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Distortions of modern management theory - and an attempt to correct them

Department of Management

CREDO
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If man is not to do more harm than good in his efforts to improve social order, he will have to learn that in this, as in other fields where essential complexity of an organised kind prevails, he cannot acquire the full knowledge which would make mastery of the elements possible. He will therefore have to use what knowledge he can achieve, not to shape the results as the craftsman shapes his handiwork, but rather to cultivate a growth by providing the appropriate environment.

F. A. Hayek, 1974

1. The house of mirrors

In this paper I assert that there is something fundamentally flawed and distorting in the mainstream assumptions and theories of management and organisation and in the practical application of these in what I call tool-based management.¹

To illustrate some of the problems with distorting management theories think for a moment of the flawed, distorting mirrors that may be found at a fun fair. One mirror may show a person as a small fat individual with a bulging middle part and very short legs, while another mirror may show the same person as a thin individual with a long lean body, albeit perhaps with a very large head, or some other part made prominent.

Now if the management theories work a little like the house of mirrors it may reflect a rather distorted picture of the individual, indicating that its validity would be low. In a house of real mirrors this might pose no real problem. We know how we can identify a mirror that could be assumed not to be distorting, and thus used to correct the reflections shown by all the distorted mirrors. With management theories it would prove much more difficult to guarantee that a mirror is not distorting.

It would not help that the same mirrors, or in this case the theory, showed similar results every time the theory was used, that might indicate a reliable theory, but would not help us in finding out what the results of a less distorting theory would be.

¹ A previous version of some of the ideas can be found in: Petersen, V. C. (2007). "Always Work With a Straight Back": the fallacies of modern management and the alternative. The TQM Magazine, 19(2), 97-111.
In the first part of the paper I shall point out some of these distortions and attempt to answer the question: How do the distorted reflections influence management practice and the people subject to this practice? The assumption here is that we begin to act and react more or less in accordance with the distorted reflection. Then I shall attempt to explain why so many fall prey to these distortions, disregarding their own knowledge and experience. I shall try to show the contours of alternative views that may reduce these distortions and present us with an image more fitting to the needs of today’s organisations.

2. *The view in the mirror*

The view we see of ourselves in one of the more prominent mirrors does not seem very flattering. It shows us as being motivated only by a sophisticated form of self-interest in all our actions. What we see is the so called REMM reflection. In this mirror put up by Jensen and Meckling the most prominent features reflected show us to be Resourceful, Evaluative, and Maximising.

In short we are shown as smart, but unscrupulous maximisers, ready to use every loophole available to our own advantage, and trade everything in order to maximise our own satisfaction. It is only a question of price. We can be bought. We are willing to give up anything we value, if we can just get enough of something else we value. Moral stance and love may be exchanged for a sufficiently large amount of some material goods that is also valued, like perhaps a big flat screen TV or a Porsche. Or a child perhaps for a sailboat? “The fact that all individuals make trade-offs (or substitute in virtually every dimension imaginable) means that there are no such thing as human “needs” […] There are only human wants, desires, or, in the economists language, demands.”

This means that we are not to be trusted, neither as managers nor as mere employees. The only thing that we could be trusted to follow would be our self-interest. Showing us with these prominent features we may

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3 Ibid. p. 9/10.
begin to act according to them, developing for instance bigger and bigger dark splotches of self-interested and egotistical behaviour. While the very thin and vague other-regarding sentiments found in this reflection would let these inclinations shrink and shrivel.

The implication of accepting this distorted view would be that we would be inclined to act and react as if this was a true view. This is for instance what may have happened in the public sector.

Le Grand\textsuperscript{4} describes how the view of those who work in the public sector in the UK has changed from a view in which individuals were seen as motivated by altruism, acting like knights as it were, to a view in which individuals were seen as motivated mostly by their self-interest, and thus acting like knaves. It is to be assumed that in similar manner the users of public services are more and more seen as demanding customers with rights and demands, not needs. Acting also out of self-interest with very little regard for the common interest. This change of view of course goes hand in hand with a greater emphasis on market based schemes in the provision of public services.

“In the view of policy-makers, and indeed of the public at large, then, people—funders, providers and recipients of state services alike—were neither knights nor pawns but “knaves”: self-interested actors who would (to mix metaphors) respond to carrots and sticks designed to reward or punish particular kinds of behaviour.”\textsuperscript{5}

Thus in order to achieve a common purpose outside our self-interest we would either have to harness this self-interest – or create incentives that would appeal to this self-interest.

Harnessing would mean that we have to create as a minimum a set of explicit rules, a system of controls to catch rule transgressions and some kind of punishment system to be used when rules are transgressed. This whole system would have to be very much in evidence and calculable in advance in order to influence people’s behaviour in a consistent way.


Incentives would mean that we somehow make it worthwhile for people to act in a way that serves some common purpose, be it of a company or a society.

A simple version of the problem might be found in agency theory, the roots of which go back to the classic “The Modern Corporation and Private Property”\(^6\), and in transaction cost theory, which refers back to Coase’s “The nature of the Firm”\(^7\). When there is separation of ownership and control, “the interests of the latter are as likely as not to be at variance with those of ownership.”\(^8\) This can be generalised to all cases in which one party, the agent, works for another party, the principal.

The problem in agency theory is twofold. The agent is expected to serve his own interests which may be different from the interest of the principal, and it may be difficult to observe and verify that the agent is actually working in the interest of the principal. Thus there is a need for measures that will align the interests of the principal and the agent, and avoid or minimise the moral hazard involved.

One way to curb the self-interest of the agent would be to rely on the conditions of an explicit contract, specifying what the agent has to do and what he has to achieve. That would be a kind of legalistic solution.\(^9\) In order to make sure that the conditions of the contract are fulfilled, some kind of control is necessary, and presumably also some kind of sanction to be carried out if the conditions of the contract are breached.

Ghoshal and Moran\(^10\) argue that the theories and the views of man and his behavioural motives inherent in the transaction cost theory of for instance Williamson, may actually lead one in practice to erect barriers to the behaviour postulated by the theory. Behaviour that would seem strangely similar to the behaviour of REMM men. To guard against this supposed behaviour the hierarchies and structures found in traditional organisations would be created. Detailed and all encompassing written rules of conduct would be made and systems for monitoring adherence to

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these rules would be erected and so forth and so on. Thus in practice creating and enforcing a system of distrust and control.\textsuperscript{11}

The more we attempt to anchor responsibilities in specific written statements and special institutions, the more we lose individual commitment to all the vaguer notions of trust and individual responsibility, and rules and controls can never fully substitute trust and a sense of responsibility.

All such behavioural rules, unlike some rules of formal systems, are necessarily indeterminate. They will leave much open. Even the most detailed rules and procedures cannot specify in all detail what action one is to take. Rules are always underdetermining action. This together with the impossibility of achieving a very detailed control system, means that in effect the attempt to control the behaviour of individuals driven by self-interest will not succeed. Instead they will act in a REMM-like fashion. They will not be looking to the purpose of the regulation. Instead they will be looking to the wording of the rules in their attempt to find loopholes. “They respond creatively to the opportunities the environment presents to them, and they work to loosen constraints that prevent them from doing what they wish to do.”\textsuperscript{12}

This means that regulation does not necessarily promote a responsible attitude in business, it may only force it to look responsible. The attitude of REMM-like decision-makers in business might actually become less responsible, and I am not sure that we will ever be able to come up with enough rules to compensate for this. Perhaps the Sarbanes-Oxley Act is an indicator of this problem.

Alternatively some kind of incentive scheme might be used to align the interests of the agent to that of the principal. The conditions for getting this incentive might of course be more or less explicitly specified in a contract and a set of measurable objectives.

An example of such a scheme would executive compensation. Basing those compensation schemes on the achievements of the company over a certain limited time period, and as measured by growth in turnover, profits and/or share prices, is assumed to motivate management to greater efforts.


Frey and Osterloh\textsuperscript{13} argue that performance pay schemes for managers provide managers with incentives for creative manipulation of the criteria used to measure performance. They even suggest that such schemes could lead to fraudulent accounting in order to fulfil the criteria. Their conclusion: managers should be paid like bureaucrats. The problem with their suggestion is that today governments everywhere seek to introduce similar schemes for top bureaucrats, probably with the same problematic results, manipulation of criteria and perhaps even fraud.

The recent examples of fraudulent stock options back dating in order to achieve a better outcome, may indicate that Frey and Osterloh are right.

Other studies certainly seem to confirm this. In their book “Pay Without Performance”\textsuperscript{14} Bebchuk and Fried argue that a number of factors in fact prevent executive performance pay schemes from having any relation to performance. A lack of arm’s length separation between a board and an executive seeking better schemes for raising his pay may mean that pay is more a result of powerful executive influence with a board that accepts schemes not related to performance, or perhaps even hidden forms of compensation, the cost of which is camouflaged.

In a series of experiments using rats and doves in the fifties Skinner had shown that rewards and punishments could influence behaviour.\textsuperscript{15} Rewarding a given behaviour increased the likelihood that the behaviour would be shown again. In rats at least. When this behaviour was no longer rewarded, the likelihood of showing the previously rewarded behaviour declined to what it had been before the behaviour was rewarded. Vice versa, if certain forms of behaviour were punished, the probability of this type of behaviour was reduced.

These results of Skinner’s and other behaviourists’ experiments “led to a widespread advocacy of rewards as a motivational strategy.”\textsuperscript{16} The experiments with rat-behaviour seemed to support the idea that REMM-man would in his self-interested way also show a rat-like behaviour and


react in the same way to rewards. Perhaps the same can be said about the ideas of the modern “Business Performance” movement.\(^{17}\)

Is that how we are motivated? Or is human-like behaviour different?

According to the studies of for instance Deci, Koestner, Ryan and Frey, Jegen\(^{18}\) an increase in say the monetary incentives for carrying out a certain activity might actually diminish the intrinsic motivation for carrying out that activity. In effect crowding out such motives. The result would be that overall motivation decreases with a resulting drop in productivity, quality or whatever we are using to measure the output from the activity.\(^{19}\)

Now such an idea goes directly against the postulates of economic theory, according to which monetary incentives would of course contribute to an increase in motivation, resulting in a higher effort and presumably also a higher output from the activity. Thus the crowding out of intrinsic motivation is what Frey calls an anomaly in economics, it cannot be explained by the theory. It does not belong to the realm of economic theory, it is not comprehensible.

The problem with both harnessing schemes and the many different incentive schemes is thus that they make us behave like the distorted reflection in the mirror. This is confirmed, at least for the public sector by Martin, who concludes:

“What we witness is not the state succeeding in tapping the essential motivation of its servants, but rather the state making knaves or pawns of these professionals by structuring their roles according to its presumptions about their motivation.”\(^{20}\)

The distortions of the mirror thus lead to a furthering of self-interest and distrust, crowding out other-regarding interests and trust and creating the need for even more rules, controls and incentives. Thus in essence

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\(^{17}\) What distinguishes behaviorists (and pop-behaviorists, who identify themselves not as Skinnerians but as "performance management" experts and suchlike) is not a predilection for using rewards so much as a tendency to focus on behavior -- as though only that which can be seen and measured is real. (Kohn, A. (1998). Challenging Behaviorist Dogma. *Compensation & Benefits Review* (March/April.).)


making sure that everyone behaves like a knave, and diminishing the value of acting in a more otherregarding way.

3. **Intelligent design and control?**

The term intelligent design might today often be taken to denote the idea that behind all the complexity that we can observe in the world, there must have been a supernatural designer, a God. Thus asserting, that a kind of Darwinian evolution and natural selection cannot explain the intricate, complicated and complex designs we find in nature. In relation to our discussion in the paper we have to turn this idea upside down. Today we seem to have taken over the designer role from God, in the belief that man can act as the intelligent designer. This is how I see the attempt to control the future through our own intelligent designs and the use of sophisticated tools.

Van Gunsteren once talked about the “The Quest for control”\(^\text{21}\) in his criticism of a certain kind of control rationality, the rational-central-rule, meaning the generation and implementation of plans made by a limited number of centres. He describes how this rationality has led to attempts to impose a kind of cybernetic order on social processes, seemingly making it possible to gain control over the future of society using intelligent planning and sophisticated tools.

In a series of counter arguments van Gunsteren denies that it is possible to gain this kind of control over the future, at least at the level of society. “Although all people can act, that is, begin something new, no one can control or predict the consequences of action. The quest for rational-central control constitutes a denial of human plurality without which no meaningful human world—and therefore no meaningful joint action—is possible. The rational-central-rule approach can by itself, however, never be successful, because more controls are always needed. It is not a liberating force, but an iron capsule flying towards a crash.”\(^\text{22}\)

Today the popular ideas of risk management seem to contain some of the basic beliefs found in the quest for control over the future. The apparent success in handling the more traditional risks associated with the natural environment, our health, our economic well-being, may lead us to

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\(^{22}\) Ibid. p. 147/48.
believe that all sorts of risks could be controlled, especially of course those that represent man made risks, for example the effects of greenhouse gases.

“[R]isk management covers all the processes involved in identifying, assessing and judging risks, taking actions to mitigate or anticipate them, and monitoring and reviewing progress. Or as the OGC defines it – ensuring that the organisation makes cost-effective use of the risk process. Risk management requires processes in place to monitor risks; access to reliable, up-to-date information about risk; the right balance of control in place to deal with those risks; and decision-making processes supported by a framework.”

Similar ideas about intelligent design and control are predominant features in the theories of management seen in the reflections in the house of mirrors.

There is a direct line from the thoughts of Taylor, Fayol and Weber to modern attempts to gain control over the future of companies and public institutions.

Among Taylor’s four duties for management we find for instance:

- First. They develop a science for each element of a man's work, which replaces the old rule-of-thumb method.
- Second. They scientifically select and then train, teach, and develop the workman, whereas in the past he chose his own work and trained himself as best he could.
- Third. They heartily cooperate with the men so as to insure all of the work being done in accordance with the principles of the science which has been developed.
- Fourth. There is an almost equal division of the work and the responsibility between the management and the workmen. The management takes over all work for which they are better fitted than the workmen, while in the past almost all of the work and the greater part of the responsibility were thrown upon the men.

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OGC is Office of Government Commerce. “OGC offers guidance to improve the way the public sector manages programmes and projects. Making them more successful will enhance the quality of new initiatives and make UK government organisations more effective and efficient.” http://www.ogc.gov.uk/index.asp.

This fits quite well with Fayol’s ideas of management organised under the headings “Prevoyance, Organisation, Commandment, Controle.”

Later we find more elaborate ideas in the whole body of administrative science exemplified for instance by the work of Gulick and Urwick, who seemed to regard organisation as a technical problem. Further roots may be found in production management and in industrial engineering.

What we see in these theories are the clear imprint of attempts to rationalise about human behaviour. Simon’s “Models of man” comes to mind immediately with its emphasis on decision-making using the idea of bounded rationality. Other attempts to algorithmise problem solving and decision making in general may be found in systems thinking and operations research.

Recent attempts to gain control over the future using intelligent designs include the use of tools like: business process reengineering, ISO-9000 standards, six sigma, total quality management, balanced scorecards, performance management, lean management and knowledge management schemes.

Overall the quest for control manifests itself in the focus upon:

- Explicit goals and detailed plans
- Complete description of all activities
- Use of standards and tools
- Achievement of tangible results
- Measurements, evaluations
- Corrections to achieve goals

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This focus is found more and more in the public sector too, where it is part of the collection of ideas and theories grouped under the name of New Public Management (NPM). The demand for clear goals and standards may be exemplified by the Chartermark criteria:

1 – SET STANDARDS AND PERFORM WELL
   1.1.1 You set precise, measurable and challenging standards for core services; where relevant these build on national statutory standards.
   1.1.2 You set precise, measurable and challenging standards for customer service, measuring quality as well as quantity.
   1.2.3 You review and raise your standards each year, wherever possible.

Universities might for instance specify precise goals like the number of refereed scientific publications per researcher and year, the amount, absolute or relative, of external financing, the number of students, the number of exchange programs and so forth. Objectives like these may be found in recent Danish university development contracts. Shown here are a few of the 29 targets found in Aalborg University’s 2006-2008 development contract:

Target 20
   In the period 2006-2008, Aalborg University will double the number of women professors from 7 in 2005 to 14 in 2008.

Target 21
   On 20 February, 2006, Aalborg University was registered with participation in 8.8 scientific and other articles, news broadcasts,

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30 Charter Mark is the UK Government's national standard for excellence in customer service. It sees itself as “a positive force for change and customer service improvement.”
etc. per research full-time equivalent in 2005. Aalborg University will work towards an increase in this figure to 9.5 in 2008 (VBN/Info Paq).

Target 22

On 20 February, 2006, 5.0 scientific publications had been registered per research full-time equivalent in 2005. Aalborg University will work towards an increase in this figure to 5.5 in 2008 (VBN/PURE).

The remarkable thing is that these goals seldom if ever relate directly to what must be the overall purpose of a university. And this seems to be a general characteristic of many attempts to create explicit and precise goals. The purpose of such goals is simply to make goals explicit and measurable. Overall purposes are relegated to the less important and more flowery language of vision and mission statements, if at all.

One can only guess what this means in the long run, but it is reasonable to assume that employees and staff will find it easier to toe the line and orientate their efforts towards the more explicit goals, even though they themselves may wish to strive to fulfil a vague but important overall purpose.

“Cycles of research have changed in favour of publication in prestigious journals rather than books. Scientists are changing research habits, and a whole menu of activities for which performance measures have not been devised have ceased to have official value.”

Attempts to make a complete description of the detailed objectives, activities and procedures in order to make sure that explicit standards are achieved or upheld, and reduce risk of non-intended consequences, may perhaps be illustrated with excerpts from the ISO standards.

In the guidelines to these standards documentation is emphasised everywhere:

- processes should be defined,
- procedures should be appropriately documented,
- the organization should be functioning as documented, and


- records should be kept to verify that the procedures are being followed.

Among these are requirements for: Management Responsibility, Quality System, Document and Datacontrol, Process Control, Corrective and Preventive action.

Management Responsibility encompasses the development and expression of quality policy. Management must define the objectives, assign responsibility, and assure clear lines of authority, not the least for the implementation, maintenance and reviewing of the quality system. It must also assign “the proper level of resources to activities that impact [on] quality.”

The Quality System consists of a quality manual, “to express how its products and services conform to the stipulated requirements,” and a quality plan that defines and documents how the requirements will be met and continuously improved.

Document and Datacontrol require a system for documentation and control of all the data, documentation and information, necessary for maintaining and updating the quality system. Furthermore “[i]t should ensure that obsolete documents are removed from all areas.”

Process Control concerns the documentation of production and work processes in order to ensure that the end product or service has the quality described in the quality system. Some of the elements are: “Documenting procedures where their absence could adversely affect quality”; “Continuous monitoring and control of the process parameters by qualified personnel”; “Maintaining records for qualified processes, equipment and personnel as appropriate.”

The Corrective and Preventive requirement concerns procedures in relation to customer complaints, and reports of products and services not up to the standards of quality prescribed. “The firm specifies how it determines what went wrong, who should fix it, how that person is to be accurately informed, when the problem is to be solved, how it controls that the problem is solved and how to prevent a reoccurrence.”

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35 Ibid., p. 60.
38 Ibid., p. 63.
That does not sound too far from what Taylor wrote in 1911: “Perhaps the most prominent single element in modern scientific management is the task idea. The work of every workman is fully planned out by the management at least one day in advance, and each man receives in most cases complete written instructions, describing in detail the task which he is to accomplish, as well as the means to be used in doing the work.”\(^{40}\) In our view many of the tools mentioned here represent a kind of Neo-Taylorism.

The attempt to create such all encompassing descriptions may remind one of Borges’ small story of exactitude in science. This is the story of an attempt to construct an exact map of a geographic area. Trying to make the map more and more exact and comprehensive the map grew bigger and bigger. The ultimate map showing the landscape in 1:1 scale turned out to be extremely unwieldy and costly. In fact it would cover, when unfolded, the whole area that it was supposed to cover. In Borges’ story “succeeding Generations came to judge a map of such Magnitude cumbersome, and, not without Irreverence they abandoned it to the Rigours of Sun and Rain.”\(^{41}\)

Modern management apparently has not learned the lesson. Their tools are characterised by a clear tendency towards algorithmisation and documentation, a tendency to specify in similar 1:1 detail exactly what one is to do in given situations. Still, no matter how much energy and effort is spent on the attempts to give a full description of all the processes somehow regarded as important, the attempt to create quasi-algorithms for every aspect of a business or a public organisation will turn out to be futile. In fact, one may expect that every attempt to give a precise description of what to do, by whom and when, will turn out to be indeterminate, in the sense it will never be sufficient to determine precisely what to do. Almost like in the case of the rules we described a short while ago.

“The situations in which humans find themselves are given as parts of a meaningful order, because they are embedded in the actor’s forms of life. This is the starting point of all understanding, action and rule-following. It is not the result of our being programmed with rules.”\(^{42}\)


Wittgenstein seems to agree\textsuperscript{43}. The attempt to follow a rule means that one is ruled by a rule in a mechanical way, which will also mean that one at least attempts to leave individual responsibility and judgment out of the decision and action. This is exactly what we believe is happening, not in the simple sense that rules determine how we act in any robot-like sense, that would be impossible as algorithm-like rules are always underdetermining action, but in the sense that detailed and algorithm-like rules off-load the individual of responsibility. They represent formalisations of responsibility that will weaken the individual “spring of morality.” They represent as it were lazy solutions that because of the rule-format will tend to weaken the consideration of informal and vaguer aspects of responsibility – and may we add understanding and insight.

It is somewhat worrying to see that many of the demands for control found in modern management theories and tools are quite close to the descriptions used to diagnose autism. Not all of them of course, but take a look:

Under “Restricted, repetitive and stereotyped patterns of behaviour, interests and activities,”\textsuperscript{44} we find the following description:

\begin{itemize}
  \item a. encompassing preoccupation with one or more stereotyped and restricted patterns of interest that is abnormal either in intensity or focus.
  \item b. apparently inflexible adherence to specific non-functional routines or rituals.
  \item c. stereotyped and repetitive motor mannerisms eg: hand or finger flapping or twisting, or complex whole-body movements.
  \item d. persistent preoccupation with parts of objects.
\end{itemize}

I believe that it is possible to see at least some similarities, and if this is correct, it would confirm the suspicion that modern theories of management show a very disturbing reflection of what management is about. A reflection that must have consequences for the practice of managers, who believe in this reflection.

\textsuperscript{44} Quoted from: \textit{Diagnostic and Statistical Manual of Mental Disorders}: DSM IV.
4. Managing the metrics and achieving arbitrary goals

Today we are inundated with attempts to put life into tabular form. Every one has had the experience of being asked to answer a questionnaire, on topics touching upon all imaginable aspects of human life. Afterwards a flood of numbers, tables, curves and graphs are generated, showing quality of life, product quality, leadership quality, teaching quality, service quality or customer/client satisfaction of everything from car dealers to hospitals and kindergartens.

Advanced societies have become obsessed with quantification. Perhaps like Dickens’ Mr. Gradgrind: “With a rule and a pair of scales, and the multiplication table always in his pocket, sir, ready to weigh and measure any parcel of human nature, and tell you exactly what it comes to.”

In “Trust in Numbers” Porter argues: “Strict quantification, through measurement, counting, and calculation, is among the most credible strategies for rendering nature or society objective. It has enjoyed widespread and growing authority in Europe and America for about two centuries. In natural science its reign began still earlier.”

“Objective” is a key term, with quantification we can distance ourselves from the vagaries of just verbal statements, subjective opinions, and ineffable knowledge. “Exact results, even if faulty, are to be preferred to imprecise, sweeping conclusions, to “the statements which we perpetually receive from economists, of that which must necessarily be but yet is not, and to general ‘truth,’ to which each particular case is an exception.”

Accompanying the demand for clear and explicit goals we find the striving for measures that will enable us to judge exactly how far we have come in achieving the clear goals. This must be seen as an important part of modern ideas of performance management. In a publication issued by the Danish Ministry of Finance the connection between clear goals and measurements is emphasised: “In the strategy for effectiveness the department can describe how the proposed clear goals can be accompanied by scales of evaluation or success criteria that will make it possible

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47 Ibid. p. 53
unequivocally to evaluate whether the institution has lived up to each of the clear goals.”

This will make it possible to create elaborate evaluation-, benchmarking- and auditing schemes that can be used to hold the institution accountable, in essence forcing it to focus narrowly on the achievement of the explicit goals in competition with others working for similar goals. Almost like the Key Performance Indicators (KPI) used in business.

“In short, audits work because organizations have literally been made auditable; audit demands the environment, in the form of systems and performance measures, which makes a certain style of verification possible.”

Inspiration for such schemes could come from the schemes used by the Department of Health in the UK. An example being the elaborate star rating system. “The overall performance rating of an NHS trust is made up of a number of performance indicators. Performance indicators show how trusts are doing in relation to some of the main targets set by the Government for the NHS, as well as other broader measures of performance. They include information from surveys of staff and patients, and other measures useful to patients and carers.”

The whole system is too complicated to go through here but an illustration of some of the key target indicators used will suffice. In a description of the “Performance ratings methodology for 2004/05” for “Acute & Specialist institutions” we find the so called thresholds for Key Targets, to be used in the rating scheme awarding the institutions 0, 1, 2, or 3 stars (Table1).

Several aspects of such elaborate systems of measurement are problematic. There are problems related to the goals. Do the goals adequately reflect the overall purpose, in the above case for the acute and specialist institutions?

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50 (http://ratings2005.healthcarecommission.org.uk/home.asp)
The problem might be illustrated with a small example taken from another sector, a regional employment agency. Some of the goals of their contract for a given year are stated like this: Number of CV-talks: 6,500; Screening talks: 5,400; Individual job plans: 7,500. After half a year they have carried out 3,525 CV-talks, 3,900 Screening talks, and made 3,171 job plans. Even though outlook is rosy, some of these goals were reduced in the “Half-year Status Report for 2004.” With these reductions the agency looks set to achieve the reduced goals for that year, and this also goes for the rest of the goals specified.

**Table 1**

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Threshold for Achieved</th>
<th>Threshold for Underachieved</th>
<th>Threshold for Significantly Underachieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 hour waits for emergency admission via A&amp;E post decision to admit</td>
<td>100.0%</td>
<td>Greater than or equal to 99.5% and less than 100.0%</td>
<td>Less than 99.5%</td>
</tr>
<tr>
<td>All cancers: two week wait</td>
<td>98% or more</td>
<td>Greater than or equal to 95% and less than 98%</td>
<td>Less than 95%</td>
</tr>
<tr>
<td>Elective patients waiting longer than the standard</td>
<td>0.03% or less</td>
<td>Greater than 0.03% and less than or equal to 0.15%</td>
<td>Greater than 0.15%</td>
</tr>
<tr>
<td>Hospital cleanliness</td>
<td>3.0 or more</td>
<td>Greater than or equal to 2.0 and less than 3.0</td>
<td>Less than 2.0</td>
</tr>
</tbody>
</table>


The only problem is, none of the goals measure whether more people become employed as a result of the efforts or whether the unemployed are getting better qualified for potential jobs. The measures are only indirectly related to the overall purpose of the employment agency. They mirror internal activity goals that the organisation strives really hard to reach.

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I wonder how often something like this happens, that a whole organisation directs all its efforts towards what must be regarded as rather arbitrary goals in relation to the overall purpose of the organisation.

If we know nothing or only very little about the relations between the aspects we can measure and the qualities we want to promote, we may in fact find that the measurement may be both counterproductive and distorting, in as much as it may have a negative influence on those subjected to this kind of measurement.

What is left out in the attempt to set clear and explicit goals? Do the indicators and measurements used reflect all the relevant aspects of the goals, or has it been necessary due to difficulties of direct measurement to use substitute measurements that may have high reliability but an unknown validity. How are thresholds and cut off points set? In an evaluation report on the work of the National Audit Office of Denmark a few years back similar problems cropped up.

“An emphasis on methods that rest on facts and results that are reliable but not relevant, can bias investigations, in such a way that one does not investigate those aspects that demand the use of interpretations and valuations, whose reasonableness depends upon the relationship with other arguments, experience and common practice.”54

There are problems related to the measurements as such. What kind of knowledge guides the overall construction of the scales? How are the measures used to construct the simple rating of 0, 1, 2 or 3 stars. How does one add waiting lists, treatment quality, and hospital cleanliness together into a compound measure that may place the institution into either a 2 or a 3 star category?

In a discussion of more traditional performance measures Otley reaches the conclusion that not even in financial and accounting is the question of the objectivity of the measures an easy one: “Financial and accounting measures of performance often appear to have an objectivity, particular to unsophisticated users, that turns out to be illusory. The components of any accounting ratio, for example, can be defined in a variety of ways. No way is objectively correct or incorrect, but rather assessments have to be made concerning appropriateness for a specific use. Even when a ratio has been defined in a conceptually appropriate way,

there remains the issue of measurement. ... Accounting measures of both cost and profit require a myriad of subjective judgements to be made.**

Most important in our discussion though are the problems related to the effect of the measures upon the actions of decision makers, managers, employees, and patients and customers in general.

How will such schemes influence the attitude and behaviour of those being measured, not to speak of those using the results of research, the patients or customers, or the informed public in general? Might not every scheme like this lead people to orientate their efforts in the direction of what is measured and valued according to those measurements? In such a way that the management and employee effort will be concentrated on those activities that receive the highest counts for the least effort.

Might they not get involved in a kind of number’s game in which they orientate their efforts towards the demands of the rating systems? Certainly, if we are to believe recent numbers from sundhedsvalitet.dk (Homepage for health quality) showing that Danish hospitals had installed thousands of extra washbasins in an attempt to get an extra star in the Danish version of the star rating system**.

Something similar also took place in the local Danish Tax authorities. They were subject to a management scheme that consisted in setting quantitative goals for the numbers of tax cases to be finished within a certain time period, and the result was that one concentrated first and foremost on the easy cases, making it easier to reach the goals set.

In the case of university managers and academics subject to such schemes, Morley asserts that they are required “to present themselves in a language that quality assessors understand and value. Producing the right kind of optimistic and promotional self-description in mission statements, vision statements, and self-assessment documents

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57 For let at begå skattesvindel [Too easy to commit tax fraud]. *Berlingske Tidende*. (Tirsdag d. 10. oktober 2000), 1.
incorporates self-subversion and ritualistic recitation and reproduction. It implies a lack of ideological control over the task.”

What I am asserting is, that the methods of appraisal will influence the attitude and behaviour of those measured in this way, and that some important intangible aspects may be lost in the process. Insights and responsibilities of management and employees are de-rated or lost, now that one is forced to rate one’s efforts in a much more schematic way.

“As anyone in local government will tell you, these numerical indicators are about management at a distance, and they will always miss the point: school league tables make teachers concentrate on borderline pupils at the expense of their weaker classmates; waiting-list targets persuade NHS managers to treat those with the quick, simple problems at the expense of everyone else… It is a dream from the world of management consultancy, encapsulated in the McKinsey slogan that ‘everything can be measured and what gets measured gets managed’.”

The responsibility for ratings may become centralised and bureaucratic, located in central rating agencies with no detailed insight in the different topics, only in the rating schemes used.

And what will the customers do? Will they not, unless they have some special insight, use the ratings to judge the institutions being rated, and choose to behave accordingly?

Politicians and other decision makers involved in setting priorities for distribution of resources and the general public also come to depend on these ratings and believe that the best quality is to be found where the overall ratings are highest. Because:

“Seen from a more traditional political science perspective, formalised accountability via auditing offers a number of advantages: its reporting format promotes bureaucratic formal rationality against the substantive rationality of professional groups and their codified abstract knowledge, it makes governments appear to act for and on behalf of the public in making inaccessible institutions more transparent and accountable, and,

by doing so, creates the impression of certainty, control and “accessibility”.

Certainty, control, and accessibility these are terms that fit quite well with the quest for control that we already have discussed. While the term “impression” indicates that it is the image shown that is important. What we get is a kind of impression management. “Without audit and the certification that follows from audit, quality remains too private an affair. One might conclude that there is no quality without quality assurance.”

Perhaps managers fear that without these tools they would never be seen as real managers. Perhaps this might also explain why we sometimes experience a large gap between the unconscious processes and the attempts to create formal and rational procedures.

Hirschhorn describes an interesting case where it turned out that a manager used knowledge of quantitative information, of models and schemes, just to appear to be in control. It turned out that the manager in question “was projecting a defensive fantasy that made him feel more in control of his situation than he actually was. In doing so, however, …[he] distanced himself psychologically from the very people on whom he had to depend in order to do his work successfully.”

And while we are at it, what are we to think of the attempts to quantify personality by means of MBTI (Meyers Briggs Type Indicator) tests or similar schemes. None with much in the way of scientific psychological evidence. The use of such tests to categorise people’s suitability as managers, team players, specific career choices or partner matching, may destroy the effectiveness they are supposed to promote. The individual who relies to any serious degree on such tests may be seen as lacking confidence in himself and his abilities to judge people using the most complicated instrument he has at his disposal, his own reasoned judgment, and that of people he believes in. Perhaps the widespread use of such tests points to a growing degree of individual uncertainty, perhaps even anxious neurotic behaviour.

Common to all these attempts to create quantitative measures is the focus on systems of objectivity, systems that do not rely on the single knowing persons qualitative and reasoned judgment. It is an attempt to

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create what Porter calls a “Cult of impersonality”: “Rigorous quantification is demanded …because subjective discretion has become suspect. Mechanical objectivity serves as an alternative to personal trust.”

Not only that, measures and mechanical objectivity allow us to quantify, audit, and evaluate goal achievement. Like in the case of the regional employment agency, the star rating of hospitals and the development contracts of universities. The difficult task of judging whether an institution is fulfilling its more or less implicit purpose is reduced to simple measurements of achievements on quantifiable goals. Almost as in the case of the agency problem this allows a principal to control the efforts of the agents subject to these measurements and audits.

This has become an all pervasive trend to be found everywhere, not only as cult of impersonality, but also as a culture of quantification. Power talks of the “audit explosion” and “audit society” while others put more emphasis upon the performance measure part and talk of a “performance measurement society.”

“Audits have become central to the legitimation of a wide range of entities and groups. From the governance structures of private sector corporations to charities to psychotherapeutic practitioners, audit has become an important symbol of acceptability, indicative of ideals of transparency, accountability and managerial willingness to learn. To be audited or to say one is doing an audit is to claim institutional credibility for what one does.”

There are dangers in this. People may respond with a kind of de-coupling strategy trying to isolate themselves from the measurement schemes and audits with elaborate ritualistic dressing up of their efforts to suit the demands of the auditors, in an attempt to isolate most of the organisation from these ritualistic activities.

While ritualisation is undoubtedly a danger, I expect that more and more elaborate systems will make it almost impossible to isolate an

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organisation from the effects of the demands for explicitness, quantification and audits.

Colonisation is the other danger. It implies that the behaviour of people in institutions changes to accommodate and adapt to the measurement schemes and audits. Efforts will be directed towards fulfilment of stated goals and to suit the measurement schemes. The emphasis on explicitness and quantification will also mean that non-quantifiable aspects of a purpose will be ignored, and the ability of people to use their own knowledge, reasoning ability, judgment and sense of responsibility will be impaired or even perverted. The efforts will be directed towards making activities auditable and thus objective and visible, everything else will have to bow to that priority.

Overall these reactions may result in a strange kind of superficiality, in simple but visible goals, simple and visible efforts, and simple and visible results, 0, 1, 2 or 3 stars or whatever the measure is called.

5. Cascades of stupidity

Why do we act so foolishly? Supposing that others can see that there are serious problems with the theories and methods we have just been discussing, one may wonder why so many jump the bandwagon, and a bandwagon it seems to be.

What makes us use the paraphernalia of instruments and tools found for instance in management and in organisations? Like balanced scorecards, which look like a miniature version of a command economy, or knowledge management, even though we barely know what knowledge is, much less how it is brought about, or incentive systems focusing on the individual, even though it may destroy cooperation among individuals. What is the cause and source of this infatuation with tools whose contribution to efficiency and effectiveness may seem very doubtful?

Perhaps this infatuation may have something to do with modern business schools research orientation and curricula. In both cases we find an orientation towards a more scientific stance, possibly inspired by the theories and rigorousness of methods used in economics and social science in general. It is a thought that struck me some time ago when asked to review a journal submission characterised by one-sided or is it one-legged emphasis on the methods used. I found cause to write the following to the editor of a journal.
“It strikes me […] that proposals like these seem to have become more commonplace. It is as if the use of an accepted tool, in the shape of some statistical analysis, makes a paper scientific even in the evident absence of any deeper theoretical insight. I wonder whether this isn’t becoming a general problem. It would mean that the use of a statistical tool (the method) is becoming more important than the problem or the insight into a theoretical background. As I see it, this isn’t a paper about ethics, it is more a demonstration of simple statistical tools, and that in itself might in a certain sense be ethically questionable.”

Perhaps business schools have gone too far in the eagerness to establish a rigorous foundation for their research and curricula, in a vain attempt to put their subjects on a scientific footing, and ignoring Hayek’s warning words against scientism in social science.

Bennis and O’Toole seem to think along the same track. “During the past several decades, many leading B schools have quietly adopted an inappropriate-and ultimately self-defeating model of academic excellence. Instead of measuring themselves in terms of the competence of their graduates, or by how well their faculties understand important drivers of business performance, they measure themselves almost solely by the rigor of their scientific research. They have adopted a model of science that uses abstract financial and economic analysis, statistical multiple regressions, and laboratory psychology. Some of the research produced is excellent, but because so little of it is grounded in actual business practices, the focus of graduate business education has become increasingly circumscribed – and less and less relevant to practitioners.”

This is only one side of the picture, the other side is the growing multiplicity of management theories and tools that may seem to have a scientific grounding, but in reality may have more in common with fashion fads.

The 2005 “Bain Management Tool Survey” in the US brought the following ranking of tools: Strategic planning; customer relationship management (CRM); Benchmarking; Outsourcing; Customer segmentation; Mission and Vision statements, etc. Further down in position 11 we find TQM; Balanced scorecard (13); Knowledge management (15). The

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69 http://www.bain.com/management_tools/home.as
Bain survey for what it is worth would seem to show all the characteristics of a “Top of the Pops” ranking, with hasty movements up and down the ranking scale, thus pointing to the fad character of some of the management tools.

Today trends and fashions, whether of management theories and tools, or beliefs in general, are becoming a world wide synchronised phenomena. That this is possible may be easy to understand, given the reach of modern media and communication devices and the intense interconnections between almost every part of the world, or at least the economically developed parts of the world.

Still, that does not explain why we, the individual decision makers, jump the bandwagon. Where has the independent and self-confident individual gone? On the surface this personality may seem to have been reduced to a kind of stereotype, stamped with the same fashion element that everyone else is wearing.

Looking for ways to understand this looking alike, this thinking alike, this acting alike, this parroting or herding, we may be able to discern a series of interrelated explanations.

In acting alike the assertion is that each individual may possess individual information, knowledge, beliefs or convictions, but knowingly ignore this. This would mean: Adaptation and following the examples set by others, avoiding or ignoring one’s own independent ideas, thoughts, knowledge, and experience. This is a phenomenon that we might refer to as information cascades.

For instance carrying and opening an umbrella, imitating others who are still carrying open umbrellas, ignoring one’s own realisation that it is not raining anymore.

A variation of this might include actively wanting to belong, to be accepted by others, by one’s peers, in a kind of “acceptance” cascade. This would also mean that potential different ideas and opinions of one’s own would be suppressed.

In umbrella terms: Not choosing an umbrella in outrageous colours for instance, when you see that those before you have bought grey or black umbrellas.

In a curious way conformity in behaviour might also be a result of individuals striving to be different, to get ahead of the rest, to stand on one’s toes to see further. To get ahead of the rest one buys the latest in umbrella technology, and soon discovers that many others have had
exactly the same idea. A possible example of this might be the popularity of the book “Blue Ocean Strategy” ranking 160th in sales at Amazon. The paradoxical aspect is, that a book about finding your own way, is apparently being bought by all, well not all, but I hope you see my point. Trying to do something different and ending up doing the same.

A somewhat different cause of conformity may have something to do with reputation. Our opinions and decisions may be influenced by reputation. By people with a high reputation, or by our attempt to gain or keep reputation ourselves.

In a series of very simple experiments involving quotes from novels in the 1930’s Sherif showed that “prestige-suggestion or stereotype plays a considerable part in people's judgments. In other words the attitudes towards authors serve as reference points. Authors rated high tend to pull up, and conversely authors rated low tend to pull down, the rating of the passages attributed to them. This is but a specific case of a general psychological principle. It appears that our judgments like our perceptions, are organized in relation to definite reference points or in relation to a general level of reference.”

Relevant real world examples today are seen in the clustering of interest and opinions around experts, designated as gurus. Perhaps peacocks would be a more appropriate name. It would seem that many individuals, like for instance journalists lose the ability to use their own knowledge and common sense when referring to statements from such peacocks. They may state very banal or evidently self-contradictory things and still people may gather around them as if they have the qualities of the Oracle of Delphi, who was also often heard saying strange things. And the cascade usually widens until in certain areas of expertise very few people influence what the “right” opinion is. Thus creating a kind of social cascade.

In many cases we confirm ourselves in our choices in a kind of spiraling cascade of our own choices. Sounds weird? Well think of the woozle hunt in Winnie-the-Pooh. In this hunt Pooh, the very stupid little bear, hits upon a set of track marks. Convinced that they are made by the woozle, he sets off. Suddenly he stops and Piglet who has run after him

asks him: "What's the matter?". Winnie-the-Pooh has suddenly discovered there are two sets of tracks in front of him. Thus concluding that he is following two woozles. Winnie-the-Pooh and Piglet now proceed in company, until Pooh suddenly stops again pointing to the tracks: "The tracks!" said Pooh. "A third animal has joined the other two!" "Pooh!" cried Piglet "Do you think it is another woozle?" Seeing that the new pair of paw marks are smaller, Pooh thinks it might be a wizzle.

Of course Winnie-the-Pooh was running in circle or more precisely a spiral following his own paw marks, and when Piglet joins him the footmarks of Piglet are added. Thus the woozles are imagined, but, in Pooh's view, the tracks confirm that there are more and more woozles and perhaps a single wizzle.73

We can see a kind of cascade originating in a similar way with our own choices, in the sense that having made a set of choices these choices may act somewhat like the tracks that Pooh saw convincing us that we are really doing the right thing. Of course. this might be multiplied by all the tracks already made by others, but then I suppose we are back in the ordinary cascade.

6. Acts of trust and responsibility

Imagine for a moment that you are travelling abroad with a lot of luggage. You have arrived in a foreign airport, a place where people are in most cases unknown to each other. You want to go to the lavatory but cannot bring all your luggage. In this situation, you may have asked someone apparently waiting, if he or she would look after your luggage for a few minutes. This is obviously in your interest, but what about the other person looking after your luggage. You apparently trust this person to live up to a small duty, looking after your luggage for a few minutes. Is that in the other person’s simple self-interest? Hardly, and there is no bond of friendship, no reward to be expected, no threat of sanctions to explain this expectation.

We trust and show trust in situations like these and in a multitude of other situations. Meaning, that we are not only simple REMM men, driven only by our self-interest, but also men possessing a sense of duty.

73 By the way, depending on the exact spot where Piglet joined Pooh, I suppose there should be more tracks when they hit their own tracks again. The two existing plus Pooh’s and Piglet’s new set.
for instance in living up to the trust we are showed, men of fairness and men that are able to show other regarding interests.

This does not have to be about the opposites of self-interest and selfishness versus unselfishness and altruism. It may instead be about a kind of sociality-interest. We have to realise that interests, that we possess, are not created or made by us. They are to a very large extent interests of a sociality. We, as individuals, may never realise the full extent of these interests or the precise reason why such a sociality-interest exists. In our upbringing most of us have just been inculcated with a sense of fairness, a sense of duty, and hopefully with some trust in others. If that was not the case, all our transactions with others would have to be carried out according to an explicit contract, under a set of controls, and under the threat of sanctions.

Under the term “experimental economics” it has become increasingly popular to make simple game setups to test whether we in fact possess some of these qualities which would contradict the postulate of self-interestedness.

In the “Ultimatum game” for instance there are two players who interact in strict anonymity. The first player, the proposer, is offered a sum of money, under the condition that he has to propose, how to share this sum with the second player. The second player, the responder, can either accept or reject the offer knowing only the rules, the proposal, and the total amount of money involved. If the offer is rejected neither player gets anything, if it is accepted the proposal is carried out.

In experiments it has been shown that the amount offered by the proposer in most cases would exceed what could be expected according to strict assumptions of self-interest. Sigmund, Nowak and Fehr mention that in two thirds of the games the offer is between 40% and 50%. Classical economic man assumptions would lead one to believe that no offer above zero can be too small. For the self-interested individual even a small amount would be better than nothing. Still in the games reported by Sigmund, Nowak and Fehr offers of less than 20% were rejected by more than half of the responders. Why is this so?

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I would expect most people to come up with a simple answer, mentioning fairness or sense of justice. The proposer may judge, that a very small offer will seem unfair to the responder, and thus give more generous offers. The responder may find small offers unfair, thus rejecting such offers, which means that none of the players would get anything. The responder in fact foregoes the small share in order to punish the (niggardly) behaviour of the proposer.

In a certain sense, the game experiments may give us less insight into our values and motives than our day to day experiences in interactions with others, in airports and in other places. We have to understand, that we are not isolated individuals, but individuals living in and shaped by a society. Our sense of justice for instance does not originate in the individual, that would in itself be a strange idea. It belongs to a society that imposes a sense of justice upon the individual through upbringing, and interaction with others.

Perhaps this is also what makes the whole experiment inexplicable from a pure economic view. The players are not blank human beings, they are human beings with a history, immersed in a society and a culture whose values may have been inculcated, and in which they have experiences of countless encounters, often reciprocal, with others. The values include a sense of justice and of fairness, and how are the players to strip themselves of these values just because it is a game.

Understanding this is important because it may help us see that the arguments in the agency theory and in general transaction cost theory may not only be faulty, but inherently problematic. If we act as if the assertions of agency theory are correct, we actually corrode the sociality-interest as we have called it here. We may diminish the importance of being trusted, the sense of duty and fairness and a whole set of values and inclinations that are important, not only in the day to day workings of an institution, but in the whole of society.

We argue, that the internal bounds of every individual and the mutual bounds on individuals, do in fact make up the most basic and in a certain sense also the most efficient barrier to self-interested and opportunistic behaviour. We would also argue, that behind the principal agent relation we would in each and every instance have to presume the existence of the moral bounds, and that control, monitoring, and incentives would be less important in relation to that. The efficiency of the solutions proposed by agency theory and transactions cost theories would in fact depend on the
pre-existence of some of the values we discuss in this section. No amount of control, surveillance, and sanctions would ever be sufficient to keep us within certain bounds.

It would seem that in a certain sense the most basic and presumably most efficient barrier to strategic manipulation of information or intentional misrepresentation of intentions, and against individuals acting only in their own interest, would be shared moral bounds, upheld not by any monitoring agency but by mutual recognition and action by the individuals making up the organisation.

This assertion would seem to be supported by the conclusions reached in a paper called “More Order with Less Law.” The paper looks at contract enforcement in a game experiment in order to analyse the theoretical assumption, that more law increases the likelihood of keeping a contract. More law meaning a higher probability of enforcement and a higher cost of breaching the contract.

In the game a first mover has to decide whether to enter into a contract without knowing whether the contract partner (the second mover) will honour or breach the contract. “Standard economic analysis of law predicts that the higher the expected cost of breach is, the more likely second movers are to perform.” According to this view the second mover will behave like a REMM man, only honouring the contract if the expected cost of breaching it becomes too high.

The surprising result was, that more order could be achieved with less law, i.e. in a situation in which parties were not forced to stick to the terms of a contract through the threat of costly sanctions. That contracts are also honoured by the second movers in the situation with low levels of law and enforceability demands an explanation outside the realm of economic man. An explanation involving reciprocity and the existence of trust.

The importance of the sociality-interest of trust is underlined by the surge in interest in trust related issues. The workshop on trust under the European Institute for Advanced Management Studies is just one example: “Due to deterioration in the binding power of reciprocal obligations, of hierarchical relations and of social institutions relying on hierarchy to

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77 Ibid. p. 2.
sanction deviant behaviour, other mechanisms seem to be required to support co-operative behaviour in interactions. Within firms, lateral relationships and alliances are growing in importance, while new linkages between firms are being formed to achieve and maintain competitive advantage in the marketplace. In network forms and alliances, organisational performance becomes increasingly dependent on trustful relations [my emphasis] between individuals and groups.\textsuperscript{78}

The deep seated values, conventions and sentiments that belong to the sociality-interest may perhaps be seen as a lattice structure upholding a society of human beings. In a libertarian society the lattice would be rather open and fragile leaving much latitude to individual REMM like men. If it becomes too fragile and open it will not be strong enough to preserve a society. On the other hand, a lattice cast in the concrete of detailed rules, controls and sanctions with only very narrow openings in it may leave very little room for REMM's but may also leave very little room for growth and development. Seen in this light it may not be too wise to talk of “the cement of society” like Elster\textsuperscript{79} does.

The lattice is something that limits and directs the individual's activity, it is something much bigger than any individual. It may seldom be in the direct and immediate interest of a single individual. In fact, from the viewpoint of a REMM man, it may be seen as irrational, as something constraining the individual in its attempts to maximise. Only indirectly does it potentially benefit every individual in a society.

“Cleaning up the environment and abstaining from polluting it are classical collective action problems, as are participation in community work, support of museums or public radio stations, adherence to a revolutionary movement, honesty among tax payers or among public officials and voluntary donations of blood. The characteristic feature of all these cases is that any individual contribution generates small benefits for many people and large costs for one person – namely the contributor.”\textsuperscript{80}

The lattice may thus consist of a kind of indirect cooperation, like paying taxes, voting in elections and giving blood. Actions that may cost something for the individual but result in small benefits for everyone in a society, even for the one who is doing the action. Even so the benefit for

\textsuperscript{78} 3\textsuperscript{rd} Workshop on Trust Within and Between Organizations. the European Institute for Advanced Management Studies. Amsterdam (EIASM), October 27-28, 2005
\textsuperscript{80} Ibid. p. 18.
a single individual would be too small to make REMM-like men act upon them. On the other hand if everyone engaged in such indirect cooperation it would potentially benefit all.

The lattice also consists of values like showing trust, being truthful, showing fairness and justice, keeping promises and honouring agreements and vague duties, perhaps by giving voice to unpopular opinions that one believes in. In a concrete situation a single REMM man might not see his advantage in honouring any of these values, but if most people in society act according to these values it would benefit all of us.

7. Self-organising order

“Phenomena like language or the market, money or morals, are not real artefacts, products of deliberate creation. Not only have they not been designed by any mind, but they are also preserved by, and depend on their functioning on the actions of people who are not guided by the desire to keep them in existence.”

The important point here is that these wholes are not a result of deliberate concerted actions by the individuals, guided by rational intentions and grand plans. It is instead a spontaneous order generated as a result of individual actions. Actions guided by the limited views of individuals. The results in the shape of the social phenomena we are talking about emerge behind their backs. Furthermore the “significance of the abstract character of such orders rests on the fact that they may persist while all the particular elements they comprise, and even the number of such elements, change.”

Think of an anthill if you will. The individual ants may have a very limited view and very limited tasks. They “know” nothing of the structure that they erect, and the society they are creating through their individual actions. Even so, it is through their actions that a structure emerges that looks to have a very material existence and a very clear purpose.

“For instance, a colony of ants can collectively find out where the nearest and richest food source is located, without any individual ant

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82 Ibid.
knowing it. In experiments, a food source is separated from the nest by a bridge with two branches, one of which is longer. The shorter branch is most likely to be selected by the colony. This is because the ants lay and follow chemical trails: individual ants lay a chemical substance, a pheromone, which attracts other ants. The first ants returning to the nest from the food source are those that take the shorter path twice (from the nest to the source and back). Nest mates are recruited toward the shorter branch, which is the first to be marked with pheromone.”

What we see here, illustrates how simple behavioural rules, and in this case we may presumably talk about rigid hardwired rules, directing the behaviour of every single ant, can result in an overall structure that to the uninitiated may look like the result of intelligent purposeful design. Finding the shortest path to a food source, building complicated anthills, and defending it. No intelligent designer is needed, self-organisation based upon a few simple rules can apparently bring about an order incomprehensible to the individual actors.

What Hayek, and others, are saying is in fact, that something similar is happening in human societies. This is how we may understand the cryptical quote in the beginning of this section. Markets, democracies, scientific and technological developments as well as la Ola waves, are brought about not through a kind of intelligent designer with control over our future, but through the more or less spontaneous actions of individuals. Acting of course within the constraints and possibilities brought about by the actions of previous generations of human beings, like existing markets, democracy, values, and the present scale of scientific and technological development. The existing structure results in a kind of downward determination, in the sense that it determines the avenues open for further spontaneous development.

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83 Quote from interview with Eric Bonabeau, found at www.openp2p.com/pub/a/p2p/2003/02/21/bonabeau.html
Instead of the previous quest for control theories and ideas we thus get something more akin to the emergence of order in complex systems.

“Emergent change consists of ongoing accommodations, adaptations, and alterations that produce fundamental change without a priori intention to do so. Emergent change occurs when people reaccomplish routines and when they deal with contingencies, breakdowns, and opportunities in everyday work.”

Modern attempts to understand and explain how this may come about, have often been inspired by relatively recent developments of theories of complexity and self-organisation in the natural sciences. There is no unitary complexity theory, but many different and overlapping theories. In order to understand what a complex systems is, one often refers to examples of such systems, talking about anthills, markets, or physical systems. In general though complex systems are described by the following characteristics: They are dynamic, meaning that they change over time with previous states influencing present states. They are nonlinear, meaning that small disturbances may produce unforeseeable effects, large, small or none at all, popularly referred to as the butterfly principle. They may show emergence, meaning that through a process of self-organisation they may give rise to new and complex structures that cannot directly be derived from the simpler structures. An example here would be the ant hill that is a result of the simple actions of countless ants. This fits the variant of complexity theories known under the label Complex Adaptive Systems or CAS.

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86 See for instance:
“CASs are self-organizing in that there is no overall blueprint or external determinant of how the system develops; instead, the pattern of behaviour of the system evolves or emerges from the local interaction of the agents within it. It is this self-organizing ability which allows such systems to adapt to their environment in order to survive.”

It is evident that these aspects of complex systems mean that they will be impossible to control and foresee, although it may appear so in intervals of relative stability.

In this paper we are especially interested in the properties relating to self-organisation. Properties that include: Absence of external control for instance in the shape of an intelligent omnipotent designer or a plan; Instability and criticality, referring back to nonlinearity and to more or less sudden phase changes; Redundancy and robustness; Self-maintenance; Adaptability; Emergence; Local interaction. An illustration may make it clear what this means in practical organisational terms.

Imagine, that a group of young boys, who are the sole survivors of an airplane crash, land on an isolated and uninhabited island. This example is of course inspired by Golding's book “Lord of the Flies”. But here we give it a twist such that the story unfolds in a way totally different from Golding’s.

Some of the tasks most of the boys agree upon after the first meeting, are tasks essential for survival. Building a kind of shelter, finding or hunting for food, preparing food, and collecting water: Nothing too complicated on an island, where there is enough resources for this. There is no omnipotent leader here, no designer making a plan for everybody else.

Now we place a kind of magnifying glass over one of these tasks, for instance the building of a shelter. Would the boys know what is meant by a shelter? We may suppose that they have a vague notion, a primitive notion of how houses are constructed, with some kind of roof, supports and with walls for protection. They may have some idea of collecting materials that could be used for a roof, thinking of course of something that would be impermeable, something that water would run off, something having a certain extension, and solidity, while not being too heavy. Likewise they would need something that could support and maybe

anchor the roof. Something that would hold up the roof material, and perhaps constitute walls. All this might go on without discussion.

Each of the boys may act with only a vague idea of the whole thing. They may look to palm leaves as roofing material, testing them for the purpose with their fingers, measuring them with their eyes, still with no clear idea of how they could be fitted together as a roof, whether they would need many layers to make water run off or what. Many minds would be active, see, probe, and discard possibilities, carry material to the spot chosen, perhaps experimenting with ability of the branches to support weight, or testing their flexibility, or their brittleness etc.

Their attempts may reach critical points or result in unforeseen setbacks, for example in relation to construction of the support structure for the shelter and the attempts to secure palm leaves for protection against the elements. Suddenly, the construction may collapse under the weight of the last element added, and a new solution must be tried.

Redundancy and robustness may show up in the multitude of ideas emerging in the heads of individual boys and in their ability to act as substitutes for each other in their efforts. Self-maintenance and adaptability may also be observed.

The result of the whole unplanned and un-managed activity of the boys might be that in the end a shelter emerges that fulfils the need for protection against rain and perhaps wind.

Of course the boys are not ants, they have a conscious idea of the purpose and perhaps even vague conceptions of a shelter. It is just that in some instances it may actually look as if the solution they “discover” is a result of the qualities of the materials and the environment.

What one might find in this instance are not the typical elements of management: “Prevoyance, Organisation, Commandment, Controle.”\textsuperscript{89} There is no clear prevoyance, no conception, no plan, there is only a vague idea of what a shelter is and of the purpose it has to fulfil. Formal organisational structures may be almost nonexistent in as much as everyone just goes off in search of what he believes might be relevant for the shelter. Tasks are not consciously divided up by any one. No single boy is in command.

The construction emerges so to speak from the mutual activities of several boys having in the beginning only vague ideas of what they are constructing and for what purpose, but slowly, through mutual interac-

\textsuperscript{89} These expression go back to Fayol’s theories. See Fayol, op. cit.
tion, and interaction with their environment, a shelter emerges, and an idea becomes more focused and concrete.

This example may show how different the ideas of complexity, self-organisation and downward determination are compared to the theories found in the quest for control, with their emphasis on the ability to make precise predictions, create clear goals and design detailed plans, procedures and tools that will allow us to reach the goals and thus realise the predicted future.

Now, one may perhaps agree that in a small scale example like the boy’s attempt to build a shelter some kind of self-organisation may work, but in the real world we would of course like to have plans for construction, not only of buildings, but for almost every human effort we can think of. We would want to have some measure of predictability and intelligent control over the future.

What we forget is that some kind of self-organisation is at work in large scale human endeavours too, like the market system, democracies, emergence of large scale peoples movements, revolutions, and other large upheavals. It may be more difficult to see that self-organisation is also at work in scientific and technological developments, although many of us are participating in this every day, just think of the World Wide Web.

In short some of these examples may indicate that important institutions and social progress are in fact dependent on some kind of large scale self-organisation. Attempts to create societies based on a kind of intelligent design in the shape of a planned economy with strong internal controls lost out in the competition with more open societies with less centralised control and more scope for self-organisation.

In the light of what we have just been discussing the attempts to make complete descriptions like those belonging to ISO-standards and the so-called clear goals are futile. At most they might act like an attempt to build an iron cage in which it would be difficult to envisage creativity, change, and development. It would be difficult to imagine that such descriptions and prescriptions could cover every eventuality. It would not contain prescriptions for handling unforeseen exceptions to the descriptions found in the plan.

Thus we can conclude that it will neither be possible nor cost effective to specify all elements of even simple work processes in a kind of master mind scheme. Although it may look as if this is being done in complicated technical procedures, for instance when constructing and flying off
space shuttles. Here it might be relevant to think back to the O-ring disaster, which may show that even attempting to plan technical aspects to the last detail, we cannot leave out human discretion. There would still be scope for self-organisation, self-reference and self-control, albeit on another level than in the case with the boys constructing a shelter.

Members of CREDO have studied attempts to create pockets of self-organisation in practice. Most recently in Bombardier Transportation, a Danish subsidiary of the Canadian Bombardier Company, and in TDC, a large Danish provider of communications solutions.

Bombardier Transportation is involved in renovating train sets for European customers. Having a local management believing in some of the ideas presented here, they tried to establish what they called co-managing groups of blue-collar workers. Apparently with some success, if one is to believe results of the two studies made by CREDO members. A small excerpt from one of the interviews with a mechanic may illustrate how self-organisation might work in detail:

“If there is something that has to be solved right now, and one has an idea how, then it is important to solve it immediately self … For example, here in the late morning I had some defective components from the sub-supplier. They have to be sent back to the sub-supplier and remade, but then it takes a long time before we get them back. So I take some paint and repair the components. I have taken the decision on my own in the situation, and it took 10 minutes to solve it. Because if they have first to go through our quality department to be sent back, remade and painted again it is not worth the effort if the problem can be solved in 10 minutes.”

Something like that happened in several instances, often involving a group of people working together and bringing their different abilities into play, in order to solve unforeseen problems here and now. This small example may show how different the basic approach advocated here is from the attempt to bring activities under detailed control for instance through an ISO-9000 approach.

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The self-organising efforts in the TDC were more limited in scope, but also demonstrated some of the possibilities of self-organisation. Some of the ideas that we get from the discussion of theoretical alternatives to the “Quest for control” approaches, and our examples can be summarised like this:

- The impossibility of complete control and foresight.
- The impossibility of complete specification.
- The possibilities of self-organisation and self-regulation.
- The “intelligence” and creative potential of groups of individuals.
- The robustness and self-repairing properties of self-organising groups.

The differences between the more traditional view discussed in the previous section and the view presented here may perhaps be summarised in a table (Table 2).

Table 2

<table>
<thead>
<tr>
<th></th>
<th>Hierarchical Management</th>
<th>Self-organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>General orientation</td>
<td>Linear prediction and control</td>
<td>Non linear complexity and emergence</td>
</tr>
<tr>
<td>Directions given</td>
<td>Clear goals and detailed instructions (blueprint)</td>
<td>Open-ended broad goals Sense of purpose</td>
</tr>
<tr>
<td>Achievements</td>
<td>Planned</td>
<td>Emergent</td>
</tr>
<tr>
<td>Use of general knowledge, abilities</td>
<td>Limited</td>
<td>Expansive</td>
</tr>
<tr>
<td>General problem-solving capability</td>
<td>Not necessary</td>
<td>Necessary and possible</td>
</tr>
<tr>
<td>Redundance and Robustness</td>
<td>Low, vulnerable</td>
<td>High, flexible and adaptable</td>
</tr>
<tr>
<td>Control</td>
<td>External control</td>
<td>Internal self-regulation</td>
</tr>
<tr>
<td>Responsibility</td>
<td>Limited</td>
<td>High</td>
</tr>
<tr>
<td>Interaction</td>
<td>Limited, top down, structured</td>
<td>Extensive, local, unstructured</td>
</tr>
</tbody>
</table>
This table of course has some of the characteristics of a traditional management view, i.e. simple boxes and dichotomous categories, but it would be foolish to think that our choices are binary, that we have to choose between either control based approaches or self-organisation. That is not the case, but it may be necessary to overemphasise the possibilities that self-organisation presents us with, in order to counteract the distortions brought about by quest for control reflections, and thus perhaps enable a better balance of quest for control positions and self-organisations.

The need for self-organisation may of course be especially important in societies and organisations characterised by a high degree of complexity in the internal structure or of their environment, by dynamic change, rapid evolution, and dependence on knowledge and innovation. In these circumstances the traditional “quest for control” ideas and tools may be especially stupid and harmful.

8. Competent judgment instead of “half-measures”

In an earlier section we criticised the many attempts to measure every thing that counts, to get a measure of all things, by counting only what can be measured – preferably along a cardinal, ratio or ordinal scale.

The attempts to measure performance, to give quantifiable accounts, to audit, are “half-measures” in the sense, that they only take account of the aspects that can somehow be identified and measured explicitly. More or less in accordance with the demands of measurement theory. They ignore the half that is difficult or impossible to discern directly and thus impossible to quantify.

What is the alternative? If we want to avoid the problems with these half-measures that lead to all sorts of distortions we need something else. This has proved to be difficult, perhaps because we are brought up in the belief that numbers are somehow more reliable than mere judgments. Numbers have an air of scientific objectivity, and immediate and unequivocal commensurability.

In the first feeble attempt to criticise the half-measures, I have tried to use the example of a chair to discuss how one might understand and
measure chairishness of chair\textsuperscript{92} in order to get a measure of its quality. The following ideas represent a further attempt to counter the distortions brought about by the maniacal rush to quantify more and more aspects of our lives.

In order to make the problem as it were manageable, I shall limit this part of the discussion to some of the issues involved in attempts to measure quality.

If a product is made by an ISO certified company, I suppose that many might think that this means that its product must be of good quality. In fact the ISO certification only means that the company in question lives up to its own defined standards, whatever they may be. Davis mentions that a company “can be certified to produce tables with seventeen legs or light bulbs that “pop” after three uses”\textsuperscript{93}. An ISO certification only means that a company has stated in writing that it will play according to certain rules, and also in writing, that it will live up to these rules of the game in its transactions with its customers. In other words, standards may be low, but they have to be documented and met consistently.

Then there are the different definitions of quality to be found in business school curricula. Stating for instance that quality means that the product or service conforms to certain requirements. Or referring to Juran’s definition: "Quality is fitness for use”.\textsuperscript{94} It has also been popular to see quality as “meeting customer expectations,” or more subtle “giving the customers a little more than they expected”.\textsuperscript{95}

Using one of these definitions to box in quality, it may look as if it is possible to get a measure of quality. A measure of how well one is meeting expectations may be had by asking the customers to rate one’s products or services. But this does not get us very far. Expectations are neither fixed, nor do they float freely in the air. They may in fact stem from commercials created by the company, whose products are being rated. In this case we may logically conclude, that a higher measure of quality could be achieved, if one could somehow lower the expectations of customers. I wonder though, if that would be such a smart idea.

\textsuperscript{95} See for instance the definitions found in: Hunt, V. D. (1992). \textit{Quality in America: How to Implement a Competitive Quality Program}. Homewood, IL.: Irwin
How then might we establish what quality is, and how do we get a “full measure of quality”?

Perhaps Mill’s ideas on higher and lower pleasures might help us. “It is indisputable that the being whose capacities of enjoyment are low, has the greatest chance of having them fully satisfied; and a highly endowed being will always feel that any happiness which he can look for, as the world is constituted, is imperfect. But he can learn to bear its imperfections, if they are at all bearable; and they will not make him envy the being who is indeed unconscious of the imperfections, but only because he feels not at all the good which those imperfections qualify. It is better to be a human being dissatisfied than a pig satisfied; better to be Socrates dissatisfied than a fool satisfied. And if the fool, or the pig, are of a different opinion, it is because they only know their own side of the question. The other party to the comparison knows both sides.”¹⁹⁶

There we have it! Those who have more experience, who are recognised as having more knowledge about a certain subject, and who possess the ability to use this to make subtle distinctions, are those who define what good quality is. Quality can never be defined by those who don’t have experience of “higher pleasures”. Discerning judges define what is meant by quality, whatever product or service we are looking at. Even the competent judges will of course be influenced by the products and services offered, but they will at least know how to make sophisticated comparisons.

This at least brings us past the simple “satisfaction of expectations” version. Most of us may in fact quietly or unknowingly adhere to the view presented here, when we make decisions about what product or service to buy.

If this more or less takes care of the question what quality is, there remains the vexing problem of how quality is measured. Continuing the argument from above the answer might be that overall verbal judgments and simple comparisons are often as far as we ought to go. The problem is, that competent judges in their judgments rely on both explicit and formal knowledge, and implicit and tacit knowledge, and combine this in what may commonly be called wisdom.

If important parts of a judgment rely on tacit knowledge, it would be
difficult to find a directly observable quality to relate any explicit meas-
ure to. Tacit knowledge in a sense means, that we cannot state explicitly
what we base our judgment upon. We can only indicate the result of our
deliberations in a judgment. Thus making it impossible to state explicitly
all the salient factors that entered into that judgment.

Think, if you will, of how we recognise a face. We move from the
silent recognition of particular features of the face to the face. We some-
how use the elementary features of faces to get at their joint meaning
without actually being aware of neither the particulars nor the tacit proc-
ess of integrating these features into the explicit recognition.

How do we then become competent judges. Is it something that we
can learn? Wittgenstein’s answer is: “Yes; some can. Not, however, by
taking a course in it, but through ‘experience’. – Can someone else be a
man’s teacher in this? Certainly. From time to time he gives him the right
tip – This is what ‘learning’ and ‘teaching’ are like here. – What one
acquires here is not a technique; one learns correct judgement. There are
also rules, but they do not form a system, and only experienced people
can apply them right. Unlike calculating rules.”

This means that explicit measurements of aspects that are evident
would not be enough. They would only give us those half-measures that
ignore the tacit and implicit aspects.

Instead of taking a multitude of measurements of explicit features like
the ones referred to in the star-rating of hospitals, it might be a better idea
to rely on competent judges. Or rather the competition between compe-
tent judges making verbal judgments, or devising simple rankings of the
products or services being judged. Doing what is being done in the star
rating scheme would result in what we have called half-measures, and the
striving to achieve good half-measures may actually undermine, what we
wanted to achieve in the first place.

When attempting to quantify how well an institution or organisation
is performing we have to ask: In relation to what? The answer to that
question today is often some clear, quantifiable goal set in advance.
Number of cases treated, or number of publications for instance.

In recent evaluation of a report made by The National Audit Office of Denmark98 this problem became evident. The report represented an audit of the efforts made by the Ministry of Science, Technology and Innovation to further cooperation of knowledge institutions and business, with the aim of increasing and realising the innovative potential of business.

In an exemplary case, institutions carried out performance accounting on a yearly base. The performance measure used, was the amount of technological advice and service given by these institutions to private companies. This of course tells us something about the amount of activity in institutions, but it does not tell us what effect it had on the innovative potential and its realisation. One can only hope that the measure had some relation to the overall purpose of the initiative.

It would seem, that similar problems are a characteristic feature in many of today’s audit attempts, concentrating on (ac)counting for the amount of activity. What seems to disappear from such attempts, is the overall purpose. Instead of trying to evaluate the effect on the innovation potential, which was the purpose of the initiatives, the focus is on counting activities. The explanation for this bias is probably, that this represents the only way one is able to give an account in precise quantitative terms.

Such an account may not be relevant for judging whether an institution fulfils its purpose, but it demands for objectivity as demonstrated by explicitness and quantification, overrides any interest in judging, whether an institution is fulfilling its purpose.

The pervasiveness of “objectification” and “quantification” attempts may have serious consequences, in as much as it may pervert the efforts of all those who are subject to it. It perverts their efforts in the sense, that they will discover that their own success and that of their institutions will depend on their ability to deliver results that suit this demand for “objectification” and “quantification”. Biasing their efforts in a way that in itself undermines the whole attempt to achieve objectivity.

The multitude of attempts to create objective and quantifiable measures, the trust in numbers, may destroy the trust in people and especially of course the trust in professionals and their ability to act as competent judges. The pseudo-objective systems of tools and measures substitute trust in people for trust in systems and instruments, thus reducing the

need for trust in competent judges. Even worse, it may induce the self-
same judges to disregard their own competencies, instead forcing them to
act in an opportunistic way to fulfil the demands of the measurement and
audit systems. A little flipantly: It may become more important to
document one’s waste of time than doing something worthwhile that does
not fit into the measurement system.

Here I shall advocate almost the opposite approach, that we create
opportunities to use one’s insight and sense of responsibility to support
the creation of more and more competent judges. This would mean that
we reduce the need for detailed measurement and audit schemes, and
leave more to self-organising groups, and the insight and responsibility of
members of such groups. Trusting them to use these abilities in their
efforts to work for a given purpose, and trusting them to be able to correct
their own efforts if necessary. The emphasis here is on trust. Trust in pro-
fessionals as competent judges reduces the need for trust in systems, and
in relation to the topic discussed here, it reduces the need for detailed
measurement and audits.

9. The will to lead

In Drucker’s view “Good spirit in a management organisation means that
the energy turned out is larger than the sum of the efforts put in. It means
the creation of energy. This, clearly, cannot be accomplished by mecha-
nical means. A mechanical contrivance can at its theoretical best conserve
energy intact; it cannot create it. To get out more than is being put in is
possible only in the moral sphere.” As I see it, mindless management
does not contribute to the good spirit. What we are looking for is leader-
ship.

To find that, we return to the boys’ game and look for the emergence
of leadership.

During the shelter building activities it may become evident, that one
of the boys has a clearer idea of the overall construction and the efforts
needed to achieve it, than the rest. This might be recognised tacitly by the
rest with the result that a leader emerges, at first slowly and impercepti-
bly, later perhaps a little more convincingly. One that seems to focus and
catalyse their joint efforts. He might be the one to focus their energies by

being more eager, by urging, by prodding, by insisting. The one to have an answer, when a boy asks, “where am I going to put these leaves?” The one to jump for a solution to a construction question, seeing the need to weigh carefulness against urgency. The one to coordinate the simultaneous effort of several individuals, for instance when having to lift or move a heavy object. “[T]he various members of the group may merely accept one member as the ‘leader’ and adjust their movements to his—a group of men heaving a heavy load, for example.”

Thus spontaneous self-organisation might also create its own kind of leadership. To the mutual directedness of the boys may thus be added the other directedness of a leader focusing and unifying their efforts. In the boy’s game the boys coalesced around one person and his actions, almost as if he was a condensation point for particles. This coalescence depended on two things, the latent urge felt by the boys joining, almost as if they were super cooled water droplets in a cloud, and the early realisation of this latent urge in the emerging leader.

The boys may feel the urge to do something, but nothing happens unless they can coalesce around some condensation point. Someone must show a possible way, a vision to believe in, an action to imitate and follow.

The leader emerging in the fictional example may help us to understand how real leaders drive the creation of new organisations and changes in the existing organisations. Not on their own and not only because of their individual qualities, but because they are condensation points and energisers of the latent striving, that can be found in the people wanting to join the effort.

“Self-managing organizations redistribute power to make decisions to people who have the strategic know-how, or to groups who are responsible for a whole work process. Under such new arrangements, the traditional tasks of management—planning, controlling, organizing, and coordinating the work of others—no longer makes sense. Rather, it is management’s responsibility to create the conditions that allow people to plan, control and organize, and coordinate their own work.”


Spontaneous self-organisation may only bring an organisation this far, a couple of rowers may adjust to each other without any direction, but a trireme with a large number of rowers needs direction to synchronise their efforts, and direction to point them to a goal.

Even more direction and coordination of efforts is needed in a complex modern organisation. The role of a leader may be to provide this direction. Once more it may prove more profitable to look to leaders who provide direction and focus without prescribing the exact route to take. They stand for and communicate the big idea, they do not specify what activities every member of the organisation has to perform in order to realise the idea. The leader’s direction-giving activities may be compared to the “I have a dream” directions. I dream of a new kind of computer, a new kind of windmill, a new service on the Internet, or something much bigger, like a new kind of society.

In their “New Manifesto for Management” Ghoshal, Bartlett and Moran see a new view of management taking shape: “based on a better understanding of individual and corporate motivation. As companies switch their focus from value appropriation to value creation, facilitating cooperation among people takes precedence over enforcing compliance, and initiative is valued more than obedience. The manager's primary task becomes embedding trust, leading change, and establishing a sense of purpose within the company that allows strategy to emerge from within the organization, from the energy and alignment created by that sense of purpose. The core of the managerial role gives way to the "three Ps": purpose, process, and people — replacing the traditional "strategy-structure-systems" trilogy that worked for companies in the past.”

Ghoshal, Bartlett and Moran may talk of management, but their emphasis on trust, change, creation of purpose, has more to do with leadership than with a traditional view of management.

A spirit that calls upon man’s reserves of dedication cannot be had by a goal like “a 20 percent increase in sales.” It must be something more, something that touches the deeper values and beliefs of the members of the organisation, confirming them, and giving them a more concrete shape. The leading part of leadership must include the ability to identify, amplify, and make concrete some of the important values and beliefs of

103 Quoted here from http://sloanreview.mit.edu/smr/issue/1999/spring/1/
the members of the organisation. We postulate a complementary relationship. If this complementarity is lacking it is doubtful whether one can talk of self-organising groups. Groups manipulated through framing or rhetorical tricks would certainly in a very basic sense be organised and steered from the outside.

This is where values and beliefs enter the picture, and no stronger drivers may be found. These drivers may be latent or expressive. They may consist of shared social drivers found in environmental movements, human rights movements, and it is likely that they also represent some of the strongest drivers of organisations, especially those belonging to the new economy. They may be the drivers of people who want to work for organisations, whose goals and activities fit their own values, whether they realise it or not.

Even in traditionally strongly hierarchical and regulated organisations like banks such principles may work, as shown by CREDO’s research\footnote{CREDO, Centre for Research in Ethics and Decision-making in Organisations, is a research group led by the author.} into Jyske Bank’s attempt to introduce elements of value-based leadership in the whole organisation. According to Jensen\footnote{Jensen, P. B. (1999). \textit{A Value-and Integrity-Based Strategy to Consolidate Organisation, Marketing, and Communication – the Case of Jyske Bank}. Aarhus: CREDO working paper, The Department of Organisation and Management, The Aarhus School of Business.} the basic idea in this reorientation is that detailed regulation, control, and sanctioning are reduced and substituted by a strong reliance on the integrity and ability of local units and individual decision-makers to act rationally in relation to the stated goals, policies, and values of the organisation.

In practice this has meant that all decisions are made according to a two tier system, called by the German term “Vier Augen” principle. Credit approval decisions made according to this principle demand, that one person makes the recommendation and another approves, or disapproves as the case may be. No more than two persons are involved, and the approver may be another employee, not necessarily a manager. In this way a certain kind of reciprocity is possible. “Designed to cut red tape, speed up customer-related decisions, and unambiguously place responsibility, this system has made it nearly inescapable for individual managers to delegate real authority to their staff. Authority, e.g. for credit granting, is assigned on the basis of an evaluation of the professional competence of the individual staff member combined with an assessment of the needs,
e.g. typical size of credit lines, of his or her customer portfolio. Compared with earlier, and with the distribution of authority of most competitors, this has considerably enhanced the local decision-making capabilities of the bank.”

The characteristic of the view of leadership presented here may be summarised as follows, again using a form usually connected with traditional management tools, the list, creating an impression of simple, disconnected categories, which is certainly not the case.

Purpose, idea, meaning, direction
Ambiguousness and open-endedness
Longer term obligation and mutual trust
Tenacity and consistency
Example setting
The will to will, the power to will

Purpose, idea, meaning, direction. Leadership must be able to focus the organisation on the overall purpose of the organisation, in contrast to the previous criticised focus on clear goals and performance measures. Leaders must be able in practice to show and stand for an idea that answers the question: What are we doing? They must be able to answer the question: why are we doing this? By contributing to the creation of meaning. And they must be able to indicate the answer to the question: Where are we going? By contributing to a sense of direction, not by setting concrete goals and a set of numbers, but through focusing on a purpose that will unite the efforts of the members of the organisation.

Ambiguousness and open-endedness. Instead of establishing clear and quantifiable goals and detailed plans and descriptions for how to achieve them, a demand often seen in modern management recommendations, it may be more important to do the opposite, letting the purpose of the organisation guide the efforts of organisation, leaving open the exact way this purpose might be fulfilled, in order to involve the whole organisation in the generation of ideas, and solutions for problems encountered. If members of an organisation have a fairly clear idea of the purpose, it may unite the efforts in a far more meaningful way than a detailed plan does,

and it might involve the individual members in thinking and experimenting with new approaches.

Open-endedness is quickly becoming a necessity: "'Globalization', it is argued, creates an environment characterized by massive uncertainty. In such an environment only those organizations that can rapidly change their conduct and learn to become ever-more enterprising will survive. In other words, the dislocatory effects generated by an intensification in patterns of global interconnectedness require 'constant creativity' and the continuous construction of collective operational spaces that rest less and less upon 'mechanistic' forms and practices - 'bureaucracy' - and increasingly upon the development of more entrepreneurial forms and modes of conduct."

That ambiguousness and open-endedness may only work under conditions of longer term obligations and mutual trust seems evident. This does not fit the short term demands upon managers brought about for instance by a shareholder focus and quarterly statements. It demands instead a longer term commitment. There may be an emerging realisation that something like this is necessary, even in the US, where the CFA, Centre and Business Roundtable Institute for Corporate Ethics Report, in 2006 amongst others recommended: "Endorse corporate leadership in communicating long-term strategic objectives and related performance benchmarks rather than in providing quarterly earnings guidance. … Align corporate executive compensation with long-term goals and strategies and with long-term shareowner interests. Compensation should be structured to achieve long-term strategic and value-creation goals."

There may also be a problem in relation to the education and the career plans of modern business school educated managers, with their focus upon management methods and more interested perhaps in their own career, and less in the organisation. Leadership in our view would demand a longer term relationship with those who are to be led, in order for obligation and trust to work.

A similar argument can be made for tenacity and consistency. The ideas presented in this paper may be difficult to realise in practise. They certainly do not represent a new tool that can just be implemented from

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above. They represent a change in attitude and ideology, and it requires tenacity and consistency over time to realise some of the ideas presented.

In today’s organisation there is no end to the stream of non-committal visions, missions and value statements that are supposed to unite the efforts and provide a sense of shared values and culture in the organisation. Most of these function more or less like peacock feathers. They may be eye-catching, but have no other purpose. They represent a continuation of the tool wielding management approach.

The way that one demonstrates the real values of an organisation is of course through the examples that one’s decisions and actions set. So action is demanded, not more paperwork.

Without the will to will and the power to will all this will come to nothing. Leaders must possess a will to will and must be able to engage the will power of others.

“To engage willpower behind particular projects or goals, leaders need to do precisely the opposite of what they typically do. They need to create a desire for action without encouraging superficial acquiescence. They need to make commitment more difficult and build in barriers rather than trying to get quick buy-ins. They need to make their people consider conflicts, doubts, anxieties and emotional ambivalence. They need to tell them about difficulties, costs and privations rather than painting rosy pictures of the tasks. Overall, leadership that counts on unleashing willpower is a much more difficult way of winning people over. But, it is much more effective and, in the end, less risky than motivating managers and counting on their half-hearted acceptance.”

10. Counterdistortions?

Mainstream ideas of organisation and management all emphasise the importance of formal and explicit knowledge, and explicit rules. Knowledge in the shape of algorithms for how to solve certain tasks, according to the scheme “if a then b or else,” and very explicit written rules for how to act in specified situations.

The foundations for an alternative to the mainstream views of organisation and management are found in the idea that complex activities are characterised by a high degree of self-organisation. This view may be

characterised as the ant-hill view. It is not about the complicated structure of a complicated machine, like a fine watch. Instead it is about the complexity of an interacting system of elements each of which may be simple, but whose interaction produces complexity through complicated positive and negative feedback loops. It is about self-referential, self-replicating and recombinant systems. Such systems are non-deterministic in the sense that their future states cannot accurately be predicted, and they may show emergent properties. Complexity and emergence are also characteristics that one would expect to find in modern innovative organisations.

It is asserted that the viability and efficiency of the modern organisation or company are dependent on knowledge being distributed in the heads and minds of the individual members of the organisation, and neither concentrated in a single manager nor in a collection of algorithms.

This view of organisation would preclude the use of the all pervasive tool-wielding view of modern management theory. What is needed instead is a new view of leadership. A view compatible with a large degree of self-organisation. An analogy with a human mind might be relevant. Somehow the “I” resides in the neural network of our brain, and the “I” can think consciously. This “I” in itself emerges from the actions of the parallel activities of the neurons of the brain. How this works we may not know, but the results are obvious.

When the conscious “I” wants to do something intentional, like writing these sentences, the “I” does not have to do a lot, most of the task seems to be taken care of automatically. Somehow the parallelism of the brain self-organises the task, sending messages to arms and fingers etc. The “I” does not have to do all the detailed work. In a sense, one might say that the “I” directs the activities of self-organising networks of neurons, without really knowing how they perform their act.

In a similar way leadership would convey and represent the idea, the meaning, and the direction of the organisation, without planning, supervising and controlling in detail the activities of the members of the organisation.

The arguments presented in the second part of the paper may perhaps seem to go too far and lack a foundation in really convincing research of the kind we have criticised. This may be right, but in order to counteract the distortions brought about by modern management theory it would seem quite appropriate. It would then represent a counter distortion that
would counteract the distortions of the looking glass of modern management theory. The combined effect would enable us to construct non-distorting reflection of theories and understandings that could point the way to a new practice.
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