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Sustainable Communication Practices in Management Control – Are Body and Mind in Conflict or Convertion?

Abstract

For the manager of a firm to gain success, good ideas and management control systems are probably important, but not sufficient, elements. The manager also needs to be able to communicate his/her ideas and plans convincingly to the employees as they have to execute them. In a decentralised organisation, the need for such effective management is of vital importance. The basic assumption made in this paper is that the successful manager uses convincing rhetoric which is based on his social competence and his ability to communicate. This assumption is examined by analysing the communication and interaction of a successful division manager who controls 45 rather decentralised profit centres, each of which is headed by a general manager. The rhetorical instruments used by the division manager are studied in order to shed light on his management philosophy, which strongly resembles the philosophy involved in Socratic conversations. The rhetorical analysis provides the background for a preliminary conclusion in this respect: practical division control may gain from being visualised.

1. Introduction

In the control of both private and public sector companies, performance measurements often play an important role. The measures are used as one of several ways of evaluating management performance and implementing the overall goals of the company at lower organisational levels. Besides financial measurements, other kinds of measurements are used extensively; these involve customer satisfaction, employee satisfaction, intellectual capital, waiting lists, and so on. Not only do many organisa-

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tions apply them, but they are also widely recommended for reasons of theory. The following quotation expresses a not uncommon opinion:

> "When you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meagre and unsatisfying kind." (Lord Kelvin, 1990)

Performance measurement is no doubt very important but, as an isolated control instrument, it may be somewhat problematic. This paper first discusses some of the problems which excessive focus on performance measurement may cause. Using a case study, it then illustrates and analyses some of the ways in which one of the division managers of a group of companies uses his communication skills to prevent some of the problems generally related to performance measurements. Finally, the results found on the basis of the analysis are put into perspective.

Seen in a wider context, the present article may be associated with the open challenge posed by cultural rhetoric to the rhetoric of rational systems of control (Barley & Kunda 1992). This attack on rational control systems shifts the focus to moral authority, social integration, quality and flexibility, which are often lost in the rush to adopt rational control systems. Rationalisation may be justified, but it rewards specialisation and tight control at the expense of loyalty and commitment.

2. Performance measurement and social erosion

An unreflective use of financial and non-financial measurements may cause problems which limit control.

One problem linked to performance measurement relates to the function of the measures. Performance measurements are not intended to reproduce the existing values in the company and thus create single-loop learning, but this is, nevertheless, a frequent side effect of focusing on performance measures. Argyris, for example, argues that focusing narrowly on financial and non-financial measurements may result in single-loop learning. If the level of such focus is too high, it will motivate employees to concentrate their attention on what is measured (Holloway, Lewis & Mallory, 1995). They will try to attain good results in the areas measured, but this will be to the detriment of other elements, which may also be important. The focus on the areas measured makes it more important to achieve whatever has been defined as the right results (the single loop) than to develop the task and constantly reflect on the assumptions (the double loop) which underlie the system of performance measurements. Thus, the performance measurements make the employees *externally*, but not *internally*, *committed* (Argyris & Kaplan, 1994: 91).

Individuals with external commitment are people who primarily find the motivation for their own energy and attention in variables outside themselves (such as managers' orders or requests, organisational incentives and rewards) (Argyris & Kaplan, 1994). Individuals with internal commitment are people who primarily find such motivation in variables within themselves. External commitment is important for the establishment of organisational rules and for communicating the behaviour that is desirable and will be rewarded. This is insufficient, however, if the wish is to have individuals in the organisation who are active and creative problem-solvers; this requires internal commitment, i.e. employees who see themselves as responsible and activating individuals.

Any unreflective use of performance measurements which involves no active stand on or critical attitude to the consequences of results control described above may cause alienation or social erosion. The consequences are difficulties related to the management of meaning. They occur because control strictly by output measures alone is an expression of the viewpoint that knowledge is dominated by technical rationality (Schön 1985, Schön 1990, von Wright 1995), which in itself is based on the assumption that there is universal agreement on what is good for everyone. In order to avoid social erosion or alienation, a certain degree of value rationality is required, which involves taking into consideration what is good or bad for those involved (von Wright 1995). Consequently, attention to value rationality will nullify any conviction that goal congruence exists among all the members and groups in a company. Agreement on goals is at the core of technical rationality. Value rationality, on the other hand, centres on what employees perceive as reasonable and rational. It therefore differs from technical rationality, which is rational but not reasonable.

The unreflective focus on performance measurements reveals, then, that the relation between the perception of the individuals and that of the organisation involved in the control process is problematic. The objective in using performance measurements for control purposes in organisations is to motivate managers to adopt a certain form of behaviour defined by the top management. The aim is the creation of a hierarchy of means and ends where the goals at the lower levels are linked to the goals of the top management (Grady 1991, Kaplan & Norton 1996). Studies have shown that firms are like a coalition in which the top management is merely one party and in which a whole number of aspirations are juggled and balanced (Parker 1979). The firm itself does not act; its employees do. The company as an entity is not the actor, but its employees are, which means that the company is not identical with the top management's intentions and actions but is created through the synthesis of the actions performed by the individuals in the company.

The behaviour of the employees of a company is determined by both environmental and personal elements, and their behaviour is a function of their cognition, perception, beliefs and knowledge. The actions of the employees are a function of their subjective logic, which is the internal and coherent, socialised way in which the individual argues and acts. Social logic (L. Nørreklit 1986) is an intra-organizational model of thinking, arising from common ideas, interpretation, and pattern of thought a group of people uses when diciding and acting.

In order to be effective as a control instrument, performance measurements have to be rooted in the subjective logic of the employees. Otherwise, the employees as actors may be expected to act dysfunctionally and without the requisite commitment and responsibility. The performance measurement systems do not in themselves ensure such rooting in the commitment and cognition of the employees. Not even a bottom-up formulation of targets will ensure such rooting: it is not a matter of employee participation but of constructing a link to internal commitment. A link can be formed if the management has the knowledge and a method which enables them to generate such rooting in the subjective logic of the employees. Otherwise, social erosion will follow from the formulation and use of performance measurements which are unconnected to the reality of practice and that of the company concerned. Subjectivity and concreteness linked to time and space are some of the special features of social reality. In practice, reality has to be seen from the perspective of each actor or group of actors.

The crucial managerial competence is the ability to integrate the performance measures related to the social logic of the group into the language and logic of the employees. For this purpose, the manager needs a model which can span the world views and social logic of different actors or groups of actors. In the case analysed below, the division manager applies such a model when he *assesses* the correspondence between the subjective logic of the general manager of a profit centre and the social logic of the group of companies as represented by the division.

Subjective logic is not only conscious and explicit knowledge which may be expressed through language. It also includes assumptions, preferences and knowledge which are not easily formulated, not even in a natural language. The difference between explicit and implicit knowledge, etc., may be assessed in terms of the manager's degree of *conscious and formulated reasons and assumptions*. The manager's intuitive, experience-based and partly incomprehensible worry about the behaviour of an important customer expresses the low degree of conscious and formulated reasons and assumptions, his 'unexpressed consciousness', i.e., the manager may be able to probe his intuition and provide an explicit verbal explanation for his worry. It follows that assumptions which have not been formulated and a low degree of conscious reasons on the part of the general manager of the profit centre and the division manager involved make the actual control process even more complicated. The subordinates are not only subjective beings, they also act on the basis of unrecognised motives and values.

One of the central points in the analysis below is that the division manager makes no obvious attempt to direct or control the more or less conscious actions of his general managers. Instead, he tries to assess the *quality* of these actions through dialogue with the general managers about them. The conversations are the practical method which the division manager applies to embed the subjective logic of the general managers into the performance measurements of the division. In so doing, he serves the group in two ways according to Barley & Kunda (Barley & Kunda 1992: 383). Being a so-called 'enlightened' manager, he can formulate a value system and install the values in his general managers, the result being well socialised managers who can be trusted to act in the best interest of the organisation.

The division manager may be called enlightened because he has recognised and accepted that he cannot control the actual actions of his general managers, but he can examine their personal judgement and challenge them to recognise and verbalize the possibly subconscious reasons for their actions. If the division manager is satisfied with a general manager's judgement, then he leaves the control of the profit centre entirely to the general manager. The division manager limits himself to observing the profit centre and communicating with the general manager. His way of communicating forms the focal point of the rest of this paper.

This way of managing allows room for both domination (by the values of the firm) and self-determination (through the judgement of the general manager and his subjective logic). Romme (1999: 804) writes that *effective* governance and control systems have to incorporate both domination and self-determination as fundamental human concerns. Consequently, the focus should be on circular forms of organisation which allow the integration of horizontal and vertical forms of control 'and thus on feedback rather than power as the key organising principle' (Romme 1999: 806). Romme himself may also be linked to cultural rhetoric. He states that the circular dimension, e.g. the co-existence of and interaction between different modes of communication and decision-making, "may provide the reflexivity that is missing in organisations managed and controlled on the basis of the concept of domination" (Romme 1999: 820).

3. Communication and control

This part introduces the division in which the division manager and general managers concerned work, and it includes a brief description of the general control system of the division. It then presents an outline and analysis of the way in which the division manager communicates with the general managers of three of the profit centres. His personal way of communicating in the control situation may be termed a genre as conceptualised in Orlikowski & Yates (Orlikowski & Yates 1998). On their definition, genres are identified in terms of their socially recognised purpose and their common characteristics of form (Orlikowski & Yates, 1998: 2, 15). A genre serves as an institutionalised template for social action – an organising structure which may be the governance and control system of a firm.

The material on which the analysis is based was collected through dialogues with the division manager and general managers, respectively. Thus, the study is not founded on any direct observation of the communication which occurred during the actual control situation but on retrospective information about the situation. Admittedly, this lends the study with some methodological weakness as regards the exact words and actions used during the control situation. This is not very troubling, however, as the statements of the various participating actors involved a high degree of intersubjectivity.

The analysis shows how one successful and socially competent manager handles the problems related to the creation of meaning by his general managers, who have to act in compliance with the objectives of the group as these have been expressed through its performance measures. It is important to stress that neither the material nor the analysis provides any evidence which supports a claim to the effect that control systems cannot function if they are not handled with social competence.

3.1. The Control Situation

The case study involves a successful manager of a division. The division sells a varied range of products to professional customers. The division consists of a number of companies organised as 45 autonomous profit centres, each with its own general manager.The division has had good financial results during recent years.

The general managers are very satisfied with the division manager. They are very enthusiastic about him and his management style: *"I do not believe that it is possible to handle the job better than the division manager does."* (Quoted from one of the general managers).

Each profit centre has been strategically limited to the divisions business area. Apart from that, however, it enjoys considerable freedom as regards sourcing, sales, the choice of product mix, day-to-day management, etc. Each general manager may freely choose which supplier(s) to buy from and is also free to enter into more favourable agreements with suppliers. Similarly, the companies may freely trade with internal or external suppliers. The companies are very different. Some are scrupulously tidy and others are messy. The division manager cannot see this difference from the results. The general managers of the profit centres do not want to be standardised. They are business people and not administrators. The general point of view is that, if a manager dictates too much, responsibility fades away.

The division has a fairly comprehensive and formalised planning and reporting system, which is very similar to Anthony's (Anthony 1998) management control model. The long-term planning and budgeting are a bottom-up process. Each center plans and performs tasks, and the division monitors them. The companies are measured on the basis of their profits after one percent interest per month on capital invested has been deducted. Thus the division is using a kind of EVA to control its companies. In addition, the monthly turnover rate on accounts receivable, stock turnover ratio, market share, etc., is measured. The measurement philosophy of the division management is that the information obtained has to be sufficient to make the management feel confident that their knowledge of the situation within the division is not deficient. There are things they do not want to know: (a) because they do not know what is and what is not good, and (b) because they do not know what to do about it. They have considered implementing a balanced scorecard, but they are afraid that this may have adverse effects on the culture of the division. They fear that the balanced scorecard will result in uniformity and that they will become administrators and not businessmen.

The division manager meets regularly, i.e., some three or four times a year, with the general managers of the local profit centres; the agenda includes items such as debate of the business plan, the follow-up on the plan, motivating efficiency and performance. The targets, which the general managers set themselves, are attainable, and the managers are not allowed to present either optimistic or pessimistic budgets. The division manager's view is that budgets have to be realistic and that anything else is unprofessional. The meetings also ensure that buildings are not neglected. The division manager is in charge; he sees the buildings and sees how the stores, etc., present themselves. In this connection, the concept of the 'black book' developed because the division manager notes all agreements in a black book. If a profit centre is doing well, it will not receive much attention. If it is not doing well, however, the division manager will make use of his communication strategy.

New ideas are handled in a relatively informal way:

> "I had noticed that a firm in a town nearby was having trouble. So I sent a brief message to the division manager and recommended that we should buy the firm – and he said 'okay'. You just have to write a small piece of paper in this company to suggest an idea. But the degree of freedom is directly proportional to earnings." (Quoted from the division manager).

In sum, the division is relatively decentralised and the top management does not interfere much.

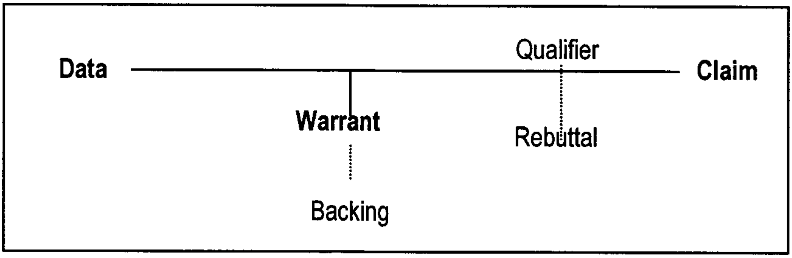
3.2. Communication Analysis

This is partly an analysis of the division manager's argumentation strategy and partly of his **ethos** appeal. **Ethos** is concerned with the recipient's trust in the sender, the effect of which may be that the credibility or authority appealed to by the sender creates approval. The approval of the audience may also be won through logos or pathos. Logos appeals to the recipient's rational commitment while pathos appeals to his/her emotions and mood (Aristotle 1996). In the case under consideration, the extent to which the division manager uses ethos, logos or pathos will be assessed.

3.2.1. Argumentation strategy.

The way in which the division manager relates to the general managers of the profit centres forms a crucial part of the analysis of his communication strategy. Analysing argumentation always involves identifying three elements: a claim, data and a warrant (Toulmin 1974). The claim is the point of view which the sender wishes the recipient to accept. The data forms the basis which supports the claim. The warrant combines the claim and the data and is often implicit. On the basis of the possible forms of a warrant, argumentation may be subdivided into a number of types, some warrants appealing to the recipients' reason and others to their emotions.

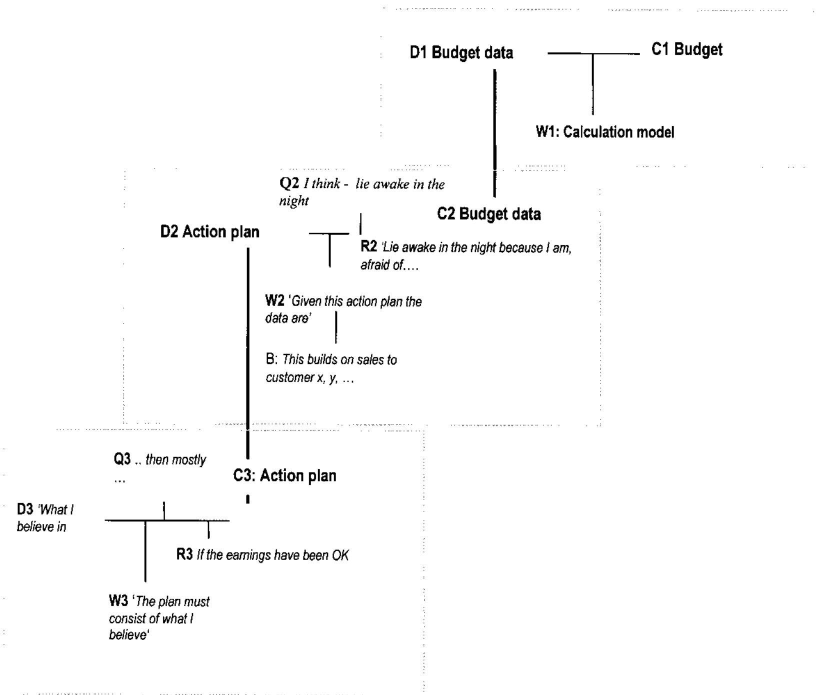
Figure 1: Argumentation strategy



Three other elements may be involved in argumentation: **a qualifier, a rebuttal** and **backing**. The **qualifier** indicates the extent to which the sender is willing to vouch for the correctness of the claim. The **rebuttal** specifies any reservations or uncertain factors which invalidate the warrant. The **backing** corroborates the extent to which the warrant is acceptable. The claim is the communicative expression that can be directly observed. The warrant may be explicit, but it is often implicit and only partly recognised. Evaluating the quality of the judgements underlying a claim requires that the whole argument is made explicit through the use of language.

Figure 2 (see next page), which is to be read from right to left, shows the relations inherent in the budget argument of any general manager in the division. It illustrates that the budget (C1) may be understood as a hierarchy of arguments. The budget (claim 1) is based on a hierarchy of arguments: the budget relies on budget data (data 1), which, in turn, rely on a plan of action (data 2) based on the beliefs of the general managers. If the warrant is seen as the starting point, the argument may be divided into different types of argument. One type is that of logical classification. This is true of warrant (1) as it conforms to the budget calculation model, which is a logical model. Another type is that of authority. Warrant 2 is of this type *('My assessment is that the plan will result in the following budget data.')* as is warrant 3 *('The plan has to include what I believe in.')*.

Figure 2: The structure of the argumentation relating to the budget of the division



The division manager tries to assess the validity of the budget data and plans of the general manager. He wants to make explicit the validity of the claim, which is the budget. The division manager listens to the general manager's budget proposal (the claim) and the conditions (the data). Then he challenges the claim by uncovering the qualifier and any rebuttal which the general manager may have. He then attempts to refute both the qualifier and the rebuttal. This allows him to test and build the general manager's judgement while he subjects the profit centre to management control. Example 1 summarises the division manager's own perception of this procedure. In addition, it shows that, if there is a problem, the division manager prompts the general manager to find solutions which may negate the rebuttal and thus counteract a weak qualifier.

Example 1: Checking the negation of qualifiers and rebuttals

> *"When I meet with the general managers, they have described their plans (claim and data) and I ask them what they have not described. What are you afraid of?" (qualifier and rebuttal).*
> *"If there is a problem, I ask them what they feel like doing about it, and then they find a solution."*

Example 2 contains another example of the division manager's testing the judgement of the general manager of a profit centre. 'The little black book' often plays a significant role in relation to the assessment of general managers' credibility and judgement. When the division manager visits a general manager and they agree on something, the division manager will say: " Now I will put this in my book." Later on when they speak about the matter he may open his black book. In example 2, the backing of the warrant, and not the qualifier, is tested. In other words, the task is not to identify any reasons why some judgment may be doubtful but to identify the basis on which the judgement has been formed.

Example 2: Checking the backing of a warrant

> *Once when the division manager was paying a visit to a general manager, the general manager said that one customer had an equity of 225,000 guilders. (Backing)*
> *The following year, when they spoke about that customer again and the general manager mentioned a figure, the division manager opened his black book, looked at it and said, "Yes, that is true." (Checking the backing).*

The continued checking tells something about the reliability of any authority-based warrant and the validity of the argument. The two sets of data used in the planning situation (see figure 2) depend on appeals to authority, which makes it very important that the judgement of authority is correct and, consequently, that the judgement of the general managers is assessed. If the structure of a division includes autonomous profit centres, then such assessment is even more important because responsibility and control have been decentralised. If the judgement of the general manager who runs the profit centre is poor, then this will have an impact on the performance of his unit.

In his overall assessment of the judgement of a general manager, the division manager also puts great emphasis not only on the judgement shown in the actual conversations but also on the general manager's previous results in the division. His trust and confidence in the general manager's statement "what I believe is right" is proportional to that person's proven ability in the division to make a profit. If the earnings have not been "OK" (R2 in fig. 2), then W3 ("What I believe…") is rebutted due to lack of confidence in the general manager's ability to make a profit. Seen as a whole, it shows that the division manager assesses both the logos and the ethos of the general manager. Thus, in example 3 a general manager is allowed to try one of his own ideas because the division manager has confidence in the general manager. Even if the idea runs contrary to his own judgements.

Example 3: A claim made against a claim

The general manager, "I once established an industry unit." (claim)
The division manager, "It will not succeed. I would not do it." (claim)
The general manager, "I was allowed to anyway, but it did not succeed and shortly afterwards we had to close it down."

Another example that this particular management style strengthens the judgement of the general manager concerns a company in which a newly employed person brought with him a turnover of 3 million guilders. The interests of buyer and seller sometimes merge when newly appointed staff bring with them a portfolio of orders. At the time, the turnover of the company amounted to 24 million guilders. The general manager called and said that the new appointee wanted his annual salary raised by 50,000 guilders, but that would mean that it would be higher than that of the head salesman, Karl Pieter. The new man might leave if he was not paid more. The following conversation ensued:

Example 4: Building the general manager's judgement

The division manager, "Oh. What was the turnover that the new man brought with him?" (asks for data)
The general manager, "3 million guilders." (data)
The division manager, "What is your profit on that?" (asks for data)
The general manager, "600,000 guilders." (data)
The division manager, "How much more do you have to pay him?" (asks for data)
The general manager, "50,000 guilders". (data)
The financial calculus shows that it would be acceptable to pay the new member of staff 50,000 guilders more (implicit warrant and claim)
The general manager, "But what about Karl Pieter then?" (rebuttable element: Karl Pieter may leave)

> *The division manager, "Yes." (encourages evaluation of the qualifier)*
> *The general manager, "Oh, well."(evaluates the qualifier)*
> *The general manager then made his decision (claim), and Karl Pieter did not leave (evidence of the qualifier).*

If the general managers are not able to decide how to act, i.e., define a claim, the division manager will apply his communication strategy to *guide* them to the point where they state their own claims. In a relationship which resembles that of Socrates and his pupils, the division manager asks questions and allows the general managers to search for or recognise the data or claims on the basis of their own reflections. This form of leadership is very different from making decisions for them since the general managers *learn* as they proceed. The division manager builds up their logos and hence their ethos whereas the absolute decisions made by a traditional leader weaken the logos and ethos of his subordinates.

The company has to work, however, and this kind of leadership style renders it imperative that the division manager is able to judge when to use his powers as a manager above the general managers of the decentralised profit centres. Stimulating the subordinates to make decisions based on their own judgement is, in other words, important, but it is equally important to avoid an excess of wrong decisions or any lack of decisions:

> "A few years ago, we introduced a new EDP system. We almost broke our necks on it. It was terrible. One of the plumbing company managers posed a problem. He was really angry. He told everyone from Amsterdam to The Hague how terrible it was. Then I said, 'We have that system. It has to work. If it does not, we will separate the sheep from the goats.' Then he said, 'I have got the message.' I had to say, 'Now the party is over.'"

In addition, the division manager's strategy is to assess whether the external conditions match the data used by the general managers. Sometimes the data is correct, but the interpretation made by the general manager is not. Example 5 gives the division manager's explanation of how he tries to make the general managers see their own data from a new perspective, produce an alternative interpretation, and consequently change the content of the data.

Example 5: Influencing the data

> *"Some have elderly customers, but the elderly customers are not the ones who place large orders. For example, a general manager primarily*

had elderly customers." (Claim: the general manager wanted this and believed in it).

"I asked him to stake more on new customers and continue selling for half a million." (The division manager tries to influence the general manager so that he changes his plan of action and his budget assumptions, which means that the division manager tries to change the general manager's data.)

"I know what is going on." (The division manager's evaluation of the qualifier).

The general manager of this profit centre would not try to attract new customers, and the division manager found his data not to be valid. The division manager thinks that it is important that the general managers dare try things and believe in trying new things; he therefore replaced the general manager. To validate the data, the division manager has to have sufficient knowledge and competence to be able to assess the data concerned. Consequently, this form of management requires a very knowledgeable person and cannot be practised by managers who have the style but not the knowledge. It follows that, regardless of the aesthetic perception of rhetoric as form and style, management rhetoric is founded on a great deal more than that.

Seen in its entirety, the division manager's argumentation strategy not only supports the bottom-up formulation of claims, but also the top-down control of the quality of the claims. When he challenges a general manager's claims, it also becomes apparent to what extent the general manager accepts and uses the ideas and plans thus presented to him. The division manager does not believe in skimming over the issues in an easy manner. His claim is that the firm has a goal which has been embedded in the plan for the next few years. "We are men at work," as he puts it. The division manager wants the results of the profit centres to improve each year; and if, for some reason, this is not possible, he demands three reasons which will explain the stagnation or deterioration and three approaches to handling the crisis. This illustrates that the management of the division does not wholly depend on the subjective logic of the general managers but also on the social logic of the division itself as a unit within the total group *represented by the division manager.* Challenging resistance to the social logic allows the division manager to work on the subjective logic harboured by the general managers of the profit centres and possibly transform their resistance into commitment.

3.3. The Division Manager's Ethos Appeal

According to a general manager, the division manager has substantial impact due to his ethos appeal, which is based on his logos. Through his own fine judgements, which rely on logos, and his way of acting, the division manager has developed considerable ethos appeal: "If he says something, then the general managers believe in it, because if he says something, then there is a reason for it." (said by the general manager of a profit centre).

The ethos appeal of the division manager is strengthened by his use of external symbols of authority based on his professionalism and knowledge instead of on formal power bestowed on him by an organisational hierarchy. In agreement with this, the division manager does not want things to be pompous – he has no secretary and makes his own coffee. As he formulates it himself: "The personnel and marketing manager is the ladies' boss." He cannot be bothered. When he writes to the general managers within the division, he does so on paper without a letterhead. In his opinion, there is no need for that sort of power play. When he does use his formal ethos appeal, it is well considered. He does so in the areas in which he does not believe in freedom for the general managers.

Furthermore, the division manager's way of speaking is dominated by imagery – for example:

> *"If there is a mess somewhere, the division manager does not say that there is a mess. He says that there is a slight problem with orderliness." (A general manager).*
>
> *"We discuss things, and afterwards a deal is a deal and we stand shoulder by shoulder."*
>
> *(The division manager).*
>
> *"Our competitors only continue until they get tired – although with some of them it takes a long time for them to get tired." (The division manager).*

The positive imagery is applied as a vehicle of authority and may be useful precisely in situations involving a great deal of autonomy and a low degree of direct intervention. The imagery contributes to emphasising the extensive room for action and decision-making which the general managers posses.

4. Conclusion

The following conclusion sums up the points made during the analysis and combines them with the theory expounded in the first paragraphs of this paper. The conclusion serves to *visualise* how control and leadership are handled in practice – by a manager who recognises and acknowledges the problems created by technical forms of communication. The conclusion makes no claim as to universal rules governing the practice of control, but it visualises the *strategies* (in the terminology of Bourdieu) which drive practice.

As was briefly mentioned above, the driving strategies have much in common with Socratic method. Socrates based his conversations with other people on a process which brought forth deeper understanding during the conversations. Operating with a tricky concept such as 'understanding' requires a shared *world of ideas*. A shared frame of reference is needed within which speech and action occur. The division manager's leadership principles concern the creation and building of the acceptance of a shared world of ideas which ideally integrates the social logic of the firm and the subjective logic of the general managers of the profit centres.

From experience, the division manager knows that his present management style is not applicable everywhere. He was once the manager of a firm in which all units had to apply the same business concept:

> "From 1976 until 1988, I was the head of a firm which sold directly to consumers. There you needed a business concept. Some wanted things to run like here, but that does not work in such a place. Some people want to march in serried ranks, they fit with some types of business; others want to stand alone and fit with other types of business. The centre prepares directives and instructions. They would like more of it, but the intervention of the system has to stop somewhere. The straight path ruins too much. It standardises the managers." (The division manager).

This clearly contrasts with his own management style, at the core of which lies a conscious effort to make room for the actions and decisions of the subjective general managers by strengthening their logos and ethos. He advocates independence while, at the same time, demanding that his subordinates are sensible and recognise why they act the way they do. The financial performance of the general managers has to be good, but he does not give prescriptions stipulating how to reach that goal.

When, together with the general managers, the division manager works through their arguments and claims, he uses a kind of logos in his appeals to them. It is not the logos of scientific communication, which is characterised by its generally applicable rules; instead, the subjective interaction between himself and the general managers is governed by local and situation-contingent logos.

He does not mind so much that the general managers do not control the profit centres in the way he would have done himself. But he demands that their actions be embedded in judgements involving the relation between (a) the local subjective logic of the profit centre and its general manager and (b) the social logic of the group. The division manager allows a general manager to establish a local business unit if the general manager believes in it and even if he himself thinks that it will not work. The demand is also apparent in the example of the new member of staff and the issue of whether he should be paid more than Karl Pieter. The division manager leaves it to the general manager to figure out the relation between his own idea about the situation and the payment policy of the firm. Almost as a side benefit, this allows the division manager an opportunity to observe the judgement *process* and not just the result, which, in turn, contributes to his continued assessment of the general manager's judgement.

If the decentralised management style is compared to the division manager's account of the management style applied in the firm where he was formerly employed, the following conclusion emerges: an open management style like that of the division manager is appropriate in a group in which the management appreciates independent judgement and the general managers appreciate autonomy and freedom. Both attitudes have to be present as they are a precondition of the open management style.

The division manager believes that he is using a harsh form of management:

> "Some have had a pain in the stomach and have been unable to sleep. Some of them feel insecure because of my style. They think I have got something on them, but I have not."

His style becomes harsh when his subordinates are security-loving people who feel discomfort and insecurity if they have to trust their *own* judgement and decisions. But if, on the other hand, they can handle the responsibility, then his management style creates *internal* commitment and involvement and therefore better solutions.

Some of the subordinates who are not so happy feel that the division manager tests them when he asks them about their plans and budgets; they feel he wants to get at them, to criticise them for something. But the division manager has no intention of catching them with their hands down the honey-jar, he 'merely' tries to provoke recognition of the assumptions, values and reasons underlying the budget claim. If he succeeds and finds that the data supports the claim, then the general manager is free to shift his attention from the statistical measurements to the development of tasks and goals.

The division manager's behaviour shows that he refrains from building his authority and ethos appeal through any manifestation of his own person or formal status symbols. His ethos is founded on *results* and *ability,* which is also the ethos appeal which he tries to stimulate in his subordinates. Managers are only managers in both name and action if they are able to make independent decisions based on reliable judgements which, in turn, have been based on recognised alternatives and reasons – nothing else counts. Authority as a manager equals knowledge. The division manager eliminates the two poles of formal and subconscious decisions and actions and focuses on real and conscious intervention.

He does not use theoretical language, he will not accept any actions which are based on reasons which have not been verbally recognised, and thus made explicit, and which have not afterwards been considered in the whole context of the interlocking subjective and social logic. The situated shared frame of reference which he constructs together with the general managers through the use of natural language bridges the technical control concepts and the subjective subconsciousness. This combines the one-dimensional stimulus-response control practice and the subjective part formed by the range of possible actions within a person's horizon. This relation integrates *knowing what* and *knowing how* and is, therefore, in an abstract sense the integration of *mind* and *body* at the very moment at which an action occurs.

4.1. Afterword

The authors hold the opinion that the management practice of the division manager is good and that it works. One might ask *how* good it is and probe his theories and assumptions about people and organisations. He creates a problem for himself which is entirely different from that of people managing on the basis of technical rationality. His problem relates to the room which he leaves for subjectivity and independence, which he allows and encourages. It may be worded as a question: to what extent is it possible to allow differences in the goals of the division and the group without the group as an organisation disintegrating? To what extent does there have to be agreement between the subjective logic of employees and the social logic of the firm? In other words, one may ask what the level of structure – expressed through goal congruence and common performance measurements – has to be in a decentralised firm.

This question is valuable as it may be posed to any type of social system which wants to maintain its existence as a *system.* When do freedom and thus unpredictability and risk begin to threaten the continued existence of the social system?

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