

## The Case of Value Based Communication—Epistemological and Methodological Reflections from a System Theoretical Perspective

*Victoria von Groddeck*

**Key words:**

communication  
theory; form  
analysis;  
functional  
analysis; Niklas  
Luhmann;  
organization  
studies; George  
Spencer-Brown;  
system theory;  
value  
communication

**Abstract:** The aim of this paper is to reflect the epistemological and methodological aspects of an empirical research study which analyzes the phenomenon of increased value communication within business organizations from a system theoretical perspective in the tradition of Niklas LUHMANN. Drawing on the theoretical term of *observation* it shows how a research perspective can be developed which opens up the scope for an empirical analysis of communication practices. This analysis focuses on the reconstruction of these practices by first understanding how these practices stabilize themselves and second by contrasting different practices to educe an understanding of different forms of observation of the relevant phenomenon and of the functions of these forms. Thus, this approach combines system theoretical epistemology, analytical research strategies, such as form and functional analysis, and qualitative research methods, such as narrative interviews, participant observation and document analysis.

### Table of Contents

- [1. System Theory and Empirical Research: Epistemological Preposition](#)
- [2. The Context and Research Question of the Case Example](#)
- [3. The Form of Research Observation](#)
  - [3.1 Organizations in the society as a "society of presences"](#)
  - [3.2 Values](#)
  - [3.3 Analytical strategy and the application of methods](#)
- [4. Analyzing Value Communication: Forms and Functions](#)
  - [4.1 The uncertainty of heterogeneous expectations](#)
  - [4.2 The uncertainty of the organizational identity](#)
  - [4.3 The uncertainty of the organizational future](#)
  - [4.4 Value communication and management](#)
- [5. Conclusion: Applying System Theory to Empirical Research](#)

### [References](#)

### [Author](#)

### [Citation](#)

In the academic discourses of social science system theoretical thinking and empirical research are more discussed as antipodes than as inevitable connected two sides of a coin. Although, early system theoretical thinking was always routed in the observation of empirical phenomena, the construction and the access to the empirical practice was rather implicit (e.g. LUHMANN, 1964). But with Niklas LUHMANN's (1990a) "communication theoretical shift" around 1980, he replaced *meaning* as the basic concept of his theory by *communication*, an approach was provided to combine theorizing with profound methodological analysis of communicational practices. In this tradition researchers developed analytical strategies that combine system theoretical thinking with methodological

approaches for empirical research that aim at the reconstruction of communicational practices (e.g. ÅKERSTRØM ANDERSEN, 2003a; NASSEHI & SAAKE, 2002). [1]

One way to unlock system theory for empirical analysis is to begin with the epistemological discussion on Niklas LUHMANN's term of *observing*, which is rooted in a particular definition of form and difference, in particular inspired by George SPENCER-BROWN (1994). This notion of observing opens up the perspective to analyzing empirical communication practices and the application of specific (qualitative) research methods. This paper presents an empirical study on value communication in business organization, applying this approach. We will call this approach "system theoretical inspired hermeneutics" (NASSEHI & SAAKE, 2002), combining the system theoretical aspect of observing, analytical research strategies, such as form and functional analysis, and qualitative research methods. [2]

The point of departure for this research study was the ambivalent observation that value driven activities, such as the definition of corporate values, mission statements, ethical codes, have become widespread in business organizations in recent years. However, the reactions regarding these activities are very contradictory. On the one hand these activities seem to be the solution for ethical dilemmas and problems of organizational control in a globalized world. On the other hand these activities also cause skepticism and disappointment due to morally raised expectations both within organization and their environment. This observation led to the research question concerning the plausibility of this specific form of communication for business organizations. The aim was to understand how the contingent forms of value communication stabilize themselves as organizational structures, as well as the functions of these specific communication structures. As this paper also focuses on the question how these research questions are permuted into an empirical research design, the epistemological and methodological reflection of the study will build an important focus point. [3]

In the first section of the paper the epistemological preposition is outlined to show how system theoretical thinking influences the perspective of observation (Section 1). In the second step the context and the research question of the case example is introduced (Section 2). Further, it will be reflected how this general form of observation is applied to the above outlined research question and the analytical strategy. Furthermore, the use of qualitative methods is outlined (Section 3). In Section 4 the findings that result from this system theoretical research design are presented. This paper ends with a conclusion on how this empirical approach contributes to more common approaches within management studies (Section 5). [4]

## 1. System Theory and Empirical Research: Epistemological Preposition

System theory provides a theoretical fundament which enables the scientific observer to analyze and to understand how contingent forms of communication stabilize themselves as systemic structures, as well as the functions of these specific communication structures. However, as this process of understanding depends on the theoretical perspective of the observing researcher, the theoretical outline of every study should enable research that can reflect the relationship between the theoretical preconditions of the research observation and the closed observation modes of the practice that is to be studied. From a system theoretical perspective this is a paradoxical venture. Because of the *closure of systems*, observation is unavoidably bound to the systemic, internal construction of an outside reality. In the context of perception this means that the "reality is in the head" while simulating that "the head is in reality" (KNEER & NASSEHI, 2000, p.54; my translation). Accordingly, research observation is always self-referential and has to construct something outside that can be observed, described or analyzed. Scientific insight is therefore, in this case, nothing more than a self-constructed observation. [5]

But this is not a disadvantage. Moreover, if research starts with the epistemological perspective that all social processes of observation are operationally closed, constructionist research finds its strengths in describing the *contingency of closed social practice*. This is a practice which is improbable but not impossible: the task is to comprehend the specific selections of communications which are made in practice and to examine and understand how these selections are restricted by specific observer positions without forgetting that these analyses of communication practice is the product of the own closed observation practice of the researcher (NASSEHI & SAAKE, 2002). [6]

To show how a certain research perspective forms the analysis of the closed, self-referential communication practice (which is itself also a specific mode of observation), we will use the illustrative definition of observation of George SPENCER-BROWN. His definition combines the idea of indication and distinction: "We take as given the idea of distinction and the idea of indication, and that we cannot make an indication without drawing a distinction" (1994, p.1). [7]

This definition of observation delivers a "tool" for analyzing differences in observation practices by defining observation as a communication that indicates something by simultaneously distinguishing it from something else. Two sides emerge by distinguishing a marked and an unmarked space, the latter being the explicit or implicit context of the marked side. Together with the third side—the distinction itself—these three sides build a specific *form* of observation. Exactly this perception of observation—as a three-part form—delivers an approach to describe and reflect closed observation perspectives by describing the practice of indicating and distinguishing. Thereby it is important to bear in mind, that every observation has its blind spot: it can only observe what it can observe by the distinction (ÅKERSTRØM ANDERSEN, 2003a, p.65). By using George

SPENCER-BROWN's (1994) definition of observation it becomes possible to describe different observation forms heuristically—both one's own research perspective and the observation practice of the research phenomenon, which is formed by the research perspective. [8]

After shortly introducing the research question and the scientific context of the case example of value communication, we will concentrate on the particular form of the research observation that enables the exploration of a phenomenon by showing which contexts restrict the observation of the research object. At this stage of research the construction of ontology is unavoidable. The difference to positivistic research is that the particular use of ontology is seen as contingent, open ontology, which is needed to create a phenomenon, but what has to be reflected during the research process (ÅKERSTRØM ANDERSEN, 2003a). [9]

## 2. The Context and Research Question of the Case Example

The basic observation for this study is that *value driven activities* have become widespread in business organizations in recent years (ETHICS RESOURCE CENTER, 2003, 2005, 2007). These activities incorporate the definition of values as guiding principles, mission statements and moral standards for leadership, 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.<sup>1</sup> [10]

Business organizations and the academic literature on business ethics and organizational behavior have spelled 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; SEEGER, 1997; SCHEIN, 1991). In simple terms: the rationale is that values build an unconscious perception pattern that provides orientation in complex situations and therefore supports organizational control and improves ethical reasoning in management. However, a contrasting position can be found both in academia and in practice. Milton FRIEDMAN (1990) postulates that the only responsibility of a business organization is to make a profit. Peter DRUCKER (1989), like many practitioners, sees value driven activities merely as "ethical chic." Furthermore, employees describe that they hardly see any changes in their daily business. In contrast, the introduction of value activities raises skepticism and disappointment. Both employees and the mass media react suspiciously, tending to accuse business organizations of window-dressing, using value semantics only for the organizational self-description and being essentially dishonest. These empirical observations reveal that value communication seems to have its own rules: not only are the effects more complex as described in the causal manner by ethical management consultants (e.g. KELLY, KOCOUREK, McGAW & SAMUELSON, 2005; WIELAND, 2004), the phenomenon of increasing value communication

---

<sup>1</sup> An overview of value driven activities in German business corporations is offered by Josef WIELAND (2004).

links organizational issues to societal issues as reactions of mass media and interest groups show. [11]

Accordingly, the following research questions will be analyzed and discussed in this paper: What contingent forms of value communication stabilize themselves as organizational structure and what functions do these specific communication structures have? [12]

These research questions are the first indication for the starting point of a system theoretical inspired empirical analysis. This study is interested in the capacity of value communication in regard of relevance and consequences both for organizations themselves and for their societal environment. In the following it will be outlined how these research questions can be converted into a theoretical informed form of research observation which constructs the specific scientific access to the phenomenon of value communication. We will thereby rely on the above introduced form of observation. [13]

### 3. The Form of Research Observation

The basic distinction for research observation is that the phenomenon of *value communication* is perceived as the marked side. It indicates what shall be of interest to the empirical analyses. The context (unmarked side), which influences the mode of observation of the phenomenon, is the theoretical perception that *all social operations are closed*. The following outline concretizes this basic distinction by showing how the form of research observation constructs the phenomenon of value communication in organizations. [14]

#### 3.1 Organizations in the society as a "society of presences"

As a further context of the form of research observation, the perception of organization in society in general is very relevant, as without clear distinguished concepts of organization and society, it is impossible to analyze organizational practice at all. [15]

All social systems consist of certain communicative operations, or rather the connectivity of communicative events over time. The term "system" is used to show how certain social formations emerge that are stabilized by the interrelations, feedback processes and self-steering processes of communication. This implies that, by the real-time interrelation of certain communications, systems emerge by distinguishing themselves from their environment. In this context, systems—as already mentioned—are perceived as *operationally closed*. Closure in this respect does not mean that such systems are not able to experience contact with their environments. Although systems are not led by the idea that they work for a "whole"<sup>2</sup>, simultaneously systems are dependent on each other on a functional or informational level. They are only independent or closed on their operational level. The simultaneity of both the self-referential, real

---

2 Exactly this was the conception of Talcott PARSONS (e.g. 1960).

time operations of a system and the dependence on the capacity, logic and function of a system in the environment, leads to a characterization of society as a society of presences.

"This simultaneity of dependence and independence sometimes turns society into a drama. This drama is due to the fact, that a 'stage director' neither coordinates different 'roles' nor do they follow a certain 'script' that has to be fulfilled. Even more: On the 'stage' of society 'lay-actors' perform, who have no opportunity to practice or correct their performance, because every social action takes place in real time. They have to improvise and self-stabilizes the structures referring to the interdependence of operative independent functional systems. It is a fundamental *society of presences*" (NASSEHI, 2003, p.165; my translation).<sup>3</sup> [16]

Systems can be distinguished as interactions, societal functions and organizations. *Interactions* are social systems, which 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. *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, 1982). These communication media are able both to make improbable forms of connectivity less improbable and to facilitate the emergence of the functional systems themselves. Niklas LUHMANN's observation of the emergence of different functional systems that are fostered by specific communication media leads to an understanding of society, which emphasizes differentiation instead of unity (LUHMANN, 1997; NASSEHI, 2003). [17]

*Organizations* for Niklas LUHMANN are social systems, which are able to stabilize forms of action and behavior by the communication of decisions about both rules of membership and their practical doing (BAECKER, 2006). As organizations perpetuate themselves by connecting decision to decision, they can be characterized as decision machines (NASSEHI, 2005). This theoretical differentiation builds empirical criteria for the observation of social practice. The distinction of three types of social systems allows the researcher not only to analyze an interaction as a situation where people meet in person but also to observe how an interaction might be structured by organizational decision making or the logic of functional systems. The strengths of system theory lie in the possibility to not only observe social practices but also to reconstruct the different systemic logics that determine the particular situation. This article studies business organizations, which means that system theory allows observing the *certain restrictions* that influence the *concrete practice* in *business* organizations. Of interest are both the internal decisions of the particular business organization

---

3 The metaphorical comparison of society being turned into a drama is only loosely related to other sociological perspectives that use dramaturgical semantics (e.g. GOFFMANN, 1953) which explain how interactions are influenced by social roles. Rather, the conception of society coined by Armin NASSEHI directs the focus to the fact that social practice, as a certain presence, has on one hand to be perceived as a closed system which stabilizes itself by real-time operation. On the other hand this stabilization is only possible by referring to logics outside the own presence. This oscillation between dependence and independence is not only relevant for interactions, but also for other systems, like organizations and functional systems.

and the restricting power of function systems like economy, law, and other societal systems (NASSEHI, 2005; ÅKERSTRØM ANDERSEN, 2003b; ÅKERSTRØM ANDERSEN & BORN, 2007). [18]

### 3.2 Values

After introducing the basic assumptions of the conception of society as a restricting context for a particular form of research observation, we will shift to the theoretical perspective on values as an extension of the form of research observation. Whereas the hitherto concretizations of the research observation could be perceived as a general system theoretical perspective for organizational research, the following outline about the contextualization of treating value communication is specific for this particular study. [19]

The term *value* has a long tradition in sociology, philosophy and economics. It grew very prominent at the end of the 19<sup>th</sup> century, when early sociologists used it to discuss the question of societal integration. Because of an increasingly differentiated society with a 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 it was in the pre-modern society (e.g. DURKHEIM, 1973; PARSONS, 1960). Talcott PARSONS formulates: "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" (1960, p.172). [20]

This theoretical perception that values direct action and thereby secure a collective entity still forms the underlying principle for more applied research in the actual discussion of value activities in organizations, e.g. business ethics or organization studies (COLLINS & PORRAS, 1994; CONRAD, 1993; FREDERICK, 1995; HOFSTEDE, 2006; KOTTER & HESKETT, 1992; PETERS & WATERMAN, 2006; SCHEIN, 1991; SEEGER, 1997). It should be evident that the contemporary research on values in organizations relies on a theoretical conception that understands the function of values through its potential to integrate social entities by giving individual orientation for their action. [21]

From a system theoretical perspective of society, which emphasizes functional differentiation (LUHMANN, 1996), the common perception of the function of values for integration and orientation is rather a skeptical one, for both theoretical and empirical reasons. [22]

Theoretically, a functionally differentiated society does not need values as integration mechanisms because social practice occurs in decoupled spheres which build their own construction of the world (NASSEHI, 2003, pp.263-165). Furthermore, Niklas LUHMANN (1990b, 1997) argues that values are not able to direct action. He analyses values as a form of communication and not as a theoretical idea to explain a certain action. His argument is that values are too abstract to give orientation in specific decision situations, because for every value there is an opposite value, e.g. the antagonism between freedom and justice.

"Each value merely precludes its antithesis (and not always even that). The resolution of collisions between values is thus unregulated. But 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 set aside. All values may count as necessary, but all decisions remain, nevertheless, and for that very reason, contingent" (LUHMANN, 1999, p.66). [23]

Here Niklas LUHMANN emphasizes that values cannot solve conflicts or give orientation in complex situations, which is exactly the hope of business ethics researchers and managers who try to solve dilemmas through value management. Following Niklas LUHMANN's argument, we can understand why the introduction of value activities can cause disappointments. The communicated values, which in the first place are communicated as expectation for the right, e.g., ethical management, cannot deliver orientation in conflict situations because these situations are constituted by unsolvable value conflicts. Despite Niklas LUHMANN's argument, we cannot ignore the fact that value semantics—even if they do not deliver the desired effect—are empirically observed elements of organizational practice. Thus, the question of why value communication stabilizes itself in organizational practice becomes even more relevant and interesting, especially from a system theoretical perspective. [24]

In this paper values are not pre-empirically defined as an integration or orientation element, but solely as empirically observable elements of communication.<sup>4</sup> The practices of value communication should therefore examine the contingent forms of indicating and distinguishing of these practices. [25]

### 3.3 Analytical strategy and the application of methods

Values are not presumed as an essential condition of individuals or social entities that influence action. They are empirically observable forms of communication that only *refer* to values as invisible aspects of individuals or societal entities and that are marked as values by the empirical practice itself, for example by referring to corporate values, ethical standards, value based education programs to improve leadership ability or just by managers' expressions of their values, beliefs and drivers. [26]

This conception of values and the general theoretical perspective of a system theoretical approach call for a methodology that employs communication

---

4 The perspective on observation follows here the system theoretical assumption that the *social* is not constituted by action but by communication. Thus, a system theoretical approach to values can only be an approach which observes the communication which refers to values within communication practice. This approach is thereby also a fundamental aberration of communication theoretical perspectives which discuss the effectiveness of the use of certain media to fulfill a specific task. Moreover, the communication with reference to value semantics is seen as a specific social phenomenon which has to be analyzed in a way which does not anticipate the aim of this communication mode (for example like the media richness theory, e.g. DAFT & LENGEL, 1984). The task is to construct the function of this specific communication form from the empirical material in regard to understand the plausibility of these contingent communication processes.

practices as their point of departure. Organizational practice is perceived as lines of communications that deal with different systemic logics—interactional, organizational, functional—in real time. The challenge is to understand in what organizational contexts value communication is used and what role value communication plays in these organizational practices. The methodology can therefore be perceived as a system theoretical inspired hermeneutics (NASSEHI & SAAKE, 2002) which combines a form analysis with a functional analysis.<sup>5</sup> [27]

The form analysis (ÅKERSTRØM ANDERSEN, 2003a; BAECKER, 2006; LUHMANN, 1997) attempts to distinguish and describe different modes and locations of value communication in organization. By analyzing specific communication practices and by contrasting them, typified forms of communication processes become evident (WAGNER, 2008). Reformulated in a system theoretical manner, this means that the aim of the form analysis is to observe the form of observation of the observed practice. [28]

At this stage, the analysis of the empirical material was 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 organizations? How does the meaning of values change in relation to different perspectives on the process of communication? [29]

The functional analysis (LUHMANN, 2005a, 2005b) calls for the specific function of these particular observation forms, wherein *function* is not a term to describe causal effects of values. The functional analysis describes relational dependencies between problems and solutions. A specific phenomenon like a form of value communication is perceived as an operational solution for an operational problem in an organization. In a system theoretical perspective, the problem-solution relationship is rooted in the need for the survival of the system, here the organization. If we ask for the function of value communication, the task will be to relate the phenomenon of value communication to a particular referring problem that is solved by the practice of value communication. This analytical strategy leads to insights as to why certain forms of value communication stabilize in organizations by an oscillation between a theoretical horizon that offers meaning by establishing a frame of reference for empirical observations that in turn feed-back to the theoretical frame (ÅKERSTRØM ANDERSEN, 2003a). [30]

---

5 The strength of this methodological approach lies in the fact that empirical research that is connected to system theory offers the possibility not only to observe social practices as interactions but to connect the observations also to a theory of organization and a theory of society. This combination of empirical observations and theoretical reasoning which cross the perspective of interaction, organization and society delivers explanations of social practice that emphasize the point that practices are always performed within very complex structures of society. This methodological perspective thereby differs immensely from approaches which deliver alienated description of the practice itself, which of course provide an informative perspective but do not connect their findings to a broader social perspective, e.g. ethnomethodology.

From this analytical perspective the first task is to gain access to organizational practice and to communication that explicitly or implicitly uses value semantic. To apply these considerations a multi-case study approach (YIN, 2005, pp.13-45) and a documentation analysis have been adopted with the aim of gaining access to the relevant empirical material, which means that as many as possible different communication practices in organizations have been observed. Involved are eight cases from global companies from different industries and 35 company documents that were publicly accessible. The industry sample consist of three companies from the financial service industry, one firm from the information technology industry, one from the insurance industry, one from the automobile industry and two companies from the engineering industry. As a selection criterion the companies had to deal with corporate values in their organizational practice. Some of the companies were just introducing value activities, where other companies had ten years of experience with a value program. [31]

In all case study companies *narrative interviews* were conducted with a heterogeneous sample of employees (in gender, age, operational function, hierarchic status).<sup>6</sup> Generally, as the structure of communication is of interest, the approach was to produce stories about the respondent's everyday working situation; this approach differs fundamentally from an approach that is interested in obtaining expert knowledge. Furthermore, *protocols of participant observation* were produced and *internal and external documents* were analyzed. [32]

The process of the analysis of the data is threefold. First, all data was scanned for the emergence of values and the relevant passages were coded. Second, by searching for patterns and relationships the codes were categorized to particular forms of value communication. Third, the identified forms were analyzed for the specific function in the concrete social practice recorded in the empirical material. [33]

We now switch perspective. In the following section, the closed forms of organizational observations and their functions, which emerge by the presented form of research observation, will be described. [34]

#### **4. Analyzing Value Communication: Forms and Functions**

The basic findings of the analysis of the empirical material are that value semantics are a communication media in business organizations that are able to cope with *uncertainty*. This means that the uncertainty of dealing with the complex organization and its environment can be semantically addressed by value communication. Values are a medium for organizations to cope with uncertainty, which is unavoidably produced by the simultaneity of a multitude of organizational operations. [35]

---

6 The interviews were conducted in German; the cited passages have been translated into English for this article. No identifying information is disclosed from the employees who were interviewed, the "XXX" indicate these passages.

In the following, three different forms of dealing with uncertainty and their specific functions are presented. These findings will be illustrated by empirical examples that represent the typified patterns of value communication practices that were deduced by the above outlined process of analyzing. The meaning of these typified contexts of value communication and thereby the considerations about the function of value communication can only be formulated by an oscillation process between theorizing in accordance with the system theoretical form of research observation and the examination of empirical observation. [36]

#### 4.1 The uncertainty of heterogeneous expectations

The first form of value communication that was observable in the empirical material was dominant in official organizational self-descriptions (SEIDL, 2003a, 2003b) such as glossy brochures or annual reports. *The essential observation is that self-description of organizations is only possible by a dominant use of values.* The following example from the 2006 annual report of the German flight carrier DEUTSCHE LUFTHANSA AG will illustrate this assumption:

"We want to assert our position and continue to grow as a leading network carrier with excellent quality and innovative services. This growth represents great opportunities for our customers, employees and shareholders alike because we feel duty bound to create value." (p.1) [37]

In a similar way the automobile manufacturer BMW introduced its annual report with the phrase "Assuming responsibility. Creating Values" (2006, p.1); the German brand of the UniCredit Bank BAYERISCHE HYPOVEREINSBANK published a brochure with the title "Live values—create value" (2007). [38]

The question that follows this observation is why business organizations refer to values when they describe themselves? Respectively, what is the function of this specific form of value communication? Drawing on theory this question links to the fact that organizations have to adapt to their environment in order to operate (LUHMANN, 2005c; WEICK, 1976, 1979, 1995). In order to survive every organization must coordinate its operations in a way that its outcomes interest at least some parts in the environment. Simultaneously the organization needs a degree of internal coordination (LUHMANN, 1964, p.108). [39]

Even if the idea of the essential need for adaptation and integration is accepted, the question of why the organizational self-descriptions of companies like Lufthansa or BMW do not refer to a factual purpose, like selling cars or flight tickets, but to abstract values, remains. The function of this abstract communication form lies in the need to secure the essential support of environmental and internal structures in situations where organizations 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 organization to live up to all expectations. The factual purpose, like selling cars, might disappoint stakeholders who, for example, expect information about the social engagement of an organization. The solution to this

problem is to use abstract semantics like values. This trick allows the organization to express its "identity" without dismissing different or even contradicting expectations in the environment and without dismissing the simultaneously existing different parts of the organization itself which all have divergent or even contradictory aims and purposes. To emphasize this point, the societal expectations that organizations must fulfill are so ambiguous, complex and heterogeneous that only abstract values are able to respond to all of them at the same time. This is possible because the meaning of a value is rather elastic (LUHMANN, 1990b). [40]

The same can be said for the organization itself. Only very abstract value communication makes it possible to address all internal differentiations with their different perspectives and references at the same time:

"Our brand values also define our biggest strengths and highest priorities. Passionate, innovative, committed, honest, authentic and inspirational. This is what adidas is all about. A group dedicated to sport and athletes." (ADIDAS GROUP, 2006, p.14) [41]

Instead of introducing different departments, products or brands, the Adidas Group refers to values to describe what integrates the company. The function here is to give an adequate picture of the identity—in regard to react to the expectation what integrates the company—without getting too much involved with the highly complex and differentiated structure which builds many identities simultaneously (WEICK, 1995). [42]

Therefore, values can address very complex and fuzzy configurations outside and inside the organization. For example, in all analyzed material, the organizations had to represent their merit with regard to economic, ecological and social references. The following example from the 2006 financial report of the chemical company BASF AG will illustrate this:

"Who we are

BASF is the world's leading chemical company: The Chemical Company. Our portfolio ranges from chemicals, plastics, performance products, agricultural products and fine chemicals to crude oil and natural gas. As a reliable partner to virtually all industries, our high-value products and intelligent system solutions help our customers to be more successful.

What we achieve

Our goal is to use our products and services to successfully shape the future of our customers, business partners and employees. Through profitable growth we aim to consistently increase the value of our company.

How we shape the future

We develop new technologies and use them to meet the challenges of the future and open up additional market opportunities. We combine economic success with

environmental protection and social responsibility. This is our contribution to a better future for us and for coming generations." (BASF, 2007, p.5) [43]

To fulfill the task of responding simultaneously to very different expectations (economical, ecological, social or even political) the only possibility is to use a very abstract form of value communication that can be read from all perspectives. The solution of BASF is to describe itself as a reliable partner that combines social with economic aims. [44]

One can argue that business organizations change from "monophonic" to "heterophonic" (ÅKERSTRØM ANDERSEN, 2003b; ÅKERSTRØM ANDERSEN & BORN, 2007), because even for the survival of business organizations the pure orientation towards the functional system of the economy is not sufficient and interaction with different perspectives is essential. In order to enlist environmental support for organizational issues, it is not enough to communicate in an economical manner, other heterogeneous contexts must also be observed and positively influenced. This is precisely the function of value semantics: they have the power to communicate between heterogeneous logics. [45]

#### **4.2 The uncertainty of the organizational identity**

It becomes evident that values are a capacitive communication media to address heterogeneous expectations both in the environment and within the organization. Whereas in the previous section value communication is linked to the problem of simultaneously reacting to heterogeneous expectations from outside of the organization, this section shows how values are not only used in formal self-descriptions, but also in the interviews that were conducted with employees. It will be shown that the presentation of organizational identity here again 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 analyzed documents. [46]

So far it has been shown that value communication has the function to balance different system logics by avoiding excluding important perspectives from outside and inside the organization. Value communication therefore enhances environmental support for the organization's survival. In this section it will be shown how value communication reacts to the internal problem to simultaneously secure a certain state of integration and the differentiation of structures. Both are permanently needed to sustain the progress of organizing. Here, values are a means of constructing an identity to conceal the fact that an organization has never only one 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 identity construction should not be characterized as a deficit but as a very clever maneuver that both encourages a shared formal structure and gives flexibility to how an acute problem is solved. Again, this is possible because the meaning of values is elastic and therefore cannot direct concrete action. [47]

Empirically this form of value communication is performed by the construction of an "outside." In the interviews the identity of the organization was described by emphasizing the *uniqueness* of the corporate culture. This uniqueness could only be described by comparing the company to something which appears significantly different. The following statement of a female employee illustrates this:

"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, if I could fulfill the expectations, because I thought the claims were double as high at this huge company compared to a small one." [48]

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 give a clear picture. Comparing the present employer to the former sharpens the picture of the corporate culture. 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. [49]

In another example, the "outside" is not constructed by comparing different companies but by comparing the old culture with the actual changed culture:

"When I started to work for XXX, I was surprised at the culture here, the way how everybody treated each other. It was very hierarchical. It was a real bureaucracy. But that has changed significantly over time. The hierarchy is not like it has been, the focus is not on the positions anymore. Now, employees can contact me any time. And this is very important to me, knowing what my employees are thinking and how they are feeling. We have a social responsibility that we have to assume." [50]

In this interview extract we can again observe that the company is describe with reference to the corporate culture. However, this culture can only be described by comparing certain values with each other. Here the former culture of bureaucracy is compared with the actual culture of openness and responsibility. [51]

This form of value communication has its function in constructing an organizational identity without revealing the complex and sometimes contradictory structures of the organization. By semantically comparing the company to other organizations it becomes possible to make the relevant organization appear more consistent or self-identical than it is, but, as said earlier, just a semantic identity is essential to coordinate the organization's operations (DREPPER, 2005; DRUCKER, 2002). This form of value communication makes it possible to transfer the internal complexity of an organization and the uncertainty of dealing with it into a communicable form of an organizational identity. [52]

### 4.3 The uncertainty of the organizational future

So far the function of value communication lies in the potential to cope with uncertainty, "caused" by e.g. the complexity and "polycontextuality" (GÜNTHER, 1979) of the societal environment or the multi-identical organization. In the following we will see that values are also applicable to the uncertain construction of the *organizational future*. [53]

As the future is an unclear and inaccessible horizon from the perspective of the present, it is impossible to describe it as a determinable matter of facts (LUHMANN, 1990c). Nonetheless, in many situations organizations have to describe their future, e.g. in the annual general meeting or in a strategy workshop. Organizations then face the paradox of having to describe something that is not describable, because the future is always unknown. In the empirical material it became obvious that value semantics are used to achieve this venture. They seem to be a medium to describe the future. They create a satisfying picture of the future, which is simultaneously equipped with a degree of freedom. Values resolve the paradox to describe the indescribable, because values deliver elastic possibilities of meaning. The annual report of Lufthansa illustrates this form of value communication. [54]

At the beginning of the report, Lufthansa compares "achievements" with "objectives" (DEUTSCHE LUFTHANSA AG, 2006, p.6). In the column of achievements the reader finds measurable facts about the last year (e.g. the share price rose by 66.6 per cent to €20.85 and a CVA of 552bn was reached). In the column of objectives the languages differs considerably (e.g. the aim is to "increase the corporate value" and to "strengthen the confidence in a value oriented growth strategy"). [55]

The example shows that the future is described by value semantics whereas the past is described by facts. This is not surprising, because the description of the future is a risky task for business organizations. The risk is 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, although it is unclear what the future will bring. Describing the future in terms of abstract values has the advantages both defining the future and leaving it open. [56]

### 4.4 Value communication and management

Referring to form and functional analysis, it can be summarized that the function for the capacity of values to cope with uncertainty lies in the fact that values on one hand are communication media which 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 base for organizational action. [57]

Value communication thereby helps organizations to handle the problem that they have to act although it is unclear what to do. This is precisely the point at which value communication becomes relevant for managerial control. But this aspect of managerial control by value communication cannot be exploited in a causal manner and here the diagnosis of the empirical analysis differs immensely from positivistic or normative management perspective. Values transport meaning only on a very abstract, elastic basis that might indicate a need for action but does not determine exactly how to act. This "lack" of value communication is what builds the crucial point for the role of values in regard of management. Values on one hand establish media, which transform uncertain circumstances into meaning so that these circumstances can be managed in the organization. On the other hand the communicated meaning is so elastic that values do not have the power to control concrete situations. This is not a paradoxical deficit but a modus of control which emphasizes flexibility, as values only offer abstract points of reflection, but not strict instructions on how to act and this enhances the chance to develop innovative forms of management that make the organization more powerful—both with regard to ethical claims and to economic success. [58]

## **5. Conclusion: Applying System Theory to Empirical Research**

The aim of this article was to exemplify how system theoretical thinking and the application of qualitative research methods can be combined. The basic assumption was that system theory provides a fundament to understand how contingent forms of communication stabilize themselves as systemic structures, as well as the functions of these specific communication structures. But as this process of understanding depends on the theoretical perspective of the observing researcher, the theoretical outline of every study should enable research that can reflect the relationship between the theoretical preconditions of the research observation and the closed observation modes of the practice that is to be studied. This paradoxical venture can be solved by drawing on the term of observation in the line of George SPENCER-BROWN (1994) that bears the possibility to show that observation is always a simultaneous process of indicating and distinguishing. This notion of observation delivers a tool by naming indications and distinctions to reflect how a certain research perspective forms the analysis of a self-referential communication practice (which itself is also a specific mode of observation). Thus, it becomes possible to describe different observation forms heuristically—both one's own research perspective and the observation practice of the research phenomenon, which is formed by the research perspective. [59]

To exemplify this process the paper presented a contingent form of a research observation to analyze the phenomenon of increased value communication in business organizations. The form of research observation thereby constructs the object of the research by displaying that social reality is perceived as the simultaneity of different closed communication practices that stabilize themselves due to their own logics. These own logics emerge by the self-referential observation modes of these practices which also observe other practices in their environment by their own perspective. This leads to the precondition that

organization systems have also to be linked to a theoretical understanding of society. A further context of the form of research observation is to perceive values not as pre-empirical elements to explain certain actions, but to understand them as communicative elements in closed practices. [60]

In regard for the application of methods, the task was consequently to generate communication practices that can be analyzed in this way. Important was that texts were generated in which the own logics of the observed communication practices could unfold themselves. In several case studies narrative interviews, protocols of observation and written documents were generated and analyzed, as these text types reveal the logic of the closed observation practice of the observed object. [61]

In this process of research it became possible to describe three forms of value communication which have the function to cope with uncertainties. [62]

The remaining question is what advantages in contrast to more conventional approaches of management studies can be expected from system theoretical inspired empirical research. The emphasis on the closed logic of systemic process directs the focus on an in-depth analysis about management concepts as empirical phenomena instead of defining the function of these concepts pre-empirical. This kind of research allows insights about how specific managerial concepts are formed within the communication process in organizations and it shows what realistically can be expected of them. In the case of value communication it became obvious that values cannot be perceived as providing a common ground of understanding, but that the communication of values is a medium to react to uncertain conditions. Such perspectives on management take the complexity of organizational practice into account and thereby provide different perspectives, enlarging the scope for potential interventions. [63]

## References

Adidas Group (2006). *Annual report 2005*, <http://www.adidas-group.com/en/investorrelations/reports/annually/2005/en/> [Date of access: July 21, 2008].

Åkerstrøm Andersen, Niels (2003a). *Discursive analytical strategies: Understanding Foucault, Kosselleck, Laclau, Luhmann*. Bristol: Policy.

Åkerstrøm Andersen, Niels (2003b). Polyphonic organisations. In Tor Hernes & Tore Bakken (Eds.), *Autopoietic organisation theory: Drawing on Niklas Luhmann's social systems perspective* (pp.151-182). Oslo: Copenhagen Business School Press.

Åkerstrøm Andersen, Niels & Born, Asmund W. (2007). Heterophony and the postponed organisation: Organizing autopoietic systems. *Tamara Journal for Critical Organisational Inquiry*, 6(2), 176-186.

Baecker, Dirk (2006). The form of the firm. *Organisation: The Critical Journal on Organisation, Theory and Society*, 13(1), 109-142.

BASF AG (2007). *Financial report 2006*, [http://www.basf.com/group/corporate/de/function/conversions:/publish/content/investor-relations/corporate-governance/images/Jahresabschluss\\_BASF\\_AG\\_2006.pdf](http://www.basf.com/group/corporate/de/function/conversions:/publish/content/investor-relations/corporate-governance/images/Jahresabschluss_BASF_AG_2006.pdf) [Date of access: July 21, 2008].

Bayerische HypoVereinsbank AG (2007). *Werte leben – Werte schaffen*, [http://www.hypovereinsbank.de/export/sites/aboutus/binaries/downloads/de/HVB\\_CSR\\_2007.pdf](http://www.hypovereinsbank.de/export/sites/aboutus/binaries/downloads/de/HVB_CSR_2007.pdf) [Date of access: July 21, 2008].

- BMW AG (2006). *Geschäftsbericht 2006*, [http://www.bmwgroup.com/d/0\\_0\\_www\\_bmwgroup\\_com/investor\\_relations/finanzberichte/geschaefsbberichte/2006/popup/\\_downloads/gb2006\\_gesamt.pdf](http://www.bmwgroup.com/d/0_0_www_bmwgroup_com/investor_relations/finanzberichte/geschaefsbberichte/2006/popup/_downloads/gb2006_gesamt.pdf) [Date of access: September 26, 2007].
- Collins, Jim C. & Porras, Jerry I. (1994). *Built to last. Successful habits of visionary companies*. New York: Harper Business.
- Conrad, Charles (Ed.) (1993). *The ethical nexus*. Norwood: Ablex Pub. Corp.
- Daft, Richard L. & Lengel, Robert H. (1984). Information richness: A new approach to managerial behavior and organizational design. In Larry L. Cummings & Barry M. Staw (Eds.), *Research in organizational behavior 6* (pp.191-233). Homewood, IL: JAI Press.
- Deutsche Lufthansa AG (2006). *Geschäftsbericht 2006*, [http://konzern.lufthansa.com/de/downloads/presse/downloads/publikationen/lh\\_gb\\_2006.pdf](http://konzern.lufthansa.com/de/downloads/presse/downloads/publikationen/lh_gb_2006.pdf) [Date of access: September 26, 2007].
- Drepper, Thomas (2005). Organization and society. In Daniel Seidl & Kai H. Becker (Eds.), *Niklas Luhmann and organization studies* (pp.171-190). Malmö: Liber et al.
- Drucker, Peter (1989). Ethical chic. In A. Pablo Iannone (Ed.), *Contemporary moral controversies in business* (pp.44-52). New York: Oxford University Press.
- Drucker, Peter (2002). *Managing in the next society*. New York: Truman Talley.
- Durkheim, Emile (1973). *On morality and society: Selected writings*. Chicago: University of Chicago Press.
- Ethics Resource Center (2003). *National business ethics survey: How employees view ethics in their organizations*. Arlington: ERC.
- Ethics Resource Center (2005). *National business ethics survey: How employees view ethics in their organizations*. Arlington: ERC
- Ethics Resource Center (2007). *National business ethics survey: How employees view ethics in their organizations*. Arlington: ERC.
- Frederick, William C. (1995). *Values, nature, and culture in the American corporation*. New York: Oxford University Press.
- Friedman, Milton (1990). The social responsibility of business is to increase its profits. In W. Michael Hoffman & Jennifer Mills Moore (Eds.), *Business ethics. Readings and cases in corporate morality* (pp.153- 56). New York: McGraw-Hill.
- Goffman, Erving (1953). *The presentation of self in everyday life*. New York: Doubleday & Company.
- Günther, Gotthard (1979). Life as poly-contextuality. In Gotthard Günther (Ed.), *Beiträge zur Grundlegung einer operationsfähigen Dialektik* (pp.283-306). Hamburg: Felix Meiner Verlag.
- Hofstede, Geert (2006). *Culture's consequences: Comparing values, behaviors, institutions, and organisations across nations*. Thousand Oaks: Sage.
- Kelly, Chris; Kocourek, Paul; McGaw, Nancy & Samuelson, Judith (2005). *Deriving value from corporate values*, <http://www.aspeninstitute.org/atf/cf/%7BDEB6F227-659B-4EC8-8F84-8DF23CA704F5%7D/VALUE%20SURVEY%20FINAL.PDF> [Date of access: July 21, 2008].
- Kneer, Georg & Nassehi, Armin (2000). *Niklas Luhmanns Theorie sozialer Systeme. Eine Einführung*. München: Fink.
- Kotter, John P. & Heskett, James L. (1992). *Corporate culture and performance*. New York: Free Press et al.
- Luhmann, Niklas (1964). *Funktionen und Folgen formaler Organisation*. Berlin: Duncker & Humblot.
- Luhmann, Niklas (1977). Differentiation of society. *The Canadian Journal of Sociology*, 2(1), 29-53.
- Luhmann, Niklas (1982). *The differentiation of society*. Columbia: Columbia University Press.
- Luhmann, Niklas (1990a). Meaning as sociology's basic concept. In Niklas Luhmann (Ed.), *Essays on self-reference* (pp.21-79). New York: Columbia University Press.
- Luhmann, Niklas (1990b). Tautology and paradox in the self-descriptions of modern society. In Niklas Luhmann (Ed.), *Essays on self-reference* (pp.123-143). New York: Columbia University Press.

- Luhmann, Niklas (1990c). Risiko und Gefahr. In Niklas Luhmann (Ed.), *Konstruktivistische Perspektiven* (pp.131-169). Opladen: Westdeutscher Verlag.
- Luhmann, Niklas (1996). *Social systems*. Palo Alto: Stanford University Press.
- Luhmann, Niklas (1997). *Die Gesellschaft der Gesellschaft*. Frankfurt/M.: Suhrkamp.
- Luhmann, Niklas (1999). Complexity, structural contingencies and value conflicts. In Paul Heelas, Scott Lash & Paul Morris (Eds.), *Detraditionalization: Critical reflections on authority and identity* (pp.59-71). Cambridge: Blackwell.
- Luhmann, Niklas (2005a). Funktion und Kausalität. In Niklas Luhmann (Ed.), *Soziologische Aufklärung 1: Aufsätze zur Theorie sozialer Systeme* (pp.11-30). Wiesbaden: VS Verlag.
- Luhmann, Niklas (2005b). Funktionale Methode und Systemtheorie. In Niklas Luhmann (Ed.), *Soziologische Aufklärung 1: Aufsätze zur Theorie sozialer Systeme* (pp.31-53). Wiesbaden: VS Verlag.
- Luhmann, Niklas (2005c). The concept of autopoiesis. In David Seidl & Kai H. Becker (Eds.), *Niklas Luhmann and organization studies* (pp.54-63). Malmö: Liber.
- Nassehi, Armin (2003). *Geschlossenheit und Offenheit: Studien zur Theorie der modernen Gesellschaft*. Frankfurt/M.: Suhrkamp.
- Nassehi, Armin (2005). Organizations as decision machines: Niklas Luhmann's theory of organized social systems. In Campbell Jones & Rolland Munro (Eds.), *Contemporary organisation theory* (pp.178-191). Oxford: Blackwell.
- Nassehi, Armin & Saake, Irmhild (2002). Kontingenz: Methodisch verhindert oder beobachtet? Ein Beitrag zur Methodologie der qualitativen Sozialforschung. *Zeitschrift für Soziologie*, 31(1), 66-86.
- Parsons, Talcott (1960). *Structures and process in modern societies*. Glencoe: Free Press.
- Peters, Tom J. & Waterman, Robert (2006). *In search of excellence: Lessons from America's best-run companies*. New York: Harper Collins.
- Schein, Edgar H. (1991). *Organisational culture and leadership*. San Francisco: Jossey-Bass.
- Seeger, Matthew W. (1997). *Ethics and organisational communication*. Cresskill: Hampton Press.
- Seidl, David (2003a). Metaphorical self-description of organizations. In Andreas Müller & Alfred Kieser (Eds.), *Communication in organisations: Structures and practices* (pp.165-184). Frankfurt/M.: Lang.
- Seidl, David (2003b). Organisational identity in Luhmann's theory of social systems. In Tor Hernes & Tore Bakken (Eds.), *Autopoietic organization theory: Drawing on Niklas Luhmann's social systems perspective* (pp.123-150). Oslo: Copenhagen Business School Press.
- Spencer-Brown, George (1994). *Laws of form*. Portland: Cognizer Co.
- Wagner, Elke (2008). Operativität und Praxis. Der systemtheoretische Operativitätsbegriff am Beispiel der ethischen Medizinethik. In Herbert Kalthoff, Stefan Hirschauer & Gesa Lindemann (Eds.), *Theoretische Empirie* (pp.432-448). Frankfurt/M.: Suhrkamp.
- Weick, Karl E. (1976). Educational organisations as loosely coupled systems. *Administrative Science Quarterly*, 21(1), 1-19.
- Weick, Karl E. (1979). *The social psychology of organizing*. Reading: Addison-Wesley.
- Weick, Karl E. (1995). *Sensemaking in organizations*. Thousand Oaks: Sage.
- Wieland, Josef (Ed.) (2004). *Handbuch Wertemanagement: Erfolgsstrategien einer modernen Corporate Governance*. Hamburg: Murmann.
- Yin, Robert K. (2005). *Case study research: Design and methods*. Thousand Oaks: Sage.

## Author

Victoria v. GRODDECK is assistant professor at the Institute of Sociology at the Ludwig-Maximilians-University Munich, Germany. Her research focuses on organizational sociology with a special interest in the co-evolution of society and organizations.

Contact:

Victoria v. Groddeck  
Institut für Soziologie  
Ludwig-Maxilians-Universität München  
Konradstr. 6  
80801 München  
Germany

Tel.: +49 (0)89 2180-2901

Fax: +49 (0)89 2180-5945

E-mail: [victoria.v.groddeck@soziologie.uni-muenchen.de](mailto:victoria.v.groddeck@soziologie.uni-muenchen.de)

URL: [http://www.ls1.soziologie.uni-muenchen.de/personen/wiss\\_mitarbeiter/groddeck/](http://www.ls1.soziologie.uni-muenchen.de/personen/wiss_mitarbeiter/groddeck/)

## Citation

von Groddeck, Victoria (2010). The Case of Value Based Communication—Epistemological and Methodological Reflections from a System Theoretical Perspective [63 paragraphs]. *Forum Qualitative Sozialforschung / Forum: Qualitative Social Research*, 11(3), Art. 17, <http://nbn-resolving.de/urn:nbn:de:0114-fqs1003177>.