

# MANAGERIAL CHALLENGES AND TASKS IN MULTIRATIONAL PUBLIC ORGANIZATIONS

Ali Asker Guenduez and Kuno Schedler

## ABSTRACT

*This paper explores multirationality of public organizations from the perspective of systems theory. In the tradition of this theoretical approach, it focuses on how communication may be used in explaining and understanding the hybridity of these organizations. It argues that faced with a variety of different rationalities of function systems in their environment, public organizations are responding, inter alia, by becoming more complex internally. In other words, they import different rationalities from their environment into their own house. Classifying public organizations as being comprised of highly autonomous subsystems, where each subsystem uses a specific type of specialized communication to process a subsystem specific rationality, this paper sheds light on associated tensions and conflicts within public organizations. It discusses managerial challenges and tasks deriving from multirationality within public organizations. The paper finally concludes that proper communication requires greater theoretical and practical consideration when explaining and dealing with conflicts stemming from the hybridity of public organizations.*

**Keywords** - Communication, Multirationality, Public Management, Social Systems, Tensions and Conflicts

## INTRODUCTION

Public organizations are hybrid entities integrating traditional bureaucratic characteristics with different types of market-like tools (e.g., performance-based contracting, performance measurement, market incentives, privatization), vocabulary (e.g., economy, efficiency, effectiveness) and metaphors (e.g., customer and customer service) and combining a variety of professions, tasks, environmental interests, norms and values (cf. Barzeley 1992; Christensen and Laegreid 2011; Denhardt 1993; Denis, Lamothe and Langley 2001; Hood 1991; Meyer and Hammerschmid 2006; Nagel 1997). Thus, public organizations are political, juridical, economic as well as ethical and scientific entities. They are also “inherently ‘pluralistic’ in nature” (Denis, Langley and Rouleau 2005, p. 449, emphasised by the authors) and can be described as archetypes of multirational

**Copyright:** © 2014 Ali Asker Guenduez and Kuno Schedler. Copyright for this article is retained by the authors, with first publication rights granted to the International Public Management Review (IPMR). All journal content, except where otherwise noted, is licensed under a Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Unported License. By virtue of their appearance in this open-access journal, articles are free to use, with proper attribution, in educational and other non-commercial settings.

**Corresponding Author:** [aliasker.guenduez@unisg.ch](mailto:aliasker.guenduez@unisg.ch)

organizations. Multirationality enables public organizations to reduce complex (environmental and organizational) issues into manageable ones and to solve them in organizational subsystems according to corresponding rationality.

Hence, multirationality leads to different decision-making contexts that address varying objectives. Although this enables a public organization to assume different perspectives and to provide various stakeholders (e.g., clients, citizens, competitor organizations, diverse authorities, media) with different public goods and services, it is also linked with new requirements for public managers. Pluralism within public organizations manifests itself through the existence of multiple roles, identities, norms, values and beliefs, which come along with disparate demands threatening the internal cohesion of the organization (Kraatz and Block 2008). A given demand may be highly legitimate and meaningful to some individuals within organizations and deeply illegitimate or even irrelevant to others. Thus, the establishment of different rationalities within public organizations leads to the emergence of numerous conflicts. It has been the task of modern public management to deal with this hybridity, both inside and outside of the organization. Developing adequate responses in the sense of processing practices became necessary because a multirational public organization “does not automatically hold itself together” (Kraatz and Block 2008, p. 263). Taking this into account, what does it mean to manage a public organization, which is, by definition, a multirational organization? Which challenges do public managers face, considering that public organizations cannot be hierarchically controlled, being complex social systems with a self-organizing capacity?

Influential students of public organizations have devoted much study to this area in recent years. Scholars have argued that modern public organizations are host to multiple rationalities (Chilundo and Aanestad 2004; Meyer, Egger-Peitler, Höllerer and Hammerschmid 2013). They speak of hybrid (Battilana and Dorado 2010) or pluralistic organizations (Denis, Lamothe and Langley 2001; Denis, Langley and Rouleau 2007; Jarzabkowski and Fenton 2006) as well as of changing institutional logics (Meyer and Hammerschmid 2006a). They indicate that different logics and rationalities exist simultaneously side by side in public organizations (Lounsbury 2007; Marquis and Lounsbury 2007; Reay and Hinings 2005), which may lead to deep-rooted tensions and conflicts within the organizations (D'Aunno, Sutton and Price 1991; Glynn 2000; Goodrick and Salancik 1996; Kraatz and Block 2008; Schedler 2003). They also examine how organizations respond internally to such hybridity (Pache and Santos 2010). Scholars have found a variety of practices in organizations, ranging from the dominance of one rationality over the other(s), to uneasy truces (Meyer and Höllerer 2010), to segmentation (or decoupling) of rationalities within the organization (Brunsson 1989; Goodrick and Reay 2011) and even hybridization (Smets and Jarzabkowski 2013).

Previous research focuses mainly on symbols, norms, values and practices to explain organizational responses to multiple rationalities. Only a few scholars have paid attention to research drawing on discourse (Phillips, Lawrence and Cynthia 2004) and related vocabularies or terms (Jones and Livne-Tarandach 2008; Loewenstein, Ocasio and Jones 2012; Suddaby and Greenwood 2005). This paper relies on communication and related “set of vocabularies” (communication media) that link symbols, norms and val-

ues with practices and provide members of a social group with a shared meaning system (Berger and Luckmann 1966; Mills 1939). Applying Niklas Luhmann's theory of social systems as a framework, this paper aims to make three major contributions to the field of public management. First, to focus on the role of communication in multirational management, arguing that communication is a key building block in the emergence of a specific rationality in public organizations. The chosen theoretical model encompasses public organizations as multirational by indicating that distinct rationalities are associated with distinct sets of vocabularies. Tensions and conflicts caused by different rationalities are directly attributable to the diverging communications. Second, by considering the link between public organizations and the society, this paper argues that systems theory provides a promising catalogue of criteria for the identification of different types of rationalities (e.g., economic, political, judicial, scientific). This discussion includes organizational multirationality as a result of the internal reflection of social subsystems' differing realities in the relevant environment of public administration. Third, this paper discusses challenges faced by public managers deriving from this pluralism within their organizations. Evidence demonstrates that understanding public organizations as comprised of highly autonomous subsystems, each with its own rationality, implies that the main task of public managers is to surmount the challenges posed by diverging communications and meanings.

To this end, the paper begins with the main arguments of Luhmann's theory of social systems, in the process explaining the link between communication and rationality. Next, multirationality is derived from a system-theoretical perspective. In the next section, the multirationality of public organizations is examined. Analyzing challenges caused by differing rationalities and managerial tasks in public organizations immediately follows. The paper closes with a brief discussion of contributions to multirational management.

### COMMUNICATION: THE KEY BUILDING BLOCK OF RATIONALITY

According to Luhmann's systems theory, all social systems, namely society, organizations and interactions (face-to-face communications) are built on communication. Communication is thus conceived as the elementary building block of all social systems (Luhmann 2006), emerging from information (selected from a repertoire of possibilities), utterance (a particular form and reason for a communication selected from all other forms and reasons), and understanding (as the distinction between information and utterance). It is important to point out that understanding, as the third selection, always entails misunderstanding. Of no lesser importance is a fourth choice: acceptance or rejection of the intended meaning (Luhmann 1982; Luhmann 1984; Luhmann 1992; Seidl and Becker 2006; Seidl and Schoeneborn 2010; Vanderstraeten 2012). Rejection can cause conflicts, misunderstandings or the end of ongoing communication. Acceptance, on the other hand, can cause collective consensus, creation of collective meaning and continuation of communication (Mingers 2002).

For Luhmann, society is the "all-embracing social system" (1982, p. 73). It "is the universe of discourse [...] that is produced in communication" (Bausch 2002, p. 599). The

fundamental structure of modern society is characterized by functional differentiation (Luhmann 1982). This differentiation creates a set of distinct functional subsystems (e.g., political -, economic -, religious -, educational -, judicial system), each having a distinctive function, efficacy, code, operation programme and communication medium (cf. Kickert 1993). The term “functional differentiation” means that each of these subsystems fulfils a certain social function that cannot be provided by other subsystems (Luhmann 1982). For example, economy as a societal subsystem regulates the production and distribution of scarce products and services, science generates knowledge and the political system provides collectively binding decisions for the benefit of society (Hasse and Krücken 2008).

While all functional subsystems consist of communication, they operate through a particular communication medium of their own. In so doing, they distinguish themselves from other subsystems (Åkerstrøm Andersen 2003; Luhmann 1986; 2006; Seidl and Becker 2006). Politics, for example, operates within the symbolically generalized communication medium of power, while economy operates with money (Luhmann 1984). Whenever communication is about money, everything that is connected with it is economic. As soon as people communicate through power, everything that is connected with it is political. Communications of the different functional systems ‘carry’ different binary distinctions, which identifies these communications as belonging to a particular functional system (Seidl and Becker 2006). Communication in the legal subsystem, for instance, uses the binary distinction “legal/illegal”, in the political one that of “government/opposition”, in the scientific one that of “true/false” and communication in the economic system that of “payment/non-payment” (Åkerstrøm Andersen 2003; Luhmann 1982). The binary codes provide each communication with a specific meaning (Leydesdorff 2000; 2002) which results in different system-specific horizons of rationality (Hasse and Krücken 2008; Luhmann 2000). By connecting rationality to the defined functional systems the archetypes of rationalities emerge (e.g., economic rationality, political rationality, scientific rationality and so on), which select a certain form of communication and process a particular meaning while rejecting all others. Consequently, they are separated from each other by senselessness and speechlessness. Table 1 shows the key aspects of the social systems and their distinct rationalities.

**Table 1: Social Functional Systems and their rationalities**

System	Function	Efficacy	Code	Programme	Medium	Rationality
Law	Elimination of the contingency of norm expectations	Regulation of conflicts	Legal /illegal	Laws, constitutions	Jurisdiction	Judicial rationality
Economy	Reduction of Shortages	Satisfaction of needs	Payment/non-payment	Budgets	Money	Economic rationality
Politics	Making collectively binding decisions possible	Practical application of collectively binding decisions	Government/opposition	Programmes of political parties, ideologies	Power	Political rationality
Science	Production of	Supply of	True/false	Theories and	Truth	Scientific

	knowledge	knowledge		methods		rationality
Religion	Elimination of Contingency	Spiritual and social services	Immanence/transcendence	Holy scriptures and dogmas	Faith	Religious rationality

Source: Moeller (2012, p. 29), table modified.

In doing so, Luhmann rejects the classic, narrowly defined notion of (human) rationality. For him, rationality is a construction of a social system and it neither can be equated to the human rationality in the sense of means-to-an-end, nor be derived from human interests or motives (Luhmann 2000; 2006). Each functional subsystem perceives its environment through a particular, rationality-specific lens. Accordingly, rationality is a relational concept with the consequence that a single event can be observed and rationalized differently depending on the perspective of a specific social subsystem. Therefore, “what is politically feasible may not be true according to scientific standards; real love cannot be affected by economic considerations, and arts are not necessarily in line with religion” (Hasse and Krücken 2008). In other words, as Landau (1969, p. 351) put it early on: “It is not possible [...] to determine whether a choice is rational except in terms of systemic context and goal. A course of action may be perfectly rational in one sphere and perfectly silly in other”.

#### **MULTIRATIONALITY OF ORGANIZATIONS FROM A SYSTEMS THEORETICAL PERSPECTIVE**

Organizations fulfil an important role in society, as they communicate through decisions. Communication enables organizations to fulfil their respective functions vis-à-vis the social subsystems. By making concrete decisions, organizations absorb uncertainties in the pluralistic environment (Luhmann 2000; Seidl and Becker 2006). At the time at which they are made, decisions combine a great number of possible paths into one single point. Uncertainty thus becomes temporary certainty, which constitutes the basis of an organization’s working order. Their link with social function systems leads to a situation in which on one hand, said organizations align their objectives with the functions of social subsystems (Luhmann 2000) and on another, the rationalities of social subsystems are depicted within the organizations (Åkerstrøm Andersen 2003). This is how organizations acquire their hybridized identities as multirational. In so doing, they also “import” the complexity of the relevant societal context into their own house.

Drawing on Weick (1979), Luhmann defines this depiction of the rationalities of different social subsystems within an organization as “loose coupling”. Organizations thus provide a “meeting room” (Luhmann 2000) for different social subsystems (cf. Åkerstrøm Andersen 2003) because the social function systems lodge themselves in organizations precisely thanks to this “loose coupling” – indeed, several function systems do so in one and the same organization (Åkerstrøm Andersen 2003; Luhmann 2000). With regard to his conceptualization of “polyphonic organisations”, Akerstrom Andersen (2003, p. 162) says: “In fact, it is hard to imagine an organisational system that does not employ several function systems. We cannot perceive of a bank without the communication media of the economic, legal, and political systems respectively, or a court of

law, or a ship for that matter.” With the process of the internal depiction of different social function systems, a room with differing rationalities is established as a multirational organization. Each organizational subsystem operates according to the corresponding rationality of the pluralistic environment (Landau 1969).

From an organization’s point of view, it can be said that in its aspiration to survive in a pluralistic environment, an organization aligns itself to its environment by internally depicting the differing rationalities of its environment. This process leads to the establishment of subsystems within the organization. Each subsystem in a multirational organization moulds a specific rationality of the organization’s environment (Luhmann 2000) to handle ethical guidelines, cultural trends, scientific findings, ecological questions, general economic or legal conditions. In this way, inner differentiation allows an organization to adopt and process a higher degree of societal complexities. Additionally, the more an organization internally maps societal demands, the more it gains legitimacy and the easier it becomes to secure its longevity. This overarching form of rationality can be described as the ‘system rationality’ of an organization (Luhmann 2000) which overrides all other objectives and partial rationalities. In other words, multirationality is a variant form of the organization’s system rationality in a pluralistic environment, which makes different and sometimes contradictory demands on the organization.

### MULTIRATIONALITY OF PUBLIC ORGANIZATIONS

Public organizations are both “public” and “organizations” (Kelman 2007, p. 233). The “public” part of public organizations refers to publicness and openness (Bovens 2005; Kelman 2007). Publicness is a constitutive characteristic of public organizations. It refers to what extent public organizations are affected by different environmental factors (e.g., the political, legal, economical, judicial), which are set a priori externally, are largely out of organizational control and derive from either public ownership or public interests (Rainey, Backoff and Levine 1976; Bozeman and Bretschneider 1994). The phrasing “to what extent” in this context underlines the conceptualization of publicness as a dimension as opposed to a solely dichotomous one (Bozeman 2013). Openness refers to accessibility to citizens and customers, to use the metaphor created by the New Public Management (Osborne and Gaebler 1992). It is a prerequisite for the accountability that is expected from public administration, an expectation existing long before managerialism found its way into the public sector.

Publicness and openness require dealing simultaneously with several environmental demands and expectations, which give rise to goal ambiguity, especially for public organizations (Boyne 2002; Pollitt 2003; Rainey, Backoff and Levine 1976). Some environmental factors are more peculiar to public organizations than to (more) private ones, including more intense regulatory environment, increased accountability, increased ‘red tape’, more political oversight, greater public visibility and scrutiny and multiple and diverse public expectations. Furthermore, public organizations are pressured to be open, fair, responsive and accountable, to achieve quick results and to produce public goods and services in the interest of the public (Rainey, Backoff and Levine 1976, Boyne 2002, Politt 2003; Bozeman 2013). In contrast, “less public organizations tend to be

sheltered from these constraints and maintain a higher degree of autonomy” (Bozeman 2013, pp. 177-178). Another important characteristic concerns a normative dimension: “beyond managerial notion of accountability measured in terms of efficiency and effectiveness [...] public institutions must be politically responsive in a way that allows them to represent the diverse interests of the communities they are supposed to serve” (Viteritti 1997, p. 82). In summary, public organizations are by definition exposed to a plurality of stakeholder’s stemming from different subsystems.

The “organizational” part of public organizations leads to environmental pluralism. From a system theoretical view, a public organization and its environment are engaged in a co-evolutionary process working towards unity. (Luhmann 2000; Miller and Rice 1967). The legitimacy and continued existence of said organizations depend on being accepted by its environment. But different actors such as clients (all customers or service recipients), constituents (e.g., special interest groups that focus on the activities of a certain public organization), citizens, different authorities, other public organizations providing similar services, competitor organizations and/or the mass media populate the public organization’s environment (Viteritti 1997, pp. 82-88). Public organizations safeguard their own continued existence by aligning the system’s internal communications, structures, processes and operations to environmental requirements (Luhmann 2000), internally mapping different rationalities. In this way, Multirationality enables public organizations to embrace political, legal and/or economic conditions. Subsystems within the multirational public organization bridge the organization with its environment. In so doing, they bring conflicting demands and expectations into the public organization and solve them according to their own rationality. Private Partnerships (PPPs) are prime examples in this sense. Successfully bringing the private sector into the public sphere, PPPs hybridize legal, political, financial and ethical expectations (Skelcher 2005, p. 348). Therefore, multirationality enables public organizations to acquire a higher degree of legitimacy by becoming more similar to their pluralistic environments and by satisfying the expectations of the relevant actors (Skelcher 2005). Since legitimized organizations receive a greater influx of resources, this increases their chance of survival (Luhmann 2000; Meyer and Rowan 1977; Zucker 1977; Granovetter 1985).

### CHALLENGES IN DEALING WITH THE MULTIRATIONAL CONTEXT

Referring to the hybridity in public universities, Katz and Kahn (1966) years ago mentioned that the “university president may describe the purpose of his institution as one of turning out national leaders; the academic dean sees it as imparting the cultural heritage of the past, the academic vice president as enabling students to move toward self-actualization and development, the graduate dean as creating new knowledge, the dean of men as training new youngsters in technical and professional skills which will enable them to earn their living, and the editor of the student newspapers as inculcating the conservative values which will preserve the status quo of an outmoded capitalistic society” (pp. 206-207). Research explaining the hybridity of public organization – and of organizations in general – focuses mainly on norms, values and symbols by addressing

tensions and conflicts relating to multirationality (e.g., Meyer and Hammerschmid 2006; Lounsbury 2007; Marquis and Lounsbury 2007; Reay and Hinings 2005; Suddaby and Greenwood 2005), while few scholars addressed discourse (Phillips, Lawrence and Cynthia 2004) and related vocabularies or terms in this context (Jones and Livne-Tarandach 2008; Loewenstein, Ocasio and Jones 2012; Suddaby and Greenwood 2005).

On the other hand, systems theory emphasizes communication within a multirational organization, as a necessary element in explaining and understanding managerial challenges regarding multirational context within public organizations.

### **Insurmountability of Communication Barriers between Rationalities**

Research on the subject of communication emphasizes the need for coordination and cooperation (Garnett and Kouzmin 1997; Reay and Hinings 2009). O'Toole (1997, p. 63) stresses that "[e]ven within simple structures [...] barriers to communication are common and coordination can be considerably less than optimal". Recent developments in public management deemphasize direct control within public organizations. For example, Bouckaert, Peters and Verhoest (2010) describe how these developments lead to devolved decision structures and a lack of central coordination, which was perceived as a loss of control.

In this context, systems theory says that barriers built up by different rationalities are (nearly) insurmountable. The differentiation of public organizations into various autopoietic and self-referential subsystems, each having its own rationality, emphasizes the problematic nature of communications. Subsystems consist of self-referring communications of different types. They act solely based on their own communication and select from their environment only those voices that are compatible with their own rationalities. Rationality thus has a selective function. If communication is the copula of a specific rationality, then semantics also becomes of significant importance. Various rationalities differ from each other in their terms, vocabularies and argumentation. They use different terminologies and thus speak different 'languages' on account of their different rationalities (Schedler and Eicher 2014). It can then be deduced that the rationalities of different social systems cannot be debated due to mutual language barriers. They are separated from each other by senselessness and speechlessness. Without mediation between said rationalities such situations will end in conflict.

### **Improbability of Successful Interorganizational Communication**

Multirationality of a public organization is a logical consequence of being embedded in a pluralistic environment, which simultaneously imposes different expectations on the organization. Although subsystems are essential for legitimation, they are at the same time the Achilles' heel for successful interorganizational communication. The differentiation of public organizations into various highly autonomous self-referring subsystems, where each subsystem uses a specific type of specialized communication to process subsystem specific rationality and meaning, sheds light on further challenges in management: the improbability of successful communication in multirational public organizations. Their differentiation into various specialized subsystems sheds light on



the improbability of successful interorganizational communication. Due to the autopoiesis, each subsystem of a public organization determines autonomously whether or not it accepts and how it interprets the information. Consequently it also decides whether to reject communication if information provided is unsatisfactory or unacceptable (Vanderstraeten 2000). They construct their own meaning in their own way. Communications among different rationalities becomes improbable, hindering the understanding the intended meaning of communication (Luhmann 1990), rendering mutual understanding and dialogue difficult. For public managers, this means that there is no simple and direct way to solve the tensions and conflicts created through the hybridity. Combining information to make it acceptable to members of differing rationalities is another core challenge of the public manager.

### MANAGERIAL TASKS IN DEALING WITH THE MULTIRATIONAL CONTEXT

The establishment of different rationalities in public organizations gives rise to numerous tensions and conflicts. Managing them in such complex organizations requires diverse managerial skills (Klijn 2008). Leaders in public organizations are associated with various jobs and responsibilities. In his seminal work, Barzaley (1992) described the role of public managers in a post-bureaucratic paradigm. According to the author, post-bureaucratic public managers “understand and appreciate such varied role concepts as exercising leadership, creating an uplifting mission and organizational culture, strategic planning, managing without direct authority, pathfinding, problem setting, identifying customers, groping along, reflecting-in-action, coaching, structuring incentives, championing products, instilling a commitment to quality, creating a climate for innovation, building teams, redesigning work, investing in people, negotiating mandates, and managing by walking around” (p. 132). Other scholars described the role of public manager in the postmodern era as enabler, mediator, negotiator, service provider, facilitator, translator and so on (Bogason 2005; Fenwick and McMillan 2010). Similar profiles of public managers were postulated from a network perspective. A public manager as “network manager” is (in addition to what has been mentioned before) a coordinator and process manager who brings different actors together, adjusts and accommodates their goals and perceptions and builds organizational arrangements to sustain and strengthen their interactions (Kickert, Klijn and Koppenjan 1997; Klijn 2005; Osborn, Hunt and Jauch 2002; Regine and Lewin 2000). There is no doubt that each of these positions is a response to multirational public organizations. Nevertheless, given the differentiation of public organizations into various highly autonomous self-referring subsystems, where each subsystem uses a specific type of specialized communication to process subsystem specific rationality and meaning, the system theoretical approach sheds light on associated challenges in managing public organizations. These challenges lead to a demand for high-level tasks for public managers to leverage different rationalities to create public and organizational value.

### **Bridging the Differences through Translation**

Systems theory emphasizes the seriousness of proper communication. In the nexus of a multirational public organization, which is prone to conflicts, systems theory emphasizes neutral positions for the public manager. In addition, judicial, economical, ethical and/or scientific knowledge become resources for explaining and justifying managerial decisions in inter-organizational communication. Such skills-and-knowledge-based communication facilitates the transmission of the intended meaning across the borders of organizational subsystems and enhances the probability of being accepted (Leydesdorff 2002, 2003). Analyzing multirational public organizations, Schedler and Eicher (2014) also call for skills-and-knowledge-based managerial communication to be applied to communicate arguments, information and objectives for and between differing rationalities. This communication is one of the main tasks for public managers, since the barriers between subsystems can only be overcome through translating information in different contexts (Leydesdorff 2003; Lok 2010). Translation allows public managers to frame the information and provide it with meaning at the subsystem level. Meaning is a result of successful communication and it generates openness for new communication or closeness for unaccepted and uninterpretable one (Mingers 2002). Therefore, it is an important prerequisite for public managers to be knowledgeable about the different meanings of information in different subsystems. Management of public organizations goes hand in hand with the observation and analysis of communication within the organization. Differences between rationalities can be observed by paying attention to elements of discourse; for example, by analyzing vocabularies used in organizational subgroups. But “words often have different meanings in different contexts” (Leydesdorff 2003, p. 278). Therefore, a successful public manager brings together rationalities and vocabularies of different subsystems, which “individually represent different worlds but can bridge their differences at the personal level” (Denis, Langley and Rouleau 2005, p. 457).

### **Creating a Collective Rationality**

The apt quote by Katz and Kahn (1966) above illustrates how different actors in a multirational public organization can see the same organization completely differently. Much of the recent research on managing multirationality emphasizes the need for managing the diversity of differing rationalities. Reay and Hinings (2009) as well as Townley (2008) demonstrate that tension between different rationalities within organizations can be managed through collaborative action, where each group maintains and even strengthens its own identity while they work together to achieve desired outcomes. These findings suggest that the creation of a common identity is essential in managing different rationalities.

Systems theory, the different purposes of organizational subsystems and the process of managerial unification all point to the same conclusion. To attain cohesion between subsystems, it is the manager’s job to create a common shared meaning or ‘collective rationality’ which embraces the different rationalities of the organizational subsystems. The concept of collective rationality is analogous to the ‘system rationality’ of the organization, an overarching form of rationality. It is superior to every subsystem’s ra-

tionality and enhances the organization's capacity to decide and act on the long term. Collective rationality provides a multirational public organization with interpretative schema, which is necessary for collective reasoning. It stabilizes the organization and enhances its capacity to decide and act as a community. Thus, a further responsibility for the management of public organizations is to cultivate a shared language. Assuming that economic, political or judicial rationality are characterized by certain forms of communication, open discourse between rationalities may give rise to shared patterns of argumentation and justification without abandoning individual rationalities. This process may result in the establishment of joint norms, values and beliefs, which provides members organization with a shared picture of the organization.

### **Contextual Control**

Aspirations of all-encompassing management in multirational public organizations are limited due to the subsystems' own differing, often competing and sometimes even mutually exclusive rationalities. The means by which organizational subsystems react to impulses from their environment correlates with its ability to process meaning. From a theoretical perspective, managerial coordination and control efforts are limited with regard to the internal differentiation of public organizations in autopoietic and self-referential subsystems. Any determinist attempt at direct control is bound to fail at the barriers of the subsystems' own rationalities (Vanderstraeten 2005). In addition, direct control is limited due to the thought and perception patterns that develop differently in these subsystems (Meyer and Rowan 1977).

Against this background, the function of management shifts towards indirectly dealing with multiple rationalities. In this regard, contextual control is a further valuable managerial task in dealing with the organizational multirationality (Pfeffer and Salancik 1978; Willke 1985). Public managers can influence subsystems in an indirect way by structuring the environment of the subsystems. Although the CEO of a hospital may be unable to control the doctors' professional decisions directly, he will be able to define relevant context factors: budget, infrastructure, personnel, and technology, as well as output and outcome requirements. Public management in multirational public organizations carries out such interventions deliberately, steering carefully in the desired direction by shaping the contexts of subsystems and their development. Such processes, however, are always accompanied by the uncertainty of what decisions the other subsystems will make in this altered context. For example, when budget cutbacks are decided, the economic rationality becomes more salient in the public organization. This, however, can frustrate members of other rationalities because the background of this policy may not be reasonable for them (cf. Barzeley 1992, pp. 79-86).

## CONCLUSIONS

In this paper, we have described the challenges of multirational organizations from the perspective of a systems approach. We have discussed challenges that have beset public management due to the multirationality of public organizations. We have argued that public organizations organization permanently host several rationalities. We conclude that public management must typically be multirational – or that multirationality must at least be expected to be a relevant phenomenon for public organizations.

Public management as a field of research can therefore only benefit from explicitly integrating multiple rationalities into concepts and theories as opposed to only doing so implicitly as in the case of many New Public Management studies. But recent studies in the field of public management do address the multirationality of public organizations more directly (e.g., Chilundo and Aanestad 2004; Meyer and Hammerschmid 2006; Meyer, Egger-Peitler, Höllerer and Hammerschmid 2013). These studies have contributed immensely to understanding multirationality of public organizations by focusing primarily on norms, values, symbols and practices. One of these important contributions is highlighting how the co-existence of multiple rationalities within an organization leads to deep-rooted tensions and conflicts (D'Aunno, Sutton and Price 1991; Glynn 2000; Goodrick and Salancik 1996; Kraatz and Block 2008; Schedler 2003). Some studies even consider communication aspects such as vocabularies or terms employed by the different rationalities (Loewenstein, Ocasio and Jones 2012; Suddaby and Greenwood 2005).

As understood in this paper, “rationality” is encountered wherever specialized communication takes place: in the environment and within the organization. Such specialized communication is found in economics, politics, law, ethics and so on. Situated in this pluralistic environment, aligning internal communication to interact and gain or maintain legitimacy, public organizations host the rationalities of their immediate environment. They are thus multirational.

Applying Niklas Luhmann’s theory of social systems, we argue that tensions and conflicts in multirational public organizations are grounded in specialized and self-referential communication within organizational subsystems. Barriers existing between different rationalities within public organizations hinder successful communication between subsystems, actually raising the potential for misunderstandings between them. It follows that communication, semantics and ways of processing meaning is of greatest significance for multirational management. It is not sufficient to resolve a supposed misunderstanding by reasserting arguments on which an actor’s own rationality is based. The ability to change perspectives enables actors to understand other people’s

**Ali Asker Guenduez** is a Ph.D. candidate in Management at the University of St. Gallen, St. Gallen, Switzerland. E-mail: [aliasker.guenduez@unisg.ch](mailto:aliasker.guenduez@unisg.ch)

**Kuno Schedler** is Professor of Public Management at the University of St. Gallen, Switzerland. E-mail: [kuno.schedler@unisg.ch](mailto:kuno.schedler@unisg.ch)

### Acknowledgement

The authors appreciate the valuable directions from three anonymous reviewers and the senior editor. Of course, all mistakes in the paper are in the sole responsibility of the authors.

rationalities and thus to speak their language. Allowing actors from different subsystems who are involved in decision-making to communicate is one of the main tasks of the public manager.

Systems theory also illustrates the limitations of direct hierarchic public management in multirational organizations. Differing subsystems with their own rationalities are almost unsurmountable barriers. The form of control used as a rule is likely to be that which we described as context control. In the understanding of Klijn (2008, p. 313) public management revolves around a set of smart interventions “aimed very specifically at a system’s characteristics”; a perspective which comes close to the concept of context control. But as we discussed, such processes are always accompanied by the uncertainty of which decisions the subsystems will make, since the way in which they respond to these impulses is always the result of the system’s own processing of information.

Systems theory emphasizes another core challenge in managing multirational public organizations. Embedded in a pluralistic environment it is necessary for public organizations to host several rationalities of their environment, because only this way are they able to gain legitimacy and safeguard their survival. But this hybridity poses problems for interorganizational communication and the attainment of goals. Multirationality is both necessary as well as an obstacle to achieving collaborative action. Creating a collective rationality, while maintaining the individuality of the diverse rationalities within the public organization, is another task of the public manager.

So what can the field of public management learn from Luhmann’s theory of social systems? Luhmann’s emphasis on communication may be an insightful guide for the study of multirational organizations. Although Luhmann’s work is not (primarily) aimed at practical implementation problems, but has been grouped into the development of scientific knowledge (Raadschelders 2008), we detect potential for practice-relevant impulses for the reflective public manager. Although many authors have discussed goal ambiguity and the existence of conflicting expectations in public organizations, we argue that there is an enforced need for in-depth analysis of communication processes in public organizations (see, however, Garnett and Kouzmin 1997), especially at the level of the individual manager’s options to safeguard the performance capability of public organizations.

## REFERENCES

- Åkerstrøm Andersen, N. 2003. 'Polyphonic organizations', in T. Hernes and T. Bakken (eds), *Autopoietic organization theory: Drawing on Niklas Luhmann's social systems perspective*. Oslo: Copenhagen Business School Press, pp. 151-182.
- Barzeley, M. 1992. *Breaking through Bureaucracy. A new Vision for Managing in Government*. Berkeley/Los Angeles: University of California Press.
- Battilana, J. and S. Dorado 2010. 'Building Sustainable Hybrid Organizations: The Case of Commercial Microfinance Organizations', *Academy of Management Journal*, **53**, 1419-1440.

- Bausch, K. 2002. 'In response to Robert Kay: Luhmann's ontology, ontogeny, and epistemology', *Systems Research and Behavioral Science*, **19**, 599-602.
- Berger, P.L. and T. Luckmann 1966. *The Social Construction of Reality: A Treatise in the Sociology of Knowledge*. Garden City, NY: Anchor Books.
- Bogason, P. 2005. 'Postmodern Public Administration', in Evan Ferlie, Laurence E. Lynn Jr and C. Politt (eds), *The Oxford Handbook of Public Management*. New York: Oxford University Press. , pp. 234-256.
- Bouckaert, G., B.G. Peters and K. Verhoest 2010. *The coordination of public sector organizations: shifting patterns of public management*. London: Palgrave Macmillan.
- Bovens, M. 2005. 'Public Accountability', in F. Ewan, L.J. Laurence E. and P. Christopher (eds), *The Oxford Handbook of Public Management*. New York: Oxford University Press, pp. 182-208.
- Boyne, G.A. 2002. 'Public and private management: What's the difference?', *Journal of Management Studies*, **39**, 97-122.
- Bozeman, B. and S. Bretschneider 1994. 'The "Publicness Puzzle" in Organization Theory: A Test of Alternative Explanations of Differences between Public and Private Organizations', *Journal of Public Administration Research & Theory*, **4**, 197-224.
- Bozeman, B. (2013). 'What Organization Theorists and Public Policy Researchers Can Learn from One Another: Publicness Theory as a Case-in-Point', *Organization Studies*, **34**, 169-188.
- Brunsson, N. 1989. *The organization of hypocrisy*. Chichester: Wiley.
- Chilundo, B. and M. Aanestad 2004. 'Negotiating Multiple Rationalities in the Process of Integrating the Information Systems of Disease Specific Health Programmes', *The Electronic Journal of Information Systems in Developing Countries*, **20**, 1-28.
- Christensen, T. and P. Laegreid 2011. 'Complexity and Hybrid Public Administration: Theoretical and Empirical Challenges', *Public Organization Review*, **11**, 407-423.
- D'Aunno, T., R.I. Sutton and R.H. Price 1991. 'Isomorphism and External Support in Conflicting Institutional Environments: A Study of Drug Abuse Treatment Units', *The Academy of Management Journal*, **34**, 636-661.
- Denhardt, R. 1993. *Theories of Public Organizations*. Belmont, CA: Wadsworth.
- Denis, J.-L., L. Lamothe and A. Langley 2001. 'The Dynamics of Collective Leadership and Strategic Change in Pluralistic Organizations', *The Academy of Management Journal*, **44**, 809-837.
- Denis, J.-L., A. Langley and L. Rouleau 2005. 'Rethinking Leadership in Public Organization', in F. Ewan, L.E.L. Jr and P. Christopher (eds), *The Oxford Handbook of Public Management*. New York: Oxford University Press, pp. 446-467.

- Denis, J.-L., A. Langley and L. Rouleau 2007. 'Strategizing in pluralistic contexts: Rethinking theoretical frames', *Human Relations*, **60**, 179-215.
- Fenwick, J. and J. McMillan 2010. *Public Management in the Postmodern Era: Challenges and Prospects*. Cheltenham: Edward Elgar.
- Garnett, J.L. and A. Kouzmin (eds). 1997. *Handbook of Administrative Communication*. New York: Dekker.
- Glynn, M.A. 2000. 'When Cymbals become Symbols: Conflict over Organizational Identity within a Symphony Orchestra', *Organization Science*, **11**, 285-298.
- Goodrick, E. and G.R. Salancik 1996. 'Organizational Discretion in Responding to Institutional Practices: Hospitals and Cesarean Births', *Administrative Science Quarterly*, **41**, 1-28.
- Goodrick, E. and T. Reay 2011. 'Constellations of institutional logics: Changes in the professional work of pharmacists', *Work and Occupations*, **38**, 372-416.
- Granovetter, M. 1985. 'Economic Action and Social Structure: The Problem of Embeddedness', *American Journal of Sociology*, **91**, 481-510.
- Hasse, R. 2005. 'Luhmann's Systems Theory and the New Institutionalism.', in D. Seidl and K.H. Becker (eds), *Niklas Luhmann and Organization Studies*. Kritianstad: Liber & Copenhagen Business School Press:, pp. 248-261.
- Hasse, R. and G. Krücken 2008. 'Systems Theory, Societal Contexts, and Organizational Heterogeneity', in R. Greenwood, C. Oliver, K. Sahlin and R. Suddaby (eds), *The SAGE Handbook of Organizational Institutionalism*. California: Thousand Oaks, pp. 539-559.
- Hood, C. 1991. 'A public management for all seasons? ', *Public Administration Review*, **69**, 3-19.
- Jarzabkowski, P. and E. Fenton 2006. 'Strategizing and organizing in pluralistic contexts', *Long Range Planning*, **39**, 631-648.
- Jones, C. and R. Livne-Tarandach 2008. 'Designing a frame: Rhetorical strategies of architects', *Journal of Organizational Behavior*, **29**, 1075-1099.
- Katz, D., and R. Kahn. 1966. *The Social Psychology of Organizations*. New York: Wiley.
- Kelman, S. 2007. 'Public Administration and Organization Studies', *Academy of Management Annals*, **1**, 225-267.
- Kickert, W. 1993. 'Autopoiesis and the Science of (Public) Administration: Essence, Sense and Nonsense', *Organization Studies*, **14** 261-278.
- Kickert, W.J.M., E.H. Klijn and J.F.M. Koppenjan 1997. *Managing complex networks; strategies for the public sector*. London: Sage.
- Klijn, E.-H. 2008. 'Complexity theory and public administration: What's new?', *Public Management Review*, **10**, 299-317.

- Klijin, E.H. 2005. 'Networks and Interorganizational Management. Challenging, Steering, Evaluation, and The Role of Public Actors in Public Management', in E. Ferlie, L.E.L. Jr and C. Politt (eds), *The Oxford Handbook of Public Management*. New York: Oxford University Press, pp. 257-281.
- Kraatz, M. and E. Block 2008. 'Organizational Implications of Institutional Pluralism', in R. Greenwood, C. Oliver, R. Suddaby and K. Sahlin-Anderson (eds), *The Sage handbook of organizational institutionalism*. Thousand Oaks, CA: Sage, pp. 243-275.
- Landau, M. 1969. 'Redundancy, Rationality, and Problem of Duplication and Overlap', *Public Administration Review*, **29**, 346-358.
- Leydesdorff, L. 2000. 'Luhmann, Habermas and the theory of communication', *Systems Research and Behavioral Science*, **17**, 273-288.
- Leydesdorff, L. 2002. 'The communication turn in the theory of social systems', *Systems Research and Behavioral Science*, **19**, 129-136.
- Leydesdorff, L. 2003. 'The Construction and Globalization of the Knowledge Base in Inter-Human Communication Systems', *Canadian Journal of Communication*, **28**, 267-289.
- Loewenstein, J., W. Ocasio and C. Jones 2012. 'Vocabularies and Vocabulary Structure: A New Approach Linking Categories, Practices, and Institutions', *The Academy of Management Annals*, **6**, 41-86.
- Lok, J. 2010. 'Institutional logics as identity projects', *Academy of Management Journal*, **53**, 1305-1335.
- Lounsbury, M. 2007. 'A Tale of Two Cities: Competing Logics and Practice Variation in the Professionalizing of Mutual Funds ', *Academy of Management Journal*, **50**, 289-307.
- Luhmann, N. 1982. *The Differentiation of Society*. New York: Columbia University Press.
- Luhmann, N. 1984. *Soziale Systeme Grundriss einer allgemeinen Theorie*. Frankfurt a.M.: Suhrkamp.
- Luhmann, N. 1986. 'The autopoiesis of social systems', in F. Geyer and J. van der Zouwen (eds), *Sociocybernetic paradoxes: observation, control and evolution of self-steering systems*. London: Sage, pp. 172-192.
- Luhmann, N. 1986b. *Ökologische Kommunikation kann die moderne Gesellschaft sich auf ökologische Gefährdungen einstellen?* Opladen: Westdeutscher Verlag.
- Luhmann, N. 1990. *Political Theory in the Welfare State*. Berlin: Walter De Gruyter.
- Luhmann, N. 1990b. *Essays on Self Reference*. New York: Columbia University Press.
- Luhmann, N. 1992. 'The Concept of Society', *Thesis Eleven*, **21**, 67-80.
- Luhmann, N. 1995a. *Social Systems*. Stanford, CA: Stanford University Press.



- Luhmann, N. 1995b. *Soziologische Aufklärung 6: Die Soziologie und der Mensch*. Opladen: Westdeutscher Verlag.
- Luhmann, N. 2000. *Organization und Entscheidung*. Opladen: Westdeutscher Verlag.
- Luhmann, N. 2006. 'System as difference', *Organization*, **13**, 37-57.
- Marquis, C. and M. Lounsbury 2007. 'Vive La Résistance: Competing Logics and the Consolidation of U.S. Community Banking ', *Academy of Management Journal*, **50**, 799-820.
- Meyer, J.W. and B. Rowan 1977. 'Institutionalized Organizations: Formal Structure as Myth and Ceremony', *American Journal of Sociology*, **83**, 340-363.
- Meyer, R. and G. Hammerschmid 2006a. 'Public Management Reform: An Identity Project', *Public Policy and Administration*, **21**, 99-115.
- Meyer, R. and M.A. Höllerer 2010. 'Meaning structures in a contested issue field: A topographic map of shareholder value in Austria', *Academy of Management Journal*, **53**, 1241-1262.
- Meyer, R., I. Egger-Peitler, M.A. Höllerer and G. Hammerschmid 2013. 'Of bureaucrats and passionate public managers: Institutional logics, executive identities, and public service motivation', *Public Administration*, **early online**.
- Meyer, R.E. and G. Hammerschmid 2006b. 'Changing institutional logics and executive identities - A managerial challenge to public administration in Austria', *American Behavioral Scientist*, **49**, 1000-1014.
- Miller, E.J. and A.K. Rice 1967. *Systems of Organizations*. London: Tavistock Publications.
- Mills, C.W. 1939. 'Language, Logic, and Culture', *American Sociological Review*, **4**, 670-680.
- Mingers, J. 2002. *Can social system be autopoietic? Assessing Luhmann's social theory*. The Editorial Board of *The Sociological Review*. Oxford: Blackwell.
- Moeller, H.G. 2012. *Luhmann Explained, from Souls to Systems*. Chicago, IL: Open Court.
- Nagel, J.H. 1997. 'Radically Reinventing Government: Editor's Introduction', *Journal of Policy Analysis and Management*, **6**, 349-356.
- Osborn, R.N., J.G. Hunt and L.R. Jauch 2002. 'Toward a Contextual Theory of Leadership', *Leadership Quarterly*, **13**, 5797-5837.
- Osborne, D. and T. Gaebler 1992. *Reinventing Government: How the entrepreneurial Spirit is transforming the public Sector*. Reading: Addison-Wesley Publishing Company, Inc.
- O'Toole, L. J. 1997. 'Interorganizational Communication: Opportunities and Challenges for Public Administration', in J. M. Garnett, Kouzmin, A. (eds), *Handbook of Administrative Communication*. New York: Marcel Dekker, pp. 61-78.

- Pache, A.C. and F. Santos 2010. 'When Worlds Collide: The Internal Dynamics of Organizational Responses to Conflicting Institutional Demands', *The Academy of Management Review*, **35**, 455 - 476.
- Pfeffer, J. and G.R. Salancik 1978. *The external control of organizations a resource dependence perspective*. New York: Harper and Row.
- Phillips, N., T.B. Lawrence and H. Cynthia 2004. 'Discourse and Institutions', *Academy of Management Review*, **29**, 635-652.
- Politt, C. 2003. *The essential public manager*. Maidenhead, UK: Open University Press.
- Raadschelders, J.C.N. 2008. 'Understanding government: Four intellectual traditions in the study of public administration.', *Public Administration*, 925-949.
- Rainey, H.G., R.W. Backoff and C.H. Levine 1976. 'Comparing Public and Private Organizations', *Public Administration Review*, **36**, 233-244.
- Reay, T. and C.R. Hinings 2005. 'The recomposition of an organizational field: Health care in Alberta', *Organization Studies*, **26**, 351-384.
- Reay, T. and C.R. Hinings 2009. 'Managing the Rivalry of Competing Institutional Logics', *Organization Studies*, **30**, 629-652.
- Regine, B. and R. Lewin 2000. 'Leading at the Edge: How Leaders Influence Complex Systems', *Emergence*, **2**, 5-23.
- Schedler, K. 2003. "... and politics?" Public management developments in the light of two rationalities', *Public Management Review* **5**, 533-550.
- Schedler, K. and A. Eicher 2014. 'Multirational management in public administration', in K. Schedler and J. Rüegg-Stürm (eds), *Multi-rational Management. Mastering Conflicting Demands in a Pluralistic Environment*. London: Palgrave Macmillan.
- Seidl, D. and K.H. Becker 2006. 'Organizations as Distinction Generating and Processing Systems: Niklas Luhmann's Contribution to Organization Studies', *Organization*, **13**, 9-35.
- Seidl, D. and D. Schoeneborn 2010. 'Organizations as networks of communications: A methodological proposal' (eds), *IOU: University of Zurich*, pp. 1-29.
- Skelcher, C. 2005. 'Public-Private Partnership and Hybridity', in F. Ewan, L.E.L. Jr and P. Christopher (eds), *The Oxford Handbook of Public Management*. New York: Oxford University Press, pp. 347-370.
- Smets, M. and P. Jarzabkowski 2013. 'Reconstructing institutional complexity in practice: A relational model of institutional work and complexity', *Human Relations*, **66**, 1279-1309.
- Suddaby, R. and R. Greenwood 2005. 'Rhetorical strategies of legitimacy', *Administrative Science Quarterly*, **50**, 35-67.
- Townley, B. 2008. *Reason's Neglect - rationality and organizing*. Oxford: Oxford University Press.

- Vanderstraeten, R. 2000. 'Autopoiesis and socialization: on Luhmann's reconceptualization of communication and socialization', *British Journal of Sociology*, **51**, 581-598.
- Vanderstraeten, R. 2005. 'System and Environment: Notes on the Autopoiesis of Modern Society', *Systems Research and Behavioral Science*, **22**, 471-481.
- Vanderstraeten, R. 2012. 'Rewriting Theory: From Autopoiesis to Communication', *Systems Research and Behavioral Science*, **29**, 377-386.
- Viteritti, J. P. (1997). The environmental context of communication: Public sector organizations. In J. L. Garnett, & A. Kouzmin (Eds.), *Handbook of administrative communication* (pp. 79-100). New York: Marcel Dekker, Inc.
- Weick, K. 1979. *The social psychology of organizing*. Reading, MA: Addison-Wesley.
- Willke, H. 1985. 'Three types of legal structure: the conditional, the purposive and the relational program', in G. Teubner (eds), *Dilemmas of law in the welfare state*. Berlin: de Gruyter, pp. 281-298.
- Zucker, L.G. 1977. 'The Role of Institutionalization in Cultural Persistence', *American Sociological Review*, **42**, 726-743.

#### About IPMR

**IPMR** The International Public Management Review (IPMR) is the electronic journal of the International Public Management Network (IPMN). All work published in IPMR is double blind reviewed according to standard academic journal procedures.

The purpose of the International Public Management Review is to publish manuscripts reporting original, creative research in the field of public management. Theoretical, empirical and applied work including case studies of individual nations and governments, and comparative studies are given equal weight for publication consideration.

**IPMN** The mission of the International Public Management Network is to provide a forum for sharing ideas, concepts and results of research and practice in the field of public management, and to stimulate critical thinking about alternative approaches to problem solving and decision making in the public sector.

IPMN includes over 1300 members representing about one hundred different countries, both practitioners and scholars, working in all aspects of public management. IPMN is a voluntary non-profit network and membership is free.

**ISSN** 1662-1387