



Animated video serie “Little Green Bags” of the University of St.Gallen (HSG).
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“**Multirational competence – off with the blinkers!**”. Author: Prof. Dr. Kuno Schedler,
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Link: https://youtu.be/GTNMnzK_-ho

Shortlink to the series: <http://bit.ly/littlegreenbagshsg>

Off with the blinders!

Multirational competence in complex organisations

In 1995, the global oil conglomerate Shell is planning to sink Brent Spar. After all, that’s how things are done. But all of a sudden, Greenpeace, the global media and angry consumers are shouting out loud... a series of events that changes the course of history forever.

In 2007, Switzerland is THE place where you hide your fortune. But one global finance crisis later, even the last shred of acceptance for Swiss banking secrecy is suddenly gone.

And in 2009, Nokia is the undisputed world market leader for mobile phones. The iPhone? That’s just a game boy for rich kids! Yeah, well, we all know how that turned out.

Why did Shell, the Swiss banks, and Nokia not realise that their environment had drastically changed? Usually, successful companies develop highly specialised capabilities. Each part of their value chain is in line with one prevalent business logic – up to the point where this logic becomes routine and no one dares to question it. That is how a dominant rationality arises.

Quite convenient, right? Everyone thinks, speaks and acts alike. Things go – literally – without saying and everyone knows their place. Managers have to make fewer, and less contested decisions.

But: when everyone thinks alike, an organisation starts to put on blinders. Environmental changes that don’t go with its dominant reality? Fade out please. Even though it might be vital to anticipate how these changes will affect you!

Organisations perceive things better when they encourage the development of several rationalities within their organisation. Then their broadened scope will help them detect things that others don’t. For that to work out, however, three myths must be discarded.

First: Organisations survive when they are efficient.

Wrong!

Efficiency is not enough. Organisations only survive whenever they meet the expectations of ALL their stakeholders. Often, broadly underpinned legitimacy is more important than efficiency. A core part of the Swiss banks' business model was to help foreigners hide their fortunes from local tax authorities. But once the world was hit by the financial crisis, this successful practice lost its societal, political and eventually legal legitimacy. The results: horrendous fines, abject apologies, reputational damage, and massive outflows of client's assets.

Second: Specialisation and expertise lead to success.

Wrong!

Many experts believe that if THEY do their full duty, everything else will take care of itself. The surgeon doesn't care about what happens before or after the operation – even though a patient requires more than the perfect incision. Leading hospitals are aware of that and integrate their doctors', nurses', technicians', and controllers' know-how. They translate between all rationalities.

Third: good management creates one dominant rationality.

Wrong!

Until the eighties, management scholars assumed that there was ONE good strategy that contained ONE dominant rationality. Today we know: organisations need a number of rationalities to live up to their complex surroundings, to anticipate problems and to keep innovating.

In developing countries, foreign aid often has no effect. At the same time, small business owners in these countries weren't able to afford bank loans. But once the rationalities of both foreign aid and the financial industry were combined, a new and highly effective approach arose: microfinancing.

Time for a pit stop. An organisation's environment consists of several spheres. Each sphere has its own expectations and follows its own logic. In order to understand all of them, and needs to encourage opposing, conflicting belief systems and views.

But handling an organisation's multiple rationalities is neither simple nor easy. Often managers try to emphasise similarities rather than differences. Then – they assume – they can avoid arguments and conflicts. But the problem is: the differences still slumber beneath the surface. The rationalities of weak groups are ignored. And the winners feel great until the unthinkable happens.

How do you deal with multiple rationalities?

Far-sighted managers listen, ask, let differences be differences and encourage others to adopt this mind set, too. They know that organisations need many eyes and ears in order to understand their surroundings. They translate between rationalities, they set examples when it comes to holding different opinions and beliefs. They demonstrate multirational competence.

That's it. Now it's your turn. Do you have multirational competence? Take the test.

- 1) I understand that I have my own specific rationality. And that even I can be wrong once in a while.*
- 2) I acknowledge the rationalities of others.*
- 3) I never stop analysing my surroundings with different glasses. Even if I don't like what I see.*
- 4) I speak the languages of other rationalities. I feel that others understand me.*
- 5) I observe how others implement my decisions in their rationalities. And I am always trying to improve my communication skills.*

Give it a try. Show some multirational competence.

Ask the expert on “Multirational competence”:

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