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Self- or Rule-Based Governance: Analysis of Choice-Making Behaviour

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Abstract

Purpose – To propose self-governance in organisations based on choice-making behaviour.

Design/methodology/approach – The paper examines selected literature on the behaviour of choice and links it to a series of three independent studies in order to draw lessons for proper governance, namely, into luxury, leadership and the role of luxury in helping to cope with the organisational pressure.

Findings – The paper reviews the need for choice (or human logic), exemplified by the Theta and Lambda worldviews, and the difficulties in its proper implementation. A study into luxury reveals the role of luxury in choice-making behaviour and the language used for making these choices. These findings are applied to a study into leadership and followed by a third and on-going study that provides empirical evidence that tension in organisations results, in numerous cases, from an imposed lack of choice because of improper governance. The paper concludes in recommendations for organisational governance.

Research limitations/implications – The claim that conflicts in organisations are based on differences between Theta and Lambda worldviews is based on some empirical evidence only. Criticising governance by rules, the paper does not look in detail into the reasons behind the drive for such a way of governance or how to help change an organisation's governance approach.

Originality/value – The paper introduces the concept of Theta and Lambda worldviews, provides a psychological definition of what luxury is and its importance to organisational life and questions the usefulness of enhanced governance.

Article type – conceptual paper

Key words: choice, Theta and Lambda worldviews, luxury, leadership,
organisational conflict, governance

Well-functioning organisational governance requires us first to explore the nature of choice-making and its effects on others.

The nature of our interpretive process is paradoxical. On the one hand, the need for similarity causes us to actively search for unity and certainty, while in parallel, we look to create contrast and challenge. Because choice-making requires a preference toward one of these two ends, humans tend to view the world in one of the two ways: those predisposed toward a Theta worldview seek affiliation and control (unity and certainty) while those with a Lambda worldview seek differentiation and challenge (contrast and challenge).

Applying this framework to leadership, Theta leaders seek to build consensus within their peer group, from whom they derive confirmation of their past decisions as well as their values. On the other hand, Lambda leaders seek peers who challenge their views and help them make innovative decisions. Thetas believe that a leader is born and is driven by emotions and social skills that are natural and subconscious. Lambdas, however, see leadership as something which develops over time through learning new lessons and achieving tangible results.

As a result, well-structured organisational governance must allow leaders to follow their chosen Theta/Lambda worldview while helping them recognise the importance that others may have come to different conclusions. Doing this requires empathy and taking responsibility for others, rather than a strict set of rules.

The lessons analysed here have implications for the management of organisational conflict as well as the development of ethical and long-term successful business strategies.

Introduction

Recently, an award-winning article (Collis and Rukstad, 2008) advocated building a strong strategy statement, which consists of an objective, a scope and a clear

advantage. While the authors recognise components such as mission, vision and values, they claim that these components will not drive the business.

However, a strategy statement that is not clearly embedded in ethical values is dangerous, since it might lead to the destruction of organisations (Ashforth et al., 2008) and psychologically endanger the practitioner (Diamond and Allcorn, 1984; Frankl, 1986). Moreover, while having a clear strategy statement is a necessity, a mounting body of empirical (Collins, 2001; Collins and Porras, 2005; Gilkey and Kilts, 2007) and theoretical (Mostovicz, Kakabadse and Kakabadse, 2009b) literature reveals that viewing the financial results of an organisation as the goal and all the rest as the means of achieving is a wrong practice. Such a practice eventually fails in the long run as evidenced by the most recent financial crisis, although though many still believe otherwise.

Even when the corporate landscape has been changed in the post-financial crisis and more organisations have become aware of their social responsibility, fundamental logic has not really changed (Kakabadse and Kakabadse, 2007b) as CSR continues to be practiced as a means to a an end, rather than as a goal in its own right (Mostovicz, Kakabadse and Kakabadse, 2009b).

Mostovicz, Kakabadse and Kakabadse (2009b) explained the reasons for the failure of CSR approaches to render organisations more ethical since those approaches are based on logic while ethics calls for the emotional involvement of the actor. They argued that low-level tactical behaviours have substituted for genuine reform without solving the contradictions between the shortened timeframes of shareholder interest and longer-term CSR objectives. Mostovicz, Kakabadse and Kakabadse (2009b) called for a complete change of course where leaders and their organisations search for internally held values, using the business setting as a means. While Mostovicz et al. (2009b) outlined the ideal picture of a leader searching for his internal values, they did not offer insights into the neglect of leadership when executives rely on rules and regulations instead of practicing their leadership. Building further on Mostovicz et al.'s (2009b) argument that leadership is not a hierarchical position but the emotional ability to follow one's worldview, the paper examines how this view of leadership

should be expressed in ethical corporate governance. This will be done by reintroducing and developing on Mostovitz et al.'s (2009b) Theta and Lambda framework.

Using the existing literature the paper outlines the Theta and Lambda framework upon which people make choices. It then applies this framework to three independent qualitative studies. The first study into luxury helps identify how the language that Thetas and Lambdas use informs their choices. A second study, based on a wide range of interviews with top management (chairs, CEO's and similar), uses the tools developed in the study into luxury to identify the ways which Theta and lambda act in organisations. The third study presents on-going research conducted in the US, one aspect of which aims to identify cases of conflicts within organisations that have led to unethical behaviour and organisational destruction. While no final conclusions have yet been drawn, the emerging results from over fifty participants shows that all conflicts arise from improper governance and can be described through the Theta / Lambda framework. This paper explains how these Theta/ Lambda conflicts deprive choice and it then reflects on what authentic governance should look like.

How do people choose?

Binary choice or choosing between good and bad is easy. However, many of our choices are between two equally good options and are based on what is desired or not, according to a higher principle or value (Rawls, 1999). Kelly (1955), describing the mechanism of this choice, argues that it is based on two fundamental cognitive comparing processes – contrast and similarity (Kelly, 1955). However, this comparing process is subjective and personal and it tends to form as dualities, rather than 'an encyclopaedia of antonyms' (Landfield, 1976). As a result, Landfield (1976:138) defines contrast in meaning to be "a personal awareness of a striking important difference, a type of difference which implies the possibility of polar opposition or conflict; that one pole of a difference may either cancel out or balance the other one; and that the contrasting poles can be linked together or be combined in some way". His definition suggests that the criteria for contrast are meaningfulness, polar oppositeness and a duality of togetherness or interdependency.

Following Kelly (1955), Landfield (1976) notes that the nature of our interpretive process is paradoxical. On the one hand, the need for similarity causes us to actively search for unity and certainty, while in parallel, we look to create contrast and challenge. Theology (i.e. the science of things divine) deals with an ideal whose pursuit paradoxical since it is unreachable. This paradoxical approach is the foundation of Jewish thought, for example (Kaplan, 1979; Kaplan, 1990), and can also be found in Shinto, which calls for a dual process of improvement and progress that are known as ‘renovation and maintenance’ (shuri kosei) and ‘creation and development’ (seisei kaiku) (Yamakage, 2000).

However, in practice, one cannot hold the stick in both ends; either the two options are similar or they are contrasting. Man cannot identify both qualities at the same time and inclines either towards unity and certainty or toward contrast and challenge.

Examining many domains of knowledge reveals the same phenomenon. In psychology, Gibson (1970) and Singer (1966) focus on man’s search for consistency and certainty, while Rychlak’s (1968) point of departure is man’s oppositional and subjective nature.

This duality can also be found in research into leadership and especially into authenticity (Mostovicz and Kakabadse, 2009a), into business ethics (Mostovicz and Kakabadse, 2008), into citizenship (Mostovicz and Kakabadse, 2009b), into the theory of knowledge (Korac-Kakabadse, Kakabadse and Kouzmin, 2003; Mostovicz, 2008), into corporate social responsibility (CSR) (Mostovicz, Kakabadse and Kakabadse, 2008) and into luxury (Mostovicz, 2010).

In each of the domains described above, it is clear that people’s choice is based either on the preference for unity and certainty, which we call Theta (\square), or the preference for challenge and contrast, which we call Lambda (\square). Hence, people choose one side of the paradox over the other. Mostovicz (2008) posits these choices reflect a person’s worldview, or the way they go about discovering their “ideal self” (Hinkle, 1965).

Theta and Lambda worldviews have their unique characteristics. While Thetas are socially motivated and look to affiliate with their society of choice (Pyszczynski, Greenberg and Solomon, 1997; Pyszczynski et al., 2004), Lambdas are individually

motivated (Deci and Ryan, 2000) and seek to differentiate themselves from others. The respective behaviour of Thetas and Lambdas follows the fundamental modalities of human existence (Bakan, 1966). Thetas' inclination is toward communion and is focused on other people and relationships while Lambda's behaviour is oriented toward agency and focused on the self and autonomy.

Thus, Thetas and Lambdas also pursue different benefits and outcomes. While Thetas try to build respect within their society of choice, Lambdas look for personal freedom (Mostovicz, 2008). In terms of how they relate to authenticity, Thetas are concerned with truthfulness and denounce fakes (Ciulla, 2004; Nanus, 1995; Pyszczynski, Greenberg and Solomon, 1997; Pyszczynski et al., 2004), while Lambdas "are genuine and authentic, not a replica of someone else" (George et al., 2007:129) and perceive authenticity as uniqueness, with negative views of a "me too" practice (Bennis, 2004; Deci and Ryan, 2000; George et al., 2007; Ryan and Brown, 2003). Finally, the different worldviews have different ideas about what a true goal is. According to Kaplan (Kaplan, 1990), one relates to truth either as an objective or as a principle. If one relates to truth as an objective, the goal is to unite with that truth, as the Thetas perceive (Mostovicz, Kakabadse and Kakabadse, 2009b). If, on the other hand, one relates to truth as a principle, as a Lambda does (Mostovicz, Kakabadse and Kakabadse, 2009b), truth then creates a set of challenges or guidelines to live up to. Table 1 below outlines several of the characteristics which define these two worldviews.

Table 1: *Characteristics of Theta (□) and Lambda (□) worldviews*

	Theta (□)	Lambda (□)
Motivation/reason	Socially-oriented	Personally-oriented
Goal	Seeking unity and certainty	Seeking challenge and creation
Behaviour	Communion	Agency
Benefit	Building respect	Looking for personal freedom
Authenticity	Truthfulness	Genuineness
Inclination	Toward choice	Toward contrast
Perception of truth	As an objective	As a set of rules

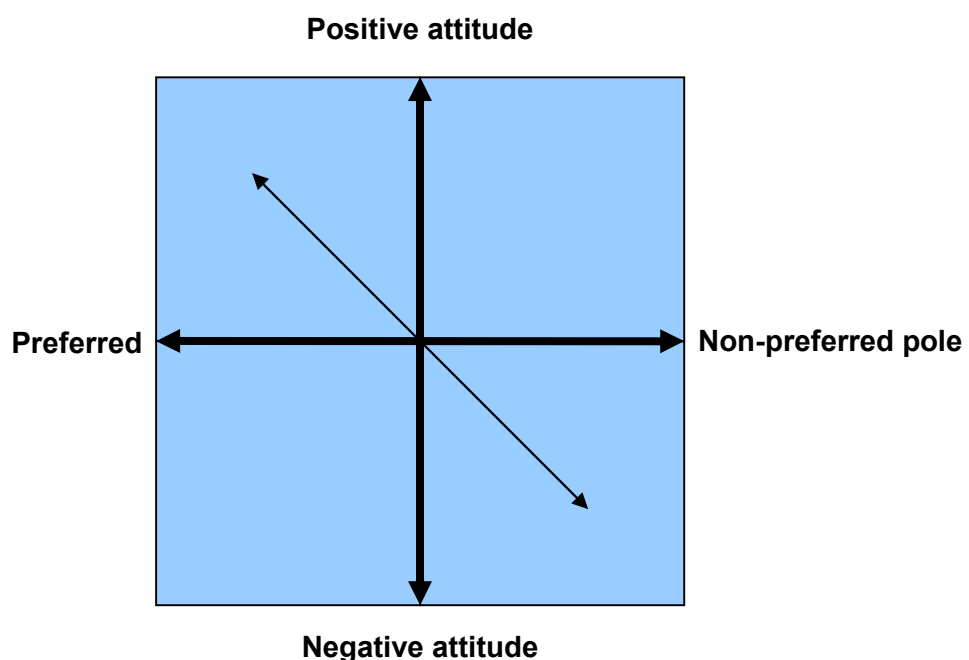
Source: Mostovicz et al. (2009b; 2008)

Why choosing is difficult

While ideal interpretation is practically impossible since the cognitive process is paradoxical, people still use the two building blocks of cognitive comparison – similarity and contrast, brushing away the paradoxical nature of such a process. In other words, on the one hand, people prefer one good option over the other while, on the other hand, hold a positive attitude toward their choice while having a negative attitude toward the rejected choice.

By placing these two dimensions of preference and attitude in relation to each other, Figure 1 illustrates how the mechanism of human interpretation might be compromised. The horizontal preference dimension is based on personal inclination and indicates the alternative courses of action, which consist of preferred and non-preferred poles (Kelly, 1955). The vertical attitudinal dimension, with its positive and negative attitudes as polar extremes, shows the logical reasons for the corresponding attitudes (Kelly, 1955).

Figure 1: The mechanism of human interpretation and how it is used.



Source: Mostovicz, Kakabadse and Kakabadse (2008)

The thin diagonal arrow in Fig. 1 represents the way people choose the quadrants they use for interpretation when contrast is the overruling choice. In such a case, people tend to see phenomena in a biased and subjective way, selecting only two out of the four quadrants. On the one hand, they identify the positive attitudinal elements of their preferred pole and, on the other hand, this positive attitude spontaneously induces a negative attitude to the non-preferred pole (Mostovicz, Kakabadse and Kakabadse, 2008).

The combination of choice between two good options and attitude, which imply choosing a good option over a bad one, is a paradoxical undertaking when both approaches are applied to the same construct, perceiving the non-preferred pole as 'good' and as 'bad' simultaneously. To avoid this paradox, people tend to prefer one dimension over the other. Vince and Broussine (1996), for example, suggest that people often use the contrast to their choice in order to define what their preferred pole is not, whereas Pattakos and Covey (2004) argue that people adopt a positive attitude toward their preferred pole and a negative one toward their non-preferred pole. However, choosing contrast over preference is using logic for justifying a personal preference, which is not a result of logic contemplation but of personal inclination.

Consequently, the choice process becomes distorted. In particular, we might be aware of what our choice is but since the other option is unknown to us we tend to forget that it exists and what was an interpretation represents now an ultimate truth (Kegan and Lahey, 2001).




Lambdas, who seek contrast, select the positive attitude quadrant of their preferred choice and contrast it with the negative attitude quadrant of the choice they rejected, disregarding the two other quadrants (Mostovicz, Kakabadse and Kakabadse, 2008). This distortion is called the **learning paradox** (Lewis, 2000), which entails processes such as sense-making, innovation and transformation. The distortion arises when individuals have a clear purpose without realising that others might have an equally clear yet different purpose as well. This distortion is manifested when changes occur such that beliefs and assumptions cannot withstand the test of time (Cannon, 1996). Because of the newness of the situation, when past experience cannot be applied, the

distortion rises from fear of imperfectability (Pinker, 2003) or the belief that it may prove impossible to attain an ultimate solution. This distortion creates frustration and fear as it decreases the total meaning and significance of the person's life (Hinkle, 1965).

On the other hand, Thetas who look for comparison would have the same attitude towards the two possible choices, choosing either the two positive or the two negative quadrants leading to two possible distortions. The first, called the **organising paradox** (Lewis, 2000) involves the tension between conflicting needs for control and flexibility. In the case, the subject sees only the positive, conflicting quadrants and the tension that the paradox causes leads to paralysis (Kegan and Lahey, 2001) – the inability to choose between two goods. In this case, the individual is aware of the existence of alternative subordinate constructs, but since he lacks true personal purpose, he is unable to prioritise them in accordance with his own preferences. The reason for such distortion is the fear of nihilism (Pinker, 2003) or the deep belief in a life of meaning and purpose. In everyday language, this suggests, “If all choices are equally valid, what's the point of choosing?” Here, the individual is aware of the existing paradox but lacks the appropriate tools or mental models to cope.

The other distortion is called the **belonging paradox** and focuses on the conflicts of individuals' identification and affiliation between the 'self' and the 'other' (Smith and Berg, 1987). In this case, the individual is unable to choose when both poles, or options, seem equally bad. Thus they find themselves in a 'damned if I do, damned if I don't' type of conflict giving rise to helplessness and anger. This distortion is a reflection of the fear of determinism (Pinker, 2003) or loss of autonomy, that one is not in control of his own choices. In this case, the person sees both choices as negatively biased. The belonging paradox arises from the false belief that the goal of ultimate truth has been reached or that a paradox has been resolved (Mostovicz, 2008). As a result, the purpose the person adopts is false, not aspirational enough and weakly supported. In this case, anxiety rises as one confronts events outside one's range of convenience (Kelly, 1955). The three distortions of paradox can be found both in individuals and in organisational life (Mostovicz, Kakabadse and Kakabadse, 2008). Table 2 sums up the above discussion.

Table 2: The three types of internal cognitive conflict

Type of paradox	Cause of tension	Type of tension	Type of fear	Type of tension management	Quadrants selected
Learning	Lack of consciousness	Frustration and fear	Imperfectability	Social reframing	
	Lack of purpose	Helplessness and anger	Determinism	Dynamic equilibrium	
Belonging	False purpose	Paralysis	Nihilism	Social acceptance	

Source: adapted from Mostovicz et al. (2008).

The above discussion provides a picture of how interpretation is distorted. However, people try to get out of this frustration and want to approach life properly according to their worldview. In other words, people constantly seek to enhance their self-esteem (Deci and Ryan, 2000; Pyszczynski et al., 2004). The question is, therefore, how one goes about monitoring such patterns of choice-making behaviour? If governance is a continuous monitoring process of the choices people and organisations make, how can governance be made to be driven by a respect for people's personal ethics?

To answer this question, we need first to see how people enhance their self-esteem. We do so by examining one tactic adopted for this enhancement - the use of luxury (Bonsu and Belk, 2003).

Understanding choice-making through the consumption of luxury

Paradoxically, luxury is actually defined by its lack of necessity (Roux and Floch, 1996) or as a "needless need" (Mostovicz, 2010). As reflected in the psychology literature, luxury appears to address our demand for self-esteem (Epstein, 1980), and it thrives on our symbolic use of products (Kassarjian, 1971) as a means of satisfying our life's core needs (Schneider and Bowen, 1999). People also use luxury as a

defence when their self-esteem is under attack (Pyszczynski, Greenberg and Solomon, 1997). Research by Csikszentmihalyi and Rochberg-Halton (1982) shows how a person uses “things” to reinforce his personal values when threatened socially.

Because the “needless” aspect of luxury implies choice, Mostovicz (2008) hypothesised that the way people use luxury would reflect their worldviews, being either Theta or Lambda. Fifty semi-structured, means-end laddering (Reynolds, Gutman and Fiedler, 1985; Reynolds and Gutman, 1988) interviews were conducted in Europe, the US and Israel during 2003-2006. Each interviewee was asked to identify a luxury of his choice and then asked to identify the attributes which that product embodies. The interviewer was allowed to express clearly the level of abstraction to which the interviewee should refer (Mostovicz and Kakabadse, 2009c) and was able to reconcile their answers according to their Theta or Lambda worldview. In retrospect, a full “dictionary” for diagnosing interpretive preferences could be created after interviewing only half of the sample.

Mostovicz (2008) used the motivational approach to means-end laddering (Mostovicz and Kakabadse, 2009c), in line with Hinkle’s (1965) recommendation. The motivational approach provides a sound theoretical basis and a practical, replicable outcome that is difficult for the cognitive structure approach (Grunert, 1995) to achieve. Means-end laddering encourages subjects to provide free associations which are then sorted into four levels of abstraction: attributes, benefits, emotional rewards and values (de Chernatony, 2001). Following Harré (1995; 1995), language is treated as functional (it does things) rather than neutrally descriptive, or a window to a person’s inner truth. Therefore, instead of comparing semantic labels, the motivational approach compares contextual meaning.

Reaching the highest level of abstraction – values – is not always possible since people find it difficult to express themselves clearly and require the use of metaphors and analogies to communicate (Feixas, Geldschlaeger and Neimeyer, 2002). Hinkle (1965) shows clearly that people reflect on their life motivations in one of two ways only, either through achievement or association. Equally, the Theta / Lambda templates seem to be uninfluenced either by time, place or any socio-demographic variable (Mostovicz, 2008; Mostovicz and Kakabadse, 2009c).

The way that ladders are produced reflects the way individuals interpret their own behaviour. Like all interpretations, ladders actually represent the hierarchical structure of interpretation. Results could be divided into two groups based on the Theta and Lambda worldviews. When laddered further, the two worldviews actually had distinctive responses at each level, looking for different benefits, personal rewards and, of course, values. Table 3 represents the categorisation at higher levels, which the data was sufficient enough to provide.

Table 3: The conceptual differences between the two worldviews along each level of the ladder

Level	Theta (□)	Lambda (□)
Attributes	Personal impression	Tangible, concrete and quantitative—product focus; having things
Benefits	Social	“More”, challenge
Emotional rewards	Recognition – who I am	Achievement – what I did
Values	Confirmation – experiential values	Joy – creative values

Source: Mostovicz (2010)

Attributes describe the elements that people use to communicate, or the elements they use for expressing themselves. At this level, the assumptions that Thetas make are more implicit and refer to the beliefs that they perceive to be commonly held by their peer group. They are aware that these assumptions are personal and subjective. On the other hand, the Lambdas rely on their personal view and use an objective language, which is tangible, concrete and ultimately even measurable.

Nevertheless, as individuals, we do not relate to all available data (Kahneman, Slovic and Tversky, 1982; Tversky and Kahneman, 1974) and so pick up either those pieces of data that are considered independently novel or those which we can readily add to our existing knowledge (Korac-Kakabadse, Kakabadse and Kouzmin, 2003). Since Lambdas seek challenge and novelty, they identify concretely new data which they consider useful for their interpretation. For Thetas, they tend to pick out those pieces of data that can be added to their existing personal picture and sense of unity.

At the level of benefit, the data (or attributes) are organised to provide a rationale for the selection of the attributes. The benefits that Thetas look for are of the social type.

These speak to their relationship with the environment: about how they can address it, affect it more successfully, and impose their status more successfully. On the other hand, the benefits that challenge-oriented Lambdas get from luxury are of a more personal flavour. Luxury honours the fact that they faced a challenge successfully, or it enriches them by providing or reminding them of key personal moments. Therefore, Thetas (who look for enrichment of their existing knowledge) look for benefits that improve their social standing whereas Lambdas, who look for novel challenges, justify the attributes selected as those which can most improve their personal repertoire of interpretation or expression.

The third level of the ladder – the emotional reward – represents a shift from the product itself to the interpretation of how the processed data is made relevant to one's personality. The two types differ in the emotional awards they look for when investing in luxury. Thetas look for recognition; they want to be loved, appreciated and recognised. They want to find a social environment within which they can positively assess 'who they are'. Lambdas, on the other hand, look to compartmentalise the past and discover new challenges, while Thetas look for rewards that will accentuate and enrich their existing positions and connect these to the future.

The Theta and Lambda worldviews also elicit different value-sets at the fourth level of the ladder, the interpretation of one's life purpose. The values that are important for Thetas are that of (social) confirmation. They want society to confirm that they are playing properly, according to the norms they admire. This drive for social confirmation is evident in research into Terror Management Theory (TMT) (Pyszczynski, Greenberg and Solomon, 1997; Pyszczynski et al., 2004). According to TMT, people look to be part of a social group as a means of avoiding their fear of death. To this end, Thetas look to be recognised as good followers of the rules which their chosen group has adopted. Alternatively, Lambdas look for a more personal set of values, which are based on pride, personal satisfaction and personal expression. This drive is the cornerstone of Self-Determination Theory (SDT) (Deci and Ryan, 2000). Lambdas appreciate the act of creation that brings them joy (Bergson, 2007).

The value level may be considered the most synthesised mode of interpretation, reflecting the best personality of the interpreter. Thus, Lambdas draw joy from new creations, while Thetas gain satisfaction from enriching present experiences.

While ladders tend to converge as they reach higher levels of abstraction (Grunert and Grunert, 1995), the analysis of results confirms the taxonomy of attributes of luxury as presented in various works (Kapferer, 1998; Vigneron and Johnson, 1999; Vigneron and Johnson, 2004). In particular, this study adopts the six attributes that Dubois, Laurent and Czellar (2002) propose, namely: extreme quality, rarity, aesthetic appeal, expensiveness, time incorporation and superfluosness. Nevertheless, since these six attributes are used for communication and interpretation, Thetas or Lambdas will still use them differently as Table 4 illustrates:

Table 4: *The ways the Thetas and the Lambdas relate to the six facets of luxury*

Facet	Theta (□)	Lambda (□)
Superfluosness is...	Independence to choose the social setting	Independence to choose the challenge
Extreme quality is...	embedded in the product – natural fibres such as silk and linen	a man-made accomplishment
Expensiveness is...	“a lot of money”	“above my budget”
Rarity is...	in the product – diamonds are rare	in the person – “it was difficult for me to find”
Aesthetic appeal, or polysensuality is...	Described in an intangible, qualitative, subjective way which is embedded in the person “Fits me perfectly”, “Part of me”, “I feel alive”	Described with a tangible, concrete and quantitative –product focus “Pure”, “large”, “white”
Time incorporation is...	Product-related -timelessness – as in antiques	Process-related - a lot of time invested

Source: Mostovicz (2010)

While the meaning of the answer is different to Thetas and Lambdas, their initial reactions and responses are similar: that it is needless.

The difference in the way that Thetas and Lambdas interpret luxury lies in their preferred means of enhancing self-esteem. As Thetas seek unity which has yet to be achieved, they refer to luxury by looking toward the future to define the goal they hope to reach. The luxury item is their companion in the journey toward this future. Therefore, they refer to quality as embedded in the product, as it will show this

extreme quality throughout the life of the luxury item. Rarity is equally embedded in the product, which has intrinsic worth and will always be expensive. For the Theta, time incorporation is forever; luxury is thus timeless. Expensiveness and aesthetic appeal depend on the person's interpretation of immutable value and the decision to invest is based on the belief that these values will stay as such throughout the person's future life.

On the other hand, Lambdas refer to luxury through the lens of personal achievement or the prism of challenge. For them, the enhancement of self-esteem is grounded in the past and based on their successful track record, and they view the luxury item as a personal trophy. Quality is measured by the work invested in the item, and its rarity is based on the time and effort needed to find it. Likewise, time incorporation is based on the time invested in the past into the product. Equally, the aesthetic appeal of a luxury item is pre-determined and is not based on the owner's current relationship with the item, nor its social resonance. For a Lambda, an object simply is or is not aesthetically appealing; it cannot become so. Finally, expensiveness is based on a past-decided budget and is compared to past earning efforts.

Applying choice-making patterns to leadership

However, Mostovicz (2008) argued that since the above analysis is based on the way people make choices, such an analysis should be applicable to all cases where a choice is needed or human logic must be applied. Mostovicz et al. (2009b) demonstrate how the choices of a leader follow the same Theta/Lambda pattern.

To test whether leaders are similar to luxury users in using language patterns, sharing goals and having concerns that follow the Theta/Lambda patterns, Mostovicz, Kakabadse and Kakabadse (2009a) examined a wide selection of semi-structured interviews of top executives and board members. These interviews¹ looked at the choice pattern behaviour of leaders, especially during times of organisational change when leadership is better manifested (Kakabadse and Kakabadse, 2007a).

¹ Over fifty interviews were examined. Not all were suitable for the purpose of the study, either for technical reasons or because the interviews did not focus clearly on interpretation. As a result, about 25% (12 interviews) were discarded.

Examining these interviews revealed that it was possible to analyse the way those executives talk about themselves using the same conceptual model that the study into luxury provided while adapting the six attributes (table 4) and making them more abstract and conceptual. The findings were consistent and clear, and not in one case was the analysis doubtful.

The facets that comprise the building blocks of all interpretation are thus as follows:

- **Freedom:** Freedom describes the inner drive for interpretation, or the passion of the interpreter. While free choices flow from the interpreter's life goals, freedom does not describe the goals *per se* but rather describe the innate drive for interpretation that these goals precipitate.
- **Adaptors:** The role of adaptors is to describe those attributes of the interpretational subject which are represented to himself to achieve his passion.
- **Internalisation:** Internalisation explains why certain tacet elements were selected for the fulfilment of the choice-drivers.
- **History:** The notion of history describes the way the interpreter relates his passion to the changing narrative of the world outside.
- **Connectors:** This facet describes those connective elements which are used for building the relationship of the interpreter with the outside world of things.
- **Externalisation:** similarly to internalisation, the role of this facet is to explain why certain explicit elements are chosen for expressing ideas over time (Mostovicz, 2008).

Theta and Lambda relate differently to these six facets as follows (table 5). We added in italics the particular language style Theta and Lambda use when describing these attributes.

Table 5: *The interpretation facets of the Theta and Lambda*

Attributes	Theta - □	Lambda - □
Freedom	Select social setting	Select challenges
Adaptors	Characterise the ideal social setting <i>Described in an intangible, qualitative, subjective way. Embedded in the person</i>	Characterise the ideal challenge <i>Described in a tangible, concrete and quantitative way. Object focus</i>
Internalisation	Why it is worth living this way	Why it is worth facing this challenge
History	Continuous <i>Relates to the end-result</i>	Sequence of events <i>Relates to the process</i>
Connectors	Elements that imply continuity <i>Relates to the nature of the leader</i>	Elements that imply succeeded challenges <i>Relates to the way the leader acts</i>

Externalisation	Prove a good member of the chosen society <i>Reflects on the organisation</i>	Prove to be a successful challenger <i>Reflects on the person</i>
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Source: Mostovicz (2008)

While Thetas and Lambdas differ also at the higher levels of abstraction: benefits, emotional rewards and values, we present here the analysis of data at the level of attributes only that reveals the following picture along Theta and Lambda worldviews (Mostovicz, Kakabadse and Kakabadse, 2009a).

Since any change hampers stability and security in the eyes of Theta leaders, their first goal is to establish their own secured zone by surrounding themselves with trusted people. They are not looking necessarily to have bright stars who can come with brilliant ideas since they have to first create a proper social atmosphere around them that would help them acting according to their worldview. Theta leaders are very concerned with what their peers (i.e. other executives around them) think since they rely on a consensus to plot their way ahead. Since being a Theta leader implies that one should be a better player within ones' society, such a person will be able to offer a range of solutions to new problems that arise from change. Nevertheless, for a Theta leader, each team member complements each other and the way ahead is a joint decision. Thetas believe that a good leader builds his recognition and good reputation among his social peers.

In building their team, Thetas tend to seek mutual respect and understanding by encouraging colleagues to speak out and come with ideas. Looking for consensus, Thetas view directional leadership as wrong; they do not dictate, but rather, blend influences and opinions that enable them to reach a consensus. Nevertheless, since Thetas are concerned with the possible weaknesses of their team, they have to follow their natural inclination, taking a step back and examining critically and objectively the team's performance so they can recommend improvements. Acting against one's natural inclination is manifested in what Thetas seek to acquire. Since Thetas are naturally social, they seek to improve their intellectual abilities.

Thetas look for an improvement of their past experience. They tend to be conservative and risk averse, building on the continuation and development, and enrichment of their secured past with fresh ideas. Thus, since they believe that their past experience

can predict what might happen, reviewing that past is important for them as they seek ways to minimise necessary changes. However, solutions are usually novel and are not part of the past knowledge portfolio.

To Thetas, the perception of truth is an objective or a goal. Therefore, they seek a clear and explicit structure that would explain this goal, follow a well defined plan to achieve it and ensure that everything is done properly, appropriately and continuously, thus improving in a well defined direction. Ideally, they would be happy when everything is going absolutely fine but when facing a change, Thetas believe in one true solution. Failure to reach the solution shows that they were not focused on target. Thetas use the best solution or goal approach, which is social in nature as an anchor or a vision that helps them face changes. However, the belief that only one best solution exists means that a Theta uses logic based on his intellectual abilities. Thus, he trains and convinces his team to also embrace the “one best solution” approach. Finally, Thetas believe that a leader is born; driven by emotions, his social skills are natural and subconscious.

On the other hand, Lambdas address the same issues in an opposite way. Lambdas embrace change since it implies a fresh and a new challenge. For them, risk aversion is evading responsibility. Acting in a predicted environment is dull and boring so a change injects life into the social setting. Following their Lambda worldview, Nonaka and Takeuchi (1995) describe how Japanese leaders have learned to welcome change and when it does not happen socially, they create it by looking for fluctuation and creative chaos (Nonaka and Takeuchi, 1995). Fluctuation is different from complete disorder and scholars define it as an order whose patterns are difficult to predict at the beginning (Gleick, 1987). Fluctuation creates a breakdown of routine habits and cognitive framework that enables examining basic attitudes toward the world and it demands that we turn our attention to dialogue as a means of social interaction as to create new concepts. We naturally create chaos when we face real crisis and the approach we currently take cannot find an adequate solution. In chaos, we do not define a problem to reach a solution; instead, we focus on the structure or the solution process. Nevertheless, the organisation should “reflect in action” (Nonaka and Takeuchi, 1995).

Nonaka and Takeuchi's (1995) succinct description of dealing with chaos may help us understand how Lambdas act. In the individualistic worldview of a Lambda, the meaning of teamwork is different than that of a Theta. A Lambda is happy to listen to different perspectives that would address the challenge from other angles. A Lambda leader might not adopt any of the ideas raised by the team, but by respecting them, he will be able to reshape and fine-tune his own perspective. Thus, he bases team selection not on an emotional basis, but on the ability of each to intellectually challenge and fertilise the leader's imagination. When building a team, a Lambda is concerned with the team's strength which will produce the best challenge. Such an approach might identify the champion of the day when addressing a challenge since the team actually competes on who can better face the challenge. The full responsibility lies on the leader's shoulders who must act genuinely and clearly according to his worldview. Since the entire organisation would follow his dictum, a Lambda should be aware that such hierarchical behaviour might block his team from expressing fully their thoughts. Therefore, while against his natural inclination, a Lambda should see his team members as equals and interact socially with them.

Japanese managers learned how to deal with this problem. Japan is a hierarchical individualistic society where a leader would take a personal responsibility that might even cost him his life (Nitobe, 1969). With such a high cost and to avoid harsh consequences, the Japanese learned to spread responsibility on a larger team. Nevertheless, acting as a team is in direct contrast to hierarchy. Therefore, when acting in a team, Japanese shed away all hierarchy to provide each with the necessary autonomy to express his ideas in the most honest way (Nonaka and Takeuchi, 1995).

When people impose change, it is chaotic by nature; it is often difficult to figure out the challenge and what type of change we should undertake, if any. Hence, a Lambda excels when challenge grows in an unusual way, which requires an unexpected solution. Leadership for a Lambda requires that the leader would be able to successfully challenge his creative and knowledgeable team. Tapping into the creative juices of these people enables the leader to sharpen his own way ahead.

Since change means newness, we should consider past experience carefully. Instead of looking for similarity, a Lambda looks for contrast – what was missing in the

existing knowledge that caused him to see the new change as a challenge. Being new, a Lambda does not look for a structured solution, but for a clear direction to head. A Theta might sense how the solution might look, but nevertheless, cannot express it explicitly. Therefore, a Lambda might use metaphors (which Nonaka and Takeuchi (1995:66) define as “a way of perceiving or intuitively understanding one thing by imaging another thing symbolically”) or analogies. Since metaphors benefit from images that seem unrelated at first sight (Morgan, 1980), a Lambda tends to read beyond his immediate challenge boundaries, as if invading them, and strives to offer fresh perspectives. Driven by instinct, a Lambda argues that his solution is good, and acknowledges that other options exist. Therefore, he is able to impose his choice and attitude because of his strong personality and not because of his better logic. A Lambda does not look for understanding, but for trust and enthusiasm of his peers. In achieving a goal, a Lambda proudly pronounces, “I did it my way.”

Since the perception of truth for a Lambda is a set of rules, a Lambda is not looking for a defined goal and his purpose is to define a set of rules that would move him in the right direction (Neisser, 1976). In his eyes, breaching them is a failure. In the process of acting, a Lambda constantly changes his plan as he progresses. Therefore, he tries to decipher the change and understand why the existing rules no longer work. Hence, the individual Lambda does not reflect on future vision but on his own past experience that defines a box to think outside of it so he would be able to reach a genuine change. A Lambda leader continuously and consciously develops. He seeks challenges, analyses them and learns a new lesson. However, a good solution usually reveals that the newness that the change brought was only a disguised old problem.

Relating choice-making to organisational behaviour and luxury

In reality, many members of organisations suffer from low and even crushed self-esteem. As early as 1961, Austin (1961:53) commented that “*Codes of conduct imposed by statutes or by corporate statements of policy are external in character and are prohibitive in kind. They largely consist of ‘Thou shalt not’s - psychologically unsound and, by their very phrasing, creating an attitude of suspicion on the part of the public.’*”

In other words, corporate governance tried to change behaviour without paying attention to people’s values. Moreover, since people are forced to act against their

values or worldviews, such behaviour can be financially harmful to the organisation (Collins, 2001; Collins and Porras, 2005; Jensen, 2002) and might damage the psychological integrity of the practitioner (Diamond and Allcorn, 1984).

Hence, by combining the results of the two studies discussed above, it is possible to reflect on whether the inability to follow one's worldview or to have the freedom of making choices impacts one's self esteem and their ability to cope with this pressure through the use of luxury.

Since the luxury customer has to overpay for something that is valueless to him, luxury behaviour is the antithesis of what we are accustomed to accept as economic logic. Unfortunately, companies which offer products that can be used as luxury fail to understand this concept. Even the approach pursued in the marketing of diamonds since 1939, which was based on sound luxury principles, was abandoned in 1980, brought the diamond industry to a state of almost insolvency (Mostovicz, 2006; Mostovicz, Kakabadse and Kakabadse, 2007). Other luxury producers did not fare better and even sales in Japan, which used to be the Mecca of luxury started to decline. Possible explanation could be found in the comments of Mark Lee, Gucci CEO, who explained that the company's business strategy was geared toward creating greater revenues and brand recognition through keeping potential customers in a store for as long as possible. Lee commented that this business model is the same for all luxury brands and is geared toward causing the customers to spend more in the shop (Friedman, 2006). In short, Lee did not see a fundamental difference between luxury and any other commodity and claimed that the marketing practice should result in improving the bottom-line of the marketer. Therefore, we initiated a piece of research to see whether proper marketing of luxury enhances the satisfaction of the customer as measured by the shop's financial success.

To assess whether our theoretical claim about enhancement of self-esteem through luxury is valid, we initiated several focus groups consisting mainly of people working in organisations. To date, more than fifty people have participated in this on-going study and at this stage we can present only preliminary results. We asked the attendants to explain how they cope with pressure in their organisation. We encouraged them to share their personal stories and even to comment on cases with

which they were familiar where the inability to cope with pressure led to the destruction of the organisation or to self-destruction.

To date, all participants followed a similar pattern. All coped by expressing behaviours associated with luxury, namely the needless squandering of assets such as time, money or energy. This could be taking a day off, going on vacation or on a buying spree, going for a workout instead of going home and spending time for themselves instead of their spouses and children. Some acted by stopping to relate to the pressure and shrugging off responsibility even when they knew that this might be harmful to the organisation. In other words, they decided to stop coping with pressure.

Another interesting finding was that in all cases the pressure was a result of having conflicting worldviews. People suffered not because they had to behave in a certain way but because they felt that their values had been disrespected.

One interesting case was a research assistant (a Theta) who worked both for her professor and for us, getting Lambda-type directives. She was encouraged to work on her own initiatives and to come with her findings. While a Lambda would appreciate such freedom a Theta would feel alienated, threatened and isolated. Presenting her results, she found out that they were never used. Upon telling her frustration with her professor, we commented that she had to experience the same when working with us, to which she answered, "From you, it is different". The only difference was since we knew that she was working in a pressured environment we made a point to relieve that pressure. We recognised that she might find it difficult to work on her own without clear directives and when she came with results that were eventually rejected we nonetheless made sure to show her how her work had inspired us.

Conclusive remarks

Hannah Arendt (1993) argues that authority operates between the extremes of coercion and persuasion. Authority fails when people have to be forced to obey out of fear, and it equally fails when people continuously need to be persuaded to comply. She concludes that organisations cannot function without the feeling that the force they exercise is legitimate. In other words, this force has to be granted. The question is, therefore, what the source of authority is that organisations draw upon when imposing governance rules.

Our studies demonstrate not only how people choose but also how important this choice is for them. Only through expressing their choice again and again, we can expect people to become more ethical (Mostovicz, Kakabadse and Kakabadse, 2009b). Hence, the role of top management is not to impose their point of view, whether through coercion or by persuasion. Governance by rules reflects, at most, the worldview of the rules' creator but does not guarantee that the worldview and the deep values of those affected by these rules has been respected. Increasingly, governance scholars and practitioners are recognising that in order to have effective governance, the 'rules are not enough' (Kakabadse and Kakabadse, 2007; Merson, 2010).

If we want to protect our society and render it more ethical, we should learn to listen to the other's voice and to be careful to help the other enhance his own self-esteem. Our last study reveals that no one complained about that they were overruled. This is natural in organisational life when decisions have to be taken. However, the constant complaint was that nobody was listening to them. Decision-makers have the right to make their decisions for themselves but have to remember that these decisions are based on their choice, which means that other options exist which may be very dear to others. By showing empathy and by demonstrating that the other choice has equal merit, we learn to respect and to listen to the other, which begs the question of whether we really need to govern by rules.

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Self- or rule-based governance: Analysis of choice-making behaviour

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