live by entirely different principles. The actual reason behind the political effort to create full employment is that, to modern people, work is the great integrator both in people's own lives and in their relationship to society. Even though there is not enough real work for everyone, the idea of full employment cannot be abandoned.

Between these two extreme positions exist a number of middle positions that we have disregarded here. For the sake of clarity we have focused on the extremes.

The two labour markets are bound to create conflict. To speak of the 'inclusive labour market' is a euphemism which is meant to soften the harsh conflict between wealth and welfare. However, society cannot leave those who have become expelled from the labour market to fend for themselves or merely work for starvation wages. Modern societies do not accept visible poverty and visible suffering. That is why they are called *weak* and why it is accepted that they need help even if they are responsible for their own misery.

So while the upper class fights for wealth and responsibility, the underclass fights for welfare and irresponsibility. The two major political poles are economic growth and political welfare. Although welfare is a political problem, modern organizations cannot simply leave it to the politicians. Private and public organizations alike have to partake in the struggle to create work when full employment is an imperative, even though it is economically outdated, politically unattainable and ecologically irresponsible.[17] This demand

is advanced under the heading of *social responsibility*, and the objective is to ensure that not only fully effective but also less effective people have access to everything that is associated with work in modern societies and that we can summarize like this:

The meaning of work

1. The creation of wealth
2. The distribution of wealth
3. Status (as perceived by others)
4. Identity (as perceived by oneself)
5. Committed cooperation
6. Time schedule

If a party or an organization is to include both the willing and the unwilling parts of the labour force, it must be as gentle as a dove and as sly as a snake and encompass the rhetoric of responsibility as well as that of irresponsibility. New conflicts are bound to arise when an organization has to not only employ the people it needs – a creative elite who develop the core product of the organization, and a service system with less demanding work – but also include people whom it does not directly need. This may result in two people standing side by side and doing almost the same work although one is fully employed and the other is supported by government grants. These kinds of conflicts are difficult to handle in a graceful and dignified way, even if the organization allocates the tasks so that the upper class, middle class and underclass all have their spokesmen.

An increasing number of people have begun to criticize what is global and embrace what is local. Perhaps it is a sign that one of the heavy wheels of history is turning. But the local can never again be just local. Perhaps we fail to acknowledge the fact that the global has also never been just global.

Notes

1. See Russell L. Ackoff, *Creating the Corporate Future*, New York, 1982, pp. 25ff.
2. See p. 62 above.
3. Richard Sennett, *The Corrosion of Character: The Personal Consequences of Work*, New York, 1998, Chap. 1.
4. The concept of 'the post-industrial society' was introduced by the American sociologist Daniel Bell in *The Coming of the Post-Industrial Society. A Venture in Social Forecasting*, New York, 1973. Many other concepts circulate indicating the difficulty of describing 'the new' – the knowledge society, information society, service society, etc.
5. Michel Foucault, 'The Political Technology of Individuals', in Luther H. Martin, Huck Gutman and Patrick H. Hutton (eds), *Technologies of the Self: A Seminar with Michel Foucault*, London, 1988, pp. 145–62.

6. Niklas Luhmann distinguishes between 'conditional programming' and 'goal programming' (*Organisation und Entscheidung*, Opladen, 2000, p. 263). The first is legal, the second visionary. Although they may be in conflict with each other, they have to coexist in an organization.
7. See Chapter 2 above.
8. See Jürgen Habermas, *The Postnational Constellation: Political Essays*, Cambridge, Mass., 2001, p. 101.
9. Søren Kierkegaard, *The Sickness unto Death*, Princeton, 1989, p. 64.
10. The expression 'pastoral management' is inspired by Michel Foucault's description of the priest as leader and man of power by virtue of the confession and its requirement for 'enunciation': faced with a critical albeit forgiving ear, the sinner is to relate all his wrongdoings and promise to better himself, see Michel Foucault, *The History of Sexuality: An Introduction*, New York, 1990, pp. 21ff.
11. See Luhmann, *Organisation und Entscheidung*, p.189.
12. See Niklas Luhmann, *Gibt es in unserer Gesellschaft noch unverzichtbare Normen?*, Heidelberg, 1993, p. 15.
13. Luhmann, *Organisation und Entscheidung*, p. 309, tr. by OT.
14. Christopher Lasch, *Culture of Narcissism*, New York, 1979, p. 94.
15. Sennett, *The Corrosion of Character*, pp. 91ff.
16. Karl Marx claimed that the class 'achieves an independent existence over against individuals, so that the latter find their conditions of existence predestined, and hence have their position in life and their personal development assigned to them by their class, become subsumed under it' (Karl Marx, *The German ideology*, http://www.marxists.org/archive/marx/works/1845/german-ideology/ch01d.htm#d1, Part I: Feuerbach. D. Proletarians and Communism, 'Individuals, class and community').
17. That the notion of full employment is obsolete obviously does not mean that a certain level of unemployment has to be retained.

9
Values and Stakeholders

What is a stakeholder?

Ethics in organizations concerns the relationship of organizations to the parties that influence or are influenced by their decisions. We refer to any 'party' who has an interest as a *stakeholder*.[1] It provides a service and expects a reward. It is often a relationship between service and money,[2] but other relationships are possible as well. Concerning oneself with the stakeholders of an organization is not the same as concerning oneself with the premises for its decision. There is, however, a clear connection between stakeholders and premises. Stakeholders put pressure on the organization to undertake specific concerns, that is, to base its decisions on specific premises. In the counter-pressure between many different stakeholders, an organization has to decide which decisions it considers acceptable or unacceptable. It has to decide who is going to benefit from its actions and *hence* who will suffer from them, or at least not prosper.[3]

The task of calibrating the cacophony of demands into a coherent strategy devolves on the management. Its particular and basic job is to establish the visions and abilities of the organization so that the different concerns become comprised in one grand concern. For that to happen, compromises must be made. A manager must weigh factual, social and subjective considerations. He must have patience and listen to demands that always consider themselves absolutely necessary. He must sensitize himself but also learn to be insensitive. He must distinguish between demands that result from someone's inclination towards complaining, demands of lesser importance and demands which might be followed by political action in case they are not met, and decide if the battle is worthwhile or if it would be wiser, if not better, to yield. In a situation, for example, where people are asked to change offices, the management must decide which demands they consider well founded, which demands they will have to meet for social reasons and which demands they will have to reject. Through management an organization comes into its own, one way or another. When management, part jokingly and part

in earnest, is called an art form, it is due to the fact that it has to strike a 'balance' – and the word 'balance' is, and should be, indefinite. On the one hand, the management must know that the sole purpose of the organization is to serve its stakeholders, but on the other hand, it also must know that the caravan must move on even as the dogs are barking.

The relationship between acceptable and unacceptable is not invariable. As times change, new conditions become unacceptable. In the old days, a garbage collector collected what was there – now he is not allowed to carry things, or only a certain load a certain number of times, or he is not supposed to collect what is located next to the garbage can, which forces home owners to lavish great care on the path from the garbage can to the garbage truck. What used to be fun is now harassment. It creates grey areas where 'normal' behaviour is – still? – legal but is criticized in the media and slowly loses its legitimacy. Waste burning, noise, selective information, weapons production or the way doctors speak to their patients – myriad conditions can be criticized, and it is impossible to know whether or when the bubble will burst and criticism begin.

Stakeholders fight among themselves to assert their interests. Each group is working to find recognition for their construction of reality and for the legitimacy of their concerns in order to make them inescapable. This battle is not based on logic but on history and social weight, that is, what carries conviction at a particular point in time. It is not a question of truth but of effect.

Stakeholders

A stakeholder is a party who influences and is influenced by the decisions of an organization.

A party is not necessarily a person.

A stakeholder is not a person but a group that maintains a particular interest. Often it is only one interest detached from any larger context – as when a patient organization fights for one disease and one organ and sees the whole world from this perspective. Hans Christian Andersen tells us that the cobbler sees only shoes and the tailor only clothes, so they indulge in the luxury of disregarding everything else as irrelevant noise.

Ultimately, stakeholders are people, and stakeholders such as the environment or future generations have to be hypothetically referred back to living people. Moreover, as they are inarticulate they must be represented by spokespeople – otherwise they have no social reality. A cause with no supporters stands a poor chance of winning regardless of its factual significance.

An organization is unable to consider every individual person. People have to get together and strengthen their demands so that they become a group. A stakeholder, therefore, is a *party* and not a person. It can turn to the media

for support in order to evoke a social response. This process causes individual variations to be rubbed out, or individual stories become symbols that it is easy to take a stand on. This convergence establishes the simplified construction that is called 'a stakeholder' and which is an average, that is, a social device similar to the 'electorate' or the 'customers'.

A stakeholder is constructed as a function in relation to a particular *interest*. Thus there may be disputes as to the precise objective of a stakeholder. There are no simple ways of resolving such conflicts unless the group is very small. A cost-free way can be to appeal to the 'silent majority' or 'public morality' and recruit them onto one's side.

Irreconcilable demands

Stakeholders place demands on organizations. The problem with these demands is that they are irreconcilable and cannot be directly compared. Hence the conflict between them cannot find an objective solution. Teachers, politicians, parents and students place different demands on the school, which are all justified but also conflicting. In a private company, the marketing department and the development department often each have their own language and culture,[4] so their words get lost between them. 'The others' are reduced to clichés or caricatures. The demands of each department have their own range. Each demand indicates a value, and the values are incalculable and irreconcilable in relation to a super-value. Each interest – and each stakeholder – creates its own space in which it is possible to discuss factual means in relation to goals that are not factual. In the relationship between different goals, factuality completely disappears, so the overall consideration is not reason but survival.[5]

This creates ambivalent situations which recur and become normalized in the daily struggle for resources. When public responsibilities become privatized, for example cleaning or cooking in nursing homes, the result is two different criteria for what is acceptable – a political and an economic criterion. But no measure is able to combine the two criteria, which means that the result is diffuse communication teeming with scandals. When hip surgery patients and heart surgery patients compete for resources, the health authorities must weigh considerations that cannot be weighed. For want of objective criteria, lobbying activities or voting may settle the dilemmas that cannot be settled.

This situation not only characterizes the relationship *between* functional systems but also the relationship *within* functional systems. The clash between irreconcilable values is not an exception but the rule in modern societies. Frequently, the conflict stands with one foot in an indefinite future with threats of unacceptable risks – for example in the loss of human lives, or jobs, or competitiveness. The irreconcilable clashes also characterize the relationship between stakeholders in relation to an organization.

+---+
| **Stakeholders** |
| |
| *External*   *Internal* |
| Owners   Management |
| Contractors   Mid-level managers |
| The public   Technicians |
| Trade unions   Support units |
| Families   Ordinary employees |
| Competitors |
+---+

A very broad definition of the notion of stakeholder means that everybody can perceive themselves as stakeholders in relation to every organization in the world. As is well known, given the right conditions a butterfly flapping its wings in Beijing is able to cause a tornado in Florida – consequently, all organizations affect all people and all people affect all organizations. That leaves us with an empty concept of a stakeholder. Thus we have to establish certain limitations. Certain stakeholders must have a higher stake than others. The most important measure is *proximity* in order that the chain of causes and effects between organization and stakeholder does not become boundless.

The *first* limitation pertains to the owners of the organization, if there are owners. If not, the 'owners' are defined as the group that is politically responsible for the organization. They are inborn stakeholders because they have decided that the organization should exist. They perceive of its decisions as 'their' decisions. Public organizations also have 'owners', which is not a question of private ownership but of responsibility for decisions. A new type of owners are private pension funds, whose objective is to ensure a high return on investment for their members, but which increasingly obtain a political dimension as their 'owners' – for example trade unions – become exposed to the demands by media and perhaps members to primarily invest in companies that meet ethical requirements. With the global structure of the financial markets in which investments go through several intermediaries, these demands are often impossible to meet. But what is impossible is easily redefined as a challenge, so that we witness a new market forming and hence new growth.

The *second* limitation pertains to the employees of the organization. They, too, are inborn stakeholders since they directly affect and are affected by the organization, although their individual 'weight' with respect to the decision process varies, depending on their place in the hierarchy and the significance of their competency.

The *third* limitation pertains to those people who use the organization as customers or clients. They, too, affect and are affected directly, so that it is not necessary to trace a complicated chain of causes and effects similar to the chain that connects the butterfly and the tornado. Like owners and employees, customers and clients are inborn stakeholders, if not as

individuals then as a group. This means that collective groups such as trade unions and consumer organizations also become stakeholders because they speak on behalf of individual stakeholders. That creates indispensable simplification. Even though owners and trade unions often have conflicting interests, it is probably safe to say that if management did not exist to speak on behalf of the owners, and trade unions did not exist to speak on behalf of the employees, they would have to invent each other. The same applies to the NGOs which speak on behalf of dispersed groups with little personal contact. Without such collective groups organizational communication would become an inferno of messages that could not be decoded or related to each other. Demands would degenerate into noise. Only by means of collective identities is an organization able to relate to its stakeholders.[6]

In addition to the traditional labour-market parties there are a range of grassroots organizations, single-purpose organizations and pressure groups which work professionally and with great zeal to obtain public notice and recognition as negotiation partners: patient organizations, environmental organizations, support organizations for 'weak groups', etc., besides the more financially strong professional associations.

The *fourth* limitation pertains to the people who live near the organization if the organization affects the physical environment with traffic or pollution. Their ability to assert themselves is a question of politics, that is, a question of what interests and convinces the mass media as 'news'.

The *fifth* limitation pertains to the society in which the organization operates, first as part of a functional system and, second, as a part of society at large. As stated earlier, the public space regulates the relationship between functional systems and hence also the conduct of individual organizations. Public authorities also put pressure on organizational decision processes through political measures regarding taxation, workplace conditions, environmental regulations, etc. Not only government but also the local political system is a stakeholder that may have a stake in a company's decision to move its business to their particular area.

The *sixth* limitation pertains to the mass media which organizations may use for public relations, and which can use the organizations if they have news value. The two parties can use – and 'abuse'[7] – each other. Although, formally, the mass media install their own point of view, the members of the press may be lazy and accept information created by organizations, so organizations can work to obtain a favourable image through their employment of an independent PR policy. They know that the media are always hungry for 'stories' and hence can promote their own cause by promoting that of the media.

In principle, the mass media are open to everybody. A free press,[8] to which is added the Internet, exposes modern societies to enormous irritation. A huge amount of information, appeal and criticism is allowed to circulate. That requires a substantial selection process, which may consist of a selection

by the mass media themselves on the basis of a religious, ideological or political perspective. But the most significant selection is simply an effect of new news repressing old news. Without any drama or competition, the passing of time creates a loss of news. People are hungry for news. It requires an active effort, therefore, to maintain the interest in news that is in the process of growing old.

Whether the public controls the mass media or the mass media control the public is of no interest in this context. The mass media assume a peculiar role as stakeholder because it is a party that simultaneously informs other parties. Many demands and much criticism obtain social significance only through the mass media, because the mass media mould the words and descriptions to which other stakeholders must refer. The political consumer was invented by the mass media rather than by the political consumer. The mass media of modern societies represent a Supreme Court for society's ongoing self-description. If someone is unable to get their views out in the media, there are no *other* places in which to get them out. The public cannot be coerced into being interested in something that it is not interested in.

Accordingly, the mass media are an important stakeholder, even though they are often not directly involved and even though they provide information to parties that are also not directly involved. Through the mass media, we become affected, on a daily basis, by things that do not affect us, that is, things that affect us only on a symbolic level.

The encounter between society, functional systems and organizations takes place through *themes* to which all parties can contribute even though they observe them very differently. The theme 'pollution' has different meanings and implications depending on whether it is considered by the authorities, a factory, a customer or a neighbour. But the theme is able to bring together all parties so that different considerations obtain one – or maybe two – profile(s) in the mass media.

The mass media are neither faithful nor objective. They, too, have to add some and subtract some. Their scheme is the distinction between good and bad stories, and what they report is often perceived as a distortion. Whether or not the mass media's construction of reality is different from that of, for example, politicians or business people, the mass media simplify the themes of society to a form that is accessible to the public and possible to use in a decision-making process.

The *seventh* limitation is the horde of suppliers which provides the organization with credit, with materials and machines, with energy and information, or with special talents for special occasions. Sometimes the connection is so sporadic that it is difficult to speak of a real stakeholder. It is difficult to see how someone becomes a stakeholder of a multinational company simply because they buy a cup of coffee at the airport or read about the company in the newspaper, but technically speaking they affect and are affected by the company. The debate about pollution began on a small scale because some

people believed they were affected by it. Figure 9.1 shows an example of a stakeholder model.[9]

Finally, the eighth limitation is competitors. They also hold a stake, because they participate in the fight for market share. Competition can be legally regulated, it can develop rules of fair play or it can follow the law of the jungle. Even if competitors disagree, their disagreement rests on an agreement of what it is worth fighting for. They may have a strong interest in shared rules, which make competition civilized, but they may be equally strongly tempted to break the rules, making themselves the exception which proves the rule.

The interest of stakeholders indicates that organizations have to look beyond the naked product. For years, non-government organizations like Greenpeace have been a nuisance particularly to private companies with their demands for environmental concerns. Some companies have chosen to take offence and to dismiss Greenpeace's actions as misplaced and as external interference; others have decided to work with and even initiate a dialogue with Greenpeace in order to be on the leading edge of development. Indeed, a rejected demand may very well obtain strong media support and become reinforced *because of the rejection*, so that the organization suddenly has to defend itself on critical television shows. Since a refusal to participate also represents an answer, the organization is unable to avoid communication.

Involving stakeholders does not mean that an organization has to make its external environment a part of itself or that it has to be present in its external environment. Even if it wanted to, it would not be able to. No system can operate outside its borders. Everything that goes on inside the organization is and remains internal. An organization is not, therefore, as it is often asserted, a 'coalition' of stakeholders.[10] They belong to the external environment of the organization, which does not lessen their importance, because the organization must create internal representations of them. It is on the basis of such images that stakeholders become premises of decisions. An organization can observe people and groups in its external environment whose decisions affect its chances of surviving. That creates a strange and complex play between decision-makers, who are often of very different status – a housewife vis-à-vis Unilever – and who are generally not directly visible to each other. Each party draws from prejudices when their knowledge fails them. In this game of shadows stakeholders emerge as relatively stable parties. Unilever cannot see all their customers and the customers cannot see through Unilever. Still, they are able to use each other.

Strategy and ethics

There is a difference between whether an organization considers values and whether it bases its decisions on values, openly or tacitly, where tacit does not mean that values are secret, but that they are taken for granted and are not discussed. They have the characteristics of *fundamental assumptions*.[11]
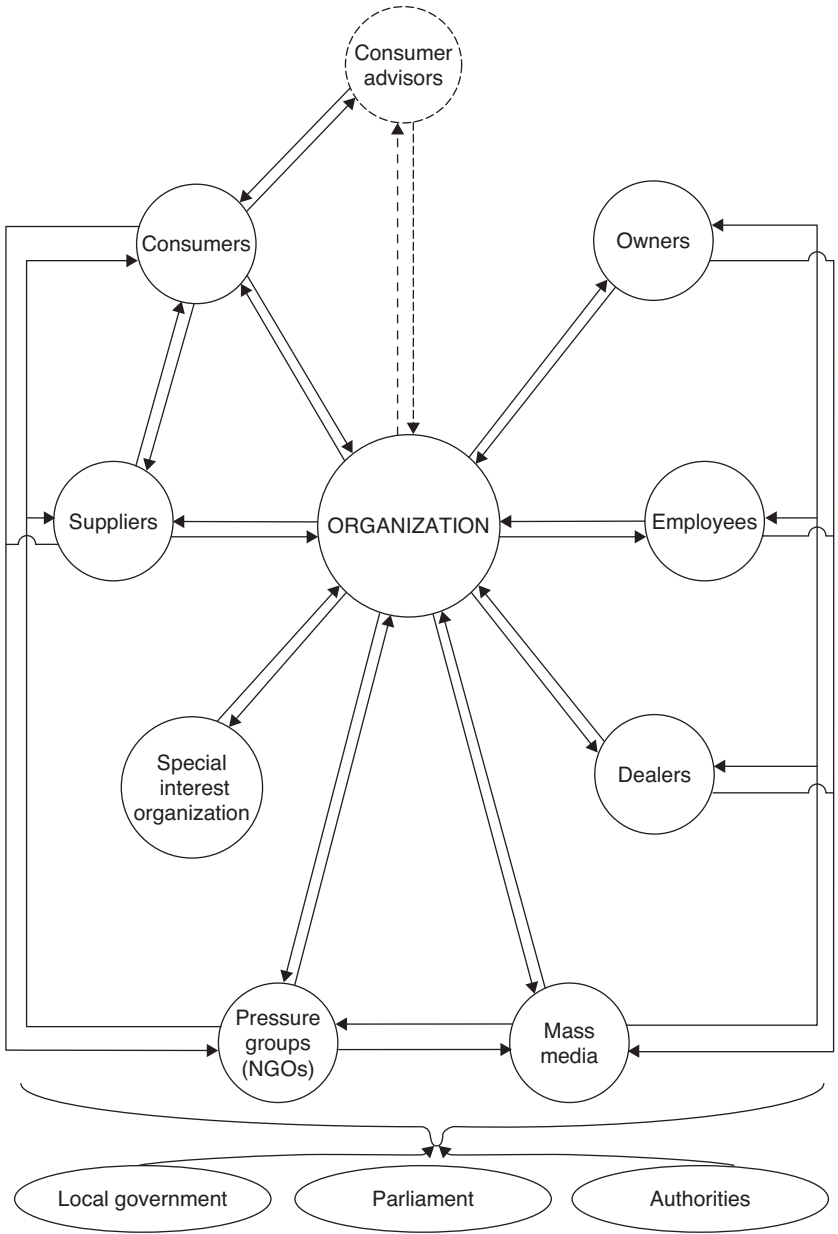
Figure 9.1   Stakeholder model

There is no way for an organization to avoid values when outlining its strategy, that is, planning its own planning.[12] If a strategy is a plan for action, then it will inevitably benefit or harm the concerned parties, including the decision-makers themselves. Every stakeholder holds their own ideas about benefit and harm. They have their conception of 'best', which is their most profound notion of right and wrong. The fact that they cannot substantiate this 'best' does not mean that they are unable to unfold it and try to put it into effect. To justify actions in this perspective means to indicate values: what is reasonable, which considerations can be considered a trump card, and which ones can be disregarded? What is factual to one part is redefined by the other and becomes a social or subjective issue – a question of preference – which results in a struggle about the cognitive space in which the decision is to unfold.

For that reason, conflicts in organizations are always conflicts between values. Even if the considerations are 'purely technical' or 'purely economic', they always have a social dimension. Indirectly so, when it concerns the considerations on which the decision is based – if people are fired in order to increase earnings and without discussing it with the ones being fired. But also directly, since to focus on factual dimensions means to indicate that the social dimension is not very important – which obviously has social implications. A heated discussion about whether or not a decision contains values is *itself* brimming with values. Thus values end up singing along at their own funeral.

Values

A STRATEGY is a plan for action.

An ACTION concerns PARTIES who gain and lose.

To substantiate ACTION is to indicate values: what is justified?

PARTIES have EXPECTATIONS, psychologically or legally.

A STRATEGY is not only judged FUNCTIONALLY, but also ETHICALLY: which EXPECTATIONS are met and which are not?

STRATEGY, VALUE and ETHICS are intimately connected.

In any organization, the parties have expectations that are either legal or psychological. The organization has perhaps suggested a vision or its previous actions have created certain expectations. It has advertised a certain level of quality, and now it must explain why the customers have to live with a lower standard. Even if customer expectations are out of proportion, or not based on facts, they are still important, because they affect the image of the organization and hence the sales figures. Everything that an organization and

its management do is symbolic: actions are not observed as random one-time phenomena. If one person has benefited once, it is expected of the organization to do the same in all similar situations. Thus, there is precedence. Hence a strategy is not only judged functionally or factually, but also socially and in relation to values. Which issues are considered and which expectations are met or rejected?

Even if strategy and value are inextricably connected, a problem arises: values are always in the plural, and conflicts between values have no factual solutions. Different religions cannot discuss their values and reach a rational agreement. It may be possible to find support for one's viewpoints by rising to the level of the 'whole'. Only, there is the problem that the whole is never directly accessible. It requires observers who observe from a local position and who can always be suspected of confusing local and general viewpoints, in the same way that a newspaper may talk loudly about democracy and freedom of speech even though it is mostly concerned with its own public standing.

A crossover between the factual and the social dimension is always possible. Declarations of motive are normally met with suspicion. The classical question *cui bono* leads us to the notion of the stakeholder, but does not result in a solution to the problem of values. Attempts to analyse motives, as with Immanuel Kant, or to calculate consequences, as with John Stuart Mill, fail to solve the problem. Motives are invisible and consequences incalculable. What may be beneficiary in the long or short term is uncertain and holds no solutions to values conflicts. It also does not help to test the authenticity of the parties. It is not only impossible but also irrelevant. Organizational decisions cannot be tested on the basis of the sincerity of the decision-makers.

Consequently, organizations may touch the moral string and define moral dilemmas, but are unable to provide 'morally correct' solutions. Moral dilemmas have no factual solutions. When an organization indicates its basic values, it discloses who it considers important and who is less important. That does not go unnoticed and the concerned parties will decide how to react. However, organizations cannot simply import – or export – values or moral solutions from other organizations or trades, or consider them as having universal validity. Like divinity, universality has to be filtered through a local and mortal observer.

When these kinds of conflict arise, it is often suggested that more information would create more agreement. We have seen that that is not the case. Different parties generally disagree on the description and weighing of 'facts', and on the significance of different causes and effects. Even if they agree about the facts, they may disagree about what should be done. Appeals to moral rules also do not apply because different parties generally have different beliefs.[13] When we add to this the fact that decisions are made at a safe distance from the people who are affected by them, it is easy to imagine insoluble value conflicts in connection with organizational decisions. Just

being exposed to the decisions of other people may create a backlash: why should I comply with *his* wishes?

The solution is not to find *the* right solution but to make decisions which are sensitive towards the values of the concerned parties and substantiate the damages it will cause – or might cause. Indeed, much damage is not topical but consists of risks which the decision is precisely seeking to avoid. In organizational settings, ethics is not a question of right and wrong, but has more to do with the rhetorical device of knowing what makes the stakeholders happy. In this context, Edward Freeman speaks of a new capitalism which assumes the role of serving the stakeholders and which does not perceive the interests of the owners as an indisputable goal.[14] Likewise, Russell L. Ackoff asserts that money is like oxygen to an organization – necessary in order to survive, but not the reason to live. Moreover, he maintains that no one stakeholder has a logical priority over the others. Favouring one stakeholder is, logically, arbitrary,[15] although it is, empirically, easy to see that the words of all parties do not carry the same weight.

Stakeholder strategies

A value substantiates and legitimizes a decision. And in turn any decision can be observed in many ways, also in the light of values that are foreign to the decision-makers. The difference between what is manifest and what is latent or 'unconscious' allows for an abundance of interpretations. Each stakeholder contributes to the organization and holds specific values. Thus the organizational strategy has to mirror an understanding of the different values.[16] Since there are no factual solutions to value conflicts, the organization can – and inevitably will – settle on a way of prioritizing. Only problems which cannot be solved, *we* can solve, as the Austro-American mathematician Heinz von Foerster succinctly puts it.[17] When it has to solve insoluble problems, it demonstrates its qualities and strengthens its identity by virtue of its decision. For example, prison services are responsible both for the imprisonment of criminals in order to protect society from them and for the release of the same people in order to reintegrate them into society. It is not possible to do both at the same time. Thus the prison administration has to decide where to place its emphasis in the same way that the legal system has to decide whether to focus more on the crime or on its background. In this way, the administration indicates whether it is liberal or authoritarian.

However, just unfolding values is not enough in modern societies. Values have to be discussed and substantiated, *even though there is no compulsory logic of verification in the realm of values*. Through its readiness to discuss openly and with commitment, an organization exhibits its fundamental ethics. Despite all the moral differences between people and parties, seeing one's counterpart as a party worth discussing with encompasses a *minimal ethics*. If ethics unfolds through a dialogue between concerned parties, then a precondition

of the dialogue – seeing the other as a worthy partner – is in *itself* of ethical quality.

Perceiving strategy as a question of prioritizing values allows for an organization to identify its vision and its identity. The organization might feel that its values do not tolerate the light of day and that they are primarily for internal use, but to cover up values is pointless. The stakeholders observe the organizational decisions and reach their own conclusions regardless of how quietly the management tries to move.

We shall discuss seven different ways[18] in which an organization can relate to its stakeholders – and of course 'relating to' does not mean inviting all concerned parties into the decision process. Even a democratic decision process must avoid becoming overpowered by the people in whose name decisions are being made. Each of the seven strategies opens for different action patterns and different types of rationalizations. The seven different types of stakeholder strategies are:

Enterprise strategies

1. Shareholder
2. Management
3. Limited stakeholder
4. Unlimited stakeholder
5. Social harmony
6. Rawlsian equality
7. Individual project

(From Freeman and Gilbert, *Corporate Strategy and the Search for Ethics*)

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1   Shareholder

This strategy is the cornerstone of the business world of the West. The liberal argument behind the prioritization of shareholder interests is that they are the owners and are entitled to control their possessions. Management and employees work as their tools and must accept acting in their best interest. To Milton Friedman, the reference to shareholder interests is also the ultimate *moral* reason for the decisions that are made in a private company.

Many organizations describe themselves in economic terms and consider it their primary goal to make money. The official 'business metaphysics' is economic, and both owners and managers often indulge in the cynicism of money: the bottom line has the final word in case of a conflict between money and other values. But the question of whether decisions are – or could be – dominated by the short-term interests of the shareholder is always an open question. For various reasons. *First of all*, even if organizational success or failure is defined in economic terms, many other values are instrumentally

necessary in order to prosper. *Second*, economic calculations do not provide a sufficiently stable basis for a rational decision with respect to a future that is unknown and uncertain. There is always the risk that what is disregarded in an economic model suddenly turns out to be decisive, and no economic model is able to comprehend the obscure interplay between the factors it excludes. *Third*, shareholder interest has to be interpreted by the management, who has its own special interests.[19] Management as well as other organizational subsystems want to survive and grow. They have no interest in squeezing resources out of the organization merely to please shareholders. As long as the 'earnings are large enough to make accustomed payments to the stockholders and provide a supply of savings for reinvestment',[20] the shareholders will not complain. That paves the way for what John Kenneth Galbraith calls the *principle of consistency*: the fact that 'the goals of the mature corporation will be a reflection of the goals of the members of the technostructure'.[21] Translated: the experts, not the shareholders, will have the most influence on the organizational decisions.

One problem with the shareholder strategy is whether the ownership of private organizations is analogous to private ownership of chairs and tables. Are the owners free to do as they please with their property? Or does an organization have a social responsibility that goes beyond its responsibility towards its shareholders? The question entails a moral as well as a strategic dimension: *should* an organization assume social responsibility, or is it wise for the organization to do so? The problem is, however, that there is no objective clarification of the distinction between the moral and the strategic dimension. The decision depends on the observer and behind him public opinion, and both might have their doubts if an organization declares its high values. Søren Kierkegaard was not the only one who was suspicious:

> In newspapers, in books, from pulpits, from podia, and in assemblies there is a solemnity, a pomposity – a pomposity that suggests that everything revolves around spirit, around truth, around thought. Perhaps it does, too, perhaps. But perhaps everything revolves around the job, around the career, perhaps ... Is it the number of subscribers that inspires the journalist, or is it the task? No one knows. He amasses subscriptions, he *maintains* that it is the task. Is it love of the masses that motivates someone to place himself at the head of the masses? No one knows. He accepts the advantage of standing at the head of this force – that is apparent, he *maintains* that it is out of love.[22]

2   Management

In this strategy, the thesis is that the interests of management carry the most weight. Whether or not other stakeholders benefit as well is a question of secondary importance. Even though it is easy to see this strategy as unethical, it still contains its own morality. Its problem lies elsewhere: how is it possible

for management to have interests other than those of the organization 'as a whole' without not doing its job well? If management pays itself generously, protects itself against public insight into its decision processes, makes itself immune to criticism by always attacking and punishing the critic, and refuses to discuss with other stakeholders, then it is not going to satisfy its political constituency (board of directors or public authorities). Again, the paradoxical conclusion seems to be that in order to satisfy its own needs, the management has to satisfy the needs of *others*. The same applies to its relationship with employees, customers and clients. Only if they are content will management be successful. Thus, although managers are opportunistic and focus primarily on their own gains,[23] they are faced with a strange compulsion to also focus on those of others. The fact that the management places itself at the centre, therefore, is not only compatible with but dependent on the consideration of other stakeholders. Only those close to management have an interest in knowing whether this happens for strategic reasons or out of honest conviction. The management strategy, therefore, is easier to carry out in reality than to defend in words.

We have already discussed this 'cunning of the whole': that a stakeholder, in order to achieve her own goals, has to make a detour around the goals of the whole, because only an objective that seems devoid of personal interest is able to convince generally.[24] This opens up for the manipulation – influencing with a hidden intent – which is inherent in the political system. However, manipulation is risky because even a deft manipulator may be found out, thus jeopardizing her capital of trust. She is unable to deceive all the people all the time. Thus, if a manager wants to have a career, it is a wise decision to act as if she considers others besides herself. It is not a question of morality but of common sense. It does not make a difference to the organization whether a manager behaves thoughtfully out of egoism or because she is an 'organization person'.

3   Limited stakeholder

An organization is only able to address a limited number of stakeholders, particularly when it involves two-way communication about values, that is, not just questionnaires, complaints, statistics and sales figures. It is normal, therefore, for an organization to select privileged or 'inborn' stakeholders who receive special attention – for example employees, customers and the mass media – while others receive attention of a more technical quality. The argument is functional: these groups are vital to the organizational development, and because it is difficult to find replacements it is wise to nurture them. Again, what is interesting is the group as such regardless of who it consists of. A new employee with strong viewpoints and the ability to convince is able to provoke a new dialogue about values by morally questioning routines that have become demoralized over time. Why is it that teachers grade students but that students do not grade their teachers? Why is the balance

between the numbers of men and women in the workplace so uneven? Why does it take so long for the files to make it from one department to the next? Why not introduce additional pay for additional efforts?

To consider a stakeholder does not mean to include everybody in the decision process. Participation is not the solution when an organization comprises hundreds or thousands of people. Similar to political democracy, the organization must ensure the existence of feedback mechanisms, but avoid daily interference. At the same time, the organization, like a political party, must be able to make commitments so that stakeholders may judge its ability to keep or break promises. The calibration of values might result in a form of *contract* between the organization and (some of) its stakeholders, although in this context we are interested only in the side of the contract that involves the organization. Since value conflicts are factually insoluble and since stakeholders hold irreconcilable values, a dialogue about values cannot be an open buffet. If a dialogue with stakeholders leads to value inflation (or overcommitment), the next step will be value deflation (or under-commitment), because it becomes apparent that the values contain only empty calories. Consequently the stakeholders protect themselves with cynicism. They have no faith in the values and make strong reservations with respect to organizational declarations. The resources of enthusiasm are burned out.

One last parallel to political life is that organizations can appoint certain people to assume responsibility for the internal and external communications about values. It might be a public relations department, but often it is a manager who gradually shifts his efforts in the direction of representing the organization and presenting its idea to the public, while more anonymous managers take care of the daily operations. The English-speaking world distinguishes between *management*, which has to do with running the organization on a daily basis, and *leadership*, which is oriented towards fundamental values and visions.[25]

That distinction is similar to the distinction between politicians and government officials in political life, where the politicians constitute a *buffer zone* between the voters and the state apparatus. Their job is to intercept signals and to communicate, and at the same time to protect the day-to-day decision process against public interference, which easily becomes stressful. Professional public relations people and professional politicians can increase the technical quality of the communication. However, it can cause a loss of credibility because specialists generally have the ability to retail *any* message. They are technicians, not believers. Thus having a manager in charge of the organizational vision often creates more trust. Or in the words of Galbraith:

> The wiles of the prostitute can be far more professional and superficially compelling than those of her artless competition, but many more men succumb to the latter.[26]

In coordinating stakeholder values, compromises have to be made. That entails a weighing of different factors in many dimensions, often incomparable and often gathered in packaged solutions. The management is responsible for this coordination, which requires robustness and sensitivity, nerves of steel and silky-soft fingertips, authority and imagination. No wonder that the requirements of the 'modern manager' become superhuman. They unite qualities that are normally mutually exclusive. Again, the solution may be a division of labour.

Any selection of stakeholders is arbitrary and can be criticized. Who is a heavyweight and who is not? Are the heavyweights the ones who have the most to gain or lose or the ones who are closest to the company? The question is whether it is morally defensible to make a selection. However, the answer is straightforward: in the same way that Kant asserted that 'you are able to because you have to', the opposite position would be that 'you are free not to, because you are not able to'. No organization can engage itself in a binding dialogue about values with all stakeholders without jeopardizing its normal activities. A reasonable solution would be to nurture vital interests and include the others when specific circumstances warrant it. It is vague. But that is exactly its quality: vagueness provides freedom and space.

4   Unlimited stakeholder

The argument behind expecting all stakeholders to be included can be based on a utilitarian theory of morality: what is right in a moral sense is what increases happiness for the greatest amount of people. Having said 'the greatest amount of people' it becomes amoral to exclude anyone in advance. The problem is, of course, that it is impossible to identify all stakeholders and their values, and even more impossible – if impossibility is comparable – to calculate which *actions* would benefit the greatest amount of people (the economic problem) or which *rules* would benefit the greatest amount of people (the normative problem).

Hence we need simplifications. Adam Smith's notion of the invisible hand represents such a simplification,[27] in which the argument is that when each individual takes care of himself, the whole also takes care of itself,[28] which means that, with a clear conscience, one can disregard the whole, which, moreover, is always obscure. Obviously, that is irrational and improbable. The argument that what benefits the individual organization automatically also benefits society at large is no longer believed by anybody. To merely speak of a comfortable simplification does not convince the victims of that blindness which the organization assumes when it focuses on its own interest, even in the name of the whole.

5   Social harmony

Today no one is surprised when an organization declares its intent to focus on the values of its employees and customers. It is more unusual, however,

that organizations assume more responsibility than what is demanded by the law. Public organizations do what they are supposed to do. Even though they might compete with each other, they have only limited authority. A private organization does not see it as its responsibility to carry out social or political assignments. When it solves scientific problems, it does so not for the sake of research but for the sake of production. A bank does not invest in order to ensure stability in Eastern European countries, but in order to increase its profits. Nevertheless, some organizations help to solve political problems if it promotes their own interests. Public tasks can be defined in business terms, an organization can create public goodwill by employing disabled people or by developing new types of education, it can define itself as a cutting-edge organization by offering more services than the law demands, or it can even avoid future problems by cooperating with public authorities. This happens for example when car manufacturers help to solve the problems of traffic congestion in big cities, even if in the short run it puts constraints on them.

The argument behind the social harmony strategy is that it minimizes conflicts which, it is believed, will benefit the organization in a long-term perspective, even if such considerations are inaccessible to simple cost/benefit analysis.

Another question is whether this strategy allows for consensus with respect to collective solutions.[29] Many organizations have looked to the 'Japanese model', in which a decision is discussed with the concerned parties before it is made in order to avoid future conflicts. This strategy is in direct opposition to the 'American model', in which managers are expected to make tough decisions, *kick asses* and so on in order to be honoured – and paid – as unique individuals.

Earlier, we discussed whether more dialogue and more information equal more agreement,[30] or whether, rather than agreement, dialogue and information open up for and even intensify disagreement.[31] Here another point can be added to this discussion. What is frequently forgotten in the discussion of the consensus model is that the desired agreement is not a rational agreement, but that it is based on a social mechanism – acceptance of status – which increases the probability that people who are lower in the hierarchy are going to yield to people who rank higher. They agree not because they are rationally convinced by solid arguments, but because it is socially destructive to express disagreement. This cultural precondition cannot be presupposed elsewhere.

When social harmony becomes a goal, it is often presupposed that conflicts are evil, whereas consensus is good. However, the distinction between conflict and consensus is morally neutral. There are good and bad conflicts, and good and bad consensus. Without conflicts an organization would become uncompetitive and would find it difficult to solve new problems or adjust to changing conditions. Without consensus, in turn, it would use its resources unproductively. Rather, the question to ask is how an organization may use and even nurture conflicts so that they stimulate and agitate in a productive

way, while maintaining its efficiency by creating consensus in relation to the decision processes. Conflict and consensus are two sides of the same coin. If one exists, so does the other. The point is not to view their relationship as a 'less of one, more of the other' situation, but to have more of both. In the same manner, stability and instability are not opposites. It takes much stability in an organization to be open to instability in specific areas such as R&D or marketing.

6   Rawlsian equality

The American philosopher John Rawls has advanced the argument that, in a just society, each person should be allowed so much freedom and so many rights as are compatible with other people having the same freedom and the same rights.[32] Privileges can be allowed, but only if they are justified by their ability to benefit the weakest groups in society. The requirement is that differences – in wages, information, and status – must not only be rationalized economically and functionally, but also socially, that is, in relation to people on the 'lower' side of the difference.

There are many problems with such an idea. It presupposes that it is possible to define what benefits and what harms social groups. It also presupposes that it is possible to define privileges *independently* of their social context. If all privileges were simply removed, everyone, including the less privileged, would suffer. Thus, by this logic, *any* privilege is defendable – any elite can maintain that its privileges benefit the weaker groups in society within a given social context where mutual expectations have stabilized. In effect, the argument does not compel the privileged to improve the situation of the less privileged just because privileged groups exist.[33]

7   Individual project

A persistent problem is the relationship between individual values and collective values. This problem is intensified when notions of morality and ethics come into play. It seems natural for a person to have values or for a person to take a moral stance. But we are unaccustomed to speaking about organizational values or ethics. While we are used to discussing a person's choices, for example whether he is sincere or whether he pretends, it is difficult to perceive of an organization pretending. Thus we readily give credit to individuals for 'achievement that belongs, in fact, to organization'.[34]

This creates clashes between a 'social atomism', which perceives the organization as the total sum of individuals, and systems theory, which perceives an organization as an autopoietic system, consisting of elements that it has created on its own. If an organization is nothing but the sum of its members, it has no reality of its own and can have no values and no ethics. What is observed as 'the organization' is just the unintended product of individual endeavours. If, on the contrary, an organization is viewed as a communicative system, creating its own elements and driven by decisions, it is much easier

to explain the status of organizational values and ethics. Values are premises for decisions, and in order to make decisions, an organization must have values. And there is nothing mysterious about speaking of organizational ethics if the decisions of the organization are based on ethical premises.

This has implications. The question of whether a value is authentic or simulated is replaced by a question of consistency. Whether or not an organization is serious about its value talk can be tested on the level of logical coherence and coherence over time. Although individuals and organizations are different, and remain opaque to each other, they still need tools to clarify the important question of trust – whether or not it is worthwhile becoming entangled in the risk of using and being used by a system – personal or organizational – that remains impenetrable.[35]

If one perceives the organization as the sum of its individuals, each individual can be seen as a centre of individual values which they each seek to realize. The point of departure is individual autonomy and hence freedom to carry out projects. In this perspective, the organization becomes a tool to obtain goals such as career, wages, personal development or perhaps idealistic objectives. The organization, on the other hand, has no goal of its own – or if it has, it is viewed with suspicion as resistance to or even suppression of the individual goal. There is something inherently evil about systems. Whereas the individual has a fundamental right to pursue happiness, the organization comes under an equally fundamental suspicion about its alleged attempts to suppress the individual in the name of the 'system'.

Here, it is easy to recognize the 'possessive individualism' characteristic of modern economic theory.[36] 'Economic man' is concerned only with the maximization of his own utility and is not motivated by family or solidarity.[37]

Along the lines of social atomism, an organization is perceived as a purposeful system, consisting of purposeful individuals, as part of a society that consists of other organizations, public and private.[38] It is convenient to speak of harmony in the relationship between these three parties.[39] But that is a naïve conception. The motives of individuals, which are psychological, are irrelevant and invisible to the organization. With respect to the motives of society, they are lost in functional systems and organizations that observe very differently and hold very different values.

Individuals hold values and thus motives. They are not spontaneously harmonized with organizational values so that what benefits the individual also benefits the organization. Even talking about 'organizational values' is a misnomer, as such values are always defined by a specific person with a specific point of view. This disproportion applies also to the relationship between the organization as a whole and its departments. When people focus on their careers, they become opportunists who view their present workplace as a strategic resource, not as a centre of loyalty.

However, the problem is not whether the relationship is harmonious or conflict-ridden. More accurately, the relationship is that there is *no*

relationship: organizational values are foreign to individual values. Their background is different, they are tested differently and they convey entirely different contexts. An individual is able to manage a surprisingly large disproportion between private and organizational values. Organizations create their own structures and define their own goals. They transform individuals into segments or masks, and it is as a mask – or person or role – that the individual makes a decision that does not belong to herself – except when her actions are unauthorized and thus she becomes a private person. What individuals think and feel *as individuals* is their own business. In an organizational context the focus is on decisions and on premises for decisions. To perceive an organization as the total of individual career processes which are negotiated into place in relation to each other, contains a failure to appreciate the organizational force that creates a framework for these processes and *recreates individuals in its own image*. The organization is not merely a passive by-product of individual actions. Only by virtue of the organizational insistence on its boundary, its structures and its decisions are individual careers possible.

If an organization is merely a means to an end, it cannot create collective expectations, which are what underlie the ability of individuals to use the organization as a means. In that way, the thesis about the individual project undermines itself. An organization is a system with its own principles and its own dynamic, and thus its own inertness. Or more precisely: only because an organization is not only a means but defines its own means, is it able to become a means.

Organizational decisions use, and must use, values as premises. Values represent the asymmetry of a distinction that makes it possible to substantiate a decision through reference to a value. At the same time there are a multitude of stakeholders with their own values in and around an organization – and if we fine-tune our observation we will find a myriad of people with very different histories and very different ideas about the future behind the convenient simplification, which is called a stakeholder.

Any decision comprises a value. That is what Freeman and Gilbert refer to as the 'value principle'.[40] Because values are contingent, so that values might be other values, the struggle for values is ongoing. An organization has to be sensitive to them although it cannot comply with all of them – not least because values are never permanently fixed, but change with context and observer. When one demand is met, a new one is invented. Once a requirement is covered, there is dispute over its meaning.

Sensitivity is a moral principle as well as a principle of prudence. Prudence dictates that, when no one is able to predict the future, that is, when the situation is characterized by non-knowledge, it is wise to distribute responsibilities. Morality dictates that it is wrong to subject other people to decisions without obtaining their informed consent – even though the information may be that the future is unknown, but that decisions still have to be made.

One may speak of 'an honest dialogue with all the central stakeholders'.[41] One may demand that the organizational strategy has to be criticized by 'all parties concerned'. However, it is important to avoid empty idealism and to make it clear that:

1. All values cannot be met.
2. Organizations and stakeholders are opaque to each other.
3. Democratic participation in a decision process is an illusion.
4. Although an organization can be sensitive, it needs to be able to 'cut to the chase' even though it involves a certain degree of violence and arbitrariness and for that reason is open to criticism.

It is a prevalent assumption that values, morality and ethics are soft topics that are not well suited for dialogue in an organization. The lack of experience with value dialogue, or experiences with the dreariness of such a dialogue, has caused many organizations to dismiss them. Even if the employees may act in a highly sophisticated manner and show a refined sense for balancing values, they are often unable to talk about values with the same skill. This creates a certain embarrassment, because the words used are simpler and ruder than the behaviour.

However, dismissing values simply leads an organization to revert to primitive values. To talk about values is not just a question of slogans. It *can* be the top-down declaration of the organizational values – although these kinds of values are unlikely to create motivation. That is why important stakeholders have to be included in a dialogue about the values that are to form the basis of the organizational decisions. The result is a *contract about values*. And because the contract parties are invisible to each other, it is necessary to develop a language that addresses moral complexity: values, commitment, responsibility, trust and accounting. We will continue this theme in the next chapter.

Notes

1. On the history of the stakeholder concept, see R. Edward Freeman, *Strategic Management: A Stakeholder Approach*, Boston, 1984, Chap. 2.
2. That is the case in e.g. Russell L. Ackoff's analysis of organizational stakeholders in *Creating the Corporate Future*, New York, 1981, p. 31.
3. See R. Edward Freeman and Daniel R. Gilbert, *Corporate Strategy and the Search for Ethics*, Englewood Cliffs, NJ, 1988, p. 7, who argue that any strategy entails ethics, perceived as an articulated or tacit assertion of the values that carry the greatest weight in a situation of conflict.
4. Edgar Schein refers to organizational 'sub-units', which, based on history and experience, each develop their subculture with 'different languages, i.e. different mental models', see 'On Dialogue, Culture, and Organizational Learning', *Organizational Dynamics* XXII (2), 1993, p. 24.

5. Niklas Luhmann, *Social Systems*, Stanford, 1995, p. 477: 'Evolution is all that is needed for survival.'

6. This obviously does not apply to small organizations in which the limited number of employees allows for everyone to see eye to eye. However, the collective organizations are usually present even here when wages and working conditions are to be established.

7. However, to speak of abuse requires an observer who is of a different opinion. Only if there were one correct description of reality could we speak authoritatively about use and misuse. Hence, when politicians or business people refer to the distortion of reality by the mass media, it merely represents a clash between two descriptions which are guided by very different interests. Generally speaking, each functional system and each organization tends to overemphasize its role. That means that the public is only able to intercept a very limited part of the complexity in relation to a functional system or an organization. This loss of information results in a certain level of arbitrariness with respect to the 'image' that is presented to the public. That is the reason behind the intense battle over words and images, which is why organizations are happy to provide informative material about themselves, or to distribute complete images of themselves to the TV stations, in order to maintain some degree of control of the way the organization is perceived. By means of skilful PR efforts an organization can provide the mass media with news so that it creates its *own* redescription in the light of 'what is new and exciting', which would otherwise be the responsibility of the mass media. They can rely on the fact that journalists are generally overburdened and happily accept a helping hand if it does not appear too tendentious. This, too, can be regulated in a second-order cybernetic approach, where the way of observing of the mass media is observed and obliged by the organization. Of course, also this strategy might fail.

8. 'Mass media' in this context does not refer only to newspapers, radio and television, but also weekly publications, technical publications and books. Niklas Luhmann defines the mass media as 'all those institutions of society which make use of copying technologies to disseminate communication' (*The Reality of the Mass Media*, Stanford, 2000, p. 2).

9. A different and simpler model can be found in Ackoff, *Creating the Corporate Future*, p. 31. A third model can be found in Henry Mintzberg, *Power in and Around Organizations*, Englewood Cliffs, NJ, 1983.

10. See e.g. W.R. Scott, *Organizations: Rational, Natural and Open Systems*, Englewood Cliffs, NJ, 1981.

11. Fundamental assumptions constitute a paradigm within which decisions are made but which does not in itself become the object of a decision. Since values are not objectively given, it means that they are decided without being decided. They cannot be proven but unfolded and asserted. On such assumptions, see Edgar H. Schein, *Organizational Culture and Leadership*, New York, 1996, p. 95. They pertain to humans' relations to nature, mankind, the perception of reality, time and space, and right and wrong. One cannot get 'behind' one's fundamental assumptions, since there are no available means to do this with. However, they can become the subject of reflection. When they clash with other assumptions of the same calibre, it becomes apparent that they are local assumptions no matter how general they perceive themselves to be. They have come into being and can be changed. They have no strict logic of evidence. Thus it is misleading for Schein to assert that fundamental assumptions cannot be regulated because they form the basis of regulation (p. 325).

12. Here we follow the argumentation of Freeman and Gilbert in *Corporate Strategy and the Search for Ethics*, Chap. 2.

13. An analysis of the failure of both factual and normative strategies in relation to value conflicts can be found in Niklas Luhmann, 'Risiko und Gefahr', in *Soziologische Aufklärung 5*, Opladen, 1990.

14. In a lecture given at the Copenhagen Business School, 1993.

15. Ackoff, *Creating the Corporate Future*, p. 32. Ackoff uses stockholders as an example, where it is arbitrary to perceive the organizational purpose as the creation of economic profits.

16. This is how far Freeman and Gilbert get in their analysis, see *Corporate Strategy and the Search for Ethics*, pp. 20ff. Subsequently, their analysis reverts to American notions of respect for people, since only people can hold values and purpose – which their entire analysis proves to be wrong. To maintain that individuals are to be free to pursue their interests 'without interference' means that the organization is merely a means and not an end. However, when individuals are defined by the organizational context they form a part of, it becomes absurd to claim that they should retain their autonomy as complete people. The problematic relationship between personal and organizational values is revisited at the end of this chapter.

17. Heinz von Foerster, 'Ethics and Second-order Cybernetics', *Cybernetics and Human Knowing* I (1), 1992.

18. These seven different ways have been taken from Freeman and Gilbert, *Corporate Strategy and the Search for Ethics*, p. 72, where they are termed 'enterprise strategies'.

19. See John Kenneth Galbraith, *The New Industrial State*, London, 1967, pp. 86ff, where the claim is that, because of their larger number and lack of knowledge, owners are not able to exercise effective power in the organization.

20. Galbraith, *The New Industrial State*, p. 168.

21. Galbraith, *The New Industrial State*, p. 161.

22. Søren Kierkegaard, 'Judge for Yourself', in *For Self-Examination: Judge for Yourself*, Princeton, NJ, 1990, pp. 123f.

23. As discussed earlier, Henry Mintzberg argues that management is an 'influencer' in pursuit of its own personal goals, *Power in and Around Organizations*, p. 225.

24. See Mintzberg, *Power in and Around Organizations*, pp. 228 and 232.

25. See James A.F.R. Stoner, Edward Freeman and Daniel R. Gilbert, *Management*, Englewood Cliffs, NJ, 1995, pp. 468ff.

26. Galbraith, *The New Industrial State*, p. 167.

27. Adam Smith, *The Wealth of Nations*, Book 4, Chap. 2, ΜεταLibri, http://www.ibiblio.org/ml/libri/s/SmithA_WealthNations_p.pdf digital, 2007, p. 349: 'he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affection, indeed, not very common among merchants, and very few words need be employed in dissuading from it.'

28. See Richard Rorty, *Contingency, Irony, and Solidarity*, Cambridge, Mass., 1989, p. 60. In the same way he argues that truth does not need a guarantor: 'If we take care of freedom, freedom can take care of itself' (p. 176).

29. See Freeman and Gilbert, *Corporate Strategy and the Search for Ethics*, p. 79.

30. This is Habermas' belief. His argument is that questions about right and wrong are analogous to questions about true and false and that in a moral conflict there

is only one party who is right. On the other hand he has faith in 'the uncon-strained constraint of the better argument' ('Moral und Sittlichkeit', *Merkur* XII, December 1985, p. 1042). When parties discuss, what is merely private will be worn down until the collective – that which benefits everyone equally – remains. Both empirically and logically, this trust is difficult to maintain.

31. This is Luhmann's belief. His argument is that questions about right and wrong contain so much arbitrariness and so many emotions that the chances of agree-ment are minimal. In selecting basic differences reason has no place. Moreover, he argues that information processes do not lead to consensus, as more information creates more reasons for disagreement, see 'Risiko und Gefahr', in *Soziologische Aufklärung*, 1990, p. 156.

32. John Rawls, *A Theory of Justice*, Cambridge, Mass., 1971.

33. See Freeman and Gilbert, *Corporate Strategy and the Search for Ethics*, pp. 80f. They argue that the strategy ends in an attempt to develop social programmes.

34. Galbraith, *The New Industrial State*, p. 95.

35. In *The Consequences of Modernity* (Stanford, Calif., 1990), Anthony Giddens speaks of the 'abstract systems' that modern people have to consort with and rely on without being able to fully comprehend, e.g. the public 'services' (pp. 83f). That leads to the question of trust, which we return to in the next chapter.

36. See C.B. Macpherson, *The Political Theory of Possessive Individualism: Hobbes to Locke*, Oxford, 1962. The theme of the book is the change of the semantics in rela-tion to goals and motives which took place in the shift from feudalism to modern times. In Adam Smith, *The Wealth of Nations*, and in the early liberalism the shift has already happened and the economic market is populated with individuals who do not rely on solidarity or goodwill, only on egoism. In economic terms it is *mercantilism* that carries out the change in language, the legitimization of new motives, etc.

37. See the criticism of neo-classical economy in Herman Daly and John Cobb, *For the Common Good*, Boston, 1991, Chaps 2 and 4.

38. That is the notion in Ackoff, *Creating the Corporate Future*, p. 29.

39. See Galbraith, *The New Industrial State*, p. 159: 'There must be consistency in the goals of the society, the organization and the individual.'

40. Freeman and Gilbert, *Corporate Strategy and the Search for Ethics*, p. 6.

41. Freeman and Gilbert, *Corporate Strategy and the Search for Ethics*, p. 83.

10
From Values to Morals to Ethics

We will now address the question of the relationship between values, morality and ethics from a different perspective. We have seen that organizations inevitably employ values, in part because a decision indicates a preference and thus a value and because a rejection of values is *in itself* an indication of a value, and finally because organizations are observable from the perspective of values that they might not even know or acknowledge.

We have also seen that it can be problematic to work with values. Values cannot be presupposed in modern societies. Many different groups assert their identity through their focus on particular values and at the same time a pragmatic attitude prevails which observes values in the light of how they benefit or obstruct specific objectives. Indeed, that, too, is a question of values. However, no collective involvement stems from the pursuit of private advantages, only a shadow game between *smiling killers*.

One might assert that in modern societies many values are generally accepted. Most people endorse health, education, democracy, etc., but at closer inspection this unanimity is generally purely rhetorical. Conflicts quickly arise regarding the meaning of these values, about their counter-concept, about their implications, about how to balance them against each other and how to activate them in new situations. What exactly is health, and how much chemistry and animal testing are we willing to accept in the name of health?

Thus, values are vague, immersed in clusters of personal emotions and collective meanings, and changing with context. For these reasons, it is difficult to discuss values.

Modern individuals remain more loyal to their own cause than to their workplace: they focus on *individuality*. They consider means and ends in the light of the situation and its possibilities: they are *reflexive*. If they are loyal, it is most often in connection with general values that do not originate in the workplace: they are guided by *universality*.[1] That means that modern individuals can be controlled only by way of their self-control, and that they

can be cultured only by way of their 'self-culture'. Like small children, they tutor themselves.

The result is that any cause ends up having many owners. Many parties attempt to push through their agenda, either openly or secretly. Even though considerations concern the same cause – same school, same bank, etc. – they remain irreconcilable. Each of them constructs reality in a particular way. That is why Henry Mintzberg perceives the political system, with its endless negotiations, trade-offs and compromises, as the place where the organization comes into its own and where all considerations are calibrated. The notion of the 'organization as a whole' is constructed in political terms, giving each stakeholder the possibility of asserting itself.[2] Nobody is entirely without influence with respect to their situation. As we shall see later, even though different parties each have their own agenda, the whole still evolves not despite but through their egoism and opportunism.

But what does it mean to work with shared values? We can perceive shared values as a contract on which the parties agree about demands for solutions, that is, about what is acceptable and not acceptable. When many specialists, or nerds, have to work together, and perhaps even have to work together with people who are not specialists, it is necessary to develop a shared language in addition to the different specialist languages. The different parties have to be able to communicate about a common topic even if their approaches are very different. A doctor knows something different about an illness than the patient, who knows something different than the politician or the journalist. But they are still talking about the 'same' illness.

In the past, it was widely believed that experts held privileged access to a sacred language which was able to cause all disagreement to die down. In relation to the 'objective' solution, all other suggestions merely represented random and private opinions which were easy to dismiss. I once attended a public meeting where a municipality was to present a city plan as well as an alternative city plan and where the municipality's technicians showed up armed to the teeth with diagrams and summaries and demographical projections, which they heaped on the unoffending citizens. However, they made the mistake of not understanding that the times had changed. What might at one time have been received with respectful silence now provoked indignant commotion. A city plan is not a technical matter but a matter involving all concerned parties, that is, a political matter – since we refer to a matter as political when it involves many experts and many non-experts. And in a political debate, there is no expert language. Thus, the technicians had to realize that their job was not to manage and distribute the words but to act as yet another voice in the chorus and to contribute their valuable input to the task of developing a vision for the city. We can sum this up in the box opposite.

If an organization decides to work with values, it has to select them, define them, give them weight and test whether they are complied with. That can happen in the open. It can also happen tacitly as an unexpected and

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Shared values

can be seen as:

      1. Contracts
      2. Shared language

between *parties* with *different* approaches to the *same* task:

- experts
- administrators
- managers
- users
- politicians

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unintended result of continuous negotiations and myriad small and big 'contracts' between the different parties. It is up to the management to regulate the balance between different kinds of values, build bridges between irreconcilable considerations, reconcile parties who consider themselves in conflict – and avoid, as a minimum, that the clashes between different parties obstruct the organizational decision process. Because values, in contrast to rules, cannot be made compulsive, the organizational hierarchy does not immediately promote the value process. Management from above has to be supplemented with management from the sideline. The authoritarian system has to be supplemented with the political system.

In spite of this somewhat motley point of departure, a shared direction in an organization will inevitably arise. A normal way of operating emerges. The organization unfolds values, whether they are accepted pragmatically or with the heart. It develops routines, which can be deviated from, but not without good reasons. The status quo gets its weight from the fact that instability demands stability as its point of departure and that alternatives always appear uncertain in the light of the familiar.

The shared direction is due partly to the fact that any organization distributes sparse resources to parties that always want more. That is the *economic regulation* of the organization. And partly due to the fact that demands are made public in the form of regulations. Not everything is permitted or acceptable. That is the *normative regulation* of the organization. In addition to this, there is an informal mechanism: when two parties observe each other, they learn what to expect from each other. They invisibly adapt to each other, whether they like each other, despise each other or simply associate with each other as colleagues. In an organization, the parties cannot simply flee from each other. They are thrown on each other. The workplace is one of the places from which modern individuals draw their

identity. For that reason, the workplace and its demands are not insignificant even if the values of the individual and those of the organization take different forms. The workplace forms a framework within which it is requisite to reach collective solutions and where it is not possible to isolate oneself. Individual and collective values test each other in a counter-pressure concerning what can be presupposed, what can be rationalized and what convinces.

The result of this bustle is inevitably local. It depends on organizational traditions, the vision of the management and political skills of individuals. There are power vacuums in any organization, which can be assumed by people with a nose for the future. When an organization speaks about its values, therefore, it has to relinquish something that traditionally characterizes morality: the ambition to be universal. The values of an organization are local, whether they are in alignment with prevalent points of view in society, break with them or merely put a special twist on them. The values of an organization can work as inspiration, but they cannot be imported or exported to other organizations, and they only form a commitment for the organization itself.

In societies that are highly preoccupied with image, an organization may emphasize a classical virtue such as *care* and apply new meaning to it, both internally and in its interaction with the external environment. It might be able to convince its employees, customers and clients, and the surrounding society that the value is upheld and that it is more than an image – which is obviously the best image! What it is unable to do is to test whether every employee personally endorses this particular form of care. Fortunately, however, it does not have to invade the inner space. The important thing is that the employee *as employee*, that is, in his role-defined behaviour, bases his professional decisions on the value. Whether he does so out of a sense of duty, personal conviction, or in order not to get fired is generally not very interesting. Only in particular cases, for example when people have to work closely together, it may be important to determine whether a value has been personally accepted or whether it is simply an external demand that one is required to meet. An organization is not a human being and its values are tested differently from human values.

We are going to discuss what an organization may gain when working with values – and in this context values refer to soft or immaterial values, not the 'hard' values of money and power. Based on that, we will again address the difference between morality and ethics. Even if the words 'morals' and 'ethics' carry many different meanings, we will use them in the following way: whereas *ethics* represents collective values in the organization and its stakeholders, *morals* is a personal issue, which normally does not concern the organization. The exception is where personal moral attitudes affect the space in which the organization has to work. A school can be forced to consider the fact that some parents do not want their children to receive sex

education, while the music industry has to accept that its customers demand to be shocked.

The moral complex

Central to organizational ethics is a structure which will be given the rather ponderous name 'the moral complex'. It consists of five elements and has values as its point of departure.

1 Value

A value is a distinction. Regardless of their subject, values have one thing in common: one side of the distinction is acceptable and the other is not. Values differ from each other by virtue of *where* they make the distinction, and *which* distinction they make. A value such as 'quality' has very different meanings depending on whether it refers to cars, tea or paintings. The important thing is that the distinction is asymmetrical, which allows for one side to be easily excluded. The almost automatic access to choosing gives it an advantage of speed. Obviously, this only applies if it is possible to *simultaneously* define its plus and minus side. Based on experience it can happen almost intuitively. Without experience, or in murky situations, it requires reflection.

When employing someone for a job, or determining the quality of a piece of work, one might find it difficult to make up one's mind – not with respect to the values, but with respect to what falls on either side of its distinction between acceptable and unacceptable, plus the important degrees between them. The pros and cons can be pondered over for days until one realizes that one side is beginning to have more weight. Then, one can make a decision, which often reinforces itself, so that, shortly thereafter, one might wonder how there was ever any doubt about the decision and become extremely offended if someone contests the decision.

We can deduce some interesting implications from this definition of a value. If we follow them, we arrive at the moral complex, which besides value consists of commitment, responsibility, trust and accounting.

The moral complex

        1. Value
        2. Commitment
        3. Responsibility
        4. Trust
        5. Accounting

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2   Commitment

A value is only a value if it involves a *commitment*. Without commitment no value. That is the second element. Being committed means that it matters which of the two sides of the value is chosen. Someone might observe the values of *others* without any commitment involved. However, other people's values are only interesting in relation to other people's commitment. Although one can hold values on 'an official level' or howl with the pack, at the end of the line certain values must involve a commitment. A human being with no commitments at all, not even the commitment *not* to be committed, is hardly a human being at all. To imagine an organization where everybody pretends that they hold values that no one holds is possible as a thought experiment. In practice, the house of cards would soon collapse.

To be committed means to refrain from exploiting every available and possible action. There are things one does *not* do, and things one is *expected* to do. People who hold values accept their own predictability – if not in all detail, then at least along the general lines outlined by the value. They commit themselves to their past, not merely out of laziness or blindness, but as a choice. Once one has committed oneself to a value, it is no longer insignificant whether or not one upholds it. It represents a form of contract with the external environment because one has shown one's cards and allowed others to have expectations.[3] If the expectations are not met, one is open to criticism. We are in the realm of *normative expectations*, where someone does not merely learn and adapt when expectations are not met, but demands that the offender also learns.[4]

3   Responsibility

Based on a commitment it makes sense to speak of *responsibility*, which is the third element. Of course, responsibility can be forced on someone. Everyone has responsibility to observe the law, and lack of knowledge does not exempt one from punishment. In an organization, however, it is not so much a question of observing the laws of the country as a more concrete question of assuming responsibility for concrete tasks. A great many of these tasks are described in manuals and regulations. However, not all are, and not in every detail. Only simple tasks can be precisely described, and even here one has to presume that people understand what it is about. In the end, it is impossible to give a detailed description of how to hold the shovel or turn on a computer – although many computer manuals try to drive their readers to insanity with their pedantry in eight languages!

A manual describes the normal situation, not the surprising one. When working from a manual, one is not responsible for what the manual does not describe. One does as prescribed and if something unexpected happens, one does nothing – for what is one supposed to do? It is a deadly way to work. But it is safe. If people stick with the routine, they cannot be criticized. The

exact mapping out of mutual demands has been the ideal for many agreements between trade unions and owners. Today, this ideal is not only deadly, but also impossible. Surprises are no longer prohibited but encouraged and required – within the framework of the rules. Thus the organization has to develop a language that makes it possible to speak of responsibility, not only for the normal, but also for the unexpected – which might turn out to be the same thing in a society of compulsory change. This type of language has to base itself on values.

4   Trust

When people work together, they pay attention to who assumes responsibility and who shuns it; who lets themselves be informed by the task and who looks more to the clock and the job description; who finds solutions, when none can be found, and who gives up and passes on the challenge. Based on such differences, we learn whom to *trust* and whom not to trust. Trust is the fourth element of the moral complex. And perhaps it is the most important one.

Trust is, indeed, a tricky word. It is positive. However, in principle it can also be used to describe behaviour that is perceived as negative: one can trust alcoholics, kleptomaniacs, people who are always late and people who can always deliver excuses when they do not keep their promises. In this context we do not speak simply of trust. We shall observe normal language usage and define trust as a question of conduct that we approve of – regardless of the actual circumstances. Even mafia bosses need to trust each other. In this way, the language concerning trust becomes more robust. Reflexive loops such as trusting one's feelings of mistrust are rejected as pedantry.

Trust is a vital mechanism in the relationship between an organization and its stakeholders. We can define trust as the *acceptance of risky communication*.[5] Or we can call trust the acceptance of opacity. It is helpful to trust a person or an organization when it is impossible to see through them, because it means that one is able to avoid a large degree of control which might also be unmanageable. The mistrust one might have in relation to information provided by the mass media, politicians and advertisements is not particularly useful. One has to live with the scepticism and accept whatever comes.

Trust is risky because there is always a logical possibility that the other party does not meet the expectations which she might have helped create. Trust has to do with the future and with risk. It pertains to people and organizations, not animals and natural laws. Dogs are not trusted, nor is the law of gravity. Trust is trust in decisions – in the fact that they are the 'right' decisions, that they are competent, that the other party does her utmost to do as she has promised, that she does not lie, etc. Trust enables a person – or an organization – to cope with uncertainty without losing their power to act.[6] Even though risk concerns the future, it is in the present that one has to decide how to deal with the uncertainty.

Trust is entirely linked to time. It must be 'shown' in the present, it pertains to the future and it draws on the past for support. Without experience, that is, without the parties having tested each other over time and observed each other in many different situations, there cannot be trust. Or else, it is blind trust. Thus one does not squander trust. If one does not know the other person, one proceeds with caution, step by step, and gradually expands the scope as the other person redeems the trust. If that does not happen, we choose not to trust, which is the same as distrusting. We do not believe that the other person is capable of handling a task on his own. We do not believe that he will redeem his promises.

Trust is so important that if someone has breached it, even just once, with respect to an important issue, it can be impossible to restore. There will always be remnants of uncertainty. Both personal and work relations can be irreparably damaged, so that the only solution may be to break up and go elsewhere.

Stalin has been quoted as saying that 'trust is good, but control is better'. Obviously, trust cannot replace control – only postpone it. However, the problem with control is that it is generally impossible to have strict control or, when it is possible, control is costly and restrictive. Personal relationships live by trust and die from control. In an organization, strict control is a heavy transaction cost. If everyone distrusts each other, and everyone controls each other, the organization stagnates.

Trust, therefore, is a mechanism that creates simplification so that strict control can be replaced by loose control. Establishing strict control before work begins is replaced with control afterwards or at specified points in the process. When the future is unknown, and when people have to work in such circumstances, there is no alternative to trust, however loosely based it may be.

The kind of management that has been called *management by objectives*[7] allows for the fact that management usually does not have insight into all technical details of a work process. For that reason, the precise planning of the work process is replaced by a regulation of objectives, which leaves it to a working group to meet the goals in their own way. That requires trust, in the working group as well as between the members of the group.[8] A certain degree of control can be maintained through intermediate goals and deadlines, but beyond that it is the group's responsibility to plan and allow for surprises.

In this perspective, the 'hero' is not the one meticulously doing as he has been told, but the one who sets a goal and uses his imagination in unusual situations, and who is free to do so because he is not so restricted by regulations that he can barely catch his breath. The old folk tales relate stories of this kind of hero. They have a goal, which might be to liberate a princess or an enchanted city. They encounter strange situations where they have to empty a lake with a leaky spoon or climb a glass mountain 'east of the sun and west of the moon'. There is no job description to guide them along. They

must use their imagination and their network – the stunted woman to whom they gave a coin yesterday out of pity turns out to be a powerful witch who knows a thing or two. The same message can be found in Hans Christian Andersen's story about *Jack the Dullard* in which the good and diligent brothers, who know the daily newspaper by heart, get stuck in a confused overload of information, whereas Jack has the frankness to say what needs to be said and even throw mud at the head clerk – that is, free himself from the past. And it was he who gets the princess.

To employees and consumers alike, organizations appear to consist of obscure 'abstract systems'.[9] That applies also to public systems such as the health system, the educational system or the tax system, which can seem more frightening and have more heads than the dragons in the old fairy tales. Nobody is able to control work processes, products and expertise. We eat, and do not know what the food contains. We buy spare parts and hope that they live up to their promises. We need surgery and assume that the doctor is competent and sober. We buy organic products and believe the products to *be* organic although we cannot see it. We obtain information from a colleague and assume that the information is correct. But there is no way to be sure. We cannot even find solace in empirical calculations, since we do not know all factors, or in normative control, since the problem is not limited to whether rules are observed but whether it even makes sense to speak of rules.

Organizations may use *rhetoric* and *reassurance* to compensate for risk, so that employees, customers and clients still want to have something to do with them. They advertise their products, and even though the advertisement is perceived as advertisement, that is, as tendentious information, it still works. When looking to find one's way on the product market, advertisements provide the first guidance. Hospital nurses work to reassure patients and invest their trained emotions to calm patients before an operation. Trimmed salesmen in sales offices have their methods both to meet and to overcome uncertainty. Emotions and persuasion work in the present, whereas risk pertains to the future, and precisely this displacement of time means that neither nurses nor salesmen are able to overcome the uncertainty. They are found out, and it is of little help that their information is factual. First of all, 'factuality' represents only a narrow selection of factors, second, the recipient is unable to distinguish between factual and non-factual, and third, factual information may cause new anxiety.

If trust is to arise, it cannot happen on the basis of factual information. No individual is able to control the professional knowledge required for a loaf of bread to find its way to the supermarket shelves or, in Galbraith's classical example, to produce a toaster.[10] Thus, employees, customers and clients have to find an alternate method. They must test the organization in relation to values which do not provide factual knowledge but convey previous achievements in a generally accessible language, which, thus, provide *information despite the opacity*. Patients who have been in a similar situation, people who

already own the car that one considers buying or consumer organizations without an economic interest can work as truth resources.

This does not solve the classical problem of 'controlling the controller'. There are no logical guarantees. A demand for logical guarantee opens up to an endless regress of control of control of ... The cycle has to end somewhere. At some point one must trust the control or take on the impossible task of doing the control job oneself. Posing many different questions to many different parties and testing if they are prejudiced can establish a sufficient level of trust. It is not waterproof, but that would be asking too much. If one is never sufficiently certain, the relationship changes and the problem shifts from being about the cause to being about the person: one is no longer taken seriously and is dismissed as paranoid.

To show and receive trust and to explore when it is reasonable to throw oneself at the mercy of trust is no arbitrary experience. It is a fundamental experience for organizations and its stakeholders, who remain opaque to each other.

In the relationship between stakeholders, trust cannot pertain to specialized and sophisticated issues. Professional competency is not given to everybody. Even when trust pertains to a professional realm, it cannot normally be tested on a professional level due to lack of time and other resources. Once again, our conclusion is that only general values enable the communication and balancing of requirements between different stakeholders. Like an umbrella, values are capable of comprising many different approaches and interests. They are able to unite Mr and Mrs Johnson with their financial advisor, who is responsible for the investment of their pension.

As we have seen, no logical guarantees can be given. To an outside observer it may appear incomprehensible that the parties accept what they accept. However, legitimacy is all one can hope for and is often preferable to normal procedures by which economy and expertise are given most weight.

Trust presupposes values. Both parties must recognize the basis for the trust. It is of course possible that the two parties realize that they have interpreted the expression 'in time' differently, but then at least that becomes known. It has generated knowledge and allows for a reorganization of trust. An organization can place demands, and over time customers and clients may begin to trust it to be serious and to not discriminate or mess around when no one is watching. However, there is an important distinction between the values that stakeholders have endorsed and the ones that are forced on them. The values may formally be the same but the atmosphere is different. Their willingness to make an extra effort is different and the same goes for the reaction if the situation turns out different than expected.

If values are to be convincing, they have to be actively integrated in the organization. For that to happen, the management, as the ones representing the organization as a whole, has to take the lead and demonstrate, both on a symbolic level and in reality, that the values mean something – that they

make a difference. A company can only demonstrate its values if they are accepted and performed by the management. Like the Viking kings of the past, they must participate in the naval battles and even take the lead. They cannot sit on shore and expect everyone else to live up to the values.

If management does not participate, the values deteriorate and become private. That is not necessarily a bad thing. Even the most rotten of organizations will benefit from the fact that its employees are not quite as rotten as others, or at least rotten in a different way. It is easy to imagine an organization that holds a 'moral capital' of inert values among its employees, customers and clients, but that slowly eats up this capital by taking the values for granted and neglecting them until a general opportunism prevails. Values in an organization have to be made visible through values management.

5 Accounting

This brings us to the fifth and final element of the moral complex, which is *accounting*. This might sound pedantic or like reverting to control. But values languish and become irrelevant if they do not make a visible difference. And making a difference is the same as keeping accounts of them. This may happen informally in private or in smaller groups, but in organizations it has to be formalized in some way. In the next chapter we shall look at ways in which this takes place.

Without accounting, values fall into decay. If no one protests against the breach of a value, the value's *boundary* becomes insignificant. If no one notices or reacts to the fact that the speed limit, or environmental requirements or the codes of proper accounting are violated, people will do as they please. Some people voluntarily observe the regulations, but practice shows us that it is not perceived as important. It becomes a private oddity.

Morality

When values are defined within a public context or a system, we refer to it as morality. It may seem misleading to speak of a system in this context since moral regulations and principles rarely constitute a strict and coherent connection. Rather, moral principles represent a form of checklist of things to be attentive to and – perhaps – of how to prioritize.[11] They become activated by the context in which they appear, and they are prioritized in relation to an assessment of the situation one believes to be in – depending on which prototypes one uses to interpret the situation. It is, for example, significant whether a person is seen as a victim, whom others have acted upon, or a responsible person, who has acted independently and has to accept the consequences. The British philosopher Bertrand Russell once maintained that every human being's philosophy of life consists of incoherent fragments from a range of different theories. More than likely, the same would apply to the morality of human beings.

We have already spoken (in Chapter 6) of morality and can repeat: (1) Morality is an asymmetrically constructed code: a distinction between right and wrong.[12] It works parallel to other codes such as money, power and truth. (2) The moral code is diffuse and, for that reason, a moral functional system has not emerged. It remains uncertain whether a moral judgement is based on motives or consequences and what it perceives as relevant when constructing the 'moral situation'. Thus, the moral code does not yield an advantage of speed. (3) The distinction between right and wrong does not refer to empirical qualities. Morality does not make a factual distinction. It cannot be photographed or put on a scale. (4) Morality pertains to demands that someone places on themselves or others. Contrary to professional demands which only concern a narrow aspect of a person, moral judgement pertains to the *whole* person. We employ morality for the distribution of *esteem*.[13] (5) Although we are unable to prove our morality to be 'correct', we are able to show that we take it seriously by using it as the premise for our actions. Morality cannot be proved without the argument going in circles, but it can be enacted. Thus there is no morality outside a historical context.[14]

We can now proceed by making a distinction between the moral code, the moral programme and the moral interpretation.

What is morality?

1. CODE – a distinction between right and wrong
2. PROGRAMME – the definition of right and wrong by means of
   a. routines
   b. prototypes
   c. stories
3. INTERPRETATION – a decision regarding
   a. the activation of particular prototypes and
   b. principles and the
   c. localization of responsibility

In itself, the moral code is rhetorical and devoid of meaning. We know very little about a decision if all we know is that a person or a group of people considers it to be 'right'. Hence we have to go a step further and include the moral *programme* that guides the moral observation by giving content to the plus side and the minus side of the moral code. What is right and wrong is determined by the programme rather than the code. The code merely states that there is a distinction without explaining what the distinction is. Religions, philosophies and ideologies provide us with programmes.

Not until we consider the programme do we get to the crux of morality. On the level of the moral code, the concern is whether to activate morality

or whether we are on morally neutral grounds, where, for example, it is only a question of cause and effect, not of responsibility and blame. Most moral discussions concern differences between programmes – whether money is more important than morality, about the considerations different stakeholders owe each other, how to place responsibility and about which values turn out to be the winning card.

A moral programme – or in short: a morality – is not a strict and logical system. It consists of (a) *principles*, which are often conflicting, (b) *routines*, which are rigidly linked to concrete examples, (c) *prototypes*, which are based on concrete and common examples, and (d) *stories*, in which we, by choosing a perspective, language and level of understanding and acceptance, indicate our alliances and the way we believe that factors ought to be balanced. A programme might be logically inconsistent and still function reasonably well. The person who employs it gives it consistency. Like a pair of nylons, the programme does not become exciting until a person assumes it.

Neither code nor programme takes us to the point where the rubber meets the road. The last step is *interpretation* and has to show the way in which we unfold the code and programme in practice. Our moral interpretation indicates which factors we normally emphasize, which parties we consider part of 'us' and which ones belong to 'them', etc.[15] An interpretation can be highly dependent on a concrete situation, so that the moral programme seems to disappear in the interpretation and has no independent life beyond it.

Morality can create conflicts on all three levels. There can be conflict about whether or not to activate the moral code, which principles to apply and how to interpret the principles in the concrete situation. Although the ambition of morality is to settle conflicts of action and 'repair' disturbed communication,[16] morality in modern societies represents a source of conflict. In reality, there is never one but many 'moralities', despite the fact that a morality traditionally claims to have universal validity.

The moral pluralism provides the background for the shift from morality to ethics.

The privatization of morals: moral resources

The fact that there are many 'moralities' means that moralities have become subcultural and even private. There is no common morality in modern societies and no requirements for someone to assume a particular morality. The only obligation is to observe the law. Thus, it is not against the law to be a neo-Nazi, but illegal to carry out actions that might be the result of a neo-Nazi ideology.

This creates a sacrosanct zone around each person, within which one is able to dismiss 'moralizing' and within which one, without morality, speaks of causes and effects, making it easy to define oneself as a victim and refuse to speak about responsibility. Hypersensitivity to people who use morality excessively goes hand in hand with the development of techniques to take the

wind out of their sails, that is, to stop moral inflation. The means to do this is often ridiculing, but can also be a direct rejection of more tactful methods.

Morality creates conflict rather than consensus. However, that does not mean that it is impossible to draw from moral resources even when there is no common morality.

Morality is important as a personal example. A person's actions may easily turn into a moral question and indicate a moral choice. The lack of action can be judged morally as well, which means that a morality-free zone does not exist. The enthusiasm of one person may set the agenda for someone else, particularly if the enthusiasm belongs to a manager. But any dedicated soul is able to force others to take a stance for or against. Thus, one inevitably says yes or no and partakes in a game about esteem which is a moral issue. Although anyone is free to say yes or no to any issue, there is no freedom with respect to not communicating, since the lack of communication is communication, too. Not to give an answer is often the same as saying no.

The privatization of morality

1. Moral 'sacrosanct zone'
   a. Rejection of 'moralizing'
   b. Cause-effect rather than morality
   c. Victim rather than responsible
2. Sensitivity to excessive use of morality
   a. Deflation
   b. Ridicule
3. Increase in potential conflicts

As morality is a private matter, questioning is normally a piece of tactlessness. Therefore it is rarely possible to guarantee that a person really 'means' what she says. In organizations the problem of testing arises in a different manner. As an organization is no human being, it is not possible to exercise 'soul-control' or to test the level of sincerity. If Shell asserts its intent to engage seriously in environmental issues following the Brent Spar blunder, the consumer is unable to determine whether the declaration is based on serious concern for the environment or serious concern for falling sales. What is possible, however, is to test the consistency between words and action – whether declarations are followed by actions that benefit the environment despite the possible cost, or whether the environmental considerations are disregarded every time they involve additional expenses. Generally, the demand for consistency is the only possible moral test on the organizational level. And often it is sufficient. Moreover, it is a lot easier to respect even one's opponents if one can see that they 'do as they say' and hence have moral integrity.

The minimum requirement of morality is not a specific programme but a specific attitude towards others. It is to show respect for someone else as a person worth talking to – to familiarize oneself with his world and problems. It is to have empathy with someone else in order to avoid the cruelty of acting without regard for his feelings and beliefs. To give someone one's time and attention is the minimal form of recognition, although, also in this context, certain methods of restraint and rejection have to be present in order that the empathy and compassion are prevented from overflowing. In organizations it can easily lead to various forms of private strikes if the employees feel that the management does not listen to them and consider their experiences.

Moral resources – for lack of a common morality

1. Personal example
   a. Personal lifestyle
   b. Passionate about a cause
   c. Saying yes/saying no ('esteem')
2. Demand for consistency
3. Respect for someone else
   a. Worth talking to
   b. Empathy
   c. Compassion
   d. Indication of boundary
4. Inventiveness
   a. Expansion of possibilities

It is important to realize that morality is not only a question of saying no, thus limiting the amount of possibilities, but also about using one's imagination to increase the amount of possible actions. In the same way that a good teacher not only increases the amount of answers but primarily the amount of questions, a good 'moralist' is also a person who uses his imagination to perfect the art of finding solutions that benefit everyone equally and pave the way for undreamt-of possibilities.

Ethics

In this context, the word 'ethics' will be used in a rather unusual way. Not as a word parallel to 'morality', and not as the indication of a theory *about* morality. Ethics represents a shared morality for different people with different moralities, that is, a second-order morality.[17]

When moralities clash there are no factual solutions. Each party can maintain their beliefs. They can maintain their own point of view and make the viewpoint of the other party out to be a perverted caricature. With full

emotional force, they are able to maintain the distinction between 'them' and 'us'. There is a tendency to avoid contact with people whose notions of right and wrong are entirely different, so that we isolate ourselves in ghettos, physically as well as emotionally.[18] However, that is not possible in a workplace, where we come into daily contact with many different people with whom we have to work together. The workplace provides limited possibilities for escape, but also limited possibilities for influence. Grown-up people are not easily changed. The way we relate to each other in a workplace depends on the task we are assigned to carry out together rather than on the morality we carry with us. Regardless of how different we are, we have to adapt to each other in order to carry out the responsibilities we have assumed.

In a workplace, values are not based on
PERSONAL INTUITION

but are constructed as
COLLECTIVE DEMANDS ON SOLUTIONS

TEST: LOYALTY

Through work – or in other contexts: the neighbourhood or the family – we can presuppose a framework that allows for communication to take place. We meet each other and are unable to simply escape. These meetings can breach the narrow moral distinction between 'us' and 'them' because we have to coexist with 'them' and realize that it is possible and perhaps even rewarding. Or that it is not possible, either because no dialogue ensues or because the dialogue is not followed by action, so that the moral complex remains unactivated. If the meeting succeeds, however, it expands the space within which the different parties are able to respect each other and enjoy each other's company. They are able to discuss with each other and reach solutions regardless of their differing backgrounds. They do not overtax each other.[19] Thus a professional space is created where mutual expectations can be detached from the moralities of the different parties without completely losing the connection. Even professional interaction allows moral judgement, but the conditions for showing or rejecting respect changes. Mutuality in itself can be important: one only respects someone who also respects oneself.

The important step is to accept to view the world through the eyes of the other. By refusing to take this step, one becomes a conventionalist or a fundamentalist. By taking the step, one's morality becomes reflexive and goes beyond its own boundaries so that the scope of solidarity is widened. This does not mean that different moralities merge; rather it creates a second-order morality – a space of overlapping consensus.

Shared values can emerge tacitly and unplanned for[20] when many people observe and affect each other. In one workplace, the routine may be that the secretaries make coffee and type letters, whereas their punctuality is less important. Other workplaces develop other routines. However, for an organization to have values that constitute a meaningful 'we', these values must be identified. For them to be legitimate, they have to operate in the open. Legitimacy does not mean that each person endorses the demands wholeheartedly. That would be a senseless requirement. But it does mean that concerned parties have been given the chance to leave their mark on them. That does not ensure consensus. But a society that is struck by a compulsion towards change and individuality cannot expect consensus. Fortunately, it can exist on less than consensus, and *feedback* represents such a 'less' because it means that a decision-maker is affected by the consequences of his decisions – factual, social and subjective. That increases the probability of consideration.

The movement from tacit towards open values is supported by the fact that situations frequently arise in organizations in which there has been no stabilization of a moral language so that a discussion of acceptable and unacceptable actions becomes necessary. The 'clash of moralities' is due to the existence of different subcultures with different moralities, but also to the rapid social and technological developments which create muddy situations with no clear-cut answers to questions of right and wrong. As a consequence, it is difficult for a morality to avoid being self-reflective and therefore open to discussion.

First, let us look at what organizational ethics *cannot* be. It cannot be based on:

1. an *answer book* from an outside source
2. the *values of a single stakeholder* which are forced upon other stakeholders
3. a set of *dogmas* that are not up for discussion and cannot be changed.

The ethics of an organization must emerge through a dialogue between stakeholders who affect and are affected by its decisions. That leads us to a definition of ethics:

What is ethics?

An act or decision is ETHICAL if

1. it can be accepted
2. for good reasons
3. by all concerned parties.

This definition requires a few explanations. The claim is *not* that it is necessary to involve all concerned people, animals or environmental conditions. That would be too taxing on the organization. The claim is *also* not that there are rational arguments which all parties have to accept. The question of how to define good reasons is resolved by the parties themselves, and there are many sources for convincing. Blaise Pascal maintained that the heart has its reasons which reason does not know.[21] The classical notion of reason presupposes the existence of unambiguous concepts, unambiguous data and unambiguous priorities so that a reasonable decision becomes an anonymous venture – a matter of calculation. Generally, it is not like that. Only under particular circumstances where the parties are members of the same subculture or 'club' – for example 'we lawyers' – can regulations and requirements be taken for granted. They are familiar and established in advance, so that the parties can operate with strong preconditions. Even if these preconditions can be discussed they normally are not. But in organizations that comprise many subcultures situations are normally turbid as are the tools available for clarifying the situation. Organizational ethics is not an anonymous venture that can be clarified in technical terms.

Ethics has the following characteristics:

Ethics is

1. second-order morality
2. tied to dialogue
3. tied to arguments
4. aimed at agreement, or, if necessary, at agreement about fair play in the case of disagreement
5. not guided by money and power
6. inclusive of action and reasoning.

This creates an interesting circularity in ethics: it presupposes as well as results in the exposure of parties to each other and thus the acceptance on both sides of *irritation*. They do not reject each other, but are also not able to merely lean back in their armchairs and know what the other party wants. A precondition of dialogue is that each party views the other party as someone worth discussing with. However, this respect is *itself* a result of a dialogue in which it is unproductive to simply insist on one's own values. Dialogue presupposes two centres of reason, none of which has a monopoly on the truth, so that each party, therefore, must listen to the arguments of the other party and respond to them. The word 'responsibility' contains the word 'response'. To maintain a dignified or arrogant silence means refusing to replace one's private morality with a shared ethics.

This takes us to the *minimum core* of ethics, namely that each party accepts the other party as someone worth talking with. The other party has a point of view that cannot be ignored, dismissed or mechanically outdone. Thus one has to talk with the other party. In a conversation, the parties test what is important to each of them and inquire into the possibility of finding values that both parties can accept. There is always the possibility that they will not succeed. Frequently, points of view do not yield towards each other, and instead the parties persist and even reinforce their argument with anger, which inhibits the creation of even a 'thin' and more abstract framework that could allow for a certain level of solidarity.[22] No matter how long the parties discuss, they do not get closer to each other and arrive only at a bipartite or tripartite stability. Two or three positions remain and refuse to reconcile.

When dialogue breaks down, it is always possible to change the focus from the factual to the social or even the subjective. Someone may charge the opponent with not wanting to yield out of vanity or the fear of losing face.[23] Each party can accuse their opponent of working with a hidden agenda or claim that the issue has turned political. This doubles the dialogue as well as the possibilities for disagreement. The dialogue and its possibilities for disagreement are tripled if each party begins to analyse the motives underlying the opponent's disagreement and deems them inferior.

Resources for agreement

The next step is to find out if there are *procedures* on which the parties can agree so that a decision can be made despite their disagreement. Such procedures may consist of voting, mediation, appeals to a higher hierarchical level, auction or drawing lots. These methods may result in an agreement, which is *fair* in the sense that it benefits everyone equally.

Although voting is perceived as the democratic ritual *par excellence*, it still warrants a few comments: if, in a dialogue, it is known that a decision is going to be made by voting, the dialogue changes completely. Instead of testing the possibilities for agreement, the involved parties test the possibilities for asserting their influence. Under such circumstances, it might be a wise strategy to state one's beliefs in capital letters and remain entirely unyielding in order to become highly visible. This kind of strategic communication will render any kind of compromise impossible and might impede any approaches between the parties. It is a question of indicating difference rather than reaching an agreement. Thus the dialogue degenerates and turns into the ritual that can be seen in political debates, where it is absurd to think that the parties would agree with each other or admit to any mistakes. In the final TV-transmitted debate between the two top candidates it is impossible to imagine that one of the candidates suddenly admits that he is wrong and his opponent right. The goal is to present an aggressive and convincing style in order to influence invisible voters.

If all attempts to find procedures on which the parties agree fail, whether or not they agree on all other issues, the parties have to accept their disagreement and each find out what their next move will be – whether engaging in warfare with all available means, or finding more civilized ways of fighting each other. Even in a civilized war, values are at stake. There is a difference between what is acceptable and what is not.

Democratic procedures are stable because they are acceptable to parties who disagree about political means and ends. Because democracy has given up the idea of Truth and replaced it with the idea of winning the majority of voters, democratic procedures ensure the ability to act despite disagreement. Even the loser has the hope of being the winner of the next election. A democrat is someone who endorses these procedures and considers them important. Although he has his own truth, he has renounced insisting that because he has access to the Truth, his opponents are wrong and must admit their mistakes or be punished.

Of course, democratic procedures are also a means to make money or obtain power. But in the political game it is impossible to distinguish between honest beliefs and strategic considerations. If a minister apologizes for a blunder, one might doubt his sincerity but one's doubt has little effect. The same applies in organizations. The only option is to observe the words, the decisions and the actions of the organization and its stakeholders, how they explain themselves, whether conduct and reasoning are in concord, and whether there is coherence over time. Ethics is not soul control.

Even though values cannot be factually clarified, there are a number of reasons why agreement is often reached. They have more to do with rhetoric and strategy than with rationality. But in the absence of pure reason they are still indispensable. They can affect and ease the road to an agreement that is logically impossible. Without having the ambition of presenting an exhaustive list, we can mention the following:

> **Resources for agreement**
> 1. Basic values
> 2. The cunning of reason
> 3. The wish for agreement
> 4. Many types of reason
> 5. Previous history

1   Basic values

The *first* reason is that there are values in any culture that are convincing and considerations that are difficult to dismiss. They function as basic values, either in the organization or in society. Those who are able to convince

the audience that they hold these basic values have a strong position in a discussion about shared values.

As the mass media deliver the ongoing self-description of society, they play an important role in the struggle for basic values. Because journalists generally do not have time to research thoroughly, but still want to present a clearly outlined story, they often base their story around a distinction between right and wrong, good guys and bad guys. Once they have chosen their hero, the rest follows: what the hero does is right, and, consequently, those who are against him are villains. It is important, therefore, for parties in a conflict to convince the mass media to accept their version of the story. Whoever wins the 'battle of the words' or the model power forces his opponent to engage in endless explanations and justification, and still without being convincing. This 'pre-programming'[24] means that, having worked one's way through the mass media's report of a conflict, one might still be highly confused about what actually happened. By merely replacing the heroes with the villains, one gets an entirely different, and perhaps equally probable, story.

2   The cunning of reason

The *second* reason is that parties are not convinced by reasons that benefit only one party unless it can be shown that it is simultaneously beneficial to the entire organization. Thus, even parties who seek only their own advantages have to take the long way around the whole in order to convince others.

We have already discussed the 'cunning of reason'[25] and will restrict ourselves to a concrete example. At one point, the typographers working at a newspaper had been granted a bonus for their availability to work outside normal working hours. Later on, a new printing technique was introduced which meant that the typographers were no longer needed outside regular working hours. As it was, the bonus remained, forgotten by everyone but the typographers, who were humble enough to not want to bother the bureaucracy: they did not say anything. At a later time, the newspaper was faced with budget reductions, which meant that the management looked closely at the budgets. They discovered the bonus and called for a meeting where the typographers fought a brave fight: they argued that they had had the bonus for a long time, that their mortgage and expenses were based on it and that their wages had fallen behind anyway, etc. But they also suggested that the situation could be resolved amicably, that is, by not letting anyone else know about it.

The typographers knew that they could not argue publicly for being paid for work they did not do. They could not convince others that what benefited them automatically benefited the organization. The policy of paying money for nothing is not a viable organizational strategy. Thus, a good rule of thumb for ethical behaviour is that it *admits to complete openness*.[26]

3 The wish for agreement

The *third* reason is that the very act of agreeing and hence not wearing each other down in endless battles can represent an independent motive in addition to the other motives and a reason, therefore, to adapt to different considerations. In this way, interests become fluid and can change in strength depending on the context. Warfare is demanding and laborious. There might be good reasons to slacken a point of view in order to avoid conflict. The standpoints with which someone comes to the table can be reflexively changed over the course of the dialogues, not just for factual reasons, but also for social reasons. This is another reason that 'the best decision' is not a question of technical calculation. Of, course, this only goes for those who are not warriors with insatiable ambitions, but ordinary people who want to balance factual and social considerations.

4 Many types of reason

The *fourth* reason is that many types of good reasons can work together. What qualifies as a good reason is not simply a question of logic, economy or authority. Emotions, morality and aesthetics are contributing factors as well. Thus someone can be persuaded in one area even if she remains unconvinced on a different issue. In the old days, charisma was the spiritual authority of the priest when he spoke the sacred words, which took no account of his personal character or present mood.[27] Today, charisma has the completely opposite meaning: an expression of one's ability to convince by means of one's personality and without regard for the factual content of one's statements. A charismatic manager stages her arguments rhetorically and works on their effectiveness, not their content. She does not discuss, she seduces.

Seduction does not coerce, it tempts. It replaces the lost logic of proof and the narrow truth. Rhetorically, the emphasis shifts from *logos* to *pathos*. But this is not necessarily a problem, as people want to be seduced. In the good old days a seducer had to work in secret, because his victim would flee the very moment he heard the word 'seduction.' But modern people are not like that. The word 'seduction' is not negative, but arouses expectations of sweet surprises. They are happy to entrust responsibility to people who seem to be *bigger than life*. They want to participate in the atmosphere of charged significance stirred up by seduction as it constructs its own reality and its own sense of meaning and direction. Seduction may convince by virtue of the seducer's ability to take the lead and assert his powerful will, or it may convince because of surprise and obscurity. People can be seduced with indulgence or asceticism, with responsibility or lack of responsibility. Anything works as long as it works. A seducer is a staunch pragmatist.

5 Previous history

The *fifth* reason is that previous events are able to have a strong impact, either because the organization has chosen to stand by a tradition or because the parties concerned employ the previous history in their efforts to reach

compromises. If someone chooses to do what is usually done, it might fail, but he cannot be criticized. Inevitably, previous events form a point of departure so that no value conflict takes place in a social vacuum. Someone was favoured the last time, now it is someone else's turn. Obviously, this is not rational, but it might ease up a situation that has reached a deadlock and make small historical differences a decisive factor. *Nothing* is rational in the sense that it is perfect. Generally, it is more important to make a decision which is good enough, rather than wasting a lot of time on an unattainable notion of perfection. As the saying goes, the perfect is the enemy of the good.

What does this mean for the management of an organization? It does not mean that it has to be present everywhere in person, but that its responsibility is to make sure that values are established – and 'value' still means a 'standard for selection among the alternatives of orientation'.[28] In this way, the organization becomes a local community of values, which inevitably has implications for the relationship with the magnates of the industrialized society – the nation, the employers' association and the trade union. The working place has become a major purveyor of values and, as a consequence, loyalty has become local.

A manager is the symbolic expression of the whole of an organization (or department). His job is to *inflict* uncertainty by providing possibilities and *absorb* uncertainty by making decisions. Whereas a nerd is responsible only for a factual task, a manager is responsible for the ability of many nerds to work together, whether the particular management style is to manage directly or to manage the self-management of the employees – or both in a judicious mix. That raises a number of requirements:

Requirements of management

1. A manager is not allowed to assume special responsibilities for one party or indicate that one party's standpoints are irrelevant – *partiality.*
2. A manager must be present and attentive in the organization – *sensitivity.*
3. A manager cannot dismiss conflicts or attempt to moralize them away unless it takes place in the form of an explicit decision – *fear of conflicts.*
4. A manager cannot be part of a conflict, but has to rise above the level of the conflict in order to be able to comprehend and solve it – *represent the organization, not the parties.*

Ideally, ethics applies equally to all stakeholders. However, in practice, it is not possible to physically bring all parties together. Moreover, each stakeholder has particular interests which differentiate it from the others.

Often, the number of concerned parties continues to grow and becomes increasingly differentiated. We see an *inflation of concerned parties* which all demand respect for their values. In relation to the theme 'premature babies', new groups continue to join the debate. And each group argues their rights until there are myriad voices. One thing is that an unborn child has a right to live. But does it have a right to life simply because doctors are able to keep it alive? Is parenthood a 'right' if the child is damaged and is going to inflict heavy burdens on parents and society? Do the child's siblings not have a right to grow up without a potentially disabled child who requires a lot of attention? And how about those children who 'might have been' born if the unborn and possibly damaged child were to be removed? In addition, there are other groups, such as doctors, who have the right to observe the Hippocratic Oath and save whatever can be saved – but should everyone be kept alive just because it is technically possible? The nursing staff have the right to a dignified job – but is it undignified to work with premature children and where is the boundary? Society has the right – or does it? – to make economic prioritizations and politically refuse to spend extensive resources on premature children because it is thought that the money could be better used in other areas. That would of course lead to the loss of life. However, each society makes its own decisions about its dead. Finally, there is the public's 'right to morality', which is a diffuse monster, which speaks in many tongues and is never in agreement with itself. It is difficult to imagine that an objective solution could emerge from this chorus of voices: Hence:

Inflation of concerned parties – in relation to premature children

1. Child (right to life)
2. Parent (right to parenthood)
3. Siblings (right to development)
4. Potential siblings (right to life)
5. Doctors (right to observe the Hippocratic Oath)
6. Nursing staff (right to dignified work)
7. Society (right to economic prioritization)
8. The public (right to morality)

An organization has to choose whom it can talk to, and parties who feel that they have been treated unfairly have to then struggle to become part of the conversation. However, it is often not possible or meaningful to allow all parties to talk together at the same time. The organization can discuss with each party, therefore, so that a *contract* is worked out on the interface between the organization and each of the stakeholders. That is precisely what organizational ethics is: a contract between the organization and its stakeholders

about which values the organization should base its decisions on. The contract is not perpetual, however. Unlike the Ten Commandments, it can be adjusted. Moreover, the contract does not always obligate both parties: the organization is unable to place demands vis-à-vis its customers. Together, these contracts constitute the organizational *value base*.

The value base

A value base is part of the organizational strategy. It clearly and visibly indicates the considerations it undertakes. This makes it possible for the stakeholders to assess whether the organization is living up to its promises.

A value base has to be worked out through dialogue. No single party is able to force a value base on others. If values are thrown at someone, they are not shared values, but requirements made up to look like ethics. The value base in many organizations consists of requirements placed by the management on employees about how to behave at work and maybe even outside work. If the requirements are not met, employees are threatened with sanctions. This kind of value base conveys a classical power technique and usually does not convince employees, even when they decide – pragmatically – to meet the requirements. This is *pseudo-ethics*.

The same applies to 'ethical regulations' worked out by different professions as guidelines for acceptable behaviour among doctors, lawyers, journalists, bankers, etc. It is obvious that these regulations do not represent ethics in an academic sense, but purely conventional regulations.[29] They have arisen in and around the individual organization. Only on a very indirect level have the concerned parties been included. The regulations are determined in representative committees and present a number of requirements that have to either be met – for example when doctors need to seek the approval for their experimental protocols from an ethical council – or be observed as good practice in a field. We can see the way that *ethics is located at the decisive point between legal regulations, which are supported by a system of power, and moral regulations, whose only repercussion is the loss of respect*. Ethical regulation for various professions also do not meet the demands that can be placed on organizational ethics. It has been worked out by experts and does not involve the concerned parties. This does not mean that binding regulations for a profession are insignificant – only that they do not represent ethics in a stricter sense of the term.

What often happens is that the elaboration of a value base becomes the very meaning of the value base. The value work ends as soon as the value base has been established and the values selected and defined. The discussion about the collective demands on solutions might engage people and create dialogue, and, for a while, the organization is able to live by the glowing embers of the exciting seminars where its values are discussed. The process might even generate a piece of paper or a poster. It is printed and distributed

and hung on the walls. But in spite of all these activities the values often become irrelevant soon after because nobody follows up on them. They do not become genuinely integrated and are not used in the daily routines. *Accounting* is an important element of the moral complex, whether formal or informal. It is the organization's visible evidence that it takes its values seriously.

When an organization is to decide if it is progressing or regressing with respect to its values, it cannot compare itself to the entire world. Values do not allow for quick comparisons, also called benchmarking, which is an objective indication of whether or not an organization is located on the right side of a distinction – for example whether it is involved in animal testing, produces war materials, has equal opportunities, etc.[30] They also do not allow for the same kind of precision as money. The balance sheets and budget indicate earnings and disposable capital. These can be compared to what the earnings and disposable capital are elsewhere. The power of money is that it makes it easy to compare. The weakness of money is that it renders that invisible which is hidden behind the flow of money. Like words, balance sheets can make up a reality that does not exist.

Values are specific to every organization even though different organizations employ the same words. Behind the words are traditions and routines that cannot be mechanically transferred from one organization to the other.

Primarily, therefore, an organization can use its values to compare itself to itself from one year to the next. Thus we can imagine that the value base was kept constant in order to allow for comparisons. However, that would mean that some values would become obsolete and irrelevant. Certain values have their time limit. A value like *security* obtains a different meaning and weight in times of turbulence and unemployment than during more stable periods.

This problem is not significant, however. It is comparable to a series of photographs of a man. When comparing pictures of him as a one-year-old baby and as an eighty-year-old man it is hard to understand that the lovely child is identical with the fat and wrinkled old man. But if one looks at the pictures from year to year, it becomes possible to compare. In the same way, only a few values will probably change or disappear from one year to the next. There are enough values left to make a comparison.

The values of an organization have to be expressed in a language that is easy to understand. Whereas economic accounts are for specialists, a value base has to be for everyone. Only in that way can the organizational values become shared by many different stakeholders. And only in that way can they be used as *themes* and unify different stakeholders who all have different approaches. The word 'durable' has a different and more complicated meaning to an engineer than to the consumer who wants a durable vacuum jug. This means that there are invisible spaces 'behind' the values, or better: spaces that are available only to people with a particular education and experience. If there is a demand for the tax authorities to give fast and precise notice about an

assessment, it means that the computer experts get busy. Their contribution requires a trained talent, which only few people understand. But we are able to judge the result of their work.

Composing a value base is not an objective process. There is not one and only one way to do it. It is a political process showing how an organization wants to describe itself and to give itself an ideal identity which, even if not true in the strict sense of the word, might still be productive. Those people who compose the value base must be sensitive to what goes on in and around the organization and must be respectful to the stakeholders involved. Morality and ethics are not just tools for restricting and saying no, but may be used to deliver innovative solutions and magic words.

As organizations have a marked preference for instrumental values which measure their own processes and products, they can create a shared normative space for compromises that are difficult or even impossible in relation to basic values such as religious beliefs. Often it is unwise to penetrate a fragile consensus, even if all parties know that there is little in it. Even a fragile and superficial consensus might be a great step forward compared to open war and might give the parties a space for interpretations so that they do not feel cramped. It may be compared to the reconciliation following a heated quarrel. If one party asks if they totally agree on the meaning of expressions such as 'be on time' or 'infidelity', the wild dogs will get out once more and the quarrel begin again. We may summarize:

Composing a value base

is not on objective process but a political process demanding

1. Sensibility
2. Imagination
3. Acceptance of compromises
4. Acceptance of a fragile consensus, that is,
5. An open space for interpretations

A value base provides an organization with more criteria for what is good and bad. It makes it possible for the organization to operate with more nuances when it evaluates itself and is evaluated from the outside. Normal accounts do not provide the same precision because they disregard anything qualitative. Even though there are limits to the amount of parameters an organization is able to – and should wish to – use as measures, there are good reasons for supplementing the heavy elephant foot of the classical accounting system with a values-based accounting system, which, like a starfish, has myriad small quivering tentacles. Each tentacle can be stimulated and provide information about the condition of the organization in a specific area. In this way, it becomes evident that organizational ethics is primarily an indication

of *increased sensitivity to those parties who are affected by its decisions*. Thus we shall discuss ways in which an organization can account for its ethics.

Notes

1. Jürgen Habermas has employed these three distinctive marks to characterize moral attitudes in modern individuals, see *Der philosophische Diskurs der Moderne*, Frankfurt am Main, 1985, pp. 398ff.
2. Henry Mintzberg, *Power in and Around Organizations*, Englewood Cliffs, NJ, 1983, p. 229.
3. These terms are taken from Erving Goffman, 'On Face-Work', in *Interaction Ritual: Essays on Face-to-Face Behavior*, New York, 1967, pp. 5ff.
4. See Niklas Luhmann, 'Generalized Media and the Problem of Contingency', in Jan J. Loubser, Rainer C. Baum, Andrew Effrat and Victor Meyer Lidz (eds), *Explorations in General Theory in Social Science*, New York, 1976, vol. 2, p. 509.
5. Niklas Luhmann, 'Trust', in *Trust and Power: Two Works by Niklas Luhmann*, New York, 1979, p. 24.
6. Luhmann, 'Trust', p. 25.
7. The expression is old. See Peter Drucker, *The Practice of Management*, New York, 1954, and later among many others John W. Humble, *How to Manage by Objectives*, New York, 1972, a practical handbook which shows how it becomes possible, in the light of one objective, to speak clearly of right and wrong, see the passage called 'Organization and Control', pp. 126ff.
8. That is why the organization puts such emphasis on loyalty and team spirit, which are merely different ways of enabling trust. See the discussion of group work and loyalty in Armen A. Alchian and Harold Demsetz, 'Production, Information Costs, and Economic Organization', in Peter J. Buckley and Jonathan Michie (eds), *Firms, Organizations, and Contracts*, Oxford, 1995, particularly p. 91.
9. See Anthony Giddens, *The Consequences of Modernity*, New York, 1990, pp. 83ff.
10. John Kenneth Galbraith, *The New Industrial State*, London, 1967, p. 68.
11. See Mark Johnson, *Moral Imagination*, Chicago, 1992, Chap. 4, 'Beyond Rules', pp. 78ff.
12. Niklas Luhmann, *Social Systems*, Stanford, 1995, p. 236. Luhmann focuses on the distribution of esteem and disdain, but this is obviously dependent on considerations of right and wrong.
13. Luhmann, *Social Systems*: 'We will define the morality of a social system as the totality of conditions for deciding the bestowal of esteem or disdain.'
14. A central point for Richard Rorty is that morality cannot be proven non-circularly which means that morality is always historical, see *Contingency, Irony, and Solidarity*, Cambridge, Mass., 1989, p. xiv.
15. Rorty, *Contingency, Irony, and Solidarity*, p. xvi and *passim*.
16. Jürgen Habermas, *Moralbewusstsein und kommunikatives Handeln*, Frankfurt am Main, 1983, p. 77.
17. I have addressed this issue before in 'Second-Order Morality and Organizations', *Cybernetics and Human Knowing* III (3), 1995.
18. See Richard Sennett, *The Uses of Disorder: Personal Identity and City Life*, New York, 1970, Chap. 2.
19. We have seen that Richard Sennett calls this social convention *polite* and that he employs metaphors such as theatre and mask. However, in this context we see

a further step in the direction of values, which are used by different parties to commit themselves, not just to present themselves by.

20. That morality has to be unplanned is asserted by F.A. Hayek in 'The Fatal Conceit: The Errors of Socialism', in *The Collected Works of Friedrich August Hayek*, London, 1988, vol. 1, pp. 25f.

21. Blaise Pascal, *Pensées*, Paris, 1964, §277, p. 146.

22. See Rorty, *Contingency, Irony, and Solidarity*, p. 73.

23. The problem related to preventing that oneself or one's counterpart loses face is not a factual problem, but often it has to be solved in order to get to the factual. See Goffman, 'On Face-Work', pp. 11ff. To merely insist on the factual is rhetorical since we do not have technical methods for making clear distinctions between the factual and the socio-psychological dimension in a dialogue. Disagreement about the reasons for the disagreement is part of the disagreement.

24. This term is taken from J.R. Beniger, *The Control Revolution: Technological and Economic Origins of the Information Society*, Cambridge, Mass., 1986, p. 32.

25. Henry Mintzberg presents a more operational version than the one presented by Hegel: 'And so political power often goes to those who support what is best for the organization. The System of Politics becomes an agent of organizational need, in spite of itself' (*Power in and Around Organizations*, p. 229).

26. This is consistent with the reasons to avoid full openness, e.g. staff issues, discussions about future strategies or plans with respect to competition. In relation to these issues it can be openly argued that the organization should not be entirely open.

27. See Richard Sennett, *The Fall of Public Man: On the Social Psychology of Capitalism*, New York, 1978, p. 269.

28. Talcott Parsons, *The Social System*, New York, 1951, p. 12.

29. See Niklas Luhmann, *The Reality of the Mass Media*, Stanford, 2000, p. 120.

30. One example of how to evaluate organizations on this basis is the book by Benjamin Hollister, Rosalyn Will and Alice Tepper Marlin, *Shopping for a Better World*, Berkeley, 1994.

11
Values and Accounting

If values are to mean anything to an organization, it has to be apparent that they are not empty values, but active premises for its decisions. That does not mean that an organization can limit itself to ethical premises. There are always many types of premises. Decisions require an ongoing balancing, which might eventually become second nature and routine. The important thing is that values remain *sufficiently* active for them to offer resistance and avoid being outstripped every time there is a slight dip in the financial accounts, sales figures or interest rates, or if political decisions change the basis for the organizational planning. In rough times, it can seem tempting to scrap ethical concerns and focus on 'the necessities', but it could also be argued that, particularly in difficult times, ethics becomes indispensable because it delivers premises for decisions when other premises – financial or technological – are wonky. Ethics is not superfluous; or in the words of Voltaire: 'The superfluous is a highly necessary matter.' There is no inherent conflict, and no inherent harmony, between ethics, money and power. It all depends on the way in which the money is made and the power exercised.

For values to be effective there needs to be a way to keep some kind of account of them. Not accounts in the sense that the values are transformed into numbers that can be added and subtracted and calculated to four decimals. The word 'account' refers not only to numbers but also to being accountable for one's actions. If an organization has declared its intent to accept management by values, it has to be accountable for these values.

An organization can be accountable as a whole, and the accountability can be repeated on lower levels of the hierarchy so that employees are accountable for values which they have agreed to live up to. On the other hand, it does not make sense to hold customers and clients accountable for anything but the concrete agreements they have accepted. If the organization draws up a contract with its customers and clients about living up to certain values, then it is a one-sided or asymmetrical relationship. The organization, not the customers and clients, has to comply with the contract. Subsequently, the customers and clients can decide whether they trust the organization,

although they are unable to see through it, and what they should do next.

In close relationships face to face, or in small organizations, these accounts can be given without too much trouble. Everyone can observe each other and test each other's words, decisions and actions. Everyone is able to see who fulfils his promises, who accepts criticism, who comes up with the good ideas, who is always ill on Mondays, etc. In larger organizations, there is a higher degree of invisibility and therefore also the risk of illusions – either illusions that result from the invisibility in itself, where each person has to fill their knowledge gaps with assumptions, or illusions that are consciously and professionally staged. When different parties observe each other through constructions which include models, key figures, analytical fictions, opinion polls and statistics, many things become invisible.

An organization is able to influence its stakeholders through advertisement and information. It is, however, an uncertain endeavour because it forces the organization into simplified assumptions about the effects of the advertisement and the information. There are many invisible rough hinges from influence to reaction. It is doubtful whether the message is understood, whether it is understood in the right way, and whether it works if understood. *More* information might incur the unwanted effect that stakeholders turn on the organization, either because the information triggers negative feedback or because they feel that it infringes on their personal space. *Tendentious* information creates a sense of vague discomfort even though the recipients are unable to see what lies beneath the idealization or caricature. The information in itself is not enough to adjust the relationship between an organization and its stakeholders. It requires more than that. And this more has to be values.

If an organization is to be accountable for its values, they have to be formulated into a value base. If they are formulated indirectly as 'tacit values' they can be used in daily work but not systematically measured. That makes it easy to succumb to what could be called 'the illusion of familiarity'. One believes that everything is the way one perceives it to be in one's daily work. Thus managers are often deluded about what goes on in their organization. They are met with friendliness and smiles as they move around the organization. They feel that they speak freely person to person. But they fail to see the strategic considerations, the calculating politeness and the moist hands. Like everyone else, managers have their own blindness and narrow scope for what they are able to observe.

We will now discuss whether it even makes sense to measure values.

'Plan or be planned'

The American organizational theorist Russell L. Ackoff dismisses the possibility – or if it was possible, the desirability – of measuring organizational

values.[1] In his view, values are a question of individual development, which is a personal, not a collective and not a technical, matter. Only surrogate goals are measurable, as when quality of life is measured by income, number of bathrooms or level of education. Something is measured, but the connection between what one measures and what one wants to measure remains uncertain. When measuring quality of life, for example, one regularly finds that the experienced quality of life is able to vary independently of the measured quality of life. Someone can be confined to a wheelchair, have a short life expectancy and still have a high quality of life. Someone else might commit suicide on top of a mountain of wealth and freedom.

That is why Ackoff refuses to grant organizational values an independent status. Only individuals have values. With this atomism, Ackoff assumes the American notion that individuals are good and systems are bad. The only thing for the organization to do, therefore, is to allow space for the individual to fulfil his own values. This means that the organization has to be constructed in a way that provides the most amount of space for the individual. The ideal is for each employee to plan out his own work. The motto is 'plan or be planned'.[2]

On this basis, Ackoff constructs a model of what he calls the 'circular organization'. The idea is for every level in the hierarchy to obtain influence on its work situation, and also on the decisions that directly affect and are affected by the decisions of that level. Thus, each organizational level must be represented on the level *above* it as well as on the level *below* it in the organizational hierarchy. The exceptions, of course, are the lowest and the highest level. In this way, the organization solves the problem of too much or too little involvement. It evades a situation in which everyone has to have influence on all decisions, but still allows for each person to influence his own work situation where it has close and visible implications.

Ackoff fails, however, to appreciate the power of organizations to transform individuals into masks so that individual wishes are set aside. Organizations are not dealing with 'the whole human being', only with segments defined by a role pattern. He also fails to appreciate that individuals are not autonomous units, but develop their identity in interactions with other people: an individual is only able to realize herself by assuming outside considerations. Hence he dismisses the very possibility of speaking of organizational values. Instead, they are moralized away. In practical terms, however, Ackoff is forced to speak of values other than individual ones. If each level in the circular organization is to be represented on the level above and below itself, it does not mean that everyone should be present at these meetings, only a representative of each level. That means that each level must instruct the representative about *their* wishes, as a level – and this takes us beyond the individual and his sovereign values. This applies to an even larger degree when the different levels are to coordinate their values.

   Without the simplification of shared values, Ackoff's circular organization is unable to function. The problem repeats itself when the different levels collide and have to agree on what to do – that is, on which values to base their decisions on.

   This does not render the notion of self-planning useless. Many organizations have come to realize that by delegating responsibility to smaller work groups with extensive freedom to decide *how* to realize a project, they can supplement the professional responsibility with a social responsibility and in that way increase motivation. If someone fails to appear, or does not do as promised, it has direct implications on the project and on other people. The effects of one's actions are not lost in an abstract bureaucracy, but affect visible people, who become annoyed and criticize, or inspired and motivated. The professional and social dimensions of the work reinforce each other in these kinds of groups.

   The next question is whether it is possible to define and measure values for an organization as a whole, or at least for the organization in relation to each individual stakeholder.

Means and ends

Values, still perceived as 'demands on solutions' can apply to the ends to be reached as well as the means to be used. Moreover, if we make a distinction between *autocracy*, where one party defines means or ends, and *democracy*, where the parties themselves define means or ends, then we arrive at a two-dimensional model (see Figure 11.1).

   We can look at four simple cases:

1. An organization which is *autocratic with respect to both means and ends*, is a classical authoritarian organization like the one described by Frederick
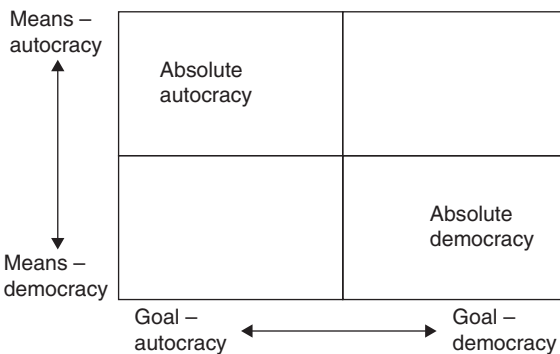
Figure 11.1   Autocracy versus democracy

Taylor[3] and parodied by Chaplin in *Modern Times*. The management makes all the decisions and there is no room for employees to plan their own work. Like a god, the management resides outside the world it creates almost as if it was not itself part of the game. The ideal is cybernetics of the first order, by which the organization is perceived as a trivial machine with tight causal links. Employees, customers and clients are reduced to cogwheels in a machine. They are merely functions that can be affected in the same way that physical objects can be affected. An input is invariably followed by the desired output.

2. An organization which is *autocratic with respect to ends and democratic with respect to means*, can be a project-organization where different work groups are given the freedom to decide how to best realize an end defined by the management.

3. An organization which is *democratic with respect to ends and autocratic with respect to means*, could be a public organization, where all citizens contribute – via politicians – to define the end, whereas experts (in a hospital: the administration, doctors and nurses) decide which means to use.

4. An organization which is *democratic with respect to both ends and means*, could be an organization that is owned by the employees, or a stakeholder organization working towards a goal that has been established by employees and members.

These types of considerations are complicated by the fact that organizations are systems in systems in systems, which means that the difference between democracy and autocracy might change as one moves from one level to the next. There is an almost visible oscillation between autocracy and democracy when a democratically established school is perceived to be authoritarian by children or parents, who observe only how the board and the teachers make decisions. What is defined as system and what is defined as external environment depend on the system that is initially chosen. The distinction between system and external environment can be copied into the organization indefinitely, so that the different elements of the system become their own systems, which perceive the big system as their external environment.

There are different levels of democracy depending on the amount of involved parties. Even if there is democracy for the employees in an organization, customers or clients do not necessarily feel any difference. To them, the organization is autocratic regardless of internal structures. They can be invited into the organization only on a limited or symbolic scale. An organization with a democratic objective can be perceived by employees to be only slightly democratic, or at least by employees in the lower part of the hierarchy. Usually, organizational values only truly apply to the highest levels in the hierarchy. Managers and elite experts are the only ones whose level of freedom is big enough to make a difference. The values might not mean very much to mid-level managers and ordinary employees. They are tied up

in the system, perhaps working merely to get paid and worrying only about their own tasks.

Allowing every concerned party – not to mention every concerned person – physical access to the decision process does not solve the problem of influence. Democracy can be experienced as a distant and formal matter, therefore, where the individual is one among many and where democratically elected representatives have to protect themselves against their voters even though everything they do happens in the name of their constituency.

Defining values

Values can be defined in many ways and for many different reasons. We are going to look at six different ways: tradition, management, stakeholders, consumer polls, external values and hierarchy.

Values can be defined by

1. Tradition
2. Management
3. Stakeholders
4. Consumer polls
5. External values
6. Hierarchy

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1   Tradition

Values can be perceived as *given by virtue of the tradition and objective of the organization*, which leaves little to be discussed. We have seen that institutions are characterized by such values which are considered sacrosanct, reducing management to administration. Many organizations, on the contrary, view their tradition as part of their identity, but make sure that it is sufficiently flexible to not impede its restructurings. Even if the label is identical, the content changes.

2   Management

Values can be *defined by the management* who work out an ideal image of the organization: the way employees *could* work, cooperate, how customers and clients *could* be motivated, buildings organized, etc. The task is to minimize the difference between ideal and reality, whether the ideal is the total image of the organization or merely comprises minor employee issues such as being on time, reducing the number of sick days or assuming the role of ambassador for the organization. Whether through the use of the whip or by holding out a carrot, employees are viewed as human raw material which can be motivated to adapt to managerial visions. Bonuses, which can range

from exorbitant amounts of money to exotic travel to free plastic bags, can also be used to strengthen motivation.

Even if managers describe their organizations in idealistic, not in realistic, terms, their descriptions are normally not seen as lies. They are allowed to deviate from truth because they are not scientists, who describe reality, but leaders, who motivate people to make a new reality. An ideal organization is invoked in order to make it real.

An ambitious image of the future can be alluring, not only by virtue of economic advantages for all parties, but also by virtue of the 'benefits of meaning'. Through a strong self-description followed by noticeable changes of products and processes, an organization can excite and amaze its stakeholders, thus increasing motivation. Interestingly, such changes can go in completely different directions, so that it appears that movement is everything and goal nothing. Decentralization as well as centralization can cause excitement. We can speak of *vision management* where the difference between ideals and reality is sought to be minimized, but where the management decides both objective and needed efforts. In this type of situation, values might increase the ambivalence. They can function as 'expansive limitations' *to the management* so that their limitations motivate and fascinate at the same time as they expand the space of possible decisions. In a very pragmatic sense, values can increase the degrees of freedom for management, because they make possible many different descriptions of a situation and, consequently, many different types of action.

The management might focus on values such as loyalty, at work as well as outside work, efficiency, quality, etc. They might very well define these values as their organization's ethics. These types of values can be difficult to reject because of the obviousness of their nature, which means that opponents appear idiotic or contrary. However, loyalty cannot be a requirement without degenerating. To be forced into loyalty is the same as being disloyal. If someone is loyal, they have no need for coercion and admonitions from above. Loyalty develops as a result of a process of mutual obligingness. It is a free gesture.

Values that are forced on someone from without or from above can regulate only outward behaviour, particularly if they involve sanctions. What takes place behind the eyes is, as always, invisible and beyond control.

Thus, the important question concerns the *routines* that materialize around the values and the *follow-up* they receive. If the values consist of regulations followed by swift sanctions, they are not shared values, but rather an extension of the general regulations in the organization.[4]

3   Stakeholders

Values can be *defined by one or more stakeholders in dialogue with management.* The purpose might be to define the values of the organization in relation to each stakeholder, so that a contract between them can be worked out. In this way, the organization commits itself, and the stakeholder – and others – is

able to observe whether the organization meets the contract requirements. This is a genuinely ethical commitment which many organizations do not wish to take on, because they see it as a restraint.

However, the objective of a dialogue about values is often less a question of commitment and more often a question, for example, of integrating two different divisions of an organization following a merger. In this context, the important thing is not the shared values as a product, but rather the process that leads to them. The goal is integration. The method can be to establish work groups that comprise people from both organizations. Their task can be to develop suggestions with respect to the organizational values and coordinate them with the suggestions developed by different work groups until they reach a resemblance of shared values. *What* takes place in the work groups is not important. The important thing is that people from the two divisions of the organization become exposed to each other and get to know each other in order to subvert the existing clichés. And why not let them work with the basic values which do concern their work and which do not bring them into conflict as specialists? General values represent shared themes and can be used as a shared language by many different parties, each with their speciality and their interest. Whether someone works in the accounting department or the marketing department, they can partake in the discussions about work climate, quality, interactions, or how to treat customers, clients and the mass media.

More than likely, this kind of value base will not have much effect once it has been established. It will become published and distributed, but subsequently gather dust and only be found useful for the speech given by the president at the yearly general assembly.

4   Consumer polls

Information about values can be *gathered by the management* through consumer polls, boxes for suggestions or praise and criticism, or surveys of employee and customer conditions and attitudes. The management can use the gathered suggestions to correct or refine its knowledge and perhaps to adjust its strategy. The organization is not in any way bound by obtaining information in this way, and it is still the management that decides which suggestions contain interesting information and which can be dismissed as unimportant noise. Moreover, the management and its experts are often free to decide whether or not to even publicize the results.

5   External values

Values that are imposed on the organization from without pose a particular problem. If it is a matter of legislation, they cannot be avoided. Through its trade organization, an organization might try to influence legislation, but once a law has been implemented, the organization can only use its 'counter-specialists' to test the formulations of the government specialists and search for potential loopholes. The demands that develop among the public – that

is, in the mass media – with respect to ethical demands regarding the environment, genetic engineering, human rights and animal testing are more diffuse. Particularly in private companies, these demands pose a dilemma for the management. On the one hand, ethical demands might interfere with the general focus of the company on economic profit, and on the other hand, infringement of these demands might create a poor image and hence affect earnings. No matter what the management does, it might be faced with a problem.

A normal reaction by companies is to assume a positive but uncommitted attitude, and wait for clear reactions from shareholders and customers, which allows for the management to pass on the responsibility. In the same way that companies did not fully embrace ecological products until they knew whether it was merely a question of seasonal whims or a more robust and lasting demand, they might wait to find out if the public demands for 'ethical considerations' represent more than a passing trend in a society in which the compulsion towards change is mirrored by the compulsion towards obsolescence.

6 Hierarchy of values

Finally, values can be *classified according to their weight* so that there are values that apply to a hundred years, ten years and one year respectively. This paves the way for stability as well as for change in a mix that is sufficiently unclear to allow for the legitimization of many different decisions. As we have suggested, the role of values is not just to bring decisions to a close but also to extend the scope of possible decisions.

Value strategies

To say 'value management' does not mean much in itself because value management can take place in many different ways. Values can vary in terms of content and weight, they may include or not include different parties, and the purpose can be to create internal cohesion or to create a good image vis-à-vis the public – two things that do not exclude each other.

One of the conclusions in a comprehensive study of values in Danish organizations[5] was that the same values – the Top Twenty – are repeated again and again in both private and public organizations. Another important conclusion was that the approaches towards values were very different and that it was possible to isolate four different strategies which each possessed advantages and disadvantages.

The first strategy is called *religion*. It employs the immense power of religion to motivate and create unity so that the organizational values are perceived as being beyond any form of criticism. The advantage is obvious: it creates a strong commitment. The disadvantage is that reservations and disagreement cannot be communicated, which means that employees are forced to act

Table 11.1 Value strategies

Strategy	Advantages	Disadvantages
Religion	Commitment	Hypocrisy
Democracy	Involvement	Complexity
Control	Unambiguity	Loss of meaning
Illusion	Cost-free	Disclosure

as hypocrites and that the organization neglects the potential inherent in conflict.

The second strategy is called *democracy* and is closely related to the model proposed in this book. It is about involving the concerned parties and arriving at a set of shared values through dialogue. The advantage is that the organization makes itself sensitive to the values of the concerned parties. The disadvantage is that it can be an extensive and resource-demanding process to include the many different parties.

The third strategy is called *control*. Here, the values are defined by the management, which also continually controls whether the employees live up to them – of course, customers and clients cannot be controlled in this way. Often, the values are implied or 'silent', based on the notion that values are something everyone knows and that they cannot be appropriately discussed. Values belong in the gut, not in the mouth. The advantage of the strategy is that the values are clear and are followed up. The disadvantage is that it becomes difficult to see whether the employees perceive of them as values or merely as an extended set of rules that the employees follow because it is the wise thing to do.

The last strategy is about *illusion*, that is, about putting up a verbal smoke-screen of values in order to appear in a favourable light, but where no action is taken to live up to the values in practice. The advantage is that this is an inexpensive way to work with values. The disadvantage is that one runs the risk of being caught with one's pants down and hence of losing one's credibility. We can sum this up with the table from the study (Table 11.1).

Measuring values

Once the values have been defined, it has to be decided how they are to be included as premises for decisions. Again, there is a range of possibilities.

1 Rhetorical values

Values can be rhetorical, that is, with no intent to use them. They have been formulated and written down on shiny printed matter and perhaps hung on the wall in poster format, but they have no impact on day-to-day routines. They are slightly preposterous. They are not employed by the organization to evaluate its performance. They are not measured.

Measuring values

1. Rhetorical values
2. Political values
3. Technical measurement of values
4. Ethical accounting

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2 Political values

Values may be imposed as a demand made by the political environment. *Professional ethics* often have this quality. Whether they are perceived as reasonable or not, they are decided upon by others and are therefore their responsibility. If one lives up to them, one does so because they are obligatory. One can be exposed or fired if one transgresses them. Their measurement therefore takes place in a delicate mixture of observations by management, stakeholders, the mass media and authorities. In contrast to the values of the organization, they are imbued with a legally binding quality.

3 Technical measurement of values

Values can be employed by the management as a tool for measuring the extent to which the organization and its members meet the demands that have been defined by management. In connection with sales campaigns, there might be demands for efficiency and growth, and in connection with promotions, which are always a risky matter, management can use the organizational values to estimate not only professional but also social qualifications in applicants. A special human resource department can develop professional methods for categorization and evaluation.

The procedure could be to ask the potential applicant not only to evaluate himself but also allow for his colleagues to evaluate him. This can take place at eye level, from above and from below. This works as compensation for the blindness of each observer and circumvents the possibility for the applicant to act as the classical German *Feldwebel*: pandering to the higher levels and kicking the lower levels. He might do so, but will be observed and commented on.

Anyone can bluff, but bluffing for an extended period of time is difficult. The ability to bluff everyone and constantly indicates an extraordinary talent which is probably worth nurturing.

These types of methods can be balanced and efficient. They can be refined through many years of use. However, it does not change the fact that they still represent the values of management used as a tool for controlling employees.

4 Ethical accounting

The most comprehensive method for measuring values to this day is called ethical accounting. We are going to take a closer look at this.

Ethical accounting

The notion of ethical accounting emerged in the late 1980s, developed by a group of researchers from the Copenhagen Business School in cooperation with a Danish bank (Spar Nord). Since then, it has been employed by a range of private and public organizations in Denmark and abroad. Ethical accounting comprises five phases: value base, value statements, measuring values, budgeting values and dialogue circles.

Phases of ethical accounting

1. Value base
2. Value statements
3. Measuring values
4. Budgeting values
5. Dialogue circles

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1 Value base

As always, the first phase is to develop a value base. Without that, there is nothing to measure. This requires that a working group in the organization, consisting of representatives of as many stakeholders as possible, is in charge of the process. However, the group must not be so big that in-depth communication and decision-making are impeded. The establishment of the group must have the management's backing. If not, the value base comes to nothing – which is not a pretty sight. Values represent premises for decisions, and management has to actively endorse them. Whether its reasons for doing so are pragmatic or ideological is less important.

The organization has to decide which stakeholders it wishes to relate to. Only under very particular circumstances is it manageable to include all parties that affect and are affected by its decisions. It contains a certain amount of arbitrariness to select these stakeholders, since the selection could always have been different. If a group feels excluded it has to protest so loudly – or so convincingly – that it cannot be disregarded. The very act of protesting makes it a stakeholder. In a situation where many different parties could potentially be included, the only option is usually to provide the possibility to object and assume that if nobody protests, given the chance to do so, everything is all right.

Whether the management represents a particular stakeholder is a tricky question. On the one hand it is a group like any other group. On the other hand it represents the organization as a whole, which means that it is responsible for the coordination of relations between stakeholders. Ethical accounting is precisely such coordination. If the management is perceived as a stakeholder, its responsibility is to coordinate the relationship between

itself and the organization, which raises a logical problem. It appears as if the management is simultaneously inside and outside the organization.

As with anything in ethical accounting, the question of how many stakeholders to include is an open one. A typical approach involves employees, customers and clients, shareholders (if they exist) and the environment (which raises specific problems because the environment is unable to make a statement and as such has no values).[6] Subsequently, these stakeholders can be subdivided into different types of customers and clients or different types of employees, and the environment can be defined both socially and physically.

The definition of values can take place through interviews, questionnaires or by allowing each stakeholder to select a small group of people – approximately ten people – who, together with representatives from the organization, perform a comprehensive analysis of the values that are essential in the interaction between stakeholder and organization. Subsequently, the results of their analysis can be summed up in a catalogue which is distributed to the other members of the stakeholder group, who can review it and give their consent or rejection or particular reservations. Then the catalogue can be sent back and forth between the working group and the members until the issues are – perhaps – settled and a number of values emerge as sufficiently robust to be called shared. At the centre is not the truth of the values but their importance for the concerned parties. Values are not true or false, but significant or insignificant. For that reason, the values can be given a little number which indicates whether they are perceived as light or heavy. Such a ranking makes it easier later on to formulate a strategy based on the values.

A value base has to meet a number of requirements in order to be of interest. First of all there is a logical demand: it must not be *self-contradictory*. From a contradiction anything can be deducted. But of course values have to be interpreted and of course interpretations may collide. This is impossible to avoid. Second, there is a demand for communication: a value base must be *easy to grasp*. If it consists of 132 values, each subdivided into five sub-values, it is not useful in daily practice. Third, there is another demand for communication: the value base must *not be technical*, but should be formulated in a language which everybody can understand. Fourth, a value base must be useful also in another sense: it must be able to pass a *banality test*. This simply means that it is uninteresting to write down values that are undeniable. A value only has substance if the opposite position is possible. Banal values such as 'quality' or 'reliability' are not informative, because it does not make sense to claim that the organization will make products of low quality or try to be unreliable. This does not mean that banal values could not be presented as headlines. The reader, however, must be informed of their precise content.

A banal value may gain interest if its opposite value is interesting. Hence a value such as 'efficiency' is informative if its opposite is not 'inefficiency'

or 'sloppiness', which no organization would dream of including in its value base. The opposite has to be something like 'more efficient than now'. Likewise, a value such as 'technologically advanced' is only informative as an indication of the fact that technological development will be an important objective for the organization.

Fifth, we arrive at what is perhaps the most demanding point: the values must be backed by a binding example. This 'existential' demand is especially directed at management, which is the symbolic representative for the organization as a whole, whereas nerds can more easily hide behind professional requirements. They are not publicly exposed in the same manner as managers and can criticize the organization without necessarily criticizing themselves. If the organization does not walk the talk, it loses its trustworthiness and the values do not create trust, but apathy and cynicism. This applies to the organization, whether or not its members as private people endorse the values.

Value base

1. Logical demand: *not self-contradictory*
2. Communicational demand: *easy to grasp*
3. Communicational demand: *not technical*
4. Practical demand: *not banal*
5. Existential demand: *the binding example*

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2   Value statements

The values of such a value base are often very general. That makes them precarious. The probability that different parties confer the same meaning to such values as 'security', 'communication' or 'quality' is minimal. In the second phase, therefore, the values need to be specified through *statements*, which bring them as close as possible to the everyday work in the organization. This increase in closeness and relevance means that the values become idiosyncratic to the organization, even if the values, as words, are exactly the same in other organizations.

'Value statements' have to be formulated so that everyone can proclaim their agreement or disagreement, often arranged on a descending scale of agreement. The statements must, accordingly, be given a form which makes it possible to indicate an opinion about whether or not the organization lives up to a value. They cannot, therefore, assume the properties of an either-or question or contain a double statement ('organization X creates a creative and safe environment'), they cannot be should statements ('organization X should aim at avoiding environmental taxes') and they cannot be factual statements ('organization X has the lowest prices in the country'). Instead, a value such as 'independence' can be specified with statements such as 'In

organization X it is possible to organize one's work individually' or 'Working hours are flexible.'

These are the kinds of statements that ethical accounting evaluates. This brings us to the third phase.

3   Measuring values

The measurement does not consist of laying down a tape measure, but of inquiring among stakeholders whether they believe that the organization lives up to the values on an everyday basis. That implies that everyone, or a representative group from the stakeholder group, responds to the value statements and answers the indirect question contained in the value statement. The replies are then standardized as strong agreement, some agreement, some disagreement, strong disagreement or no opinion. The last category – a 'refuge' – is important because a customer, for example, who has never filed a complaint, is unable to comment on the way the organization handles complaints.

The responses might be gathered from questionnaires on paper, or from telephone interviews, where the results can be entered directly onto a computer and be processed by a specific computer program which makes it easy to work up the responses. This part of the process is technical and involves no dialogue. Once all the responses have been gathered, graphs can be drawn up indicating the percentage referred to each category, which falls in the boxes on the scales from strong agreement to strong disagreement. This concludes the technical side of the accounting process and makes it possible to observe the way stakeholders perceive of the organization's ability to live up to the values to which it has committed itself.

Contrary to ordinary accounting with its sharp distinction between red and black figures, or between observing or exceeding a budget, ethical accounting has no point zero but only percentages to be interpreted. This creates specific problems of interpretation. As with everything in ethical accounting, the interpretation is public and is not left in the hands of a privileged group. Moreover, the interpretation of the responses is part of the dialogue on which ethical accounting is based, so that the ethical dialogue does not just concern values but also concerns itself. The dialogue *about* values is *itself* based on values and must be able to deal with its own criteria and its own results.

The interpretation can move in different directions. If we assume, for example, that 60 per cent of employees believe that they receive sufficient information, whereas 30 per cent feel under- or misinformed and 10 per cent have no opinion, then one might conclude that the great majority is content. However, it is also possible to pay attention to the fact that a minority of 30 per cent – not an insignificant number – is discontent and then decide whether to address that issue.

Generally, the most interesting thing is not to compare the result to a perfect optimum where everyone agrees 100 per cent that the organization

is living up to a value. An optimum might not even be desirable. Safety and information can become excessive. Also, it is generally not interesting to compare oneself to other organizations since their values and statements have a different background and a different meaning, even when the words are the same. The way an organization can use ethical accounting is to compare itself to itself last year and see if it is moving in the right direction. Even though the accounts might contain conspicuous high points and low points, by which everyone is able to see that the organization is doing incredibly well or incredibly badly, what is more interesting than the conditions one year is to observe the movement from one year to the next. Ethical accounting is a question of a dialogue that involves many people rather than the product resulting from the dialogue. *Ethics is a matter of conversational culture.*

A large organization can present the ethical accounts to the entire organization as well as fine-tune its focus on specific departments or branches. That raises the question of *visibility*. If each participating person is identifiable, the accounting process loses its credibility because the responses might be strategic. Someone can use the fact that the responses are visible to indirectly try to impress the management. Thus it might be a good idea to install a limit so that the focus can only be on groups bigger than for example fifteen people. This gives the respondents no motive to lie, which is the best way to guarantee credibility.

As individual departments and branches are presented with their part of the accounts, the interest in the ethical accounts can become red-hot. The reason for this is not necessarily a strong interest in ethics, but perhaps that, rather unexpectedly, every mortal sin – greed, envy, mendacity, etc. – steps into the service of ethics as the departments compare themselves to each other and indulge in the narcissism of small differences.

Moreover, ethical accounting can be used to observe the difference between replies given by management and by ordinary employees. Experiences with ethical accounting show that the differences between the replies can be significant, up to 30 per cent. This confirms the old notion that managers and employees live in separate worlds. But at the same time, these numbers do not lift every veil. What is hiding behind the numbers remains obscure. Are the differences due to the fact that managers are more inclined to give more positive replies because they hold responsibility and hence are interested in pushing the overall reply in a positive direction? Or is it simply that, as managers, they have greater faith in the management process than those subject to the management's decisions? The numbers do not answer these questions.

In isolation, ethical accounts are not very interesting. They provide a momentary glimpse into the organizational life. Its most significant contribution is that it creates a platform for further discussions of what should be done and where to focus.

Ethical accounting can help circumvent some of the illusions created by the blindness of observers and the opacity between them. It also prevents

criticism from being dismissed as cantankerousness. It provides numbers that clearly indicate the atmosphere in the organization. This can make it impossible to dismiss criticism by jumping from factual to social issues and criticize the critic.

If an organization has included five stakeholders, presented ten values in its value base and clarified each value in six statements, the ethical accounting comprises 300 statements – 300 thermometers in the organizational body to evaluate its achievements, using values which are not arbitrary, but formulated on the basis of concrete interactions with the organization. That provides a far more balanced view of its performance than ordinary accounting systems. In this way, ethical accounting makes up an early warning system.[7] It can warn against possible failings before the economic accounts suddenly take a disastrous and often quite unexpected turn.

Ethical accounts have to be made public. It is not an issue for a single stakeholder and cannot be swept under the carpet or be hidden away in deep drawers. Because the accounts measure shared values, they concern everyone.

4   Budgeting values

Based on ethical accounts, an organization might proceed to the fourth phase and work out an ethical 'budget' – to stay in the accounting terminology – in areas with obvious problems or where, for other reasons, an effort is deemed necessary. The different parties can agree on where to focus the energy. It is important not to become over-engaged, so that efforts come to nothing, and also not to become under-engaged, so that it becomes apparent that the accounts mean very little. Visible results are important based on the principle that a small victory is better than a large failure.

5   Dialogue circles

The fifth phase consists of setting up local groups that concern not only the relations between the organization and a single stakeholder but the relationship between all stakeholders. This can expose some of the conflicts which arise *between* stakeholders. What are reasonable mutual expectations between a teacher and a student? Is it reasonable for customers of a bank to expect to be met by the same person every time they come to the bank so that they do not have to relate their sad story every time, or do they have to respect employee wishes for circulation and in-service training? What is the appropriate level of information for hospital patients who are participating in medical tests? What level of service can customers expect when buying a new computer?

These questions can all be discussed and the result can be written down in a white book, which the management then agrees to respond to.

A dialogue circle can be organized according to the principle of workshops of the future developed by Robert Jungk,[8] in which a phase of unrestrained criticism and a phase of unrestrained utopia result in a phase of realistic demands. *What* is deemed realistic depends on the parties and the context.

In the same way that the parties themselves decide what is good enough, they also set the level of what they consider feasible.

Ethical accounting contains no list of eternal values. It is a form which different organizations can use and give it their individual content. Ethical accounting is unable to, and is not meant to, ensure consensus. That is an impossible ideal, both for logical and empirical reasons. There is a balance between conflict and consensus in any organization. Both can be constructive and both can be destructive. However, ethical accounting is able to ensure increased sensitivity to people, who influence and are influenced by organizational decisions. It is similar to having an argument: although the parties cannot be convinced and might even use the argument to increase the distance between them, it leaves nobody unaffected. Once the smoke clears, both parties have obtained knowledge which they did not previously have, and they are unable to pretend that they do not. If they are to live with each other, it is difficult to not take one's knowledge into consideration.

Ethical accounting represents the most comprehensive inclusion of values in an organization. It requires comprehensive and long-term efforts to make it work since stakeholders are likely to be hesitant for a few years while testing whether the organization is serious about its efforts or whether they merely represent a marketing dodge. *The benefit* of ethical accounting – besides its ethical dimension! – is that it provides the organization with comprehensive knowledge about its relationship with its stakeholders. So even from the devil's perspective, ethics has its benefits. *The drawback* is the dimensions of the apparatus necessary in order to implement ethical accounting. Ideally, ethical accounting is the expression of an organization's conversation with itself, in which all parties learn from the dialogue, from its process as well as from its product. For that reason, consultants often become an impediment because they are costly and want to prove their efficiency. They would like to speed up the ethical process so that the values are defined in the morning and measured in the afternoon. Obviously, that does not work. Values take the time they take, and what is important are the experiences from the dialogue and hence the evolvement of a culture of conversation. In practice, however, many organizations find it appropriate to employ a consultant in the first phase so that the process rests in experienced hands.

It must also be noted that ethical accounting may commit an organization to the point that it is unable to phase out its involvement later and replace it by other ways of dealing with values without appearing to have lost its clean conscience.

The aim here is not to claim that there is only one true way to include ethics in organizations, but to indicate a spectrum from not very binding methods such as benchmarking to highly binding methods.[9] What is right and wrong is, as we have suggested, not an objective question that allows, ethically, for a clear yes or no. Certain methods are easily decoded, but, in turn, not

incredibly informative, and some methods are demanding and mostly for internal use, because it would be difficult for the external environment to understand their message.

Organizational ethics is a sign of *growth* – not in the sense of 'bigger or more' but in the sense of 'increased attention'.[10] The aim is intensity rather than extensity. This requires new effort and new attention. It is also a sign of ethical *progress*.[11] In antiquity, people found it difficult to imagine that slaves had feelings or that they were even people,[12] whereas people in the Renaissance found it difficult to imagine that animals could suffer. Based on a mechanical perception of nature it was claimed that the squeals of an animal were comparable to the sound of metal grating against metal in a machine – noise with no feelings attached to it. Later on, private and public organizations have been highly insensitive to their employees and to the environment.

There is no logical limit to the sensitivity, only limits to the capacity. It is difficult for us to conceive of the suffering of insects, although we do prevent our children from tearing off their wings and legs. It is even more difficult, but maybe still possible, to imagine the suffering of a rose as it is picked, and the sensitivity might even be increased to the extreme where someone can hear the sigh given by a stone as it is split in two.

The ethical assumption is that nobody automatically has ethics on his side and that nothing is right or wrong in itself. Assertions of right and wrong must be referred back to the person who advances them, to the tradition they belong to and to the context they are part of. Speaking of values it does not suffice to observe the values. We also have to observe the observer, no matter how vehemently he bangs the table and insists that 'there has to be right and wrong'. This means that, as a point of departure, all parties have the same right, that is, the right to express their views. We cannot deprive someone of the right to redescribe reality no matter how scandalous their description seems to us. What we can do, however, is to deprive them of the right to do as they say if it is offensive to someone else.[13] However, what is offensive and what is not is not defined once and for all. It is subject to an endless dialogue, where the result is tested on its ability to be sufficiently robust to be collective.

Someone always disagrees. Even though no formal agreement develops, routines will inevitably form, which indicates what the different parties are willing to live with. The important thing is not whether everyone agrees entirely with the decisions that are made in an organization, but whether there is sufficient agreement for everyone to be loyal to them. These kinds of routines are not true or false. Moreover, they are not observed as right or wrong. As 'normal' they escape 'moralization' and enter a morally neutral zone, because morality is activated in relation to deviance and pathological behaviour. Normalcy inevitably becomes stabilized as an *Eigenvalue* no matter how much the parties disagree. It can be criticized and changed at any point,

but it is imbued with a certain inertness, which means that it does not happen too easily.

Although everything can be changed, it cannot all be changed at the same time. That, too, creates stability: while someone is preoccupied with changing something, everything that they do *not* pay attention to remains the same.

The life of an organization consists of an endless flow of communication. In this flow of transient elements the organization creates and recreates itself. It builds its structures to allow it to choose, and makes its decisions to be able to move from one state to the next and create a necessary and temporary clarity. What ethics can do is to increase the organization's attention in relation to itself and its environment, not to create agreement or truth. If truth represents that which an endless amount of people would arrive at if they tested a claim endlessly,[14] then we will obviously have to make do with less than the truth.

It is difficult to reach a conclusion. If a conclusion has to be made it could be the following: ethics in organizations is not about finding the one and only solution or even finding the rational answer to the clash of values taking place in every organization. Like democracy, ethics is more a procedure than a fixed product. Ethics may aim at consensus, but need not do so, because conflict is an important resource, so that consensus can be reached on how to handle conflict. Also it must be noted that ethics cannot remove every risk. Even if an organization makes itself more sensitive by introducing many values, reality is too complex, too dynamic and too pluralistic to anticipate the future.

Ethics is an attempt to find local and temporary solutions to value conflicts. The grand ambition of the past to create an ethics for all eternity has disappeared except for religious fundamentalists – and even here we find the pluralism which they abhor. Therefore everyone must be responsive to the values of others and assume the delights and sorrows of discussion. No single party has, or should have, the right to determine right and wrong for everyone, so that ethics accepts the democratic principle that power must be legitimized by involving the subjects of power. As there is not and cannot be a consensus of values in a pluralistic society, both politicians and managers must often content themselves with deciding which values are central and which are peripheral. The majority is not right, but is allowed to decide for a period of time. This may create a temporary stability until new and unexpected conflicts appear on the scene.

For an organization, ethics emerges in the interspace between private morality and public law. Often ethical debates have the function of being the first reaction of an organization or society to innovation. In such debates topics pop up, stakeholders present themselves, consequences are discussed and arguments are tested, until it is decided whether the problem must

be transferred to the legal system and solved with laws and paragraphs, or whether it must be solved by the implicated parties themselves. In a society of compulsory change there is no chance that the ethical debate will vanish or find a stable solution. So we can present the very last scheme:

Conclusion

Ethics is not about
1. the one and only solution
2. the rational solution
3. consensus
4. the elimination of every risk

Ethics is about
1. local and temporary solutions
2. sensitivity to values in the public sphere
3. acceptance of responsiveness
4. discussion
5. balancing of values
6. temporary stability
7. intermediate state between morality and law

Notes

1. In Russell L. Ackoff, *Creating the Corporate Future*, New York, 1981, p. 36: 'Because development consists of a desire and an ability, it cannot be given to or imposed on one person by another. Nor can a government develop the governed, or a corporation its employees. The most they can do is to *encourage* and *facilitate* such development.'
2. Ackoff, *Creating the Corporate Future*, p. 50.
3. In *Principles of Scientific Management*, New York, 1914.
4. An example is a little folder published by IBM presenting IBM's ethical guidelines. Here the employees are told not to behave, whether in public or in private life, in ways which might cause bad media publicity for IBM. The media are the accountant.
5. Mette Morsing and Peter Pruzan, 'Values in Leadership – Perspectives, Potentials and Perplexity', in L. Zsolnai (ed.), *Ethics in the Economy: Handbook of Business Ethics*, Berlin, 2002, pp. 259–94.
6. With the expression of R. Edward Freeman and Daniel R. Gilbert, the normal solution is a 'limited stockholder strategy', see *Corporate Strategy and the Search for Ethics*, Englewood Cliffs, NJ, 1988, Chap. 8.
7. See Peter Pruzan and Ole Thyssen, 'Conflict and Consensus: Ethics as a Shared Value Horizon for Strategic Planning', *Human Systems Management* IX, 1990, pp. 135–51.

8. Robert Jungk and Norbert R. Müllert, *Zukunfswerkstetten*, Hamburg, 1981.
9. On the international debate about measuring values see Simon Zadek, Peter Pruzan and Richard Evans (eds), *Building Corporate Accountability*, London, 1997.
10. See Ackoff's distinction between 'growth' and 'development' in *Creating the Corporate Future*, pp. 34f. Here, 'growth' represents the increase in size or numbers, whereas 'development' represents 'a process in which an individual increases his ability and desire to satisfy his own desires and those of others' (p. 35). A cemetery can grow but not develop.
11. Richard Rorty defines moral progress as the extension of the sense of 'we' to include people who were previously perceived as 'them' so that they, too, are comprised by solidarity: the difference between 'us' and 'them' becomes less significant than the similarity (*Contingency, Irony, and Solidarity*, Cambridge, Mass., 1989, p. 192).
12. Aristotle defines a slave as a 'sort of living piece of property; and like any other servant is a tool in charge of other tools' (*Politics*, London, 1962, pp. 18–19). Cicero is the first to define it as a *problem* whether to sacrifice a cheap slave in favour of an expensive horse if it is only possible to save one of them.
13. Thus Rorty argues that 'in respect to words as opposed to deeds, persuasion as opposed to force, anything goes' (*Contingency, Irony, and Solidarity*, p. 52).
14. See Jürgen Habermas, 'Wahrheitstheorien', in *Vorstudien und Ergänzungen zur Theorie des kommunikativen Handelns*, Frankfurt am Main, 1984, p. 182.

12
Beautiful Lies – Values in Practice

When the idea of using values in organizations was introduced in the 1980s, the aim was normative and idealistic. Values were something which organizations not only *could* but *ought to* employ in order to become better in all meanings of the term – better at honouring their purposes, better at motivating employees, customers and users, and better at creating profits. Values were viewed as a tool that could be used to continuously excite the organization to minimize the difference between the demands of the values and the organizational reality.

Ideally, the difference ought to completely collapse in order to fulfil the value. This would mean that it has done its job and can leave – which leaves the organization in a vacuum so that it has to either find new values to work with or redefine the old ones in order for values to continue to ensure motivation and legitimacy.

Another problem was that when the values were to be used in practice, the result was often disappointing. After the initial excitement came the delusion of everyday routines. Most often, the values did not provide the desired harmony, irrespective of whether the values were declared wrong or the effort insufficient. Even organizations which took great pains to employ values had to realize that very often the distance between value and reality was so vast that the process became sidetracked: 'in reality', the values meant very little and functioned merely as make-up covering a dry and knotty surface. The enthusiasm at the theoretical potential of values was mirrored by a cynical or resigned insight into their practical deliveries.

At the same time, the demand for values, that is, 'the demand for demands', became a normal part of social dynamics. Modern society is characterized by a continuous growth in immaterial values such as health, social responsibility, equality between the sexes and environmental issues.[1] Although constructions such as 'the political consumer' or 'the responsible employee' are fictions, they were often effective fictions that put pressure on an organization and could trigger off devastating media criticism. Once the demand for values has been articulated, there is no turning back. A cultural shift

has happened which cannot be reversed. Subsequently, an organization is unable to hide and go about business as usual. When observed from the perspective of values, its normal conduct might transform from being perceived as acceptable to being criticized and seen as out of touch.

Faced with the gap between value and reality, an organization can react in a number of different ways:

1. It can maintain an idealistic notion of the possibility of shared values and claim that continuous efforts and an unbroken dialogue will eventually lead to a consensus of shared values.
2. It can accept the fact that values always contain a play of conflict and consensus. Values do not have a strict argumentative logic and will never convince everybody. Even people who, in theory, declare themselves to be in agreement may find practical reasons for remaining passive or even work to obstruct someone's efforts. Whether values lead to agreement or disagreement is an empirical question because values require rhetoric. Values are about convincing emotionally, not objectively. In an organization there will always be a division between those who are deeply involved with organizational values, others who are half-hearted, while still others prefer to simply focus on their job.

   In this perspective, an organization's decision to integrate values is not a question of true or false but of practical wisdom. Soft values – considerations concerning nature, society and people – do not alone govern the organization and have to find their place alongside hard values such as money, power and legality. Likewise, the question of whether an organization should invite dialogue about its values or merely demonstrate them by example of power is another practical question. Faced with the embarrassment which often arises when a discussion of values does not lead to clarification but to increased uncertainty about how to act, it can create an authoritative gain to let management lead the way and be the moral experts whom the employees should imitate – with sanctions against those who do not get the message.[2]
3. Finally, it might rise above the discussion of whether values in practice lead to conflict or consensus and seek a basis for its values based on the claim that, without a metaphysical or religious basis, the values will be blowing in the wind and become a question of convenience or social prejudices. One might take the step into the foggy sphere of religion and find the inevitability which removes the randomness of everyday life, so that one experiences the nature of the values and senses that their commitment derives from their position as supporting pillars in a meaningful cosmos. In this way an organization might seek to harness the strong motivational force of religion to its carriage.

The fact that values can be handled in different ways is a sign of the disappearance of traditional shared values in society. When central values become

disintegrated in the acid bath of globalization and individualization, an organization can try to create its own set of shared values – irrespective of whether the values are perceived as achievements in themselves or as useful tools for the realization of other goals such as motivation and, ultimately, profit.

For internal and external use

Values are employed differently depending on whether they are meant to be used internally or externally. That goes without saying. Managers, the board of directors and employees share an exceptionally great interest in the organization, whereas the public does not know it at first-hand, only from the mass media.

Values are employed internally to promote integration so that the different parties know what is acceptable and what to expect from each other. Since values are also used to create motivation, a manager may have an interest in overemphasizing *conflict* so that employees are presented with a problem which needs to be solved – problems with cooperation, sales, one's reputation, etc. so that action has to be taken immediately.

The function of values employed externally is different. They are used to present the organization to the public. Since they still have to function to create motivation, a manager may now have an interest in overemphasizing *harmony* so that the organization appears to be competent, dynamic and accommodating. Going public about conflicts is going to hit the organization like a boomerang and may damage it for no real reason. Therefore, managers are not overly forthcoming about sad truths.

> Values for internal use:
> *integration*
>
> Values for external use:
> *presentation*

The necessary hypocrisy

An organization always embraces a large number of values that provide premises for its decisions. A value that does not affect a decision is no value – although it can hold a *different* value as ornamentation. Money is an important value to any organization, and so are knowledge, power, technical skills and legal legitimacy. The organization is unable to ignore any of these values.

The value weave becomes exceedingly complex when demands arise for values over and above these classical values, articulated as so-called 'soft values'. Several claims are made that are not easily reconciled. If the organization stakes on the value of 'environmental considerations' it might interfere

with the value of 'profit'. If it decides not to compromise on its demands for quality, it might stress employees to the extent that the value of 'well-being' is violated. And how high can the price for social responsibility be before it becomes irresponsible for the organization to be responsible to society?

The ideal assertion is that soft values make it easier to reach decisions because complicated cost-benefit calculations are replaced by the soft values' simple distinction between acceptable and unacceptable. In practice, the picture is different. As soft values cannot disregard classical values, it becomes more difficult to make decisions: the value space is crowded. The different values cannot all be observed simultaneously; they are incomparable and pull in conflicting directions.

Hypocrisy

breaches the *normal presupposition* about close links between

| SAYING | DECIDING | ACTING |

How does one cope with such a motley value weave? When conflicting demands are directed at an organization, that is, when it is met with demands that *must* be met but *cannot* be met, it is forced into hypocrisy.[3] This means that its words, decisions and actions contradict each other. We normally assume that words lead to decision which leads to action. However, in reality things are often not that way, and in the open space between saying, deciding and acting, interesting possibilities arise. An organization may describe itself with beautiful words to conceal the fact that its decisions are less beautiful, or it may make beautiful decisions among cheers and jeers to compensate for the fact that they are not followed up by action. Or its managers may push the values to their limits without letting it be known.

An organization can use hypocrisy to solve conflicts with such sophistication that it *refrains from* solving them but satisfies different parties with different means. Certain parties get the words, others get the decisions, while yet others get the actions. Everyone gets something, but no one gets everything. This makes it possible for an organization to work with values in order to disguise the fact that the values are *not* observed. The idealist can be satisfied – the organization does indeed have a value base. And the cynics can be content as well – after all, the values do not mean anything.

Hypocrisy is a strange phenomenon. On the one hand, the organization cannot avoid hypocrisy because it has to present an idealized picture of itself, an *image* that can motivate internally as well as externally.[4] It cannot afford

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Hypocrisy

Working with VALUES

As the CONDITION for the
ability to continue to breach them

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to squander truth and disclose all the carelessness, nasty intrigues and devious compromises which also make up its daily life. The organization cannot simply orient itself according to what is true and what is false since it has a purpose to carry out. Its managers are not scientists and their job is not to simply describe reality but also to create new reality. In order to do so, they have to motivate, which happens through values. They have to not only invoke a tempting image of its present state, but also recount its heroic past and brilliant future.

On the other hand, the organization cannot *speak* of its hypocrisy since to speak of one's hypocrisy is the same as *not* being hypocritical. It is even unable to openly discuss the discrepancy between its *image* and daily life since that would reveal its *image* as a mere *image* and hence break the spell. When struggling to gain credibility, an organization cannot reveal the means it employs because that would weaken its credibility. Although it has to speak of itself, it also has to keep silent. Although it does not have to lie, it also should not squander away the truth but has to keep quiet, change the subject and try to disguise embarrassing details in beautiful word patterns. In short, it has to address truth in a strategic manner and master the art of rhetoric.

Necessary illusions and strategic truths

Not only organizations but also people employ a battery of different descriptions that often contradict and interrupt each other. One gives a different presentation of oneself at home and in public, and one uses different words for different audiences. An *image* is, as everyone knows, an illusion. It is a beautiful lie. However, since the lie is a necessity, we regard it as more than *just* a lie.

Image creates a difference between *front of house* and *backstage*. Front of house one has to play the hypocrite but never admit to doing so, so that the suspicion of hypocrisy keeps blowing in the wind and might fall back on the person who suspected hypocrisy. Backstage is where one can discuss whether or not it was a success. If one trusts the hypocrite, one accepts the game and judges only its qualities. If, on the other hand, one does not trust the person, the judgement of hypocrisy is delivered promptly. Because hypocrisy is inevitable, since no one can say everything and since everything should

not be said, it is senseless to fundamentally denounce hypocrisy. One has to assess it in the individual case and we may even speak of hypocrisy as a special genre, which is about how to work with the necessary illusions.

The guiding difference for this particular genre is not the difference between true and false. If this difference were black and white, there would be no room for hypocrisy. However, there is a grey zone, which is not simply about lying but about saying something else, about taking another angle and explaining something away. Everybody knows that an *image* does not represent the truth. The important question is whether it creates motivation or cynicism. One has to, therefore, treat it judiciously, which requires rhetorical efforts. Indeed, both organizations and people are required to put on a mask in order not to inconvenience others with the entire truth, which is time-demanding, confusing and irrelevant[5] – at least as long as the organization has nothing important to hide.

Thus, working with values is not only a question of doing what is good and right, it is also about being as sly as a snake and as simple as a dove. We might even say that it is required in an organization to be hypocritical because the alternative – to speak of everything as it is and to immediately address any conflict – would be destructive. Even though hypocrisy can represent both breach of confidence and inconsiderateness, it can also be a way to build confidence and show consideration. One shows one's willingness not to push away someone else and one's awareness of what is important to them, even if one is not able to immediately accommodate this. Such a pragmatic attitude towards the truth can be a precondition for one's ability to motivate others and hence to realize the values in relation to which one is being a hypocrite.

This is not to say that hypocrisy is unconditionally a good thing. However, we have to be able to speak in a neutral manner about hypocrisy because it is also not unconditionally a bad thing.

An organization cannot describe itself as incompetent, sloppy and demotivating. Even against its better judgement it has to pretend to be competent, effective and involved. It must cram its self-description with

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Required hypocrisy

Hypocrisy is
THE VEILING OF CONFLICT

THUS, HYPOCRISY IS OFTEN REQUIRED
because it means

To show consideration
To build trust
To motivate
To realize

plus-words – with realized values. The important question, then, is when these values can be said to motivate so that they become part of a self-fulfilling prophecy, and when they are denounced as empty illusions.

The management is responsible for the self-description of the organization. Nerds are responsible only for their field of expertise whereas managers are responsible for a whole, which does not consist only in the coordination of different professional fields but in balancing the myriads of demands that the organization faces. Even though managers are not in control of everything that goes on and cannot control every detail, they are still judged on their ability to present and realize an ideal description of their organization. When an organization consists of communication, it is invisible, which means that its identity emerges through description, that is, in a text.[6] Although an organization can be described in many different ways, from pompous presentations in glittery brochures to secret gossip in the lower corners, not all descriptions hold the same power, and only managers hold responsibility for the rhetorical effort to *publicly* invoke unity, ply the music of the future and transform conflicts into challenges.

This calls for a balancing of many different values, which is possible – although not in an objective manner. When a manager has to consider many different values her efforts become inevitably political.[7] Even if Mintzberg argues that in the political battle the victory 'often goes to those who support what is best for the organization' – to those who present rational and valid arguments – the rationality is political, not scientific. The manager has an agenda which is not objective but which must motivate in order for the manager to exercise model power. That requires rhetoric. And rhetoric operates in areas where there is no definite knowledge but where decisions still have to be made.[8]

The way in which an organization balances different values is a paradoxical secret – a secret which cannot be kept secret. This balancing *is revealed* in its decisions but not discussed in public. If that happened, anyone would observe that the organization is *not* totally committed to its values: discussing values is compromising values. Vis-à-vis the public, a manager must keep a straight face and put on different masks depending on the audience she is addressing.

When values are employed normatively, implying an *ought*, an instant discrepancy occurs between value and reality. This discrepancy can be used to express criticism so that a declaration by the organization about its efforts to comply with certain values might tempt a movement in the opposite direction: to disclose its lack of compliance with the values. Through its values, the organization signals that certain expectations can be directed at it. It *increases* the expectational pressure and, hence, lays bare its throat.

The result, therefore, is often that the organization receives criticism for not meeting the expectations that it has helped create, whereas other organizations that are merely doing business-as-usual do not evoke any particular

> The more an organization works with
>
>   VALUES
>   the more it creates
>
>   INCREASED EXPECTATIONS
>   which lead to increased
>
>   CRITICISM AND FRUSTRATION
>   from within and without
>
>   Criticism and frustration can be both
>   POSITIVE AND NEGATIVE

expectations and hence avoid criticism. They do not try to distinguish themselves and are able to hide in peace. It is a paradox that an organization's reputation might suffer from its attempts to behave decently. Likewise, values might create frustration among employees so that the organization is forced to distinguish between good and bad frustration among employees depending on its ability to motivate or demotivate with respect to working with values.

Values can be employed self-critically, that is, in an attempt to improve the organization. However, they can also be used to criticize, whether the criticism concerns the values' lack of practical significance, their function as mere ornamentation, the fact that they mean very little in themselves but merely work as tools to raise profits or increase the pressure on employees, or that they have emerged not through a dialogue about shared values but as a top-down decision by management.

Values contribute not only to an increased level of consensus but also to an increased level of conflict. However, in principle, it is not clear whether criticism and frustration have a positive or negative effect. Values' ability to create motivation or to affect motivation inversely may change from one day to the next, and it is unfortunately impossible to predict when criticism leads to a deadlock and when it works as a boost and creates a euphoric sense of openness.

The idealistic description of the potential of values, which is founded on *best-case* arguments, is put in perspective by the realistic description of how little the values mean in practice and how immense the discrepancy is between values and everyday life. What can one do about this discrepancy?

Values: visibility and consequence

A value is a demand for a solution. It is a distinction between acceptable and not acceptable. If an organization commits to a value, it has to become part

> A value draws a distinction between
> ACCEPTABLE AND UNACCEPTABLE
>
> This distinction has to be
> 1. OPERATIONAL – visible in daily practice
> 2. ENFORCED – followed up by consequences
> If not, the value is an illusion

of the organizational decision programme. Hence, we can test values in two different ways.

First of all: *Are the organizational values visible?* Can they be and are they used in everyday life? Value-based management is measured on the visibility of its values in everyday life and on whether the values are 'differences which make a difference'.[9] If not, they might be characterized as values but not as the values of the organization – or perhaps, as we have seen, they are just its display wares. Many organizations appeal to base values such as quality and dynamism,[10] which are difficult to reject but also difficult to relate to daily practice. They do not pass the test of banality.

Second: *Are they enforced?* Taking one's values seriously means to account for them and intervene if they are not observed. It requires consistency. If they do not make a difference in daily practice, it is simple to maintain them. They merely need to be mentioned in pamphlets, on ceremonious occasions and to the press. But lack of action exposes values as illusions. That is not necessarily a bad thing. What does matter, however, is whether the illusions bring on fervency and activity or whether they cause frigidity and ridicule.

In practice, it seems that these are the two rocks on which value-based management usually wreck. The organization – and more specifically the management – makes insufficient efforts to define the values and clarify their everyday implications. And it does not have the energy to react when the values are violated – because if values become associated with punishment and sanctions, it dissolves the motivational gain that they were to create.

Measuring values

Taking values seriously means to account for them. But what does it mean to keep accounts? In small organizations, it can take place in an informal manner since everybody is able to keep track of what everybody else is doing. But in large organizations there is no comprehensive view, neither by the employees nor by the clients or customers.

Values are expectations directed at an organization, that is, at its employees – not its customers and clients. How can different parties know whether these expectations have been met when they never meet each

other face to face? A common answer is *measuring*, whether in the shape of customer-satisfaction surveys, ethical accounts, knowledge reports, green reports or social reports.

These forms of reporting share the effort to turn the quality of values into measurable quantity. Rather than focusing on whether the value has been observed, they might for example inquire about the number of people *experiencing* that the value has been observed.

Many people scoff at these reports and view them as an inherent part of a modern evaluation frenzy where everything and everybody has to be measured and weighed. One argument is that values cannot be measured, and, accordingly, what is measured can only be surrogates. Another argument is that there will always be a certain amount of uncertainty associated with the measures because people might not relate the same meaning to the same words.

However, the question is not whether such measuring is perfect – which it is *not*. Like so many other things, from formal democracy to the face one meets in the mirror every morning, the important issue is not perfection but alternatives. If better ways of creating a comprehensive view of the true state of the values do not exist, then one has to measure them knowing that the results of these measurements can only be rough estimates and will not apply to the fourth decimal place. Measuring might provide the organization with an indication as to whether it has met its part of the contract inherent in any value – whether the value's demand for a solution has been met. Thus, it is able to become not only useful but an indispensable part of the value work. For that reason, the question of the truth-value of measuring is often put in parentheses.

Values and rules

The difference instituted by values in everyday life is often perceived as the necessity for an instruction manual on how to comply with a value – how to answer the telephone, how to treat customers and clients, or which authority to grant employees in specific situations.

In this way values degenerate into rules. A rule is a prescription, a 'pre-written script', which specifies how to act, preferably in all details. This obliterates the characteristics of values as opposed to rules, that is, the fact that they are more general and therefore open to interpretation.

If we extend the perspective outside the organization, we may perceive of value-based management as a reaction to the modern demand for flexibility and learning.[11] When what repeats itself is the fact that things *do not* repeat themselves, extra demands are put on the shoulders of the employees. They cannot mechanically repeat the activities and routines of yesterday but must consider how to act today. That requires reflection and discussion. And in this context, values are very useful. When they are indefinite, it takes particular

effort to determine what is needed to live up to the demands of the value. It gives employees an interpretive space and transforms them from robots to human beings.

The fact that there is room for interpretation does not mean that everything is fluid. In practice, relatively stable expectations develop about what is acceptable and unacceptable. But this distinction can always be challenged. This is the test of whether the organization takes its values seriously. The question is not whether the values have been realized. There will always be a difference between value and reality, *and this difference is precisely a resource which has to be nurtured and kept open* in order to ensure continual efforts. Ideals, we may say, are precisely *not* to be realized but have to be unattainable so that the effort to improve oneself becomes endless. In fact, it is possible for an organization to live with a quite large discrepancy between its values and its daily practice as long as its efforts to realize the values are visible and the values do not merely function as pure ornamentation.

This gives the organizational values a useful relationship to the difference between *constancy* and *variation*. Values can be used to create constancy, that is, tradition in an organization, so that the same values form a lifeline between the past and the present. An organization can use values to claim that it stands strong and does not buy into any new trend. For that, the values have to be general – almost banal. However, it also means that the organization must make noticeable efforts to continuously clarify and explain the practical meaning of the value. This is a test of whether the organization is serious in dealing with its values.

A value, therefore, is not just a constant, but allows for variation. The *same* value can be interpreted differently at different points of time and in different contexts. The interpretation of 'respect for the customer' can change radically over time whereas the value remains the same. One might show respect for the customer by following all rules but also by breaking them. An organization constitutes a framework for many different activities. These can be tied together through values that are sufficiently elastic to include them all but which can be interpreted differently depending on the nature of the activity. The value of 'precision' is defined differently depending on whether an eye doctor or a ditch-digger is working to comply with it.

Basic values are
BANAL, POSITIVE AND INDEFINITE

Therefore, they are able to combine
TRADITION AND INNOVATION

So that the same value is
DIFFERENT OVER TIME

This means that even banal or obvious values might become interesting – not in and of themselves but by virtue of the continued effort which the organization takes on in their name. A.P. Møller's 'constant care' is an indefinite value, which becomes relevant through interpretation and is kept sharp in practice.

The balance between constancy and variation also appears in a different way. When an organization defines more values, it makes itself more flexible and is able to better adapt its conduct to the demands of the situation. Obviously, w*hat* is defined as the 'demands of the situation' requires a rhetorical effort. But values allow the organization to indicate a range of recognized themes that might form the basis of its rhetoric so that it does not have to begin with Adam and Eve every time.

Conclusion: values as focus areas

With this, many different themes come together: the necessary values, the necessary hypocrisy and the motivating illusions all point to the fact that values do not merely represent a list of the demands which should be met – the sooner the better – so that the organization can finally reach perfection. There exists no 'once and for all' in modern societies. Rather, values can be perceived as *focus areas* where an organization commits itself to a particular focus, and hence commits itself to staying open to criticism, discussion and change.

With a value, an organization provides a *licence for criticism*. The result cannot and should not be definitively decided on. The organization opens itself up to a continued dialogue with those stakeholders who are sufficiently concerned with its products and procedures to criticize and protest. If no one protests, everything is fine. But in modern societies criticism is perceived as a positive thing, so the risk of silence is minimal. Someone is bound to be discontented. Rather, the risk is that if an organization does not remain sensitive to criticism, it creates a relationship of conflict with the partners on which it vitally relies – its customers and clients, its employees and the public.

> Shared values are
> BEAUTIFUL LIES
>
> There is always a difference between
> VALUES AND REALITY
>
> This is why values can be used critically and this is why lies are accepted – as long as there is a continual effort to realize the values.

This licence gives an organization access to the vital resource of legitimacy. It accepts as a precondition that things can be improved and extends an

invitation for ongoing dialogue. Of course it expects that not everyone will take this invitation at face value. Here, too, it is a question of motivating illusions. If a manager says that her office is open to anyone, she does not expect long lines of employees in front of her office all day long.

A value statement is not a positive list of mechanical demands to which the organization – its managers and employees – has to live up in order to avoid criticism. Also, it is more than a beautiful lie that the organization uses as ornamentation and as a way to produce illusions. Rather, it is a list of themes and areas where the organization commits itself to enter into a continuous dialogue with its partners in order to become increasingly better at meeting its goals, which can only be met if other partners meet their goals.[12]

Obviously, an organization has to protect itself and distinguish between criticism and quarrelsomeness. It cannot take each and every complaint seriously but has to test the weight of the objections. But the difference between criticism and quarrelsomeness is rhetorical. It does not disclose what is objectively legitimate, only what the organization decides to take seriously and what it decides to reject. Thus, the difference between criticism and quarrelsomeness is one of the areas where the organization has to continuously consider how to react. That, too, is about values.

Notes

1. See Chapter 3 above.
2. This perspective is presented in Verner C. Petersen, *Beyond Rules in Society and Business*, Cheltenham, 2002.
3. This is the thesis in Nils Brunsson, *The Organization of Hypocrisy: Talk, Decisions and Actions in Organizations*, 2nd edn, Oslo, 2003.
4. Machiavelli claims that a prince – that is, a leader – has to necessarily be able to present illusions and be 'a great liar and deceiver' in order to prevent his actions from demotivating the audience (Niccolò Machiavelli, *The Prince*, London, 1961, p. 100).
5. Richard Sennett, *The Fall of Public Man*, New York, 1976, p. 264.
6. Niklas Luhmann, *Organisation und Entscheidung*, Opladen, 2000, pp. 417ff. See also Ole Thyssen, 'The Invisibility of the Organisation' *Ephemera*, V (3), 2005, pp. 519–36.
7. Henry Mintzberg, *Power in and Around Organizations*, Englewood Cliffs, NJ, 1983, p. 228.
8. Aristotle, 'Rhetoric', in *The Complete Works of Aristotle,* Princeton, 2004, p. 2154.
9. Gregory Bateson, *Mind and Nature: A Necessary Unity*, Toronto, 1980, p. 110.
10. A list of the twenty most used values in Danish organizations can be found in Mette Morsing and Peter Pruzan, 'Values in Leadership – Perspectives, Potentials and Perplexity', in L. Zsolnai (ed.), *Ethics in the Economy: Handbook of Business Ethics*, Berlin, 2002, pp. 259–94.
11. See Chapter 8 above.
12. L. Russell Ackoff, *Creating the Corporate Future*, New York, 1982, p. 29.

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