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## THEORY AND PRACTICE: DAMNED IF THEY DO, DAMNED IF THEY DON'T!

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### Abstract

This paper addresses issues raised by Ghoshal (2005) about how the seeming uncritical acceptance of an ideologically-based *gloomy vision* of human nature has led to “*bad*” management theories. In particular, the paper sheds light on how a paradoxical and unwarranted adherence to theory and theory-informed practice may emerge, and how that practice may reinforce or reflect ideology. Building on prior work, the paper develops complementary perspectives from systems thinking (Senge, 1990) and cognitive psychology (Tversky & Kahnemann, 1974), to suggest how in some circumstances, cognitive bias rather than intention may impact the theory-practice nexus.

The paper provides a constructive illustration of the use of the systems representational tools of qualitative system dynamics in order to develop a systems perspective on these matters; to identify the underpinning systemic structure that gives rise to Ghoshal’s views; and to identify means of addressing issues of concern to management theorists, analysts and practitioners.

**Keywords:** Systems Thinking, Theory-practice Nexus, Cognitive Bias.

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### 1. Introduction and Purpose

This paper revisits matters identified by Ghoshal (2005) and Ghoshal and Moran (1996) as relating to a seeming uncritical acceptance of an ideologically based *gloomy vision* of human nature and how it has impacted the relationship between management theory and management practice.

Ghoshal’s portrayal of the *negative assumptions* that underpin, say, Agency Theory (Williamson, 1975), has been referred to as the *gloomy vision* (Hirschman, 1970) and indeed as a persistent view that workers are ordinarily passive and resistant to the legitimate expectations of management and the organization (Heil, Bennis & Stephens, 2000) This view of beliefs, assumptions and consequential managerial practice and organizational dysfunction, is reflected in Ghoshal’s view that uncritical acceptance of an ideologically-based *gloomy vision* of human nature has led to ‘*bad management theories ... destroying good management practices*’ (Gapper, 2005).

In particular, the paper explores Ghoshal’s view, and does so by developing complementary perspectives on the development and impact of Agency Theory (Williamson, 1975) and McGregor’s Theory X & Y (1960), using conceptual lenses drawn from the fields of systems thinking (Senge, 1993; Senge et al., 1999) and cognitive psychology (Tversky & Kahnemann, 1974, 1981; Bazerman, 1984, 1998; Russo & Schoemaker, 1989, 1994).

The paper illustrates how the development of a systems perspective can be facilitated by using the systems representational tools of qualitative systems dynamics (Senge, 1993, 1994; Senge et al., 1999, 2008). In doing so, the paper demonstrates how a systems approach may provide a platform for a multi-level analysis of individual and systems behaviours and

relationships, in general, and for understanding the impact of such behaviours and relationships on the theory-practice nexus, in particular. In addition, the paper demonstrates how perspectives drawn from cognitive psychology, especially notions of cognitive bias, surface insights that are not only useful *per se*, that not only complement and enhance insights drawn from the systems representations and systems approach, but do so in a mutually informing way.

As such, this paper sheds light on how, in some cases, a seeming paradoxical and unwarranted adherence to theory and theory-informed practice may emerge, and how that practice may reinforce or reflect prevailing managerial ideology. In particular, the paper suggests how, in some circumstances, cognitive bias rather than willful intent may impact the theory-practice nexus by reinforcing that ideology – in this case, manifest as the *gloomy vision*. In doing so, the paper seeks to provide insight about how even such conflicting or counter-vailing outcomes may serve to reinforce not only the prevailing ideology/beliefs, but also ideology-based theory and managerial practice.

Given that McGregor's Theory X and Y (1960) perhaps encapsulates the inherent contingent or conditional nature of theory in the field of management, it is not surprising that writers such as Ghoshal (2005) and Ghoshal and Moran (1996) have found the need to offer critique of those theories that are founded on a narrow contingent base of beliefs and assumptions regarded either as beyond question or too often accepted without appropriate challenge. Ghoshal has drawn attention, in particular, to the often unquestioned nature of say, Transaction Cost Theory and Agency Theory, not just in relation to their impact on managerial practice, but, especially in relation to the latter theory, in its impact on individual and organizational behavior and outcomes.

Following a brief outline of literature relevant to the ensuing discussion, the paper unfolds to display and comment on the underpinning systemic structure and that gives rise to Ghoshal's *gloomy vision*; to provide alternative views on how the theory-practice nexus is impacted by individual and systems behavior, including cognitive bias; and then to identify points of intervention and/or means of addressing matters of concern to management academics and practitioners. Here, in seeking to illuminate and re-interpret situations that have been explored elsewhere (Davies, 2001, 2015), we draw on a systems approach that invokes the notions and conventions of qualitative systems dynamics to represent our case situations as Causal Loop Diagrams (CLDs) (Maani & Cavana, 2000; Sterman, 2000).

We also draw notice to how individual managerial actions or practices, based on specific beliefs - in this case, those that underpin McGregor's Theory X or Agency Theory - can lead to anticipated or desired outcomes in the short term that reinforce the perceived efficacy of, confidence in, and commitment to those practices. Furthermore, and by contrast, it also demonstrates how those same managerial practices may also induce other individual and systems behaviors in the longer term which interact to produced unanticipated and unwanted outcomes, that, paradoxically, not only reinforce those same beliefs, but also the commitment to those practices.

Specifically, we demonstrate how negative managerial *perceptions of self-interested, opportunistic employee behavior* are reduced in the shorter term by *employees aligning their behavior to organizational goals*, but how, in the longer term, growing employee *perceptions of poor treatment* leads to a passive aggressive *perfunctory compliance* that reinforces the same negative managerial perceptions of employees. Correspondingly, we demonstrate that increasing managerial commitment to monitor and control opportunistic behaviour, as being rules and threats-based control, strengthens in the shorter term, when players *acquiesce* (Loop R1 in Figure 2A); **and** also strengthens in the longer term, if and when players engage in *perfunctory compliance* or express *overt dissent* (Loops R2, 3 and 4 in Figure 2B).

It would appear, therefore, that regardless of those managerial actions leading to desired outcomes in the short term, or undesired outcomes in the long terms, commitment to prevailing managerial practice or actions is reinforced. If so, we assert that the seeming paradoxical adherence to prevailing beliefs or practice, despite contrasting evidence or circumstances, is redolent of an ideological stance. Likewise, we may presume that the ideology underpinning McGregor's Theory X can prevail despite contrasting evidence or circumstances!

## **2. Selective Literature - Cognitive Bias, Theory X & Y, Agency Theory**

In this section, we provide a brief selective overview of relevant literature relating to McGregor's views of human nature and motivation (1960), and Tversky and Kahneman's notions of judgmental heuristics, cognitive bias and the persistence of belief (1981, 1974).

### **2.1 Cognitive Bias and Persistence of Belief**

Various researchers have built on the works of Kahneman and Tversky (1979, 1982) and Tversky and Kahneman (1974, 1981) to show how the framing of problems may affect judgments in a variety of managerial decision-making situations. Bazerman (1984) has even demonstrated how an entire research paradigm – related to Stoner's (1968, 1961) notions of risky shift and group decision-making processes - and associated beliefs, assumptions and theory, may have been inappropriately impacted by the framing of the original research design.

Whilst the persistence or resilience of the risky shift paradigm in the face of often equivocal or disconfirming evidence may be attributed to a lack of awareness of the potential framing effects of construct items used to operationalize risk within Stoner's Choice Dilemma Questionnaire in his original work (1961), such adherence to existing beliefs, witting or not, is not uncommon. Where individuals share such common beliefs, it may sometimes be referred to as ideology (Oxford, 2016). However, adherence to, or persistence of such beliefs is often, in itself, referred to as 'ideological' – with connotations of strong belief, obstinacy and/or an intentional or deliberate resistance to change in the face of seemingly overt disconfirming information.

Yet, the work of Kahneman and Tversky surfacing cognitive biases and framing effects (1982, 1981, 1979, 1974) points to an alternative explanation that manifests as unwitting use of judgmental heuristics in human information processing (Schneider & Shanteau, 2003). In particular, we note how the *confirmation bias* may manifest as the unwitting restriction of attention to existing beliefs, the unintentional or unconscious preferential treatment of evidence supporting existing beliefs, the unwitting search for confirmatory information, and/or 'just seeing what one is looking for' (Nickerson, 1998).

Tversky and Kahneman (1974) differentiate between the *confirmation bias* as a cognitive bias that stems from the unwitting use of judgmental heuristics, and those other biases which can be attributed to motivational effects, unwitting or otherwise. As such, *confirmation bias* may be defined as arising from a tendency to bias in the perception of facts, where individuals are more attentive to new information if it supports their prior beliefs and less attentive if it does not, that is, an unconscious or unthinking selectivity in the acquisition and use of evidence (Runst, 2014). These latter effects may arise from, say, the distortion of judgments by framing effects, about, for example, desired payoffs or unwanted penalties, or just wishful thinking or unbridled faith.

As such, we may postulate that ideology gives rise to managerial theory and may also exhibit persistence or resilience, as a manifestation of the confirmation bias, even in the face of seeming contrary evidence (Tversky & Kahneman, 1974, 1981), or equivocal or ambiguous evidence (Nickerson, 1998; Rabin, 1998; Runst, 2014). Additionally, we may postulate that where managerial practice is driven by perceptions and beliefs that constitute a managerialist ideology, the presence of perceived confirming evidence for those ideological beliefs may also have an affirming impact on managerial practice. Relatedly, Corbett (2011)

has not only referred to a passive resistance to change, in general, or adherence to existing managerial practice, in particular, as another form of cognitive bias termed as the organisational anchoring of practice - but also, given belief in those practices, he has referred to the deliberate 'guarding against backsliding' reinforced by standardization of new processes and imposition of process controls (De Koning et al., 2006).

The paper continues with a minimalist outline of McGregor's Theory X and Y (1961), and comment on how the protocols of qualitative systems dynamics can aid the development of perspectives and insights about the systemic links between theory and practice in organizations.

## 2.2 Agency Theory and McGregor's Theory X

Ghoshal (2005) has made reference to what he refers to as the ideologically-inspired rhetoric or negative assumptions that have come to be embodied in agency theory (Williamson, 1975), and in McGregor's Theory X (1960). In particular, he suggests that such assumptions imply that '*managers cannot be trusted to do their jobs*', '*managers are self-centred*' and that managers are capable of '*opportunistic behaviour*'. Ghoshal sees such a view as embodied in an ideology of liberalism, which he says, is "*grounded in a set of pessimistic assumptions about both individuals and institutions*", and which, in turn, leads to the notion of organizations needing to prevent '*bad people from doing harm to others*', and needing to ameliorate the '*the social costs arising from human imperfections*'. In brief, as a consequence of such negative assumptions, organizations and individuals perceive a role and duty to avoid harm, rather than enabling people to do good. Such a view also accords with Hirschman's description (1970) of the *gloomy vision*.

However, Ghoshal claims that such negative assumptions may not only unwittingly influence how managers think about management, in general, or governance, in particular, but also influence research agendas, influence management practice and prescription, and impact on organizational and individual behavior. As a consequence, Ghoshal says managers become oriented to prevent opportunists '*from benefiting at the cost of others*', and do so by being highly prescriptive, maintaining high levels of supervision, monitoring and control, and with accompanying rewards and punishments. Initially, such managerial practices and behaviors may appear to generate the intended and predicted consequences – and such practices will then be re-justified, their rationale being reinforced. However, as Ghoshal and Moran (1996) and others (Sanderson & Varner, 1984) have noted, over time, instead of controlling and reducing inappropriate employee behaviors, such managerial action may even exaggerate, and/or exacerbate such behaviors, re-creating Strickland's '*dilemma of the supervisor*' (1958), and also reflecting Checkland's view (1999, p. 239) that the problem solver's perceptions and attitudes are an integral part of the problem situation 'and of learning one's way towards a solution.'

The basis of such a dilemma is that the very existence of such managerial controls not only feeds managerial perceptions that employees cannot be trusted and that such controls are needed, but also feeds employees' perceptions that they are neither trusted nor trustworthy. Indeed, as Ghoshal (2005) argues, '*surveillance that is perceived as controlling threatens people's sense of autonomy ... decreases their intrinsic motivation ... damages self perception ... eroding attitudes*', and leads to a behavioral shift from '*voluntary cooperation to perfunctory compliance*' – a state that reinforces managerial negative views of employees being untrustworthy and unmotivated, that spawns further managerial controls, that diminishes employees' sense of trust in managers and sense of self-worth, and that undermines motivation, employee performance etc. (Enzle & Anderson, 1993).

The relationships so described by Ghoshal are manifest of fundamental notions of systems and systems thinking. The latter relationships provide examples of what systems thinkers describe as feedback relationships and which we shall portray in diagrammatic form in the following section as feedback loops. In addition, Ghoshal (2005) refers to these latter

outcomes or states as an example of a ‘*pathologically spiralling relationship*’ - presumably spiralling out of control. However, whilst these outcomes are what systems thinkers describe and regard as the emergent properties of a system and its embedded systemic relationships and processes, he describes them as manifest of the nature of a self-fulfilling prophecy or double hermeneutic process. In systems terms, we would describe such outcomes as the consequences of a reinforcing feedback loop interacting in an erst while unanticipated way to generate emergent properties that, in this case, would be described as a vicious reinforcing cycle of behaviours and events.

We seek to demonstrate how individual managerial actions or practices, based on specific beliefs (say, those that underpin McGregor’s Theory X or agency theory), can lead to anticipated or desired outcomes in the short term that reinforce the efficacy of, confidence in and commitment to those practices. We also seek to demonstrate how those same managerial practices may also induce other individual and systems behaviors in the longer term that interact to produced unanticipated and unwanted outcomes, that also reinforce those same beliefs, but also the commitment to those practices. It would appear, therefore, that regardless of those managerial actions leading to desired outcomes in the short term, or undesired outcomes in the long terms, commitment to prevailing managerial practice or actions is reinforced. As such, we suggest that our analysis provides explanation of a seeming paradoxical adherence to prevailing practice despite contrasting evidence or circumstances, and that such paradoxical adherence to prevailing practice is redolent of an ideological stance.

### 3. Illustrative case: Managerial Theory, Managerial Practice

#### A Causal Loop Diagram (CLD) Representation of the *Theory-Practice* Double Hermeneutic

In this section, we explore the usefulness of the representational protocols of qualitative systems dynamics, in particular, causal loop diagrams (CLDs), in understanding the systemic relationships that impact the theory-practice nexus. We do so, by first offering a simplified constructive illustration of the nexus described by Ghoshal (2005) as a double hermeneutic process (see Figure 1). For this illustration, we choose to define our variables as being related to *acceptance of theory based-on-practice*, and the *use of practice based-on-theory*.

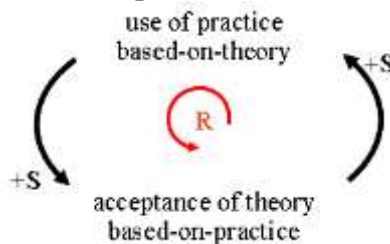


Figure 1: Ghoshal’s double hermeneutic, Theory-Practice nexus, represented as a CLD

Note that CLD convention requires entities to be described in neutral mode. Positive (+<sup>ve</sup> **S**) and Negative (–<sup>ve</sup> **O**) annotations then allow Cause-Effect (C-E) relationships to be described in the context of starting or changing conditions.

The +<sup>ve</sup> **S** annotation indicates that the *more* we do the action at the tail of the arrow, the *more* the effect at the head of the arrow. For example, the *more* we have X, the *more* Y is needed.

A double bar across an arc signals that the relationship or the outcome of a relationship may be subject to delay.

For Figure 1, our interpretative narrative would be that the **higher** the level of *acceptance of theory based-on-practice*, the **greater** the *use of practice based-on-theory*. Similarly, the **greater** the *use of practice based-on-theory*, the **higher** the level to *acceptance of theory based-on-practice*. We may note that the reciprocal relationship as expressed would get stronger and stronger, that is be **reinforced** over time – and so our causal loop of reciprocal causes and influences would be labelled as a *virtuous* reinforcing loop. However, we also

note that if some exogenous activity negatively impacted, say, the level of *acceptance of theory based-on-practice*, then our causal loop would be labelled as a *vicious* reinforcing loop, spiraling out of control in a negative manner.

The notion of a theory-practice nexus implies that theory-informed practice, and practice-informed theory, described as a double hermeneutic by Giddens (1987), operates on the basis of the beneficial *reciprocal determinism* envisaged by Bandura (1978). Here, using a systems approach, and the notions of qualitative systems dynamics to portray a complex of relationships, we note how *theory* embracing the *gloomy vision* may lead to *managerial practice* that perpetuates the *gloomy vision*, as an emergent and systemic property of the system.

### 3.1 A Systems Representation of the Theory-Practice nexus for Agency Theory and Theory X & Y.

We now seek to provide a similar constructive illustration of how a meaningful CLD systems representation draw together Ghoshal's and Hirschman's (1970) *gloomy vision* scenario, McGregor's Theory X and Y (1960), and the *supervisor's dilemma* of Strickland (1958) can be developed. For the sake of exposition, we do so in two stages, via the partial CLDs shown in Figures 2A and 2B, and the complete CLD shown in Figure 3.



Figure 2A: Partial CLD - representing Ghoshal's *Gloomy Vision*

In doing so, we first draw attention to, and illustrate two main sets of feedback relationships that exist, and that take the form of causal loops those annotated as balancing loops - B, and those annotated as reinforcing loops - R. We suggest that it is the dynamic interaction of these loops, over the short and long terms that give rise to what we may regard as the emergent properties of the system which manifest as Strickland's *supervisor's dilemma* (1958).

In Figure 2A, we first capture Theory X assumptions reflecting Ghoshal's *gloomy vision*, drawing attention to the balancing mechanism inherent in the Causal Loop B1, and. Below, we provide an explanatory narrative:

Ghoshal's  
Gloomy  
Vision

the **stronger** the *managerial perception of self-interested, opportunistic employee behavior*, the **greater** will be the *managerial belief in employee untrustworthiness, laziness etc*, leading to ...

... leading to a **heightened** *managerial commitment to monitor and control opportunistic behavior*, which, in turn, induces **greater** *managerial use of surveillance, reward and punishment systems*, and a **greater** *alignment of employee goals to organizational goals*, thus (via Causal Link B) **weakening** or *challenging the managerial perception of self-interested, opportunistic employee behavior* that we started with.

Balancing

Loop

B1

That is, the playing out of Causal Loop B1 would appear to challenge assumptions of both the *gloomy vision* and Theory X.

However, our interpretive narrative for Loop R1 of Figure 2A,, also incorporate Theory X assumptions as the *gloomy vision*, and emphasising Causal Link A, would be:

Ghoshal's  
Gloomy  
Vision

... the more **strongly held** the *perception of employees being self-interested, opportunistic etc*, the **greater** the *managerial belief in employee untrustworthiness, laziness etc*, leading to ...

Reinforcing

Loop

R1

... leading to a **heightened** *managerial commitment to monitor and control opportunistic behavior*, which, in turn, induces **greater** *managerial use of surveillance, reward and punishment practices*, and a **greater** *alignment of employee behaviour to organizational goals*, thus **boosting confidence in the efficacy of extant managerial practice, further **heightening** the *managerial commitment to monitor & control opportunistic behavior*, that we started with.**

That is, the playing out of Causal Loop R1 provides support for, and literally reinforces the *managerial practice* emanating from the negative assumptions of *self-interested, opportunistic employee behavior*.

Thus, in summary, we have countervailing effects/beliefs, stemming from Causal Links A & B – one, A, reinforcing confidence in, and then embedding *managerial practice*; and the other, B, leading to a weakening of the *negative Theory X assumptions*, and subsequent questioning of *managerial practice*. Here, we suggest, as would Runst (2014), that the initial framing of Theory X beliefs would result in Causal Link A, and Causal Loop R1, dominating over Causal Link B, and Causal Loop B1. That is, given the initial *gloomy vision* being framed in terms of Theory X, then evidence of the *alignment of employee behaviour to organizational goals*, specifically, employee readiness to acquiesce to specific demands, to act as directed etc., would have more unwitting influence as confirmatory evidence, via Causal Link A, of the efficacy of preferred erstwhile *managerial practice*, than it would have as possible disconfirming evidence, as Causal Link B, of the *gloomy vision* Theory X negative assumptions about employees.

Therefore, we may draw attention to Causal Link A, and the influence of *acquiescent employee behaviour on confidence in managerial practice*, as a manifestation of the *confirmation bias*, and that it would weigh more heavily than would the same *acquiescent behaviour* as countervailing or disconfirming evidence of those Theory X beliefs of *self-interested, opportunistic employees*, shown as the Causal Link B, in Figure 2A. However, a seeming initial readiness to acquiesce to specific demands, *to align individual behaviour to organisational goals* etc., which is reflected in Loop R1 (of Figure 2A), stemming from the **greater** the *managerial use of surveillance, reward and punishment practices*,... may also be supplanted in the medium and longer term by the growing influence of the reinforcing Loop R2 in Figure 2B, narrated as:

Reinforcing  
Loop  
R2

... **growing** employee perceptions of not being trusted, **adversely** impacting on *intrinsic motivation*, **inducing** what Ghoshal terms *perfunctory compliance*, either of which behaviours would (via Causal Link C) likely **strengthen** those managerial Theory X assumptions that employees are *self-interested, opportunistic, cannot be trusted, are lazy* etc. - thus reinforcing what may be termed as an unanticipated *vicious cycle* of beliefs, actions and inappropriate behaviors – not only reinforcing the *negative Theory X assumptions*, but also reinforcing the commitment to *managerial practice* that emanates from them.

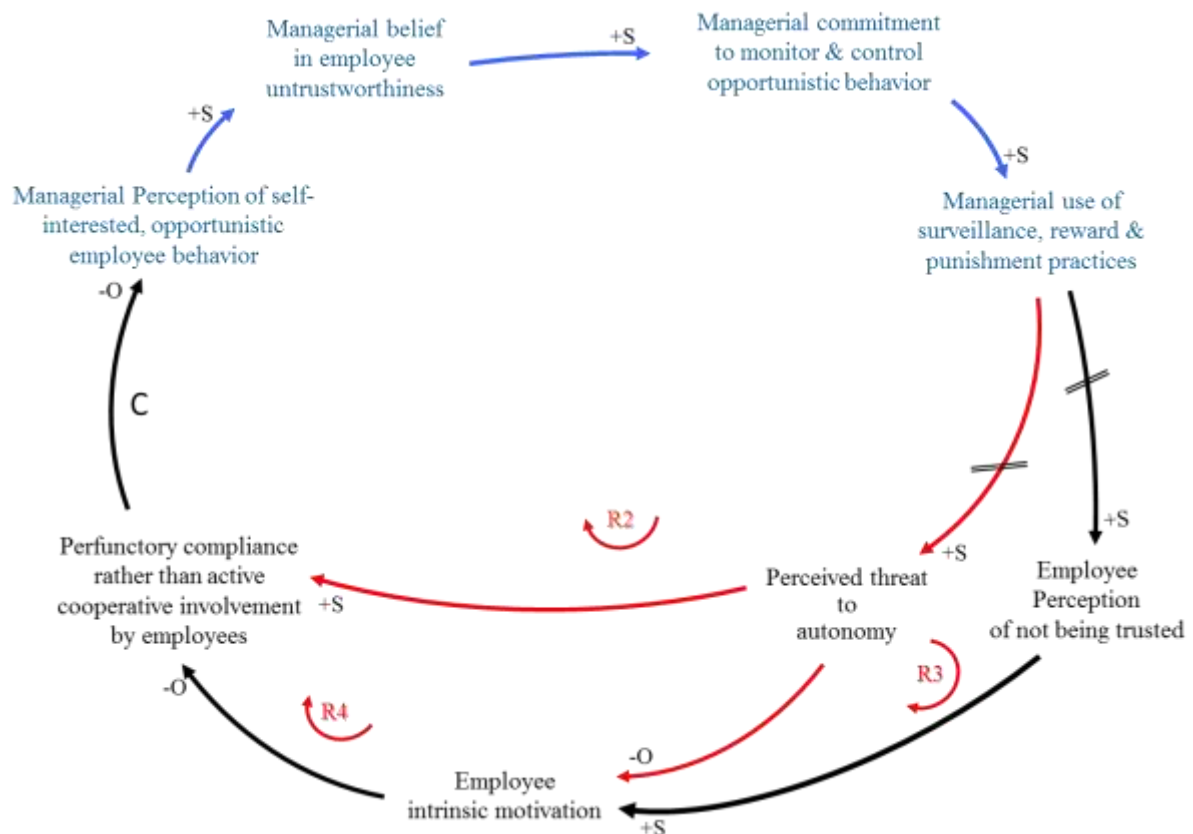


Figure 2B: Partial CLD - representing reinforcement of the *Gloomy Vision*

Although Tversky and Kahneman's notions of framing effects and cognitive biases (1974, 1981) are often invoked separately, Runst (2014) has conceptualised such a link between framing, framing effects and the *confirmation bias* which may be used here to rationalise disparate responses to perceptions of employee behavior. Following Runst's line of thought, we note, as shown in Figure 2B, relating to Causal Link C, that if managerial beliefs, for example, Theory X, are initially framed in terms of the *self-interested, opportunistic employees*, then employees *going through the motions*, Ghoshal's so called *perfunctory compliance*, will be interpreted as confirmatory evidence of those prior perceived Theory X *self-interested* behaviours, in particular and poor worker attitudes, in general. Similarly, as in Figure 2A, the *alignment of employee behaviour to organizational goals* would also be interpreted as confirmatory evidence of the efficacy of the managerial practice deemed necessary to address the negative Theory X assumptions about *self-interested, opportunistic employees*.

As such, the Theory X managerial beliefs and behaviours, will shift even more towards **higher** levels of *managerial commitment to monitor and control opportunistic behavior*, inducing **greater** *managerial use of surveillance, reward and punishment practices* and



thus, prescribing and directing the behaviours of those *self-interested* workers – as evidenced by the reinforcing loop R2, and reinforcing loops R3 and R4.

However, as implied in Figure 2A, if employees do **not align their behaviour with organisational goals**, it will be seen as providing confirmatory evidence of prior managerial Theory X beliefs – via Causal Link B. By contrast, if players do *align their behaviour with organisational goals*, then via Causal Link A, it will be seen as providing confirmatory evidence of prior *managerial belief in the efficacy of the chosen managerial practice* that led to that alignment – rather than as disconfirming evidence of those prior *Theory X beliefs of self-interested, opportunistic employees* – via Causal Link B.

Where managers manifest, by contrast, Theory Y beliefs, we note that those managers will not necessarily interpret behaviour as reflecting *perfunctory compliance*, or as evidence of self-interested worker behaviour, and/or of the need for the *managerial practice of close monitoring and control* – but perhaps as evidence that their erstwhile *managerial practices and behaviours, per se*, may be inappropriate. As indicated by Runst (2014), these interpretations support an explanation that the psychological phenomenon of the *confirmation bias* will likely prevail where there are strong prior beliefs, acting perhaps as an ideological ‘filter’ through which evidence is interpreted (Taber & Lodge, 2006, cited in Nickerson, 1998; Rabin, 1998; Runst, 2014).

As a further example, we may relate how the influence of *the managerial practice of using surveillance, reward and punishment systems* (portrayed within Causal Loop R1 of Figures 2A and 3), may be supplanted in the medium and longer term by its growing influence within Causal Loop R2, which we may narrate as:

Reinforcing Loop R2	... the <b>increasing</b> managerial use of surveillance, reward and punishment systems, <b>boosting</b> individual perceptions of not being trusted, <b>adversely</b> impacting on <i>intrinsic motivation</i> , <b>inducing</b> what Ghoshal terms <i>perfunctory compliance</i> , ... <b>strengthening</b> those managerial Theory X assumptions that players are <i>self-interested, opportunistic, cannot be trusted, are lazy</i> etc.
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This analysis thus identifies what may be termed as an unanticipated *vicious cycle* of beliefs, actions and inappropriate managerial behaviours – especially the reinforcing *managerial commitment to monitor and control opportunistic employee behavior*.

In addition, for Loops R3 and R4, of Figures 2B and 3, we note that:

Reinforcing Loops R3 & R4	Loop R3 ... <b>enhanced</b> perceptions of not being trusted, then <b>adversely</b> impacting <i>intrinsic motivation</i> , and again <b>inducing</b> Ghoshal <i>perfunctory compliance</i> . Loop R4 ... <b>enhanced</b> perceptions of threats to sense of autonomy, then <b>adversely</b> impacting <i>intrinsic motivation</i> , and again <b>inducing</b> Ghoshal’s notion of <i>perfunctory compliance</i> ...
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- both contributing to the same *vicious cycles* of inappropriate actions, behaviors and beliefs.

The complete CLD, shown in Figure 4, demonstrates the systemic complexity inherent in what many suggest would be a straightforward situation. Such complexity not only arises because of the multiple causal entities that impact on a single variable, as with the causal entities impacting on *managerial perceptions of self-interested opportunistic behaviour*. Indeed, neither does the complexity arise either from a single causal entity affecting several other variables; but also from the interaction and mutual dependencies amongst causal loops.

Whilst the complete CLD appears a seemingly simple or parsimonious representation of the problem, we note that it captures the considerable complexity – as Tsoukas (2016) would require of qualitative approaches - implicit in the prior narratives. For example, whilst Loop B1 shows that *managerial practices and controls* may bring about intended results and *alignment of employee behavior/compliance* in the short term, such *managerial practice*

may also lead to the unintended or unwanted consequence, or moral hazard of perverse behavior or *perfunctory compliance*, in the longer term (Loops R2, R3 and R4).

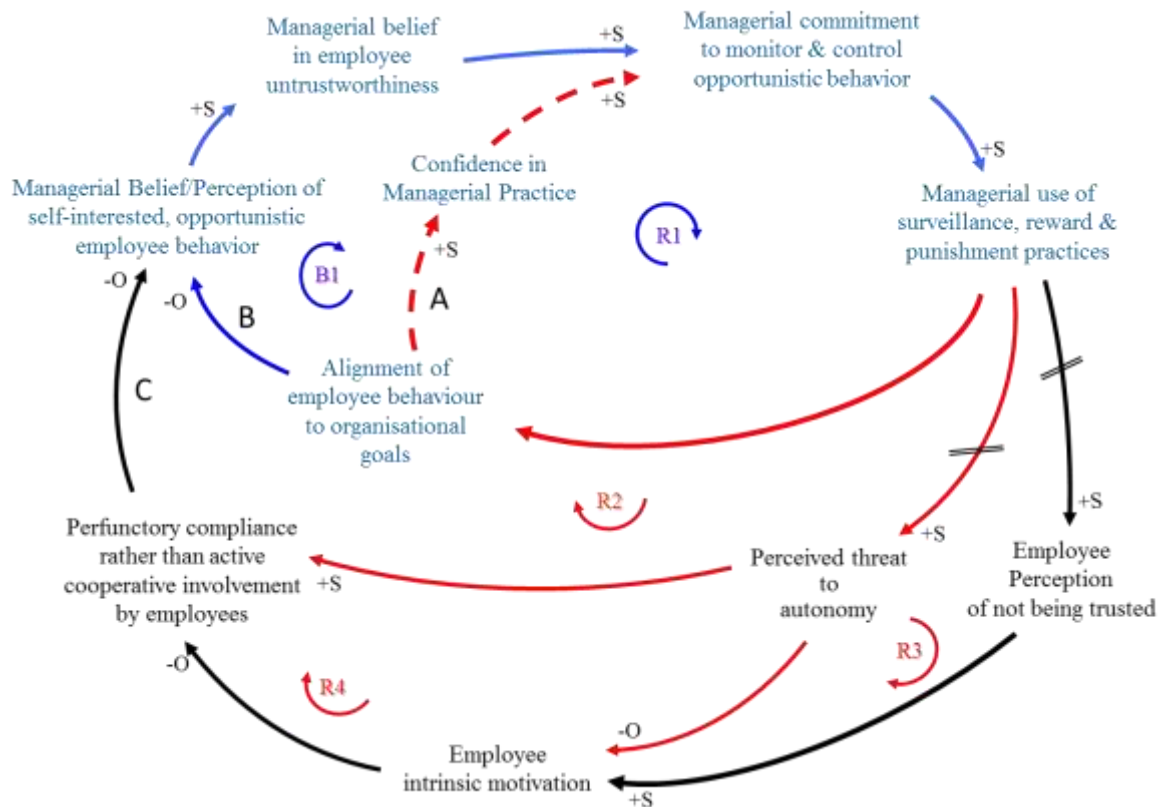


Figure 3: Complete CLD - representing reinforcement of the *Gloomy Vision*

In summary, the systems representation of Ghoshal's and Hirschman's (1970) *gloomy vision* scenario, shown as a CLD in Figure 3, draws attention to, and illustrate two main sets of relationships that exist, and that take the form of causal loops. It is the dynamic interaction of these loops, over the short and long term, which gives rise to what we may regard as the emergent properties of the system which manifest again as the *supervisor's dilemma* of Strickland (1958).

Our CLD, thus shares characteristics with the common systemic structure identified as the Fixes that Fail (FtF) systems archetype described by Senge (1993, 1994) and Senge et al. (1999). The essence of the FtF archetype is that the 'fix' to the problem, or response to the problem symptom, may bring about the desired results in the short term, but may well make the problem worse in the longer term – meaning that in this case, the *gloomy vision* may appear to be challenged or dispelled in the short term, but will return and/or persist in the longer term.

### Discussion and Conclusions

In this paper, we have attempted to make sense of the seeming paradox of ideological adherence to erstwhile managerial theory, namely Theory X & Y and Agency Theory, and also to Associated theory-informed managerial practices, by employing notions of cognitive psychology and systems thinking. In particular, we have used a systems lens to offer a plausible interpretation of the paradoxical adherence to ideology, ideology-based theory and to theory-informed practice, as affirming and unwitting manifestations of the confirmation bias surfaced by Tversky and Kahneman (1974). As in other work, the systems approach adopted here, and the associated systems CLD representations, stands to be judged in terms

of whether it provides a coherent and integrated whole, offering plausible insight about, and a deeper, rigorous understanding of the phenomena under scrutiny (Mintzberg, 1979).

We note from the prior analysis, the seemingly paradoxical situation of how individual managerial behaviors or practices, based on specific beliefs (say those underpinning Theory X), can lead to anticipated or desired outcomes in the short term and thus reinforce views of the efficacy of those practices, and also the underpinning beliefs or theory (Loop R1); **but** may also induce other individual and systems behaviors in the longer term that interact to produce unanticipated and unwanted outcomes, whilst still reinforcing those same beliefs (Loops R2, 3 and 4).

Specifically, we may state that an increasing the *managerial commitment* to, and *managerial use of surveillance, reward and control practices* control, may not only grow stronger in the shorter term when players *acquiesce* (Loop R1) and comply with instructions, as required – because such rules and control appear to be effective!; **but** the *managerial commitment* may also grow stronger in the longer term, if and when individuals are seen ‘perversely’ to engage in *perfunctory compliance* (Loops R2, 3 and 4) just as Theory X would suggest, and therefore reinforces the need for managerial direction. If so, we may presume that the set of beliefs or ideology giving rise to Theory X can prevail despite contrasting evidence or circumstances. That is, we may be damned to accept the Theory X beliefs via Causal Link B, if employees *acquiesce*, **and** via Causal Link C, if employees engage in *perfunctory compliance*! Damned if they do, damned if they don’t! In addition, we also note how the same reinforcing loops (R1, R2, R3 and R4 as in Figure 3) can play out as *virtuous* or *vicious* cycles, depending on the initial or changing values of critical variables. As such, we remark that, in general, the systems view highlights the complexity and time-related dynamics of such relationships, especially those feedback relationships that play-out over time, often with time-lagged or delayed consequences.

A beneficial outcome of our illustrative analysis is that we are able to recognize the opportunity, and perhaps necessity, to find a means of turning the vicious reinforcing loops or cycles R2, R3 and R4, into virtuous cycles, in order to prevent the negative assumptions and beliefs feeding *bad* theory and practice from perpetuating, and also to prevent bad practice generating the employee responses that would strengthen those same assumptions. We do no more at this stage than suggest that some targets for managerial intervention, or leverage points, are readily observable from the CLD, perhaps much more observable than would be the case if the problem was wholly represented as narrative. For example, we may seek to ensure that the *perceived threat to autonomy* is reduced or removed, or that *employee perception of not being trusted* should be assuaged, or that alternative means of tapping into and boosting *employee intrinsic motivation* should be explored. If any of these variables could be moved in the ‘right’ direction, then the vicious cycles would become virtuous reinforcing cycles.

We suggest that the clarity obtained from conceptualisation as a CLD can be readily used to depict the nature of the several related double hermeneutic processes, or the several examples of reciprocal determinism, embedded in the balancing and reinforcing loops, and playing out over different time scales. For instance, the reinforcing loop R1 in Figure 2A acts to portray the hermeneutic process by which managers strengthen their beliefs and commitment to managerial action because of success in modifying individual employee behavior in the short term. However, the reinforcing loops R2, R3 and R4 in Figure 2B provide insight about how beliefs and negative assumptions about employees also become stronger or reinforced over time, increasing *managerial belief* to their theory-of-choice and consequential *managerial practice*, - because of failure to modify employee behavior in the longer term. As such, the CLD systems representation surfaces important insights central to Ghoshal’s thesis about how negative assumptions impact theory that impacts practice that impacts theory etc; and, in particular, how negative or inappropriate assumptions may give rise to inappropriate or *bad* theories that adversely impact or destroy good practice.

Ghoshal (2005) has also addressed other matters that arise from the related issue of beliefs or assumptions not being made explicit, or perhaps being deliberately or unwittingly excluded from consideration. It is worth restating his argument that, on occasions, a lack of critical awareness of the underpinning beliefs or philosophical assumptions of 'theory' compounds with a failure to appropriately critique research methodology and research findings, not only to leave any over-stated or excessive truth claims and underpinning assumptions uncontested, but also to continue the *de facto* exclusion from management theory of what may be other meaningful assumptions, ideas and values, for example, ethical and moral values. Such matters will be considered in a further paper.

In this paper, we have sought to address a subset of issues raised by Ghoshal and Moran (1996), Ghoshal, Barlett and Moran (1999), and Ghoshal (2005) about the nature of reciprocal or mutually dependent relationships between management theory and practice, and their impact on individual and organizational behaviour. We suggest that a deeper understanding of such issues is made possible by using a multi-methodological approach (Davies, Mabin & Cox, 2004) and complementary frameworks (Davies, 2001) that facilitate the development of a systems perspective of such relationships, aided by use of an appropriate systems representational tool – in this case, the CLD of systems dynamics. With our constructive illustrative examination of Ghoshal's version of the *gloomy vision*, we have been able to capture and convey insights of a complex of intertwined and mutually interdependent relationships; to develop insights about appropriate leverage points to target strategic intervention; and to contribute to a suggested agenda and role for management educators.

We suggest that at one level, the agenda behooves management educators to confront and contest the ideological roots of premises, beliefs, assumptions about people, their motives and intents, especially where such beliefs would otherwise form an undisputed basis for the development of management theory, in general, and Ghoshal's *bad* theory, in particular. At another level, it behooves management educators to understand how such premises, beliefs, assumptions etc may influence theory, and how in turn those assumptions through theory may inappropriately influence management practice, and in some cases, destroy good practice. Finally, it behooves management educators to suggest how practice may be improved. In particular, and in this case, we acknowledge how the development of a systems perspective, has not only facilitated the identification of the vicious cycles embedded in Ghoshal's self-fulfilling prophesies and double hermeneutic processes, but also how they may be broken or reversed.

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