Demonstrating the effect of the strategic dialogue: participation in designing the management control system

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Stimulation of goal congruent behaviors through the coordinated allocation of human resources—i.e. time, energy and attention—requires the mental models of organizational actors to be convergent. The Strategic Dialogue is advocated for the purpose of convergent mental modeling. In relation to the need for convergence, the concept of Goal Coherence is introduced, which is measured as the amount of consensus on goal priorities within and, moreover, between goal interdependent groups. The relation between Strategic Dialogue and Goal Coherence represents the instrumental hypothesis of the research. Support for this hypothesis is empirically demonstrated in a two-group pre-test/post-test design, using a specific measure of association. This design has been applied twice in a practical case study on the participatory designing of a management control system.

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Key words: strategic dialogue; goal coherence; performance measurement; mental model; human behavior; human resources; participation; consensus; intersubjectivity; association.

1. Introduction

In this paper, the organization is primarily approached as a social system of human elements. This approach has a fundamental repercussion for the process of management. The emphasis on the human factor of organization takes in the

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simple recognition that ‘the only way organizational goals are going to be obtained is through the behavior of organizational actors’ (Steers, 1977).

Human behavior is based on a construction of reality in the human mind (Vennix, 1996). There is convincing scientific evidence (e.g. Neisser, 1967) that the human mind actively constructs external reality rather than passively stores and recalls information, which is received from the environment through the senses. The active and deliberate construction of reality takes place through processes of selective perception and selective recollection. Stated differently, the human mind is biased in information selection and recollection of past events. The construction of the external reality in the human mind is referred to as a mental model. These models are dynamic in nature and will change over time due to newly gained insights in the functioning of reality.

A mental model is an individual’s cognitive representation of a system (e.g. an organization) and the individual’s interaction with the system (i.e. behavior), with particular focus on how the individual’s interaction with the system causes outcomes of interest (i.e. goal attainment). The notion of belief in causality is of major interest: beliefs represent the basic conceptual building blocks of mental models (Hinsz, 1995). In short, people build mental models of their environment and in turn base their behavior on these mental models, thereby creating situations which are subsequently interpreted as reality (Vennix, 1996).

Given the way human beings selectively process information, a holistic view of reality is the exception rather than the rule. A number of cognitive limitations induce people to perceive and recollect selectively and thus to focus on the parts rather than the whole:

- Limited systems thinking capability: people have difficulty in identifying interconnections and thinking in causal nets (Dörner, 1980);
- Limited information processing capacity or ‘bounded rationality’ (Simon, 1948): people tend to (un)consciously reduce complexity in order to prevent information overload and to reduce mental effort (Hogarth, 1987). Miller (1956) was one of the first to empirically demonstrate this phenomenon. He pointed out that in general people can only hold seven (plus or minus two) pieces of information in their short-term memory;
- Limited span of attention: ‘…before information can be used by the deliberative mind, however, it must proceed through the bottleneck of attention—a serial, not parallel, process whose information capacity is exceedingly small’ (Simon, 1985).

Due to these cognitive limitations, people make mental models that are by definition incomplete. Since people tend to look for information which confirms their view of the world rather than to look for evidence which might refute it (Hogarth, 1987), the existing and incomplete mental models in turn feed the processes of selective perception and recollection. In addition, and perhaps far more important, people make mental models that are idiosyncratic (Hinsz, 1995). People differ due to differences in background, personality, experience, learning, etc., and will thus select differently. As a consequence, individuals interpret reality in their own unique ways. Everyday life thus presents itself to the individual as a subjective reality: there is no question of one single and objective reality perceived similarly by multiple individuals.
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