# Rethinking the Role of Value Communication in Business Corporations from a Sociological Perspective – Why Organisations Need Value-Based Semantics to Cope with Societal and Organisational Fuzziness

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ABSTRACT. Why is it so plausible that business organisations in contemporary society use values in their communication? In order to answer this question, a sociological, system theoretical approach is applied which approaches values not pre-empirically as invisible drivers for action but as observable semantics that form organisational behaviour. In terms of empirical material, it will be shown that business organisations resort to a communication of values whenever uncertainty or complexity is very high. Inevitably, value semantics are applied in organisations first when the speakers are uncertain about which stakeholders to whom they have to address (uncertainty) or when different stakeholder groups have to be addressed simultaneously (complexity); second, when the identity of the organisation has to be described; and third, when future strategic options that cannot be expressed by quantitative terms have to be communicated. Values accordingly play a role in organisational practice when certain aspects are indeterminate. Therefore, they are a means for organisations to communicate under *fuzzy circumstances*. On the basis of these findings, new approaches to value management can now be formulated.

KEY WORDS: communication, Corporate Social Responsibility, Niklas Luhmann, sociology, system theory, value-based management, value-based semantics, value communication

## Introduction

*Value-driven activities* have become widespread in business organisations in recent years. These activities incorporate the definition of values as guiding principles, mission statements, moral standards for leadership and Corporate Social Responsibility (CSR) activities, in addition to featuring further differentiations; e.g. employees are participating in corporate volunteering, and new styles of leadership aim at motivating employees not only through monetary incentives but also through value commitment.[1]

Business organisations and academic literature on business ethics and organisational behaviour have spelt out the need for these activities based on the urge to develop new mechanisms of governance that can resolve conflicts between economic rationality and societal conditions (Conrad, 1993; Frederick, 1995; Hofstede, 2006; Kelly et al., 2005; Lindgreen and Swaen, 2010; Schein, 1991; Seeger, 1997). In simple terms, the rationale that led to this idea is that values build an unconscious perception pattern that provides some orientation in complex situations and therefore supports organisational control and improves ethical reasoning in management. However, a contrasting position can be found both in academia and in practice; Friedman (1990) postulates that the only responsibility of a business organisation is to make a profit. Drucker (1989), like many practitioners, sees value-driven activities merely as 'ethical chic'.

Despite these contradicting positions, the Ethics Resource Center found that both value communication in organisation and academic discourse about

it was growing (Ethics Resource Center, 2003, 2005, 2007). Therefore, from a sociological viewpoint, the following question arises: *Why is it so plausible that business organisations communicate on behalf of moral or social values?*

Instead of a pre-empirical definition of the function of values for organisations, the point of departure of this article is to understand how this certain form of communication stabilises itself in organisations and to analyse the contexts and locations in which it is used. From this exploration, it will be educed through empirical illustration what the role of value communication is for organisations, namely, that *values deliver a capacious possibility for coping with societal and organizational fuzziness. The term fuzziness here reflects three typified situations where organisations have first to deal with different and ambiguous expectations, second, with the complexity of their environment and their structures, and third, with the uncertainty related to constructing dependable pictures of the future.*

This article argues from a theoretical perspective. However, the arguments are deeply rooted in an empirical analysis of organisational practice. The aim of this article is to use empirical material to describe and understand the practice of value communication that goes beyond the apparent motives stated in the actual business ethics discourse. As a result, the epistemological perspective neither follows ethical reasoning nor economic rationality but chooses a communication theoretical, sociological basis rooted in the theoretical thinking of system theory (e.g. Luhmann, 1982, 1996, 1997). In this context, value communication emerges as the object of empirical practice and not as a theoretically defined precondition for research. Therefore, incidentally, this article also offers an introduction to system theoretical thinking with regard to its implications for questions of business ethics.

The article has four sections. Section "Theoretical perspective" presents the system theoretical framework, emphasising a theoretical understanding of society and organisations based on functional differentiation and a conception of values in this theoretical context. Section "Qualitative empirical material and methodological approach" introduces the methodology and qualitative material that is used here to illustrate the theoretical arguments. In "Empirical illustrations: values as a means of coping with fuzziness" section empirical illustrations of

three typical forms of value communication are presented, which serve as the basis for a discussion on the role of values in organisational control. Section "Conclusion" offers concluding remarks.

## Theoretical perspective

Drawing on system theory, the article construes the logic behind the formation of value communication in business organisations. It thus proceeds from the 'linguistic turn' and establishes a constructivist perspective, seeing sociality as a result of communicative construction and insisting that language does not merely 'naively [mirror] or innocently [re-present] the world but actively creates and powerfully shapes it' (Kronberger et al., 2006, p. 13). The enquiry consequently follows a line that has been suggested by other discourse-based studies of organisations (Alvesson and Deetz, 2000; Alvesson and Karreman, 2000; Calás, 1997; Clegg et al., 2006; Grant, 1998). We shall see later that system theory and theoretical work in the tradition of Niklas Luhmann become especially relevant (e.g. Luhmann, 1982, 1996, 1997).[2] As this theoretical approach is quite broad, embracing both a capacious social theory and an organisational theory, the authors will focus on elaborating the relevant ideas in regard to the outlined research question. As a result, the authors will limit the introduction into system theory to an elaboration of the term *communication* as the basis of the social, and of the term *society* as functionally differentiated communication systems, then move on to a differentiation of systems in interactions, organisations and functional systems, followed by some reflections on the term 'value'.

### Communication as the basic element of social systems

The basic element of Luhmann's system theory is communication. All social systems – he distinguishes the interactions, organisations and the functional systems which together build society – consist of certain communicative operations, or rather, the self-referential connectivity of communicative events over time. His systemic approach does not imply that any particular phenomenon can be understood only as a deduction from general

principles; nor is he interested in the detection of causalities. He uses the term *system* to show how certain social formations emerge, which are stabilised by the interrelations, feedback processes and self-steering processes of communication. He is interested in communication processes that let systems' own structures emerge through their own practices' (Nassehi, 2005, p. 3). Systems are *operationally closed*. Closure in this respect does not mean that such systems are unable to experience contact with their environments but that the only mode to come into contact is based on the logic of the systems' own operations. On the one hand, this means that a system reduces the possibilities of its future operations. On the other hand, the closing down of possibilities is precisely what enhances the system's ability to develop a special kind of complexity.

### Social systems as interactions, function systems and organisations

As mentioned previously, Luhmann (1982) distinguishes between three types of social systems: *interactions*, *organisations* and *function systems*.

*Interactions* are social systems that use the co-presences of persons as their delimiting criteria. Interactions depend on the mutual perception of persons, who respond to each other in real time.

*Organisations* for Luhmann are social systems that are able to stabilise forms of action and behaviour by the communication of decisions about both rules of membership and their practical doings (Baecker, 2006). As organisations perpetuate themselves by connecting decision to decision, they can be characterised as 'decision machines' (Nassehi, 2005, p. 7).

*Functional systems* structure themselves by specific communication media, such as money in economy, belief in religion, justice in the legal system or truth in science (Luhmann, 1977). These communication media are able to both make improbable forms of connectivity less improbable and to facilitate the emergence of the functional systems themselves. Luhmann's observation of the emergence of different functional systems that are fostered by specific communication media leads to an understanding of society which emphasises differentiation instead of unity (Luhmann, 1997; Nassehi, 2003).

Please note that *this theoretical differentiation* among interactions, societal function systems and organisation is very important in the context of this article, as it builds the empirical criteria for the observation of the referencing process of the observed system. The distinction of the three types of social systems allows the researcher to analyse an interaction as a situation in which people meet in person and also to observe that an interaction might be structured by organisational decision-making or the logic of functional systems. The strengths of system theory lie therefore in the possibility not only to observe social practice but also to reconstruct the different systemic logics that determine the particular situation. In this article, the observation of business organisations is of interest, which means that system theory allows the observation of the *certain restrictions* that influence *concrete practice* in *business* organisations. The internal decisions of the particular business organisation are of particular interest as indeed is the restricting power of function systems like economy, law, and the further logics of other systems that occur in society (Åkerstrøm Andersen, 2003b; Åkerstrøm Andersen and Born, 2007; Nassehi, 2005).

### Values

Having introduced the basic assumptions of system theory, the authors will shift to a theoretical perspective on values. The term 'value' has a very long tradition in sociology, and also in disciplines like philosophy and economics. As this article operates from a sociological theoretical perspective, the following outline of the theory of values will concentrate on a discussion of the sociological literature on values. Value semantics emerged at the end of the nineteenth century when early sociologists used it to discuss the question of societal integration. Due to the observation of an increasingly differentiated society with an increasingly less clear structure, the question arose as to what the society was holding together. The answer was seen in moral, social and cultural values, not in religious beliefs as they existed in the pre-modern society. The most prominent study of classical sociology in this realm comes from Durkheim, who argues that the integration of society developed from a *mechanical solidarity*, where society is integrated by personal contact among

individuals and the development of shared religious beliefs, to an *organic solidarity*, where society is integrated by a *collective conscience* expressed by shared moral, cultural and religious but increasingly non-religious values (Durkheim, 1973). In the tradition of Durkheim, Parsons developed the idea that values have an important role to play in the inclusion of individuals into society. Parsons follows Durkheim's view that values are essential for an integrated society; beyond that, Parsons emphasises that social values are important orientation patterns that enable individual action: 'Values in this sense are commitments of individual persons to pursue and support certain directions or types of action for the collectivity as a system and hence derivatively for their own roles in the collectivity' (Parsons, 1960, p. 172).

This theoretical perception that values direct action and thereby secure a collective entity builds the underlying principle for more applied research in the current discussion of value activities in organisations, e.g. business ethics or organisation studies. In a much shortened recapitulation of this study, it can be said that most of the research on the role of values in business organisations argues that the advantage of such activities lies in the potential of values to integrate the organisation and thereby give orientation for decision situations. In the field of business ethics, whether the focus is on the more American tradition of individual ethical responsibility of actors in the business world (e.g. Goodpaster, 2007), or the more European tradition which focuses on the role of the state, or the systemic character of ethical market problems (van Liedekerke and Dubbink, 2008, p. 274), the question of the role of values for organisations is raised quite regularly. Especially in recent years, the discourse concerning CSR has become ever more prominent and has led to the questioning of the organisation's role in society (Habisch et al., 2005; Lindgreen and Swaen, 2010). These research contributions in particular consider it necessary for organisations to define their roles in society and apply social and ethical standards to their businesses (Lichtenstein et al., 2004). A fundamental question that is formulated in this discussion is how stakeholder obligations can be met by CSR activities (Sweeney and Coughlan, 2008; Wanderley et al., 2008). Furthermore, empirically one can observe the emergence of the reporting of CSR activities in organisations that not only demonstrate organisa-

tional activities beyond clear-cut economical operations, but also use semantic forms that heavily restore values to illustrate these operations. In regard to these communication strategies, there is also an academic debate and analysis about the question of whether these communication strategies might raise stakeholders' scepticism and cynicism and, therefore, might be dysfunctional for organisational activities (Schlegelmilch and Pollach, 2005). Thus, not only from a general sociological perspective, but more precisely from a sociological perspective on *organisations*, the question arises why there is a shift to value semantics in representing and performing CSR activities even though the outcome of these communication forms may even be counterproductive. This issue will be addressed in the course of this article.

In general, business ethics research contributions, either in regard to CSR or to organisational theoretical approaches with the aim of establishing an ethical, value-based work environment or culture very often come back to the concept of values, because such a discussion enables the theoretical connection between organisational and individual action and the societal structure. The conventional logic is that the societal world can only be changed if the actions of organisations change. However, individuals perform organisations' actions and these actions can only be collectively controlled by values, especially in a rapidly changing world.[3] This underlying rationale then leads to research contributions in the realm of business ethics or organisation studies that use values as an element of control by which economic aims can be reached and ethical dilemmas can be resolved (Collins and Porras, 1994; Conrad, 1993; Frederick, 1995; Hofstede, 2006; Kelly et al., 2005; Kotter and Heskett, 1992; Schein, 1991; Seeger, 1997; Peters and Waterman, 2006). To this point, it should be evident that the contemporary and interdisciplinary research on values in organisations relies on a theoretical conception that sees the function of values in its potential to integrate social entities by offering the individual an orientation for their action.

From a system theoretical perspective, the appraisal of the potential of values to secure integration and provide orientation differs immensely from the above-stated arguments. In system theory, society is perceived as functionally differentiated, whereas every functional system, such as science,

religion, economics or education, builds its own construction of the world via its own code of communication. Science, for example, explains the world via scientific argumentation, whereas the economy uses the medium of money. All these different logics of function systems stand equally next to each other, and it is precisely this simultaneity of different logics of modern society that delivers the basis for the emergence of the complex world that we live in. From a system theoretical point of view, this is the case because world society is not reliant on an integration mechanism like shared values but rather the complete opposite: the complexity of society emerges because the different perspectives do not have to establish a relationship between one another (Nassehi, 2003, pp. 263–265). Therefore, in system theory, values are not a fundamental theoretical term but are solely perceived as a specific form of communication. In the study of Niklas Luhmann there are only a few passages in which he reasons on the role of values in society (e.g. 1990b, 1996, 1997). In a rather polemical way, he concludes that values are neither able to explain action nor offer orientation in a specific decision situation because a decision is constituted by an unsolvable value conflict:

> Each value merely precludes its antithesis (and not always even that). The resolution of collisions between values is thus unregulated. However, decisions are only needed in the case of value collision. From this, it follows that values are not able to regulate decisions. They may demand a consideration of the relevant values, but a conclusion does not follow from this as to which values are decisive in cases of conflict and as to which are to be set aside. All values may count as necessary, but all decisions remain, nevertheless, and for that very reason, contingent (Luhmann, 1999, p. 66).

In this context, Luhmann emphasises that values cannot resolve conflicts or provide orientation in complex situations, but that is exactly the hope of business ethics researchers or managers who try to solve dilemma situations through value management. In addition, Luhmann complements his scepticism about values with an argument that value semantics are not amenable to direct action, because values are always very *abstract* forms of semantics, which are unable to provide a clear and non-ambiguous stimulus for action. Moreover, values seem merely to be communicated forms of expectations for

the right actions (Luhmann, 1997, p. 341) but do not determine actions.

On the one hand, these arguments provide an initial possible interpretation of why the introduction of value activities can potentially cause disappointment, because communicated values as communicated expectations for good management give cause for consideration but do not necessarily lead to appropriate action. For example, even organisational values that are formulated with very narrow meanings, such as 'workplace safety' or 'non-discrimination', fail to transfer how these values should be implemented within organisations. They merely formulate a relevant aspect of the organisational practice. To realise that these values have, for example, priority in aspects of profitability – another often-stated corporate value – further communication is required. For example, the formulation of very strict, normative guidelines about how to behave on the assembly line are necessary; legal advice has to be provided on how to behave during job interviews of ethnically diverse candidates. In this regard, value communication is combined with other forms of communication such as legal communication or forms that apply threats of organisational sanctions. At first glance, values seem only to offer a very abstract and rather elastic meaning.

On the other hand, one should not stop at Luhmann's rather sceptical diagnosis of the potential of value communication. This is because one cannot ignore the fact that value semantics – even if they do not necessarily deliver the desired effect of controlling action – are empirically observable elements of organisational practice (not only in the realm of CSR, organisational development and HR activities, but also in regard to controlling, marketing and corporate development or strategic issues), which seem to play an important role in certain issues within the organisation. The example of the communication of 'workplace safety' and the following communication here provide evidence that this form is not dispensable but should be analysed in more depth. Consequently, the question of why value communication stabilises itself in organisational practice becomes even more relevant and interesting, especially from a system theoretical perspective.

To explore the role of values in organisations, the authors therefore distance ourselves from the

pessimistic diagnosis of Luhmann but follow him in his perspective that values are, in the first place, observable forms of communication which formulate rather abstract expectations. What follows from these forms of communication has to be analysed in more detail. Thus, in this article, values are not pre-empirically defined as an integration or orientation element but rather solely as empirically observable elements of communication. This approach allows a new perspective on the role of value communication which neither defines the function of values as integration or orientation pre-empirically nor underestimates the empirical potential of values too incautiously.

## Qualitative empirical material and methodological approach

The primarily focus of this article is on a theoretical contribution to the discussion concerning value communication, which means to explore in a very broad sense organisational communication practices that focus around value semantics. As outlined above, the difference occasioned by this system theoretical perspective lies in the consideration of understanding value communication, not by defining the function of value pre-empirically, but by exploring the role of value semantics within organisational practice, which means to understand how and under what circumstances value communication plays a dominant role in organisations. Thus, the empirical exploration of value communication is a pre-condition for discussion of the function of values from a system theoretical perspective. Consequently, the authors will shortly introduce how the here-cited empirical illustration was approached methodologically.

As stated above, values are perceived as empirically observable forms of communication that *refer* to certain expectations. This conception of values and the general theoretical perspective of a system theoretical approach call for a methodology that applies communication processes as their starting point. In this case, it means that organisational practice is perceived as lines of communication that deal with different systemic logics in real time, such as different functional logics and the history of organisational decisions, and also the logic which is elaborated by

the co-presence of persons within interactions. This approach opens the perspective for empirical research, as the task is to reconstruct how these different logics concretely form organisational practice. The methodology can, therefore, be perceived as a *system-theoretical-inspired hermeneutics* (Nassehi and Saake, 2002).

In this case in particular, the role of values in the communication processes has to be explored. As a result, the focus of the analysis is not only to comprehend by what restrictions – via functional, organisational or interactional logics – communication is formed within a self-referential process but also to consider the role of value semantics. The analysis of the empirical material was, therefore, guided by the following questions: What influence does the use of values have on the process of communication? In which contexts are values used? What interrelations can be seen with other themes within these communication processes of organisations? How does the meaning of values change in relation to different perspectives on the process of communication?

Following on from this form-analysis (Åkerstrøm Andersen, 2003a; Baecker, 2006; Luhmann, 1997) of value communication, the reconstruction of the function of the typified forms becomes prominent. The functional analysis (Luhmann, 2005a, b) asks for the specific function of these particular observation forms, whereas 'function' is not a term to describe causal effects of values. The functional analysis describes relational dependencies between problems and solutions. A specific phenomenon such as a form of value communication is perceived as an operational solution for an operational problem in an organisation. In a system theoretical perspective, the problem–solution relation is rooted in the need for the survival of the system, here the organisation. If we enquire as to the function of value communication, then the task will be to relate the phenomenon of value communication to a particular referring problem, which has to be reconstructed from the empirical material that is solved by the practice of value communication. Therefore, this analytical strategy leads to insights into why certain forms of value communication stabilise in organisations. These insights help to reveal how value communication operates and at which organisational parameters value management

can be improved. Although one starts from a theoretical perspective, the analysis should not be perceived as deductive but rather as an oscillation between theoretical horizons that offer meaning by establishing a frame of reference for empirical observations that, in turn, feed back to the theoretical frame (Åkerstrøm Andersen, 2003a). This hermeneutical process of understanding how communication processes structure themselves has to be re-embedded in the theoretical reflexion of the initial research question. This is achieved, for instance, by introducing the term fuzziness to show that value communication seems to be used in complex, ambiguous and uncertain situations (in the context of value communication) and that this feature might be an indication of the function of value communication to cope with these conditions in an adequate way. This hypothesis is then re-embedded into system theory to construct a meaning of this practice that transcends the embedded meaning of the explored social practice.

The here-cited empirical illustrations stem from a multi-case study (Yin, 2005, pp. 13–45) and an analysis of written organisational documents like homepages or glossy brochures performed by this author (von Groddeck, 2008), wherein these methodological considerations have been applied.[4]

Eight cases of global companies from different industries and 35 company documents that were publicly accessible are involved.[5] In all case study companies, *narrative interviews* were conducted with a heterogeneous sample of employees (in terms of gender, age, operational function, and hierarchical status).[6] Furthermore, *protocols of participant observation* were produced and *internal and external documents* were analysed.

The entire empirical material was first taped and/or transcribed and then analysed in accordance with the above-outlined perspective to explore how values were used in organisational communication practices and according to which forms.[7]

## Empirical illustrations: values as a means of coping with fuzziness

The basic observation that emerges upon examination of organisational communication practices is that value semantics are a communication media in contexts in which organisations are faced with *fuzziness*. Fuzziness is used here as a collective term that equally embraces the three typified contexts in which values were dominantly communicated in organisational practice.[8] The term is applied here to indicate situations where it is either unclear for organisations how to act (for example, long-term planning) or in which complex and even contradictory expectations have to be addressed in situ (for example, in certain situations of CSR management). Over the course of this article, three distinct dimensions of fuzziness become distinguishable: first, fuzziness linked to the complexity of the organisation's environment; second, to the complexity of its own structures; and third, fuzziness created by the uncertainty in regard to the organisational future. These specific fuzzy circumstances can be semantically addressed by values in actual contexts where ambiguity is high precisely because of these complex and uncertain conditions. Values are a medium by which organisations may address the fuzziness of both the complex societal environment and the internal complexity created by the simultaneity of a multitude of organisational operations.

In the following, these three characteristics of fuzziness addressed by value communication are presented in detail. Although these three forms are all linked to the function of handling fuzziness, it will be shown that there are fine differences.

Furthermore, through the presentation of these empirical observations[9] it will become clear that the function of facing organisational fuzziness semantically *does not* mean that value communication in organisations has no impact on structures or can only be seen as a fig leaf. It will be shown that abstract value communication is a potentially meaningful way of handling complexity in situations that are determined by ambiguous conditions. By the same token, the argument of the article that values are a medium to address fuzziness does not mean that the organisational communication practices are fuzzy themselves and need to become clearer. Moreover, it will be shown that there are situations for organisations where it is unavoidably functional to communicate on behalf of abstract value semantics, whereas there are of course other situations where concrete information can and should be given.[10]

*The fuzziness of heterogeneous expectations*

The first form of value communication that was observable in the empirical material was dominant in official organisational self-descriptions (Seidl, 2003a, b), such as customer brochures, annual, financial or CSR reports. *Here, the essential observation is that self-description of organisations is only possible through a dominant use of values.* The following examples illustrate this assumption:

The 2006 annual report of the German carrier Deutsche Lufthansa AG stated that the company wanted to grow by delivering 'excellent quality' and 'innovative service' and that this aim would of course bear advantages for all stakeholders and would thereby 'create value' [Wertschaffung][11] for everybody (Deutsche Lufthansa AG, 2006, p. 1).[12] In a similar manner, the automobile manufacturer BMW introduced its annual report with the phrase 'Assuming responsibility. Creating Values' (BMW AG, 2006, p. 1); the German brand of the UniCredit Bank Bayerische HypoVereinsbank published a brochure with the title 'Live values–create value' [*Werte leben–Werte schaffen*] (Bayerische HypoVereinsbank, 2007).

The sociological question that follows from this observation is why business organisations refer to values when they describe themselves. To answer this question, the connection to the fact that organisations have to adapt to their environments to operate (Luhmann, 2005c; Weick, 1976, 1979) may be relevant. In order to survive, every organisation has to coordinate its operations in such a way that its outcomes interest at least some parts of the environment. Simultaneously, the organisation needs a degree of internal coordination (Luhmann, 1964, p. 108). This problem of integration and adaptation can be solved by trying to evoke interest in and motivation for a factual purpose, e.g. a material product. Although the possibility of promoting a formal purpose does not in itself guarantee organisational survival, it provides a guideline or orientation point for both the environment, by delivering information about what can be expected from a particular organisation, and for the process of organising, by delivering information on the coordination of the production process.

Even if the idea of the essential need for adaptation and integration is accepted, the question

remains why the organisational self-descriptions of companies like Lufthansa, BMW or Bayerische HypoVereinsbank do not refer to a factual purpose, such as selling cars or flight tickets, but instead to abstract values. It will be shown that the function of this abstract communication form lies in the purpose of securing the essential support of environment and internal structures in situations in which organisations have to react simultaneously to heterogeneous expectations. In situations with a heterogeneous audience, e.g. in an annual report or during an annual general meeting, it is difficult for an organisation to live up to all expectations of what the organisation is supposed to do. The factual purpose, like selling cars, might disappoint stakeholders who perhaps expect information about the social engagements of an organisation. The solution to this problem is to refer to very abstract semantics – and that is where values come in. This 'trick' allows the organisation to express its identity without dismissing varying or even contradictory expectations in the environment and without dismissing the simultaneously existing different parts of the organisation itself which all have varying or even conflicting aims and purposes.

Here one encounters the first dimension of fuzziness: the societal expectations that organisations have to live up to are so ambiguous or complex that only abstract values are able to respond to all of them at the same time. This feat is possible because the meaning of a value is rather abstract and therefore elastic (Luhmann, 1990b). And precisely by this form of communication, different and possibly important environmental and internal perspectives are at least considered on a semantic basis, which is a first important step in the process of showing that these requests are perceived within the organisation. This is because by changing its self-description from factual to value-based, the organisation signals to the environment or internal interest groups that they care about the relevant issues and in doing so, the organization can enhance the chances of securing environmental support for its survival.

This thought is an indication of how value can support management even if values and action are not seen as inevitably strictly coupled, because by changing the communicative form, for example, from a purely data-driven presentation of the company to one that emphasises sustainability, the issues

thereby addressed are subsumed into the organisational communication form and thus vary the routinised communication structures within the organisation. Therefore, the chances are enhanced that the following internal communications will establish a relationship to this changed form of communication. And as stated above, communication is not only something beyond organisational structures but also precisely the basic and only element by which structures – perceived as routinised communication – can be changed (Kronberger et al., 2006).

For example, in all the analysed materials, the organisations had the task of representing their strengths with regard to economical, ecological and social references. To fulfil this complex expectation, the only possibility was to use a very abstract communication form that could be 'read' from all perspectives. By using values, the communicated meaning is so open that no perspective is excluded. Values therefore have the power to address complex configurations both inside and outside the organisation and thus present a first signal to the environment that the expected issues are taken care of – or to reformulate it: Fuzziness caused by the simultaneity of complex expectations from heterogeneous environmental and internal perspective is transformed into a communicable form by value semantics. A parallel can be drawn here to the discussion of CSR management as CSR can be perceived as an organisational practice which aims directly at the problem of managing heterogeneous stakeholder expectations which become relevant for business organisations (Carroll, 1999; Kotler and Lee, 2005). In addition to economical interrelations, ecological, social or political issues also have to be taken care of, especially in a globalised and digitalised environment where clear expectations are no longer provided by stable conditions regarding culture, education systems, political structures and juridical orders. Organisations themselves have to form and manage their relevant environment. The argumentation of this article directs the focus on how this urge not only to be a profitable organisation but also an organiser of a profitable society affects the mode of communication. In situations where simultaneously different societal expectations (economical, ecological, political, social, etc.) have to be addressed, a form of communication has to be found,

which is flexible enough to respond to all of these expectations. Value semantics here would appear to be the solution, as they provide a language that can be read by different perspectives at the same time.

This is not to say that CSR communication, e.g. in CSR reporting, which uses value semantics becomes fuzzy itself as a result and thereby somehow insufficient. In contrast, there are situations where there is no alternative to communication in an abstract form as otherwise specific important perspectives would be excluded.

One can say that business organisations change from 'monophonic' to 'heterophonic' (Åkerstrøm Andersen, 2003b; Åkerstrøm Andersen and Born, 2007) because even for the survival of business organisations a pure orientation towards the functional system of the economy is insufficient, but the interaction with different perspectives is essential. Therefore, to enlist environmental support for organisational issues, it is not enough to communicate in an economical manner; other heterogeneous contexts must also be observed and taken into account. This is precisely the function of value semantics: they have the power to communicate between heterogeneous logics. No part of the organisation or stakeholder group outside the organisation would be disturbed by communicated values like quality, innovation or value creation.

## The fuzziness of the organisational identity

By now it has become clear that values are a capacitive communication media used to address fuzziness created by heterogeneous expectations both in the environment and within the organisation. While in the previous section, value communication was linked to the problem of simultaneously reacting to heterogeneous expectations from inside and outside the organisation and, thereby, could be connected to the organisational practice of CSR communication, this section shows how values play a role in the construction of an organisational identity. It will be illustrated that the presentation of organisational identity is only possible in reference to values. The form of value communication connected to the role of identity construction was mainly observable in the interview material of the study rather than in the analysed documents.

In this section, how value communication reacts to a further dimension of fuzziness will be detailed: the internal problem to simultaneously secure a certain state of integration and differentiation of structures, jobs and perspectives. Both are permanently required to sustain the progress of organising. Here, values are a means to construct an identity without concealing that an organisation never has a single or stable identity (Seidl, 2003b; Weick, 1995). This semantic 'trick' leads to identity construction that secures integration on a very abstract level, which does not necessarily affect the concrete situation. This abstraction should not be characterised as a deficit but rather as a clever manoeuvre. To construct an identity that delivers a minimum of shared formal structure and yet imparts flexibility to decoupled subsystems with their own perspectives on the organisation and the acute problems that must be solved from this specific angle. This flexibility is again possible because the meaning of values always provides a certain scope for interpretation and, therefore, how these values are perceived in decoupled sub-systems cannot be controlled. As a result, the same goes for concrete action.

It is empirically observable that this 'trick' is performed by the construction of an 'outside'. In the interviews, the identity of the organisation was described by emphasising the uniqueness of the corporate culture. This uniqueness, however, could only be described by comparing the company to something which appears to be significantly different. The following statement of a female employee illustrates this:[13]

> OK, it's our *culture* here at XXX, I'd say, before… at XXX I didn't have a great insight, it was all a little chaotic, I had the feeling nobody knew what the others were doing. I think the reason lay in the Chinese culture. After this experience I worked for a little agency, everything was loyal and informal and then I had completely different expectations… the change to XXX, I thought everything would be stricter. And I had a lot of respect for such a big affair, for the people you meet and everything… I was afraid that if I could fulfil the expectations, because I thought the claims were double as high at this huge company compared to a small one.

The employee is only able to describe the uniqueness of her company by referring to the uniqueness of the corporate culture. However, mentioning the specific culture seems insufficient to provide a clear picture. In the following, the picture of the corporate culture is sharpened by comparing the present employer to the former. This mode of comparison is expressed in terms of values: The 'chaotic' structure of the Chinese company is compared to the 'loyalty' of the smaller company and the 'strictness' of the present employer.

This form of value communication has its function in the possibility of dealing with fuzziness, namely, by constructing an organisational identity without revealing and emphasising the complex and sometimes contradictory structures of the organisation. By comparing the company to other organisations, it becomes possible to make the relevant organisation appear more consistent or self-identical than it is, but, as discussed above, the mere fact of a semantic identity is essential to coordinate an organisation's operations (Drepper, 2005; Drucker, 2002). This form of value communication makes it possible to transfer the internal fuzziness in the sense of the internal complexity of an organisation into a communicable form of an organisational identity.

## The fuzziness of the organisational future

So far the function of value communication has lain in the potential to address and express fuzziness, e.g. the complexity and polycontexturality (Günther, 1979) of the societal environment or the multi-identical organisation. We will now see that values are also applicable in a third dimension of fuzziness, namely organisational situations that deal with the construction of the *organisational future*.

Values in this context are communicated to describe the organisational future. As the future is an unclear and inaccessible horizon from the perspective of the present, it is impossible to describe as a determinable matter of fact (Luhmann, 1990a). Nonetheless, in many situations, organisations have to describe their future, e.g. at the annual general meeting or at a strategy workshop. Organisations then face the paradox of having to describe something that is not describable because the future is always unknown. Here, values are a medium to describe the future. They create a satisfying picture

of it, which is simultaneously equipped with a degree of freedom. Values resolve the paradox of describing the indescribable because values deliver elastic possibilities of meaning.

The annual report of Lufthansa illustrates this argumentation. At the beginning of the report, Lufthansa compares 'achievements' with 'objectives' (Deutsche Lufthansa AG, 2006, p. 6). In the column of achievements, the reader can find measurable facts about the previous year (e.g. the share price rose by 66.6% to €20.85 and a CVA of 552 bn was reached). In the column of objectives, the language differs considerably (e.g. the aim is to 'increase the corporate value' and to 'strengthen the confidence in a value-oriented growth strategy').

The example shows that the future is described by value semantics whereas the past is described by facts. This is not surprising given that the description of the future is a risky task for business organisations, the risk being that the difference between the past and a certain picture of the future in the present determines the company's scope of action and decision, though it is unclear what the future will bring – exactly this is the third condition that creates fuzziness for organisations. Describing the future in terms of abstract values has the advantage of both defining the future and leaving it open.

*Organisational control and value management*

By means of empirical illustrations, we have so far identified three forms of value communication. All these three react to a certain degree of fuzziness: The complexity of heterogeneous expectations, the complexity of a multi-identical organisation and the uncertainty of the future. The illustrations show that value communication can be used as a communication media in situations in which complexity, ambiguity, or uncertainty are very high. In these situations, values are a communication means to solve the paradox that organisations need stability, meaning and certainty for their actions but that the conditions under which the organisation has to act are perceived as fuzzy due to external and internal complexity and the uncertainty of the future. In this context, value semantics change these three dimensions of fuzziness into clarity by expressing the

non-transparent observation in forms that allow both meaning and ambiguity.

The function of values to cope with fuzziness on a semantic level should not lead to the assumption that values do not have an impact on the 'real' actions of the organisation. In the section on the theoretical perspective, it was argued that social action is always perceived as communication; conversely, value communication has to be perceived as a specific form of action. In particular, value communication builds an essential condition for management: the capacity of communicated values to transform fuzziness into expressible clarity builds a mode of control which is essential for contemporary organisations. The reason for this necessity lies in the fact that organisations always have to act under the condition of ambiguity given that the globalised and digitalised world leads to enormous complexity (Baecker, 2007; Drucker, 2001, 2002). Since even under conditions of complexity and uncertainty for actions a degree of clarity is presumed, values are indispensable, because they express complex conditions and transform them into a form which offers satisfactory concreteness so that following actions becomes possible.

On the other hand, what does all this mean for management? If one follows the assumption that management has to deal with an increased complexity which is linked to political changes (e.g. the fall of the Iron Curtain) and the increase of digital communication, then management techniques have to adapt to these changes. Values play an important role here, albeit not in an instrumental manner, as they enable changes to be made to the conditions of management in a direct and causal manner. The next section will outline how value communication affects management in a more complex way.

Firstly, values are a means to describe the organisational future, whereas facts are used to describe the present or the past. Managerial control very often constructs the urge for decisions or change by showing that certain facts from the past have to be corrected and, accordingly, certain action is needed (e.g. the turnover rate has to be increased by 10%). What happens in this example is that set goals are compared with actual performances to indicate that a change is needed (Luhmann, 1990c). In the case studies, it was observed that such comparisons are not only performed through an accountable com-

parison but also through value comparisons. The more unambiguous the circumstances, the stronger the urge for decision, action or change, as indicated by the comparisons of abstract values. In one of the case studies, a revision of recruiting modalities was initiated based on the diagnosis that the ideal employee should not work like a bureaucrat but should be allowed a great deal of creativity. In another case, the result of a strategy workshop was a desire to change the overly hierarchical and inflexible structures of business units into a net of open cooperation to boost internationality. Organisational control is therefore also exercised by value communication (Brunsson, 2002). If the circumstances of the decision situation are unclear, the comparison of abstract values leads to clarity, by which the need for action at least may be marked.

Secondly, although during the case studies, there was no evidence that values influenced and controlled action in a direct manner, the *belief* in the instrumental approach of value management affected the organisational structures. Even when the ethical issues in management in the observed companies were taken very seriously, managers and employees often expressed disappointment with the outcomes of the value management programmes. As we will see, this fact should not lead to the conclusion that these programmes were useless, but that the condition of these programmes bears an unavoidable and inherent paradox: corporate values have to apply to everybody in the company; therefore, the communication of these programmes and activities has to employ an abstract communication form, so that everybody can connect to it. This form of communication leads to the problem that these management approaches are somehow devoid of meaning and character. Even a HR representative admits: 'I always have a printout with me, just in case somebody wants to know about our values… otherwise I would make a fool of myself'.

The lack of concreteness is of course acknowledged by the companies themselves. They try to respond to it by concretising the corporate values for smaller groups (e.g. workshops are conducted for single departments or the employee assessment conservation at the end of year has the degree of realisation of the values as a topic). In this context, a lot of research also evolves on how to evaluate value activities and how to optimise, for example,

value-driven communication processes to avoid disappointment (e.g. Du et al., 2010).

In all the case studies, these strategies of concretisation and the optimisation of communication processes have been observed, but in spite of these activities, the aims that were associated with the introduction of value programmes were not always realised, which of course can be linked to the fact that the measurement of the realisation of value programmes is very debatable. However, even when there is no observable proof that the employees 'live' the corporate values, this observation does not necessarily lead to disappointment. If an organisation is perceived, as outlined above, as a self-referential, autopoietic system, then the diagnosis of the outcome of value programmes changes immensely. The programmes of value management alter business organisations because the reform reveals (from an instrumental perspective) from the outset its 'deficits' and leads to further reforms that try to concretise the programmes, leading to new reflections (Brunsson, 2006). The permanent progresses of reform initiated by value programmes therefore have the advantage that business organisations slowly change their modus of control to one that enables the organisation to act under unavoidable conditions of fuzziness. This is because values are able, on the one hand, to mirror the complexity and uncertainty and, on the other, to reduce the complexity and uncertainty enabling organisational operations to relate to it. Values are therefore a capacious communication medium, where it is functional that communication provides information but also leaves a certain degree open to interpretation so that different logics can connect to the given information. Naturally, this does not mean that organisational communication can stop with value communication. In other situations where frame of reference is clear, value semantics might be improper.

## Conclusion

The aim of this article was to describe the practice of value communication that goes beyond the apparent motives adhering to the actual business by relying on empirical illustrations and system theoretical thinking. The approach was to perceive values not as a theoretical precondition for empirical research but as

an empirically observable communication form. The research question concentrated purely on explaining why it is plausible for business organisations to express moral or social values.

The qualitative exploration of organisational communication practice showed that value communication emerges in situations when uncertainty, ambiguity or complexity are rife. In the realm of the analysis, these situations were labelled as fuzzy, indicating that organisations have to cope with situations where the need to respond is great but where the modality of responding is rather complex or unclear. In exactly these situations, value semantics deliver a means to cope with fuzziness by addressing these complex or unclear conditions and thereby converting them into a sufficient condition of clarity.

Beyond this general observation, the analysis of value communication showed that the problem of coping with fuzziness could be specified by distinguishing three different forms of value communication.

(1) Value semantics are inevitably applied in organisations when they do not know which expectations have to be fulfilled or when different and even contradictory expectations have to be handled simultaneously to gain sufficient support for organisational operations. In this sense, values respond to heterogeneous environmental expectations and supply sufficient adaptation to the environment. It is therefore not surprising that value semantics are a dominant medium in CSR communication processes, especially in situations where a language is needed that can be read by heterogeneous perspectives. For research regarding CSR communication, this might be an advice for deciding upon when value communication is suitable and when it is not.

(2) Value semantics are also used when the identity of an organisation has to be described. In this situation, the organisation never has a single true identity but rather a multitude of identities that emerge depending on the point of observation. By comparing very abstract values, it becomes possible to find a description that can function as a minimum common understanding. The form of value communication thereby supports the integration of a highly differentiated organisation, which is essential for a minimum amount of coordination.

(3) Furthermore, value semantics play a considerable role when future-orientated circumstances are to be described, e.g. in strategy formulation. In these situations values help create a picture that becomes a basis for decisions, one which is actually not determinable as the future is always open.

The reason for the capacity of values to cope with fuzziness lies in the fact that values, on the one hand, are communication media that offer a very abstract semantic that makes it possible to address and describe very complex, ambiguous and uncertain situations and conditions. On the other hand, the use of value semantics transports a certain kind of meaning, which suffices to build a basis for organisational action. Value communication helps organisations handle situations where they have to act, though it is unclear what they should do, or in situations where different expectations have to be addressed simultaneously. These situations are precisely when value communication becomes relevant for managerial control. Through a comparison of value conditions, the urge for decision, action and change can be marked even when a numeric database is missing. However, this aspect of managerial control by communication cannot be exploited in a causal manner, because values transport meaning only on a very abstract, elastic basis that indicates a need for action but does not determine precisely how to act. This 'lack' of value communication is what makes the crucial point for the role of values in regard to management. Values first and foremost establish media that transform fuzzy circumstances into meaning so that these circumstances can be managed in the organisation. That said, the communicated meaning is so elastic that values do not have the power to control concrete situations. However, this lack of concreteness is not a deficit but a modus of control which emphasises flexibility and creativity, as values offer only abstract points of reflection and not strict instructions as to how to act; and this meaningful indeterminacy enhances the chance to develop innovative forms of management

that make the organisation more powerful – both with regard to ethical claims and to economic success.

## Notes

[1] An overview of value-driven activities in German business corporations is offered by Wieland (2004).

[2] Luhmann's work is very influential in Germany and the Scandinavian countries and has recently attracted international attention in an anthology which is part of the series *Advances in Organizations Studies* (Seidl and Becker, 2005) and in a Special Issue of *Organization* 2006, 13(1) (e.g. Baecker, 2006).

[3] This anthropological conception of organisational action that is rooted in shared values was developed by Schein (1991) and is widely discussed in the field of corporate culture research (Cox, 2005; Hofstede, 2006; Smircich, 1983).

[4] These studies have been adopted with the aim of gaining access to the relevant empirical material, which means that as many different communication practices in organisations as possible should have been observed. From the outlined analytical perspective, the first task has been to gain access to organisational practice where value semantics were explicitly used. Starting from this material, what the organisations themselves perceive as value communication was reconstructed.

[5] The industry sample consisted of three companies from the financial services industry, two engineering companies and one each from the information technology, insurance, and automobile sectors. As a selection criterion, the companies had to deal with corporate values in their organisational practice. Some of the companies were just in the process of introducing value programmes, whereas other companies had 10 years of experience with a value programme.

[6] The interviews were conducted in German; the cited passages have been translated into English for purposes of this article. To ensure that no identifying information was given concerning the analysed case study companies, the passages in which interviewees named companies were made anonymous by indicating elided company names with 'XXX'. In general, as the structure of communication is of interest, the approach was to produce stories about the respondents' everyday working situation; this approach differs fundamentally from an approach that seeks to obtain expert knowledge.

[7] The process of the analysis of the data is threefold. First, all data were scanned for the emergence of values and the relevant passages were coded. Second, by searching for patterns and relationships, the codes were categorised to particular forms of value communication (form analysis). Third, the identified forms were analysed for the specific function in the concrete social practice recorded in the empirical material (functional analysis).

[8] The term *fuzziness* does not refer to 'fuzzy logic'. *Fuzziness* here is understood as a collective term for situations in which the organisation comes under pressure to act, while the expectations on how to act are highly ambiguous.

[9] Please note that the cited empirical material here serves to illustrate typified forms of value communication that emerged through an in-depth qualitative analysis of the material mentioned.

[10] This might deliver insights for more precise communication strategies, for example, in the context of CSR management.

[11] The original German expression is given in italics to facilitate understanding of the interpretation process.

[12] The document analysis was based on documents written in German; for this article,which are stabilised all passages from these documents have been translated by the author.

[13] Please refer to note 6.

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