Chapter 5
More Foxes in the Boardroom: Systems Thinking in Action

Peter Gomez and Timo Meynhardt

Abstract An organization's contribution to the wider public can be seen in different ways. Self-reported data from Switzerland and Germany indicate that top managers vary considerably concerning their awareness of various multiple realities. We explain this phenomenon by drawing on the notion of cognitive style, using the metaphor of hedgehogs and foxes. It is argued that research should move from a focus on moral awareness to value awareness in a very broad sense.

Keywords Cognitive style • Top management • Value awareness • Hedgehog-fox metaphor • Complexity

> *"The test of a first-rate intelligence is the ability to hold two opposed ideas in the mind at the same time and still retain the ability to function."*
>
> F. Scott Fitzgerald (1956, p. 69)

5.1 Introduction

The global financial crisis has again raised questions about top managers' core values. In the light of corporate failures during the first decade of the twenty-first century, it is appropriate to ask: Are upper echelons in touch with the broader public's expectations ("Main Street"), or are they detached from such concerns and primarily oriented towards their peer group ("Wall Street")? Even if it seems exaggerated to claim that corporations "may have become the only kind of actor

P. Gomez • T. Meynhardt (✉)
University of St. Gallen, Dufourstrasse 40a, 9000 St. Gallen, Switzerland
e-mail: Timo.Meynhardt@unisg.ch

S.N. Grösser and R. Zeier (eds.), *Systemic Management for Intelligent Organizations*,
DOI 10.1007/978-3-642-29244-6_5, © Springer-Verlag Berlin Heidelberg 2012

with significant cultural and political influence" (Stern and Barley 1996: 148), none the less it is relevant to inquire into top executives' views of business in society.

We report and discuss how these views are shaped. Our argument is based on evidence gathered in an empirical study among 38 top executives from both the private and public sectors in Switzerland and Germany. Our self-reported data from boardrooms show that almost two out of three top managers believe they are completely "in sync" with a wider public with respect to their organization's contribution to society. Their self-assessment can be summarized as follows: "What I believe to be of value to society is also valued by the public at large." In other words, our respondents hold that their organization's contribution to society matches public expectations. We have used a research design consisting of both qualitative and quantitative elements to generate this finding. Intrigued by the empirical evidence, we discuss how best we can understand and explain this "filter" of perception from a cognitive-psychology perspective.

A closer look at our data revealed that the answer patterns can be distinguished according to what can be characterized as a specific cognitive style, i.e., fairly stable ways of "*organizing* experience into meanings, values, skills and strategies" (Hayes and Allinson 1994: 54). It is at this level that we situate interpersonal differences regarding inclinations to accept/reject the fact that values are relative, compete with each other, and cannot be integrated into a single truth. Being "in touch" with the wider public in a pluralist society would imply a certain sensitivity to the different values at stake in that setting. Clearly, such "value literacy" is influenced by fundamental differences between human beings, each shading corresponding to a certain cognitive style.

Our findings bear a striking resemblance to the distinction between foxes and hedgehogs, introduced by Isaiah Berlin (1953/1999). We use it as a metaphor for the different cognitive styles and we encountered in our research: Whereas foxes tend to see diversity and acknowledge conflicting values as natural and given, hedgehogs tend to downplay this pluralism and to favor only one truth. Berlin developed this idea from a line by the early Greek poet Archilochus: "The fox knows many things, but the hedgehog knows one big thing" (p. 7).

Where does this rich contrast lead? In the light of the financial crisis, the distinction provides us with cognitive explanations: If executives assume that they know more about the world than they actually do (hedgehog) and are therefore not aware that they are doing harm to society, their behavior is dangerous. Under these circumstances, we may want more foxes in the boardroom, even if they may sometimes manifest analysis-paralysis. On the contrary, in a media-driven environment, "public acclaim" is crucial to increasing legitimacy. Here, hedgehogs have an advantage, as has been shown in an extensive study of the accuracy of political judgment (Tetlock 2005). The animal metaphor in the comparison captures a crucial element, the matter of opposed dispositions as they perform in an increasingly uncertain environment: The ability to pragmatically navigate and adapt to alternative realities in society (the fox) may be more important even than having coherent organizing principles and visions (the hedgehog), which suspend and dismiss alternative realities in an almost autistic fashion. Our central argument calls for a closer look at individual value awareness as a matter of managerial cognition. In an unpredictable business environment with multiple realities, such differences between top executives may play a significant role in the management of entire organizations.

This paper seeks to further our understanding of individual drivers behind how managers deal with complexity. Our point of departure for understanding the data is neither a psychological explanation of denial or reality distortion, nor “group think” or sociological reportage. Instead, we make the case for fundamental differences between individuals concerning *how they organize experience*. We suggest the need for interpreting this phenomenon—of the two chief contrasting managerial outlooks as ways of forming an idealized relationship with a wider public—as a measure of differences in individual value awareness.

In the remainder of this article, we proceed as follows: First, we outline the importance of our research, then report what we already know from the literature as well as describe our study. Based on the empirical evidence, finally we discuss what implications might be drawn from our insights concerning this specific cognitive style from top executives.

5.2 Why We Should Take Note

“Managers provide numbers, data and facts, but morally they are silent” is a complaint voiced by the CEO of Deutsche Bank, Joe Ackermann (FAZ 2008). Addressing public matters requires awareness of different perspectives and values. This would include, for example, awareness about both how one’s organization may be doing harm in society and also how it contributes to the common good through its services and products. According to a McKinsey survey with more than 4,000 executives in 116 countries, 68 % of executives believe that large corporations make a generally or somewhat positive contribution to the public good (McKinsey 2006).

As Peter Drucker, the towering figure of twentieth-century management thinking, consistently has argued, it is essential for managers to recognize social impacts and management’s social function, because “free enterprise cannot be justified as being good for business. It can be justified only as being good for society” (1973/1993: 41). Is such a strong proposition defensible in our times? We believe that is, so long as one accepts the fact that managerial action manifestly has a considerable potential to affect many people in an interconnected world. The cognitive perspective deserves attention if we assume that the mental capacity to oversee these social impacts is inevitably limited. The classic stakeholder approach would seek to maintain distinct zones of liability and accountability, that is, to handily disentangle or isolate “any group or individual who can affect or is affected by the achievement of the firm’s objectives” (Freeman 1984: 25). In times of diverging expectations, fast-changing environments in a globalized economy, blurring boundaries, and increased public sensitivity, it is less clear who the various constituencies actually are. Consequently, Post et al. (2002) argue for a consideration of the actual identities of potential stakeholders. Phillips (2003) also directs attention to indirect effects by distinguishing between normative and derivative stakeholders. For normative stakeholders, e.g., communities, customers, employees, financiers, and suppliers, there is a direct moral or social obligation. “Derivatively legitimate stakeholders are those groups whose actions and claims must be accounted for by managers due to their potential effects upon the normative stakeholders” (Philips 2003: 127). While it makes perfect sense to take a broader view of stakeholders, sustaining this effort becomes unrealistic at the psychological level.

For example, in a recent review of stakeholder theory, the authors called for further research into the question as to how “executives make sense of who is or is not a stakeholder” (Parmar et al. 2010: 432). The rationale seems clear: An ever-growing number of externalities for a specific business (Papandreou 1994) leads to an implosion of any notion of isolated stakeholders; the idea of a differentiated list of stakeholder interests gives rise to blurs in any cognitive system. Simply put, in order to deal with complexity, there is a functional need in human perception for abstraction, simplification, and more general constructs: Apples, strawberries, oranges, etc., form the notion of fruit. In our case, this larger notion is society beyond a collection of isolated stakeholders.

Against this background, we are not voicing yet another call that “values matter,” but seeking rather to clarify how upper echelons deal with such challenges from a cognitive perspective. Our research follows the call by Barley: “Since the 1960s, organizational theorists have spent most of their time developing theories of how environments affect organizations and, more recently, how organizations affect each other. It is time for organizational theorists to pay much closer attention to how organizations alter and even create their environments” (Barley 2007: 214).

5.3 What We Already Know: Fresh Perspectives Needed

Our starting point was to focus on how top executives cognitively construct their social environments. The central claim of upper-echelon theory is that top executives’ interpretations matter if one is to understand what organizations do and why they do it (Hambrick and Mason 1984; Hambrick 2007). Accordingly, the literature on “CEO psychology” proposes a number of correlations between individual traits and firm behavior (Li and Tang 2010). For example, it addresses the overestimation of problem-solving skills, hubris, or risk orientation. However, concerning perceived societal impacts, we lack data from boardrooms. The interesting question is: How do top managers reflect on their organizations’ roles in society and social impacts beyond company boundaries?

Much of the extant debate around that question is about what constitutes a “license to operate” in a market economy. Just how controversial corporate social responsibility (CSR) discourse is has been shown by Devinney (2009), who reviewed the literature and concluded that there is “no holy grail of CSR” (p. 54).

Besides unresolved normative questions, we lack data and insights on how top managers actually deal with values in society. Hambrick argues that "the psychological and social processes by which executive profiles are converted into strategic choices still remain largely a mystery—the proverbial black box. Our desire—our need—to open up the black box is not just a matter of scholarly curiosity; it is essential for ultimately improving the insights we can provide executives regarding how they might surmount or overcome the biases associated with their experiences and dispositions" (Hambrick 2007: 335). Concerning values held by managers, one promising way to address psychological processes has been the growing interest in "moral awareness." The basic idea is that conscious reflection about ethical implications may facilitate better decision-making (e.g., Rest 1986; Jones 1991). It is assumed that being aware of what is at stake is important in a pluralist environment, especially if business is required to earn and sustain a "license to operate."

In this line of research, managers are being asked whether they *perceive* an ethical dilemma in a specific situation. The research focus aims primarily at detecting individual and situational predictors of awareness. For example, subjects are asked whether there is a difference between men and women (e.g., Fleishman and Valentine 2003), or whether perception changes if 10,000 people are affected rather than just 10 (Jones 1991). While they give some credit to such studies in their extensive review, Tenbrunsel et al. (2008) remain skeptical about what has in fact been measured. In their view, most studies "assume that for decision makers to be morally aware, they must perceive the decision as a moral one." (p. 555). The authors doubt whether "even the more restricted definition of moral awareness has actually been measured" (p. 556).

Interestingly, such a restricted definition was clearly not the intention of Rest (1986), who has provided the basic assumption for many studies. He argues: "A person may say to her/himself, 'This is a moral problem' or may think about some specific moral norm or principle that applies to the case. But this is neither necessary nor inevitable. Minimally (. . .) a person realizes that she/he could do something that would affect the interests, welfare, or expectations of other people" (p. 5). Given the importance of further insights, the research gap is widened by a restricted focus on "ethical" issues. Tenbrunsel and Smith-Crowie (2008) voice their disappointment that the term "ethical" in fact is under-defined in most studies on ethical decision-making, and that its definition is a "notable void" (p. 547). They even fear that "the field will not survive if it continues down that path" (p. 593).

In our view, the current stage of research about psychological processes among top executives associated with the awareness of the societal implications of business is best summarized in a statement by Gioa (2010): "I think if we really want to have an effect on how organizing and organization affects the well-being of the wider society, we simply have to suck it up and admit that understanding the social construction of motivating images is one of the key things that we don't have a good handle on" (p. 1).

5.4 Moral Awareness Is Not Enough

The more complex the environment is, the more *subjective* the psychological evaluation (e.g., gut feeling, experience, and common sense) that comes into play to close the knowledge gaps or compensate for them (Meynhardt 2004). Psychological research proposes that such processes are by no means highly conscious ones. For example, research on heuristics for decision-making (Kahnemann et al. 1982; March 1994) suggests that this is a mainly intuitive, holistic, and fast-paced process (e.g., De Sousa 1987; Damasio 1994). These highly emotional valuations even “serve as functional equivalents for the rational faculties it suspends” (Elster 1999: 291). Imagine that a manager is forced to think through the different expectations of existing normative stakeholders, existing derivative stakeholders, and potential stakeholders. This involves sheer cognitive overload. Managers cannot but activate a diffuse, partly non-conscious, experience-based attitude concerning “the” customer, or “the” political environment. In other words, this is a psychological Gestalt or a generalized attitude, which is necessary to organize experience (Meynhardt 2004, 2009).

Returning to the broad understanding of moral awareness, as exemplified by Rest (1986), we believe that the term itself is misleading and unnecessarily narrow: If one accepts that, besides moral values, there are others such as political, utilitarian, or hedonistic values, one must drastically enlarge the scope of inquiry. In line with Rest’s aforementioned definition, we propose a shift of attention and adopt a more *holistic* perspective, enlarging the scope *from moral awareness to value awareness*. Our reasoning is as follows: Different values coexist, compete, and contradict each other without inhabiting an analytical or natural order or hierarchy. For example, there is only a normative argument as to why shareholder value should be balanced with either a stakeholder orientation or a CSR perspective. Such a non-normative approach to values ultimately involves assumptions about human nature that elude a single uncontested truth. Also, from a pragmatic perspective, it seems much more realistic to assume a historical plurality and diversity of values than to impose one’s own values onto other contexts. Accepting that ethical values are often incommensurable with political or economic ones, then one must allow that values naturally conflict with each other (Meynhardt 2004, 2009). As a result, “ethical” or “moral” values are important value dimensions but not the only ones. Moral awareness is accompanied by political awareness, utilitarian awareness, and so on. This line of reasoning builds on the idea of different decision frames, as described by Tenbrunsel and Messick (1999), who refer to cognitions invoked by managers when they interpret decisions. For example, if a person views a specific decision as a business decision, this involves a business frame. In extending the frame notion, the idea of value awareness focuses on multiple frames applied to one and the same situation.

Value awareness is then seen as conscious reflection on different values involved in a specific situation. For example, a new advertisement campaign may be morally correct, but politically unacceptable, or vice versa. A new acquisition may be highly attractive from a financial perspective, but detrimental from a political one. Hence, an ethical dilemma may also be a political or utilitarian dilemma. In other words, ethical values are contextualized and not viewed in isolation, or even considered to be above other concerns. Value awareness involves salience of perspectives that are possibly equally valid. In contrast to the notion of interpretative ambivalence as sensitivity to positive and negative aspects of an issue, and as measured by Plambeck and Weber (2010), awareness of values is defined as a conscious consideration of the very nature of values. It is less a matter of positive or negative, and more a matter of completely different angles or worldviews.

5.5 Empirical Evidence for Value Awareness

Inquiring into managerial cognition in top management is a challenging task. One of the few methods for balancing idiosyncratic meaning and statistical comparison is the repertory-grid technique (Kelly 1955; Fransella et al. 2003). This methodology has been successfully employed in management research for several decades, and is now reflected in the managerial and organizational cognition literature (e.g. Walsh 1995; Huff 1997; Eden and Spender 1998). We have followed a re-conceptualization of Kelly's approach by Orlik (1986), which differs from Kelly's approach in that it asks for a construct and its opposite, instead of judging examples along the lines of similarities. Another major difference in our version is that commonalities are *not* searched for by factor analysis. Whereas Orlik's version is directed at individuals and their traits, we used a further adaptation by Meynhardt (2004) designed for our purposes.

Data collection took place from January to October 2008 in Germany and Switzerland. With the help of an executive search firm, we approached 65 organizations in the private and public sectors via post. 38 top managers (21 from private companies, 17 from public organizations) from the organization's first leadership tier participated in the study. During 90-min interviews, executives were systematically asked about their organization's positive and negative contributions to society. The basic question was: "What makes your organization valuable to society?" The specific question scheme consisted of four areas, which represent implicit relationships of current and future states: Which contributions should be kept? What should be done? Which contributions are critical today? What should we never do? For each question, the respondent was asked to give three answers, which should consist of both the answer and its opposite. The basic idea behind this way of eliciting cognitions is Kelly's idea that every construct is meaningful and can be understood only in relation to its opposite. Secondly, respondents evaluated these self-generated items from a societal perspective. For example, a respondent stated that her organization contributes to society by providing products that help fulfill basic communication needs. The respondent was then asked to assess whether or not this contribution is appreciated by others with regard to several value dimensions.

As we sought to provoke a multidimensional yet structured construct evaluation, we provided five value dimensions, which had to be applied for each pair of constructs. The dimensions were borrowed from Meynhardt (2009), who argued for the following spectrum: moral-ethical, political-social, instrumental-utilitarian, hedonistic-aesthetical, and financial-economic. The method includes a number of specific analytical steps, which we summarize here. To determine the discrepancy between personal judgment and assumed assessment by a wider public, we used two method-specific scores: One measures distance in the realm of the actual state, while the second measures distance in the realm of an anticipated future. Following Orlik, we also assumed a so-called “real state” and “ideal state.” For each of the five dimensions, we measured the two distances. Descriptive statistics indicated that the sample could be divided into two groups. If there was a difference of at least two points in at least two dimensions, we would classify this person in one group, while the others were classified in the other group. As a result, 15 respondents were identified as having a relatively higher differentiation with respect to both value dimensions (at least two) and the assumed discrepancy of perceptions (at least two points). The other 23 respondents did not fulfill these criteria.

This striking result led us inquire into the verbal data, which served as the individual frame of reference for these assessments. In search of specific group characteristics, which are in the data, we conducted a focus group with five respondents and four feedback interviews. Because there was no hint of a systematic difference concerning *what* our respondents answered, we analyzed *how* they reflected on contributions to society. As a result, we arrived at the hypothesis that the way in which respondents formulate their verbal answers determines the answers in step two. The more equally valid (i.e., equally feasible) each construct appeared to be, the more likely it was that this person would vary his or her answers with regard to what is preferred by the wider public. If one of the constructs in part one already had a negative connotation, it seemed unlikely that the interviewed subject assumed that the wider public preferred the negative one.

Clearly, not all 12 pairs in a single questionnaire were found to contain valid alternatives. We defined a minimum of at least three valid alternatives out of 12 answer pairs to consider a respondent for the fox group. In order to ensure reliable results, we employed three raters: One of the authors, an external top management consultant, and a psychologist familiar with rating procedures. In the first round, each rater coded the pairs individually, i.e., two of three coders did not have any contextual information about the organization. They had to rely only on the raw data. Before a second round, the author introduced information about the organization (name, industry, size, etc.). Each rater then coded the entire sample again. The results are reliable (Krippendorff’s alpha reliability estimate: 0.63). In cases of disagreement, we decided for the majority option, so that each pair was consistently ascribed. As a result of the coding work for each answer pair, we were able to construct a matrix (Fig. 5.1).

This figure helps explain why lack of differentiation may occur (Chi-Square test, $p < 0.008$): without a cognitive style that appreciates difference, it is unlikely that managers see plurality and inconsistency. This is where Berlin’s metaphor is

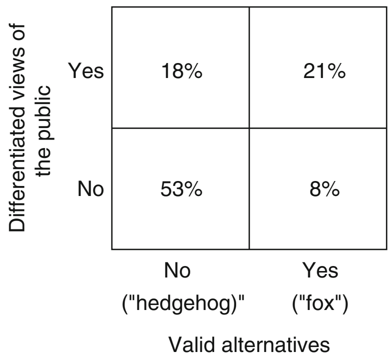

Fig. 5.1 Relationships between differentiated views of the public and real alternatives

Table 5.1 Examples of different cognitive styles

Hedgehog style	Fox style
Contributing to environmental safety versus not contributing to it	Serving the country versus focus on profit maximization
Products must satisfy the customer versus lose credibility	Supporting selected groups versus supporting all groups
Tradition versus too modern	Providing training from A to Z versus reducing training to the minimum
Too bureaucratic versus too non-bureaucratic	Innovation versus cost leadership
Top management provides safety versus unstable, risky leadership	Active involvement with political discussion versus no active involvement
Providing indispensable products versus providing useless products	Purely regional focus versus international focus

brought into play. We analyzed all construct pairs individually (a total of 456) to determine whether or not they represent a valid alternative. A pair was considered valid when it appeared to be a feasible action alternative (see Table 5.1). For example, "contributing to environmental safety vs. not contributing to environmental safety" is not regarded a valid option, because there seems to be no option. The same holds true for "products must satisfy the customer vs. lose credibility." Since both pairs contain a negative aspect, the alternatives are not equally valuable, feasible, or attractive. In other words, each answer covers more or less explicitly a notion of right or wrong, i.e., just one "truth." Subsequently, those answers were characterized as the hedgehog style of reflection. Conversely, pairs such as "serving the country vs. focussing on profit maximization" or "supporting selected groups vs. supporting all groups" were seen as equally valuable alternatives. None of them contains pejorative language that precludes the opposite from being true or potentially attractive. We considered answer pairs as fox-like only if there were clearly valid alternatives. A main source for sound reasoning was the context in which the organization operates. Without such context-sensitivity, it is often impossible to understand what "alternative" means.

5.6 Discussion

5.6.1 *Idealizing the Relationship with Society as a Matter of Cognitive Style*

Any kind of awareness implies that something is salient or "known" to a person. As noted, we are aware of bounded-reflection capacities and the often tacit nature of human knowledge (Polanyi 1967). Our focus therefore is not on varying degrees of awareness. Rather, our argument is directed towards these questions: How can we explain whether or not managers perceive conflicts between different values? To what extent do top executives see and acknowledge that there are conflicting values in society in relation to their business? Our empirical work shows that 61 % of the respondents believe that they deliver exactly to society's expectations. Furthermore, they do not assume any non-alignment between financial performance and either moral obligations or political challenges. The remaining 39 % perceive that their organization does not contribute consistently in some dimension. This group therefore assumes discrepancies and sees contradictions. A manager in the first or majority group, by contrast, would argue that "providing mobility" is an unquestioned contribution to the wider public—morally, financially, politically, technically, and hedonistically. In other words, there was no acknowledgement of potential inconsistencies or competing values, such as trade-offs between them.

As noted, this phenomenon of idealization, as we call it, was the starting point for further analyses and led us to the hedgehog vs. fox metaphor, whose terms made our majority into Archilochus and Berlin's hedgehogs. Based on our two-step data collection process, where respondents reported positive and negative contributions and then rated their own answers, we were able to "explain" where this idealization derived from. This research strategy allowed us to identify a cognitive style that clearly served as a frame of reference for organizing interpretations in the rating part. In an inductive content-analysis process, we then discovered a statistically-significant relationship between the cognitive style introduced above and the phenomenon of idealized alignment. Alternatively, we might have drawn on accounts of cognitive dissonance (Festinger 1957) to theorize about why the majority did not acknowledge differences. Distorting reality so as to avoid psychological discomfort could have been an alternative interpretation. Still another interpretation might be borrowed from ideas about social differentiation, which leads to a loss of mutual understanding between different groups in society (Luhmann 1984).

We chose a different way of explaining the data. Following the data very closely, we identified a fundamental cognitive style at work, namely different information-processing processes. Berlin's metaphor provided us with labels as well as a consistent description for the phenomenon under consideration. In psychology, the idea of cognitive styles dates back to the early work of Witkin, who initially investigated field dependence vs. field independence in human perception

(Witkin and Goodenough 1981). In subsequent research, several cognitive styles have been proposed and discussed with regard to management; for example, reflectivity vs. impulsivity and cognitive complexity vs. simplicity (Hayes and Allison 1994). In current management practice, a Myers-Briggs type indicator (Briggs and Myers 1976) based on distinctions between sensing and intuition as well as thinking and feeling is widely used to analyze individual styles. The interesting aspect here is the idea that the ways in which people perceive and construct their realities can be understood as a "style." In our case, this has helped us understand that the" how" of reflection (the style) can be related to the degree of differentiation among different values.

The ways executives construct social reality either enable or disable the perception of different values. In a fairly closed system of either/or alternatives (hedgehog), there is less room for the notion that things could be viewed differently. As with all dichotomies, Berlin's is certainly not a call for rigid oversimplification. Berlin's distinction has become well-known and has found resonance because it clearly articulates a fundamental phenomenon: "one of the deepest differences which divide [...] human beings in general" (Berlin 1953/1999). The distinction cannot be used in a rigid way empirically—it will always provide an imperfect mapping and remain a matter of degree. So, after all, we may also identify "foxhogs" as well as "hedgefoxes." None the less, the insight we have gained from borrowing from cognitive-style research is that openness to different perspectives (i.e., acceptance of plurality) starts within the individual.

In a hedgehog style, right and wrong as well as true and false play a dominant role. For example, here it is not about innovation vs. more innovation, but innovation or no innovation. Top executives prone to this style are more likely to produce such mutually exclusive dichotomies. The fox style is characterized by a cognitive system that is open to multiple realities. As a result, such managers can "hold two opposed ideas in the mind at the same time and still retain the ability to function" (Fitzgerald 1956: 69). This competency lies at the heart of our empirical results: Not suspending an alternative by distinguishing black/white or either/or, but de facto options. As the metaphor indicates, the hedgehog approaches its target directly, slowly, and without unnecessary detours, while the fox moves obliquely and swiftly. The hedgehog knows the answers, often even before it encounters a situation, while the fox knows the limits of its knowledge. These reality-engagement differences are crucial to understanding the way executives filter and interpret their perceptions. The fox type is less prone to big ideas; it does not believe in them. Instead, it can hold opposing ideas in mind at the same time without becoming paralyzed. While a fox can retain its ability to act in such an uncertain situation, a hedgehog-style manager strives for clarity and consistency.

We take this metaphor, which has already been applied in political science (Tetlock 2005), one step further: In a hedgehog cognitive style, there is a tendency to ignore other options, plurality, or contradictions. In other words, there is no room for valid alternatives; such managers are not prepared to acknowledge multiple truths, and tend to suspend an equally valid alternative. In turn, this makes it hard for hedgehog managers to believe that others may not follow their own preferences.

To be on the safe side, they have a consistent overarching story or plan, a “big idea” as well as a need for clarity and vision. Their direct approach to problems may appear more logical and analytical.

In effect, the hedgehog style may even gain more public approval, as shown by Tetlock in a study about experts’ political predictions, who also found that while the foxes were more often right, the hedgehogs received more popular acclaim. Whereas the fox has a sense for subtlety and appreciates ambiguity, the hedgehog is considered less sensitive to the limits of knowledge. The hedgehog’s desire to describe the world in terms of simple narratives and concise explanations contrasts with the fox’s almost endlessly adaptive style of re-evaluation and small steps.

A disposition to recognize inconsistency and plurality as well as not to reduce realities to true/false or right/wrong is considered a fundamental property of value awareness. We suggest conceptualizing this property as a prime indicator of an individual’s sensitivity to perceiving the societal dimension of management in a pluralist society. Although we did not compare internal and external views of an organization, it is unrealistic to assume that a broader public simply and wholly shares one’s perspective. The more important point, in our view, is the functional role of an individual’s value awareness, whether or not it includes contradiction and conflict. While one may argue that a strong vision and sense of coherence are preconditions of managerial success, the hedgehog style none the less runs the risk of being rigid and insensitive to opportunities and guiding threads.

5.6.2 A Systemic Lens as Cognitive Style: “The Law of Requisite Variety”

Our concern is not whether, figuratively speaking, a fox is more successful than a hedgehog. In reality, of course, both styles are at play within any individual. In times of crisis, however, the ability to deal with multiple realities will prove to be a variable of critical value, and one that clearly relates to performance. Given the challenges of deep mistrust in business after the financial crisis of 2008, there is a moral call “to open one’s eyes” and accept diversity, conflict, and misalignment in society as a leadership challenge for top management. We may want more foxes in boardrooms, but when it comes to communication skills they would do well to become hedgehogs to investors, stakeholders, and the wider public.

Our line of argument is commensurate with both complexity theory and management cybernetics (Ackoff 2010; Gomez 1999; Kelly 1994; Beer 1972; Schwaninger 2009). These theories provide guidance for managerial problems that are susceptible of more than one solution, and for managerial situations that do not add up to one consistent picture. A substantial claim of cybernetics can be restated as follows: “For every complex problem, there is a simple solution—and it’s always wrong!” Following complexity theory, there is a clear need to generate enough complexity in order to decide and act in a meaningful way. This idea is reflected in Ashby's law of requisite variety: "Only variety can destroy variety" (Ashby 1971: 207). This should not be interpreted as an appeal to complicate decision models and to multiply options; it means rather that educated pattern recognition is able to detect the core characteristics of a problem situation while uncertainty still prevails (Beer 1966). As uncomfortable as this process-interval may be, managers must accept the inherent complexity and unpredictability of today's world. At the same time, they must find a way to extract primary determinants in a timely way.

In very complex and uncertain environments, managers are forced to make sound decisions, although the available information usually allows only an educated guess. They find themselves in a complexity trap: To perform the required analysis to understand an issue, they need more time, whereas competitive pressure erodes the time available. This leads to a gap in understanding the core constituents of the problem at hand, while also limiting the options for action. In the extreme case, trial and error remains the only solution, with results that are often disastrous.

Here the hedgehog-vs.-fox distinction comes into play: At first glance, having a clear-cut view and a corresponding vision seems the best option. Yet the hedgehog has time on its side, and its multiple strategies are ready for implementation. The hedgehog's convincing case can be made and communicated to all involved, but the danger of this approach is summarized by Albert Einstein's famous remark: "See a situation always as simple as possible, but not more simpler!" More simpler may turn out to be dead wrong. The fox, on the other hand, deals with uncertainty by taking different views, developing scenarios, simulating potential outcomes—not in all their depth, but as an instrument to gauge a situation and provide a way to communicate: As Paul Bulcke, Nestlé's CEO, notes: "Leadership means motivating your people although you do not have all the answers" (personal communication 2010). In this line of reasoning, foxes might have a definite advantage over hedgehogs in conditions and times of high complexity and uncertainty, not least because they live up to the demands of Ashby's law.

Ashby's law does not ask us to embrace a positivistic notion of adequate representation of what is out there in society. No one can know exactly what "society" means, especially a pluralist one. Instead, we call for further research into how managers construct their social realities. We use the hedgehog-vs.-fox metaphor as a captivating indicator of cognitive styles involved in shaping value awareness. We hold that this perspective opens new avenues for articulating generic cognitive drivers. In our view, it is not about a finer-grained understanding of cognitive processes and their impact on certain dependent variables. Instead, we encourage research at the level of cognitive styles into how images of social reality are constructed.

Therefore, our argument fuels recent conceptualizations of paradox research by Smith and Lewis (2011), who assume that contradictions and tensions must be embraced, actively managed, and integrated. The authors hypothesize about paradoxical cognition as a factor that renders an issue's salience (ibid: 390). Our results provide one confirming answer to their hypothesis: Cognitive styles either foster or hinder the salience of such cognitions. Paradoxical cognitions indeed can be interpreted as the very substance of the fox-like cognitive style. In our case, paradox most closely matches, and at times directly refers to, the perceived discrepancy between executives' perspectives on their business and the expectations of a wider public. If executives do not experience challenges and threats as well as risks in the societal environment, they will most likely not feel any need for fundamental change.

5.7 Implications

A better understanding of the ways in which top executives exert an impact on society is relevant for both management research and practice. We believe our data add something important to "CEO psychology," because data about value awareness in top management have been lacking. The notion of cognitive style as a driver for differences in value awareness invites further research into the extent to which such antecedents may explain performance differences and strategic choices. We hold that CSR research could greatly benefit from further insight into cognitive processes. As Hambrick argues, we need to open the "proverbial black box" and to ground our theories in social and psychological phenomena. Our study has introduced the construct of value awareness as a conceptual means toward overcoming a narrow perspective on moral values. This construct may help us to understand how people either deal or do not deal with conflict and paradox. Future research could systematically link our study to existing ideas concerning potential drivers of change and towards increased sensitivity to systemic interactions.

One immediate application of our findings which firms could apply to their practice is to look closely at cognitive styles of value awareness when selecting people. Insight into the degree of readiness as well as the ability to deal with different perspectives and competing values is particularly important when selecting and training executives, because selection at this level involves more than performance track record, proven leadership skills, and strong social or personal competencies. If we do not inquire into individual cognitive styles when reflecting on societal issues, we systematically under-explore the potential inherent in having the right mix of foxes and hedgehogs in top-management teams. The solution is not an either/or selection filter, but rather a systematic leverage of complementary strengths; it is not about transforming a hedgehog into a fox or vice versa. Both cognitive styles are needed to explore new ways of framing dialogue between "Main Street" and "Wall Street." We believe that the main top-level recruitment challenge is to increase leadership capability within a team by explicitly managing the hedgehog-to-fox ratio. This management finesse implies nurturing the capacity to systematically deal with complexity.

References

Ackermann J (2008) Ich habe keine Zweifel an der Stabilität des Banksystems. (I have no doubts for the banking system—electronic version). In: Frankfurter Allgemeine Zeitung, under http://www.deutsche-bank.de. Accessed 15 Jan 2009

Ackoff R (2010) Differences, that make a difference. Triarchy Press, Axminster
Ashby R (1971) An introduction to cybernetics. Methuen, London
Barley N (2007) Corporations, democracy, and the public good. J Manage Inq 16(3):201–215
Beer S (1966) Decision and control. Wiley, London
Beer S (1972) Brain of the firm. Penguin Press, London
Berlin I (1953/1999) The hedgehog and the fox: essay on Tolstoy's view of history. Revised edition, Phoenix
Briggs KC, Myers IB (1976) Myers-Briggs type indicator: form F. Consulting Psychologists Press, Palo Alto
Damasio AR (1994) Descartes' error: emotion, reason, and the human brain. Putnam, New York
De Sousa R (1987) The rationality of emotion. The M.I.T. Press, Cambridge, MA
Devinney TM (2009) Is the socially responsible corporation a myth? The good, the bad and the ugly of corporate social responsibility. Acad Manage Perspect 23(2):44–56
Drucker PF (1973/1993) Management: tasks, responsibilities, practices. HarperBusiness Edition, New York
Eden C, Spender JC (1998) Managerial and organizational cognition. Theory, methods and research. Sage, London
Elster J (1999) Alchemies of the mind. Rationality and emotions. Cambridge University Press, Cambridge
Fitzgerald FS (1956) The crack-up. New Directions, New York
Festinger L (1957) A theory of cognitive dissonance. Stanford University Press, Stanford
Fleischman G, Valentine S (2003) Professionals' tax liability and ethical evaluations in an equitable relief innocent spouse case. J Bus Ethics 42:27–44
Fransella F, Bell R, Bannister D (2003) A manual for repertory grid technique, 2nd edn. Wiley, Chichester
Freeman RE (1984) Strategic management: a stakeholder approach. Pitman/Ballinger, Boston
Gioa D (2010) Featured interview with Denny Gioa, MOC Division Newsletter, Fall. http://division.aomonline.org/moc/MOCNews_Fall%202010a.htm#. Accessed 7 July 2011
Gomez P (1999) Integrated value management. Thomson, London
Hambrick DC, Mason PA (1984) Upper echelons: the organization as a reflection of its top managers. Acad Manage Rev 9:193–206
Hambrick DC (2007) Upper echelons theory: an update. Acad Manage Rev 32(2):334–343
Hayes J, Allinson CW (1994) Cognitive style and its relevance for management practice. Brit J Manage 5(1):53–71
Huff AS (1997) A current and future agenda for cognitive research in organizations. J Manage Stud 34(6):947–952
Kahnemann D, Slovic P, Tversky A (1982) Judgement under uncertainty: heuristics and biases. Cambridge University Press, Cambridge, MA
Kelly GA (1955) The psychology of personal constructs. Norton, New York
Kelly K (1994) Out of control. Basic Books, New York
Jones TM (1991) Ethical decision making by individuals in organizations: an issue contingent model. Acad Manage Rev 16(3):366–395
Li J, Tang Y (2010) CEO Hubris and firm risk taking in China: the moderating role of managerial discretion. Acad of Manag J 53(1):45–68
Luhmann N (1984) Soziale Systeme. Grundriß einer allgemeinen Theorie. Suhrkamp, Frankfurt am Main
March JG (1994) A primer on decision making: how decisions happen. The Free Press, New York
Mckinsey & Company, Inc. (2006) The McKinsey global survey of business executives: business and society. McKinsey Quarterly, 1–10
Meynhardt T (2004) Wertwissen: was organisationen wirklich bewegt. Waxmann, Münster
Meynhardt T (2009) Public value inside: what is public value creation? Int J Public Adm 32 (3–4):192–219

Orlik P (1986) The self-concept as a vector subsystem in the social life space. Int J Small Group Res 2(1):18–32

Papandreou AA (1994) Externality and institutions. Clarendon, Oxford

Parmar BL, Freeman RE, Harrison JS, Wicks AC, Purnell L, de Colle S (2010) Stakeholder theory: the state of the art. Acad Manage Annal 4(1):403–445

Phillips RA (2003) Stakeholder theory and organizational ethics. Berrett-Koehler, San Francisco

Post JE, Preston LE, Sachs S (2002) Redefining the corporation: stakeholder management and organizational wealth. Stanford University Press, Stanford

Plambeck N, Weber K (2010) When the glass is half full and half empty: CEO's ambivalent interpretations of strategic issues. Strateg Manage J 31(7):689–710

Polanyi M (1967) The tacit dimension. Anchor Books, New York

Rest JR (1986) Moral development: advances in research and theory. Praeger, New York

Schwaninger M (2009) Intelligent organizations: powerful models for systemic management, 2nd edn. Springer, Berlin/Heidelberg

Smith WK, Lewis MW (2011) Toward a theory of paradox: a dynamic equilibrium model of organizing. Acad Manage Rev 36(2):381–403

Stern RN, Barley SR (1996) Organizations and social systems: organization theory's neglected mandate. Adm Sci Q 41(2):146–162

Tenbrunsel AE, Messick DM (1999) Sanctioning systems, decision frames, and cooperation. Adm Sci Q 44:684–707

Tenbrunsel AE, Smith-Crowe K (2008) Ethical decision making: where we've been and where we're going. Acad Manage Annal 2(1):545–607

Tetlock PE (2005) Expert political judgment. How good is it? How can we know? Princeton University Press, Princeton

Walsh JP (1995) Managerial and organizational cognition: notes from a trip down memory lane. Organ Sci 6(3):280–321

Witkin HA, Goodenough DR (1981) Cognitive styles—essence and origins: field dependence and field independence. International Universities, New York