ONE Understanding becomes a key issue

A paradigm shift is taking place in management

During the last two decades, we have witnessed a substantial shift within both management practice and academic discussions concerning how human action can be managed effectively in an acceptable way. Some writers, like Beckérus et al. (1988), have described it as a doctrinal shift while other scholars, such as Clark and Clegg (2000) and Pearce and Conger (2003), have portrayed it as a paradigm shift in management. The central message is that a shift is taking place in management from using direct techniques, such as specific rules and instructions, to the development and use of more indirect techniques, such as vision, mission, culture and values, together with a leadership based more on dialogue rather than authority for managing human action. There are two main reasons for this shift.

The first is that since 1980 society has undergone a range of social and economic changes, such as rapid technological development, increasingly knowledge-intensive industry and intensified global competition. These changes have given rise to new organizational forms, where the degree of freedom has increased at every level and individuals have received more independence at work. A key consequence of employees' greater autonomy is that management has lost its direct control over their behaviour. Managers must, to a much larger extent than previously, trust that their staff act and make judgements in accordance with the company's strategic direction. To maintain some control over employees' work performance, managers have become more dependent on being able to influence people's *understanding* of their own and their companies' task. The increased need to manage understanding has led to the development and use of more indirect management techniques (vision, values, culture, etc.) and a more dialogue-based leadership.

A second reason for the paradigm shift is that management by ideas and visions have received strong support from more recent research. During

the last thirty years, a growing body of interpretative research shows that understanding of work forms the basis for human action in organizations. The findings demonstrate that people's work performance is not primarily influenced by external conditions such as specific rules and instructions *per se*. Instead, work performance is first and foremost defined by people's understanding of their work and how they understand the rules and instructions imposed upon them. This insight suggests that in order to create effective work performance managers need to develop and maintain a shared understanding among the employees about the company's task. Formulating the company's task in a set of central ideas and values that the employees can themselves commit to has thus become a chief managerial task.

The difficult art of 'understanding understanding'

Even if managers realize that the way people understand their work is fundamental to their performance, most companies still have difficulty influencing the way employees accomplish their work. Why? A central argument in this book is that the paradigm shift has only taken place at a rhetorical, but not at a practical, level. Managers have not been able to implement the change in practice because they have tried to do so by following the traditional leadership principles within the rationalistic management tradition. By following the rationalistic principles, they are unable to understand how employees' understanding of their own and their company's task forms the basis for their work performance and, thus, how understanding can be managed more effectively.

A capacity to influence understanding presupposes knowledge of how understanding operates. In this book, we propose an interpretative management perspective as an alternative to the prevalent rationalistic perspective on management. This shift in perspective makes it possible to 'understand understanding' and, thus, to develop practical ways of managing understanding that can enhance work performance in organizations.

Socio-economic forces behind the paradigm shift

To manage employees so as to achieve a competitive advantage, managers need to know what to influence and how to influence. Throughout the twentieth century, a rationalistic perspective has characterized management research and management practice. In such a perspective, the *top-down principle* has been the dominant principle. To influence employees' work performance, managers plan the work to be performed and how it is to be performed. With

support from administrative specialists, managers formulate specific rules and instructions about work, which they impose on their staff through a hierarchy of authority and responsibilities. Two main managerial strategies can be distinguished: one emphasizing the process and the other emphasizing the outcome of employees' work performance. When focusing on the process, managers try to influence employees' work performance by imposing detailed instructions and rules about how staff should accomplish their work (the bureaucratic and the technocratic principles, respectively). When emphasizing outcome, managers specify details about the outcome of the work assigned to employees (management by objectives). The latter is, however, usually combined with a considerable amount of instructions and rules concerning work processes.

During the last two decades the dominant rationalistic management perspective has been heavily criticized as being inadequate for the effective management of people's work performance. One main reason derives from the socio-economic changes taking place in society today, such as rapid technological change, more knowledge- and service-based industry, intensified global competition, a more diverse workforce, an increased compression of time and space, and shifts in values.

Technological changes

Over the past three decades, we have witnessed an increasing rate of technological innovation in areas like biotechnology, microelectronics and telecommunications. The most profound technological advance is the development of information technologies such as the computer and the internet. The computer and, subsequently, the internet are themselves crucial vehicles in this technological development (Castells, 1996). Moreover, many of the new technologies are applicable to almost all aspects of the world economy. For example, computers and the internet have had an immense impact on national and international financial systems, creating radically new conditions for creating and producing goods and services in many industries. Flexibility in terms of products and the production process has increased dramatically, while the life cycles of both products and production process have been substantially reduced. Taken together, such technological changes have created new requirements for managing people's work performance. In particular, to a much larger extent than previously, managers are now required to facilitate an ongoing development and renewal of staff competence as demand for new and varying competence at work arises. As Ellström (1992) argued, a difficulty employees often encounter when confronted with new technology is not learning to use it, but

rather learning to use its potential to increase productivity. Orlikowski (1993) made a similar observation in her study of the implementation of new information technologies in European, Japanese and US firms. She found that most of the implementations failed because the companies had overlooked the most critical aspect of technology implementation, namely to prepare the employees to use the full potential of the new technology.

More knowledge- and service-based industries

Another important development is the structural changes occurring in the industrialized world as a result of a shift towards more knowledge- and service-based industries. Many current studies of economic development in the industrialized world, such as Ekstedt (1988), Eliasson et al. (1990) and Neef (1998), conclude that the production of services is increasing in relation to the production of goods, while both entities become increasingly knowledge-intensive. An expression of this change is the emergence of the so-called knowledge-intensive firms – conspicuously IT companies during the last two decades (Alvesson, 1993a, 1995, 2004; Starbuck, 1992). R&D based companies, various consultant companies, law firms, accountancy firms, universities and schools, and similar organizations also represent various forms of knowledge-intensive industries.

The growth of knowledge-intensive work creates an even greater need for a continuous development of employees' competence for improving work performance. Moreover, Bäcklund (1994) also demonstrated that the increasing rationalization of capital, decentralization, customer orientation and technical renewal that take place in companies today have led to a need for the continuous development of new and more advanced competence in work that is usually regarded as uncomplicated and simple. In addition, the complex, dynamic and interactional nature of knowledge-intensive work (Alvesson, 2004; Newell et al., 2002) makes it particularly problematic to represent in a simple set of static rules and instructions imposed by hierarchical authority. Instead, because of the high degree of independence and discretion to use their own judgement, knowledge workers and other professionals often require a leadership based on informal peer interaction rather than hierarchical authority.

Intensified global competition

The rapid technological advances and a more knowledge- and service-intensive industry have led to increased globalization of the economy, in conjunction

with intensified competition. The new information technology has made it possible to integrate companies and whole industries into large global economic systems. For example, we have witnessed an enormous increase in the globalization of financial capital, the rate of the global diffusion of new technological innovations and the importance of multinational corporations (Gilpin, 2000). These and other trends towards increased global economic integration have intensified competition. Such competition necessitates new ways of managing people that permit greater flexibility and speed in product development and production processes. For example, most problems are identified at the operative level by staff who deal with customers or work in production. But sending these problems several levels up the hierarchy to be solved, and then sending them back down to the people who are affected by them, would take too long. In the interest of speed, problems should be solved directly by the people who encounter them. But operations should then be organized in such a way that operative personnel are permitted more independence and extended autonomy in performing their tasks.

Increased competition has also brought about a stronger focus on customers' interests and preferences. A greater consideration of customers' interests means that companies have to be more flexible and spontaneous to satisfy customers' varying preferences. To enable staff to develop such ability, managers must provide them with greater independence at work. As a further effect of increased customer orientation, quality has become a more important competitive factor. Quality is partly related to the design of products and production systems, but is also to a large extent an effect of the day-to-day actions of operative personnel. It is they who create quality, primarily through the sum total of their dealings with customers.

In the public sector, the deregulation that took place in the 1980s and 1990s has meant that most public organizations have been exposed to similar competition as global industrial companies. In addition, reduced financial support to the public sector has required public organizations such as hospitals, universities and schools to be more efficient and creative in developing new ways of delivering service to society. In particular, it has been argued that public organizations need to move from a bureaucratic to a more entrepreneurial governance, which embraces a decentralized authority and participatory management (Osborne and Gaebler, 1992).

A more diverse workforce

During the last twenty years, we have witnessed the emergence of an increasingly diverse workforce. The employees in most organizations are becoming

more diverse in terms of ethnicity, religious beliefs, gender, education, social background and age (Ashkanasy et al., 2002). An overarching force behind the increased diversity is the intensified globalization and the technological advances taking place in society. While the intensified globalization has encouraged a more mobile workforce, the technological advances have made it possible to connect work groups around the world. Following Ely and Thomas (2001), it is possible to identify three more specific forces behind the increase in diversity. First, a diverse workforce is seen as central because it provides organizations with different insights, knowledge and experience, which can form alternative views of work and how best to accomplish it. Secondly, it is argued that employees in organizations should reflect the diversity in markets to obtain access and legitimacy with those markets. Finally, there is a moral and political push for a more diverse workforce to ensure justice and fair treatment for all members in society.

A more diverse workforce creates pressure for finding new ways of managing people. A particular challenge is to coordinate all the experiences, knowledge and interests employees bring to work into a shared understanding about what the company is supposed to do. Creating a shared understanding within a diverse workforce by using specific rules and instructions from above will not suffice. Instead, it requires a more dialogue-based leadership that enables managers to access how employees understand their own and the company's task.

An increased compression of time and space

Rapid technological advancement and an increased globalization have led to an greater compression of time and space that deeply affect the way we live, work and manage organizations (Harvey, 1989; Sennett, 1998). As Harvey noted: 'As space appears to shrink to a "global village" of telecommunication' and 'time horizons shortens to the point where the present is all there is ... so we have to learn how to cope with an overwhelming sense of compression of our spatial and temporal worlds' (1989: 240). How the compression of space and time have affected work can be illustrated by the changes have taken place in corporate law during the last twenty years (Sandberg and Pinnington, forthcoming). As one corporate lawyer expressed it: up to about mid-1980s corporate law was to a large extent seen as

> the old gentlemen's profession of practising law. You could work civilized hours and do all that sort of thing because of course what happens, the secretary or yourself, would craft a letter and do whatever. ... Then you send it, and then you think, great, that's off my desk. Now it's going to take a day to get there, and then it's going to take them a day to have a look at it, and it's going to take another

day to come back again so how wonderfully civilized. With fax, that began to end. And then of course with email and all of the electronic communications flow, it's gone. Because now it's a matter of drafting [a document], very regularly on your own computer, rather than dictating, and having an assistant help you type it. Zing it down the line and then go out for lunch and then come back and it's sitting there in your in box and you go 'bloody hell that's too fast, I didn't even get to digest my lunch properly', and that's how it's changed.

Such a compression of time and space at work has led to increased pressure for new ways of managing people. In particular, the compression has made work much more fluid and ephemeral. To be able to adopt and adjust quickly to market shifts employees need to a greater extent to be involved in continuous sense making of what their work is about and how to accomplish it. The need to be involved in an ongoing sense making demands a leadership based on dialogue rather than hierarchical authority.

Change in values

Pressure from the new market conditions and technological development demands new ways of managing and organizing businesses. This tendency is reinforced by the trend to consider freedom and independence as important features of a desirable job. Younger people especially tend to look for freedom and independence at work (Zemke et al., 2000). As noted by Sennett (1998), there is also an indication that younger generations today tend to regard high uncertainty and risk-taking as central features for a challenging work. Consequently, to recruit attractive employees, companies have to offer jobs that include risk taking, independence and freedom to use your own judgement at work.

The magnitude and complexity of the socio-economic forces

While the above socio-economic changes occur in most of the industrialized world, caution needs to be exercised with respect to both the magnitude and complexity of the changes, in particular with regard to their impact on the management of organizations. As Thomson and Warhurst (1998) pointed out, while we can witness a rapid increase in the professionalization of the workforce, we can also witness a growth in less qualified service work such as telesales and call centres. This kind of service work is still primarily managed by strict standardization of the work process, which provides little individual freedom. Research also suggests that even those who are doing knowledge-intensive work may not always experience high work autonomy (Harley

et al., 2005). For example, Felstead et al. (2002) showed that there has been a noticeable decline in work autonomy among technical and professional employees in the UK between 1986 and 2001. There has also been a considerable job loss together with an increased stress of the possibility of losing a job through the many mergers and acquisitions, restructuring and downsizing that have taken place during the last two decades (Cooper, 2002; Wheeler, 2002). Studies such as Littler and Innes (2003), using longitudinal firm-level data on organizational restructuring, suggest that the ongoing downsizing in the economy has also led to a 'de-knowledging of the firm'. Moreover, research suggests that the changes may not only have a profound impact on our work but also on our character. According to Sennet (1998: 25), today's, 'short-term capitalism' may corrode our character in fundamental ways. This is because 'no long term' means keep moving, don't commit yourself, and don't sacrifice'. As Cooper (2002) argued, this raises the question, among other things, to what extent individuals can commit to organizations that do not commit to them.

An attempt to sum up

The socio-economic changes described above require ways of managing companies that promote a high degree of flexibility, customer orientation, quality, efficiency, worker autonomy and ongoing competence development. With these new requirements, the rationalistic management perspective has been shown to be too rigid and inflexible for managing people's work performance in a way that makes competitive renewal and growth possible (Alvesson, 1993a; Beckérus et al., 1988; Clarke and Clegg, 2000; Kanter, 1990; Morgan, 1993; Pearce and Conger, 2003; Schein, 1985). This has caused companies to search for organizational structures and management methods strongly focusing on the management of knowledge and competence development, and the permission of more individual freedom and local independence at work. For example, there has been a gradual shift in management philosophy in many companies. Instead of organizing work in a bureaucratic and hierarchical manner with strong specialization and job demarcation, many companies are trying to develop more decentralized and horizontal organizations which emphasize 'the capability of the workers' group to cope with local emergencies autonomously, which is developed through learning by doing and sharing knowledge on the shop floor' (Aoki, 1988, cited in Castells, 1996: 159). The reduction in levels of management has meant that self-managed teams are now one of the fastest-growing organizational units. The lack of a strong hierarchical authority in team-based organizations typically requires a different leadership from that stipulated by the rationalistic

management tradition. Instead of relying on hierarchical authority, leaders in such organizations are more dependent on their peers for managerial success (Pearce and Conger, 2003). This is particularly true for professional organizations and more knowledge-intensive companies. Another response to the new conditions is the development of inter-organizational networks. One such business network is when companies operate on the basis of licensed commercial franchises under an umbrella corporation. Two such very successful networks are Benetton and McDonalds, which both consist of several thousand companies in many different countries coordinated by one core firm. Such a network enables its members to adapt more quickly to new demands on the market. A third response is a strong increase in various forms of strategic alliances between organizations. Such alliances have been particularly prominent among high-technology firms as a way of sharing R&D costs but, even more importantly, as a way of sharing knowledge that will enable the development of innovative new products.

Above all, the management principles in these new organizational models are not characterized by hierarchy and bureaucracy, but by networks (Castells, 1996). Managing network organizations consisting of relatively autonomous individuals and groups are not primarily about communicating each individual's duties in a top-down manner. Instead, management is essentially an ongoing dialogue between managers and staff with the aim of developing a shared understanding of how to best run the business. This means that the initiative to develop and improve the business is not only considered to be a question for managers and experts, but also for operative personnel. As a consequence of the need for ongoing competence development and greater staff independence, we identify three management problems that are becoming increasingly significant:

1   The company becomes *more dependent on employees' understanding* of their tasks and of the reality in which they act. As soon as people are given more freedom, they will act in accordance with their understanding of their work situation in general, with the effect that different ways of understanding work will emerge and, hence, different ways of performing work. Previously, people acted according to their understanding of the rules and routines governing their work. The scope for interpretation was generally not particularly wide.

2   People in management positions need to develop a more important pedagogical role. One of their key opportunities to influence operations is *to influence employees' understanding* of the company's strategic direction and the main ways that should be used to achieve its strategic goals. Formulating the company's task in a clear and stimulating way becomes an important managerial challenge.

3   *Increased dependency on human competence for competitive success.* The strong emphasis on knowledge for competitive success has been accompanied by a greater dependency on human competence and its development. It is no longer sufficient to provide occasional opportunities

for competence development. It is instead necessary to provide ongoing opportunities for competence development throughout the organization and sometimes also among the members of the business network. Moreover, as staff autonomy increases, it is not enough for them to master only a few techniques or routines. They must also be able to detect and evaluate problems, develop alternative ways of solving problems and foresee the future effects of different ways of solving problems.

Research emphasizes understanding as the basis of human action

Another main reason for the paradigm shift in management derives from the criticism of the rationalistic management perspective raised by interpretative studies. As pointed out previously, management researchers using interpretative approaches have shown that people's work performance is not primarily based on external stimuli such as rules and instructions, as assumed within the rationalistic management tradition. Instead, work performance is based on people's *understanding* of their particular work and the situation in which it is embedded. This insight can be illustrated with the following simple example.

Tom is given five cards from an ordinary pack of cards. Tom has knowledge that can be of use here. He knows what a pack is, how many cards it contains and that the cards are classified according to a particular system. But this knowledge does not become interesting until he has found out what it means to play a card game such as poker.

Let us imagine that Tom has recently learnt to play poker as an innocent party game. He learns that the idea is to get the best possible combination of cards according to certain rules. Tom is clever at head counting and also good at statistics, and his ability to do probability calculations means that he asserts himself well in the party game. Over a period of time he wins more often than his fellow players do.

Tom's friends recognize his ability and one of them says: 'You are really good at this. You ought to go to a game club and test your ability because you could probably get rich playing cards.' It is a challenge hard to resist and as soon as Tom has learned the basic rules of playing for money, he goes and finds a club. He starts off cautiously, calculating as carefully as he can, but despite this he loses more often than his fellow players do. How is this possible?

Based on our framework, we would argue that the problem is related to his understanding of the situation. In the first case, the party game, he did have an accurate understanding of the situation. The trick was *to choose the cards to maximize the probability of obtaining the best outcome in terms of a specific combination of cards*. Since he was clever at probability calculations, he did

well. However, at the game club, he applied the same understanding of the task. The main problem was that he was still angling for the best possible hand. What he did not realize was that another understanding of the situation would have been more appropriate. This was because at the game club holding the best cards is not the main object. There, the point is *to make your opponent think that you hold the best cards*. Once one realizes that, one also understands that calculating probability is only a small part of a game of poker. The main part is being skilful in the psychological play, mastering body language, being able to read the degree of certainty and sincerity in fellow players' bids or counter-bids, to discern whether they are holding first-class cards or just bluffing. The example shows that:

- our understanding of a task and its context shapes our attention and determines what is interesting and relevant and what is not,
- we may have knowledge and skills but they only become useful through our understanding of a specific situation,
- understanding is not a given that automatically follows from a situation. We learn to interpret reality in a particular way, so our understanding is coloured by our previous experiences.

Consequently, the same task can be understood in different ways and the more complex the task, the greater the number of possible ways of understanding it. With a task as complex as managing a company, obviously there are several ways of understanding what it is about, what is more or less important, what resources are useful and how to achieve a favourable result.

Even the results favoured by management by objectives rely on our general understanding of the particular business situation. To discuss the success of any business, it must be possible to evaluate results. For a defined task such as a poker game, it is rather obvious how the result can be evaluated. But for the more complex tasks performed in companies, the results become full of nuances. For example, say we want to achieve something in the short term and at the same time create opportunities to achieve strong results in the longer term. We want to meet quality requirements, create a stimulating working environment and keep the costs down – all at the same time. Moreover, in industry, someone often evaluates results other than the person producing the results. The results that are to be achieved may be formulated by managers, customers or other stakeholders.

The paradigm shift: from instruction to vision

The growing dependency on knowledge and the ability to apply it, that is, human competence (Alvesson, 2004), greater independence and the insight

that people's work performance is based on their understanding of work, have given rise to support from an increasing number of practitioners and management researchers for a shift from management by specific rules to management by ideas and visions, together with a leadership based on dialogue rather than hierarchical authority. As pointed out previously, this is a shift from using direct management techniques, such as rules and instructions, to the development and use of more indirect techniques, such as vision, mission, culture and values. Beckérus et al. argued in their book, *The Doctrinal Shift,* that such a shift implies:

> [a] new leadership ideal derived from a developmentally oriented view of human beings, which has a particularly strong link to corporate thinking. The new keywords are *competence mobilization* and *competence development*, where the staff members' knowledge, experience and problem-solving capacity are assumed to be integrated in a shared network of *commitment* and *involvement* concerning the company's business idea and its relation to the market (customers, suppliers and other interest groups).
>
> No longer is the task of the leadership to limit responsibility and influence, and to increase control and ability to direct by regulating details. Its new function is to break up rigid structures, to create commitment and local freedom to act, and to reduce control of details and governing by rules. In this way, opportunities to use experience and knowledge 'from floor to ceiling' within the company are created – something that is central to the new corporate thinking. (1988: 27, translated from Swedish, italics in original)

More than a decade later Clark and Clegg, in their extensive overview of the paradigm shift in management, argued in a similar vein:

> All business is becoming knowledge-based – that is, the utilization of state-of-the-art knowledge is now the critical ingredient for commercial viability. Developing better information systems is only part of this challenge. It is necessary to create collaborative cultures, group technologies, supportive infrastructures and sensitive measurement systems to facilitate the effective acquisition and deployment of new knowledge.
>
> In knowledge-based business, learning and innovation are the critical drivers of business development. Redefining the workplace as a central mechanism for knowledge exchange encourages the discovery and utilization of knowledge at every level, making the organization more alert, informed and responsive. (2000: 431)

The above arguments have been intensified even further more recently with an increased emphasis on the importance of knowledge for growth and survival. As Newell et al. argued:

> In these dynamic and global environments, it is not possible to expect managers to do all the thinking – in other words, the separation between thinking and doing (or decision and action knowledge) is no longer appropriate. Success depends, rather, on harnessing the intellectual capital of all employees. Moreover, in such situations people will often work together in teams to create new solutions, integrating their knowledge and experience to develop new products and services. (2002: 173)

As mentioned previously, these principles have received broad attention from the business community throughout the industrialized world. Most corporate leaders believe in these principles and try to apply them in some form or other. But despite claims that a shift from management by rules to management by ideas has taken place, a range of problems usually associated with traditional management styles seems to remain. Let us describe some typical situations of that kind.

1   The board of a company has observed that the company is strongly production-oriented while market indications seem to call for a more customer-oriented approach. When earnings decline, the current CEO resigns and the new CEO is given a clear mandate by the board to make the company more customer-oriented. The new leader and key senior managers elaborate a number of central ideas that combine to form a more customer-oriented vision of the company. Then, the new CEO launches a comprehensive information campaign to propagate the company's new vision. All employees in management positions and several others participate in courses and seminars. The organization is restructured, and managers with a more customer-oriented approach are brought in. Two years later, it can be observed that numerous discussions have been held and a range of changes has occurred, but the company's way of thinking is more or less the same as before. Very few of its grand ambitions have been realized.

2   One company takes over another company in the same industry. The management of the over-taking company carries out a comprehensive and expensive campaign about the advantages and positive synergies it will achieve through the merger. There is little protest. Most employees seem to support the managers' ideas. But after a while, it becomes clear that it will be difficult to achieve the expected synergies. The two companies still operate in very different ways, and their employees have difficulties coming up with shared solutions, and are complaining that they 'past talk each other'.

3   In a certain industrial company, it is observed that 72 per cent of middle managers are men and 28 per cent are women. The company has declared that it should strive towards a more equal distribution. The equality committee has suggested various activities to support this aim. For instance, an internal survey showed that of the resources available for training and developing middle managers, 80 per cent had been used by men and only 20 per cent by women. The equality committee recommended that women should be encouraged more to take advantage of training and development opportunities. The general managers of the company supported the recommendations and decided that in two years' time 65/35 per cent distribution should be the norm. This policy was also discussed extensively at various management seminars. However, after the two years had elapsed, a new investigation showed that of the employees who have received training and development support, 78 per cent were men and 22 per cent were women.

What these examples have in common is that the management techniques used did not play out as expected. Despite management's clear formulation of ideas, visions and principles towards a desired change in work performance and their communication to employees, they seem not to have influenced the

employees' performance in any particular way. How is this possible? As mentioned above, several management writers and practitioners have argued for a paradigm shift in management. We should abandon management by rules and embrace management by ideas. However, in discussing the ways in which ideas and visions can be used to influence how employees understand their work, their arguments are typically in line with the rationalistic top-down principle. For example, Beckérus et al. claimed that, in a general sense, one could argue:

> that the managers' chief task, both in words and action, is to give the business enterprise a direction. It includes defining the situation of the company and its need for change, prescribing an action plan and gaining support for it. (1988: 86, translated from Swedish)

Hosking and Morley made a similar observation:

> On reading the literatures it is all too easy to form the impression that leaders manage meanings through relatively simple, one-directional, causal processes, in which they impose their (superior) vision and understanding. (1991: 252)

Within the literature on managing change researchers also typically follow the rationalistic top-down principle. For example, Kotter's (1995) well-known, eight-step process for managing change in business is in line with the rationalistic top-down principle: (1) create a sense of urgency, (2) form a powerful guiding coalition, (3) create a guiding vision, (4) communicate the vision, (5) empower others to act, (6) create small wins along the way, (7) consolidate improvements and create more change, (8) institutionalize the new culture. The model clearly identifies that key factors in the process are how employees view the competitive situation and the desired future of the company, and whether they trust the change efforts to be serious and productive in achieving a real change. It also makes clear that the change is dependent on local action that cannot be prescribed in detail. But when it comes to the implementation of the change efforts, the rationalistic top-down principle is particularly salient in the first four steps. Kotter argues that leaders should first establish a sense of urgency within the organization, that a change is needed. As a second step, he proposes that leaders form a powerful guiding coalition. Thereafter leaders should create a guiding vision as a way to provide a roadmap for more specific plans and directives and something compelling to strive for. When created, the vision must be communicated clearly. All of it is assumed to be achieved through strong decisions and actions from the part of the leader.

Also, in human resource management, most advocates of management by ideas fall back on the rationalistic top-down principle when describing *how*

staff members' understanding can be influenced. For instance, this becomes evident in Berg's (1986) description of how the personnel managers one-sidedly transfer a desirable meaning of work to the employees. Such a one-sided imposition is also evident in Ogbonna's (1992) study on the use of the concept of culture in human resource management. Ogbonna's results showed that researchers who use the concept of culture in human resource management argued that the activities of training and development 'can be designed to inculcate in employees those attitudes which are "in tune" with the organizational culture' (1992: 81).

We can witness a similar one-sidedness when it comes to managing knowledge. As Newell et al. (2002) pointed out, the predominant way to manage knowledge has been through information and communication technologies (ICT). With the help of ICT, managers identify, store, retrieve and transmit knowledge throughout the organization. This way of managing knowledge has, however, proven to be problematic in many ways. For example, in an extensive investigation of 431 American and European companies by Ruggles (1998), it became evident that most companies were highly dissatisfied with their current ways of managing knowledge with the help of various ICT systems. More than 56 per cent of the companies experienced difficulties in influencing and changing workers' performance by creating and transmitting new knowledge to the employees. And only 13 per cent of the companies were able to transmit knowledge effectively between organizational units.

That managers to a large extent are still operating within the rationalistic management perspective is also apparent within leadership itself. As was described previously, there is a widespread recognition of the benefits in business of shifting from a hierarchical leadership to a more relational and dialogue-based leadership. However, as many researchers have noted, such as Fletcher and Käufer (2003) and Pearce and Conger (2003), most companies seem to have failed to implement a more relational leadership in practice. Fletcher and Käufer (2003) point out three central reasons for such a failure in terms of three paradoxes and contradictions in companies' attempts to adopt a more relational leadership: (1) hierarchical leaders are charged with creating less hierarchical organizations, (2) shared leadership practices 'get disappeared', and (3) the skills it takes to get the job are different from the skills it takes to do the job, or the 'that's not how I got here' paradox.

The first paradox, 'hierarchical leaders are charged with creating less hierarchical organizations', illustrates a deep contradiction in many organizations. Namely, that a strong 'hero' CEO is often seen as best equipped to manage an organizational change from a centralized and hierarchical organization towards a flatter organization and a more dialogue-based leadership. But as Fletcher

and Käufer and others point out, 'it is difficult to create less hierarchical systems by relying solely on better hierarchical leaders' (2003: 25).

The second paradox, 'shared leadership practices "get disappeared"', highlights how the idea of shared leadership disappears or gets overshadowed by the dominant image of leadership as heroic individualism. As Hiefitz and Laurie noted, despite all the strong signals and rhetoric about the need for a new leadership, 'manager and leaders rarely receive promotions for providing the leadership to do adaptive work' (1999: 65). Others, such as Hirschorn, (1990) and Meindl et al. (1985), claim that 'followers' also individualize leadership due to their strong need of heroes. Of particular importance are Fletcher's (1999, 2002) observations that central principles of relational leadership, such as 'taking time from one's own deliverables to share information, sending notes of appreciation, or asking for help, input or both, appeared so routine, mundane, and "non-heroic" in practice that they were hard to recognize as acts of leadership' (Fletcher and Käufer, 2003: 26).

Finally, the third paradox, 'that's not how I got here', points out that the training and development of managers in most organizations encourages intense competition between individuals. Individuals have to invest considerable energy to distinguish themselves from others. Promotion is thus very much organized around individual achievement rather than a shared or cooperative achievement. This means that those individuals who end up in influential management positions are often poorly equipped to adopt and implement a more dialogue-based leadership.

Fairhurst (2005) identified similar reasons why so many managers seem to fail to grasp what a more relational and dialogue-based leadership means in practice. In 1996 Fairhurst and Sarr published the rather well-known and influential book (particularly written for practising managers) *The Art of Framing: Managing the Language of Leadership.* Its main point was to describe and illustrate how leaders can manage understanding by framing the meaning of employees' reality in particular ways. They define framing as:

> the ability to shape the meaning of a subject, to judge its character and significance. To hold the frame of a subject is to choose one particular meaning (or set of meaning) over another. When we share our frames with others (the process of framing), we manage meaning because we assert that our interpretations should be taken as real over other possible interpretations. (Fairhurst and Sarr, 1996: 3)

Reflecting on the book a decade later, Fairhurst (2005) notes that while the book still receives high attention among managers, a large number of them struggle to comprehend what framing means in practice. Initially, she thought that the reason why so many managers struggled was related to where in the organizational hierarchy they were positioned. This was, however,

refuted at an early stage. Upon further reflections and investigations, she pin-pointed three main reasons why most managers fail to implement framing in their managerial practice.

One reason is that many managers experience insecurity about framing reality because it challenges the commonly held belief of an objective and stable reality. If managers adopt the idea of framing reality, it means that they become reality makers rather than reality discoverers (to discover how real-ity really is and act on the facts discovered). Due to the strong belief in an objective and stable reality, most managers feel highly insecure about aban-donning their current role as reality discoverers and instead adopting the role of reality creators.

A second reason proposed by Fairhurst is that most managers embody a particular design logic in communication that hampers their framing ability. Based on O'Keefe's (1988, 1997) work, Fairhurst identifies three main design logics in communication: expressive, conventional and rhetorical design logic. Those who embody an expressive design logic regard communication primarily as a way to express their feeling about something. According to Fairhurst, those people often make blunt and inappropriate remarks, and when asked why they made that remark they often reply with 'because that was what I was thinking' (2005: 173). The individuals who embrace a con-ventional design logic regard communication as 'a cooperative game to be played premised upon socially conventionally rules and procedures' (2005: 173). These individuals play the cooperative game by knowing what is appropriate and what is not appropriate to say in specific situations. Finally, the individ-uals who embody a rhetorical design logic do not primarily alter what they say in particular situations, but rather try to change the situation to fit what they want to achieve. According to Fairhurst, it is really only the rhetorical design logic that does not hamper managers' ability to manage meaning suc-cessfully. She notes, however, that in numerous tests, an overwhelming majority of managers fail to score higher than conventional design logic. This suggests that most managers are unable to put framing into practice due to their particular communicative design logic.

Finally, Fairhurst raises the issue of whether framing is a teachable skill. While research suggests that it is, there are, according to Fairhurst, four issues that hamper the teaching and learning of framing: arrogance, conduit thinking, authenticity concerns and lack of moral framework. Many leaders are arrogant and dismissive in their communication with others. Highly linked to arrogance is the strong view of communication as information transfer. As Fairhurst points out, we often encounter expressions in practice like 'getting one's thoughts across' and 'putting thoughts into words'. When reduced to transfer, the whole negotiation dimension of communication is overlooked.

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Many people are also uncomfortable about losing authenticity when changing behaviour. As described above, when managers try to become reality creators, they not only challenge the basic assumption about an objective and stable reality, but they also lose a sense of authenticity of what they are doing. The framing logic also makes managers much more aware of their moral obligations. If they are framing the reality of others, the moral dimension of their actions comes to the fore. It requires that leaders take more responsibility for their actions.

A way to summarize the reasons provided by Fairhurst for why most managers fail to grasp what framing means in practice is because they still operate within a rationalistic perspective. This is particularly evident when it comes to feeling insecure and uncomfortable about leaving the assumption about an objective and stable reality behind and embracing the idea that reality, to a large extent, is socially constructed. The fact that a vast majority of managers only embody expressive and conventional design logic in communication also clearly highlights the rationalistic perspective. The difficulties involved in learning the art of framing due to arrogance, loss of authenticity, and conduit thinking further demonstrates that managers still operate within a rationalistic perspective on management.

The difficulty in breaking away from the rationalistic management perspective is not only evident in leadership but also in organizational forms. In an overview, Alvesson and Thomson conclude that despite the rhetoric about a shift towards post-bureaucracy (decentralized, non-hierarchical, flexible and fluid forms of organizations) 'empirical studies of changes reveal relatively modest changes in structural terms, and where change has taken place in some spheres, it is in the direction of more rules, hierarchy, and centralization. ... [P]post-bureaucracy, for the moment, operates more as a means of legitimating change and marketing new ideas than as a solid empirical indicator of changing forms of work organization' (2005: 500–2).

How this book is organized

A central argument of this book is that the alleged paradigm shift has taken place at a rhetorical level but not at a practical level. Managers have not succeeded in realizing the paradigm shift because they have tried to do so using a rationalistic perspective. More specifically, since most current methods for managing understanding are based on the rationalistic principles, managers overlook the way employees' understanding of their own and the company's task influence their work performance. Without a deeper knowledge of how people's understanding of their work forms the basis for their

performance, the possibility of influencing their understanding to achieve a certain performance is considerably limited.

In this book, we suggest an interpretative management perspective as an alternative to the rationalistic perspective. Such a shift in scientific perspective makes it possible to 'understand understanding' and to develop practical techniques for managing understanding in a way that will improve work performance.

Chapter 2 provides a basis for discussing the paradigm shift as a change from a rationalistic to an interpretative perspective on management. The rationalistic and interpretative perspectives are described in more detail. We also describe how many management researchers during the past three decades have gradually realized the significant role that people's understanding of their work plays on their work performance and, based on that realization, how they have adopted an interpretative perspective on management.

In Chapters 3–5 we describe and exemplify the main features of human understanding and how it forms the basis for people's work performance in organizations. To illustrate how understanding functions as the basis for individuals' work performance, we present in Chapter 3 Jörgen Sandberg's (1994, 2000) study about competence in a group of engineers developing new car engines. This study demonstrates how people's understanding of the same task differs and how the different ways of understanding the task form the basis for their work performance. Based on the same study, we continue in Chapter 4 to analyse the nature of human understanding by investigating how an understanding of work forms the basis for both how and what competence we develop at work. While in Chapters 3 and 4 we mainly focus on the characteristics of individuals' understanding of work and how it forms the basis for their work performance, in Chapter 5 we shift focus and discuss the nature of collective understanding and how it forms the basis for collective work performance and its competence. In Chapter 6 we summarize the main features of understanding developed in the previous chapters, and extend the discussion on cores the issues that are involved in transforming people's understanding of work. In Chapter 7 we review and evaluate the most common methods available for influencing human action, and discuss how they can be redesigned to enable managers to manage understanding more effectively. However, being able to manage understanding effectively is not just a question of redesigning available methods. It is also about redefining leadership and management as a whole in fundamental ways. That challenge will be further discussed in Chapter 8, along with an extended reflection on the paradigm shift in management and its possible obstacles and consequences for managing understanding in organizations.

Summary

The main thesis of this book can be summarized as follows:

> Managers have adopted ideas of a new management philosophy emphasizing knowledge, competence development and independent performance steered by ideas and visions. Managers know what they want to accomplish but do not really know what understanding is and, therefore, do not know how understanding can be developed and influenced effectively.

Why have traditional management problems been reproduced in management by ideas and visions? Managers have probably not fully realized all the consequences of what it means to manage by influencing people's understanding of their own and the company's task. Certainly, advocates of management by ideas have adopted the insight from interpretative research studies that understanding forms the basis people's work performance. But when these advocates later describe how people's understanding can be influenced, they generally fall back into the traditional rationalistic principles of management.

We are convinced that people in management positions need to give more thought to what understanding is. Further, we believe that a deepened insight would lead to a more fruitful search for concrete ways to realize management by ideas. We hope that the rest of the book will contribute to this insight. The emphasis is on identifying problems and pointing out threats and opportunities. But we will also show where practical solutions may be found in the hope that this will encourage creative and forward-looking managers to experiment and try out new ways to manage and, thus, to achieve competitive advantage.