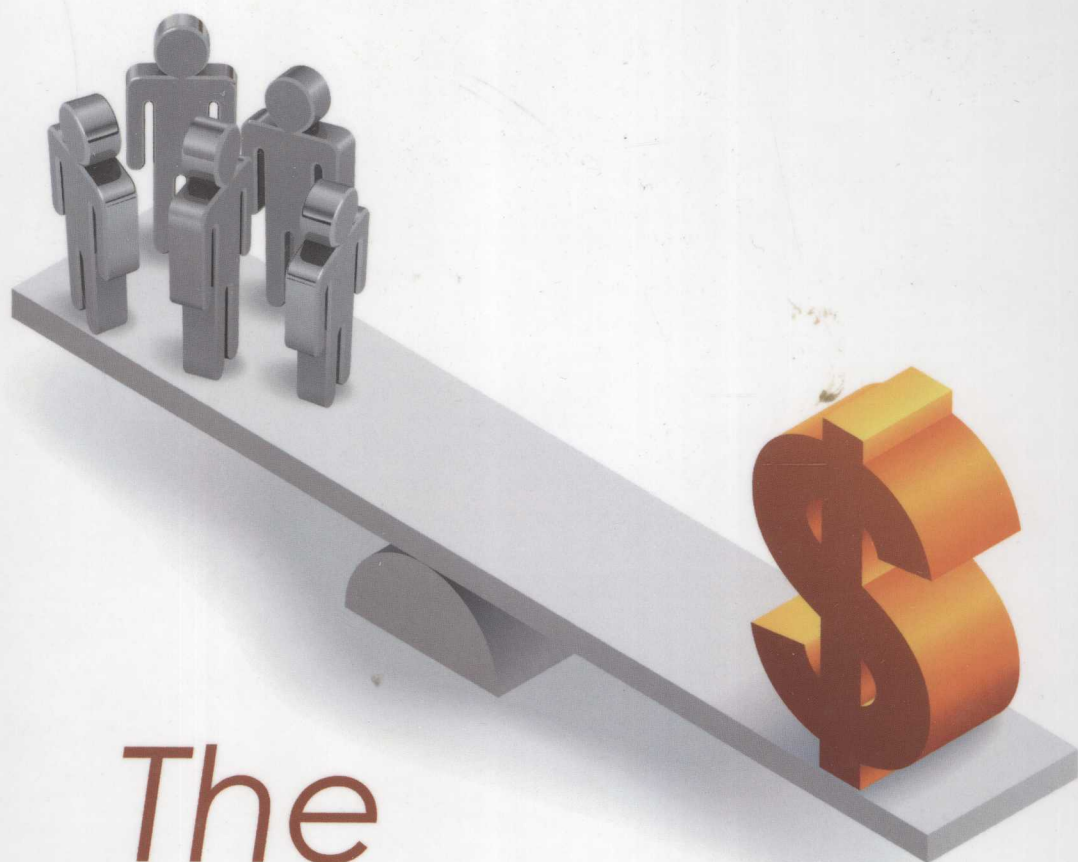


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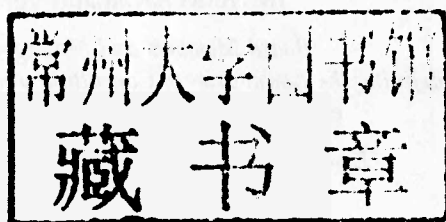
The Qualimetrics Approach

Observing the Complex Object

Henri Savall and Véronique Zardet

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Observing the Complex Object



A volume in
Research in Management Consulting

Series Editor:
Anthony F. Buono, Bentley University

Library of Congress Cataloging-in-Publication Data

ISBNs: 978-1-61735-475-5 (paperback)
978-1-61735-476-2 (hardcover)
978-1-61735-477-9 (ebook)

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Printed in the United States of America

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This book is dedicated to
Pierre Tabatoni (†), *Institut de France*
and to the memory of
the Spanish economist Germán Bernácer (1883-1965),
a forerunner of John Maynard Keynes
and
the French economist François Perroux (1903-1987)

PREFACE

Anthony F. Buono

This volume continues the commitment of the *Research in Management Consulting* series to recapture and revisit past works as a complement to our exploration of emerging trends, innovative perspectives, and new insights into the world of management consulting. As I have noted in previous books, in addition to examining what is currently happening and where we seem to be headed, it is also very useful to look back—especially across different countries and cultures—to reflect on earlier frameworks, intervention models and contributions.

This book is a translation and modest updating of Henri Savall and Véronique Zardet's original work on the "qualimetrics" approach, initially published in French in 2004. Much like we have done with Savall and Zardet's other works—*Mastering Hidden Costs and Socio-Economic Performance* (2008) and *Work and People* (2010)—an underlying goal is to continue to enhance our insights into the complexities and nuances associated with organizational life, helping to create a more comprehensive foundation for our insights into, work with, and intervention in organizations.

For those readers who are not familiar with the work of these French scholars some context is in order. I first met Savall and Zardet in the mid-1990s, through our association with the Management Consulting (MC)

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Division of the Academy of Management. My first exposure to the Socio-Economic Institute of Firms and Organizations (ISEOR) and their integrated approach to organizational intervention and diagnosis began through our collaboration during a series of professional development workshops on consulting skills for the MC Division. Working with them and other members of the ISEOR team—Marc Bonnet, Rickie Moore (E.M. Lyon), Michel Péron, and Georges Trépo (HEC)—I became increasingly intrigued by their integrative, dual focus on the qualitative and quantitative dimensions of organizational life, and the extended role of consultants as “intervener-researchers.”

The institute that Savall founded—the Socio-Economic Institute of Firms and Organizations (ISEOR), which is now one of the major French research collaborations in the study of organizational management—was launched in the early 1970s. The impetus for this initiative emerged from Savall’s belief that there is a double-loop interaction between social and economic factors in organizations, between behaviors and structures, and between the quality of life in organizations and their economic performance. When managers underestimate this dynamic interaction, the resulting tension ultimately manifests in lowered performance and increased costs, what he refers to as the “hidden costs” of organizational life.

Savall and Zardet’s ongoing work focuses on the ramifications of this reality, as dysfunctions—the difference between planned and emergent activities and functions—lead to costs that are “hidden” from the organization’s formal information systems (e.g., income statements, balance sheets, budgets) and the typical limited accumulation and observation of quantitative and financial data. The implicit realities of organizational life—the reality that what organizational members *do not say* is a significant factor in their commitment to their jobs and the organizations to which they belong—demand that we expand the ways in which we attempt to appreciate what happens in organizations. Only by delving into the depths of these organizational dynamics can we hope to fully understand—and create the basis for improving—organizational performance.

Today, Savall’s research center, which is associated with the University Jean Moulin Lyon 3, a major university that is highly ranked in the social sciences, includes a doctoral program in management science. To date ISEOR has invested more than 1,050,000 hours of research work in organizational intervention, involving over 500 individuals—professors, and doctoral students—who have been trained at the institute. ISEOR holds a prominent position among French management science research teams and has over 125 fully active intervener-researchers—with a broad reach

that extends across Europe, Mexico, Africa, and, increasingly, the United States.

After working with Savall and his colleagues over several years through the Academy of Management, I was invited to study at ISEOR headquarters in Ecully, France during an upcoming sabbatical. During my stay, I had the opportunity to immerse myself in the “SEAM” approach to organizational analysis, working closely with Savall, Zardet, Bonnet, Péron, and a host of other talented ISEOR intervener-researchers. Our 2007 coedited volume, *Socio-Economic Intervention in Organizations* (Information Age Publishing, 2007), was one result of that extended stay.

Over the years, our ongoing collaboration led to numerous opportunities for exchange and broader exposure to the socioeconomic model and its place in the organization development field. During one of our conversations, we turned to the possibility of disseminating Savall and Zardet’s earlier works to a wider audience. Beginning with the *Mastering Hidden Costs and Socio-Economic Performance* volume, which captures their innovative framework for organizational diagnosis and intervention, we felt the world of management science would benefit from the insights that were previously only available to those who were fluent in French. This volume is the next step in that collaborative relationship.

The Qualimetrics Approach: Observing the Complex Object presents a different and challenging way of thinking about analyzing organizations, one that draws together quantitative information, financial analysis, and qualitative insights into organizational dynamics. As Savall and Zardet argue, to gain a true understanding of what is happening in organizations, intervener-researchers must focus on all three perspectives, as ignoring any one of them will lead to incomplete understandings. On a (very) basic level, their approach underscores the importance of using qualitative data to validate the quantitative depictions (“the numbers”) of organizational performance in understanding the construction of financial statements. As researchers, we typically have strengths in one of these areas, although most quantitative researchers would acknowledge that the “numbers” have a qualitative side—and vice versa. Yet, as David Boje points out in his introduction to the original volume, despite these bows to the other side we know far less about how to integrate the qualitative with our financial methods. The true strength of Savall and Zardet’s approach is that it pushes us to go deeper, to fully understand the narratives underlying the numbers and the social construction of our financial assessments.

With the publication of the English version of this work, it is our hope that *The Qualimetrics Approach* will entice both the present and next generation of researchers to expand their focus, to delve into the very real complexities of organizational life in ways that truly capture the nuances, challenges, and possibilities that surround us. As with all the volumes in

the *Research in Management Consulting* series, it is my hope that the insights in this book will continue to enhance our conceptualization and practice, helping to lay the groundwork for a truly integrative approach to management and organizational improvement efforts.

PREFACE TO THE 2004 EDITION

Qualimetrics Contributions to Research Methodology

David Boje

There is no position between qualitative, quantitative, and financial methods; rather there is instead an “arriving” on the bridge, a kind of mid-dling, a refusal to take sides. The word “arriving,” for Savall and Zardet, also implies a history of interaction between qualitative, quantitative, and financial phenomenon. Savall and Zardet never complete their quest to let one amplify understanding of the other two. For too many of us in management science, quantitative and financial mean the same thing. For Savall and Zardet, the differences matter. They situate their research paradigm between empiricist and constructivist, refusing to dualize. They do not want to choose one and exclude the other. They invent a new term for their betwixt and between approach—*qualimetrics*—a bridge from qualitative to quantitative, as well as financial methodologies. Since I think this is a new metatheory, as well as new method, I would like to give it some moorings.

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Henri Savall has spent 29 years developing an alternative to the socio-technical systems paradigm, which he calls *socio-economics*. This book, with Véronique Zardet (his long time accomplice), is a detailed account of socioeconomics philosophy of research (see Savall, 2003, special issue in *Journal of Organizational Change Management*). Their challenge to traditional sociotechnical research and management science research is that neither one focuses adequately upon the financial context of change. Organizational change, for example, often explores social and technical, but leaves financial to the imagination. Management Science, while more open to triangulating qualitative and quantitative methods, has been less able to link these to financial methods. This is fundamentally a book about methodology, one that proposes to work the middle between qualitative, quantitative, and financial methods.

The distinction between quantitative and financial is that the former is about numbers, and the later is concerned with analysis. And Savall and Zardet are keen not to exclude the qualitative. At its simplest expression, there is an arriving at the qualitative validation of quantitative (the numbers) with an exploration or tracing of the translations and exchanges that construct financial statements. In management science, we know that the quantitative side has a qualitative evaluation, and vice versa; we know far less about how to integrate qualitative with the financial methods. Savall and Zardet move us deeper still, daring a look at ways one becomes the other two, and ways one traps, even tortures the others, not merely in academic research, but in organizational practice. And they provide a way out of this torture chamber by looking at the stories behind the numbers, and the social passage points in erecting analyses and accountings of the firm.

Savall and Zardet's work is related, I think, to that of Robert Gephart's (1988) ethnostatistics, to Jacques Derrida's (1991) deconstruction, Norman Fairclough's (2003a) role of language in socioeconomics of "new capitalism," and to Kenneth Burke's (1937/1957) "excluded middle." I will dance each one with Savall and Zardet's qualimetrics so that you can see how profound and important it is.

Ethnostatistics, for Gephart (1988), is the study of how statistics are constructed, displayed (or used), and interpreted by researchers. While the context of ethnostatistics is primarily in social scientific research, it can also apply to intervention-research. "Ethno" means "actual behavior" of an "informal subcultural, folk" and looks at the activities of "producers and users" of numbers (Gephart, 1988, p. 10). *Qualimetrics*, like ethnostatistics is "concerned with mundane, everyday life practices, with lay and professional knowledge necessary to implement and use statistics" (Gephart, 1988, p. 10).

Qualimetrics is an analysis of how organizational members as well as "intervener researchers" construct, use, and interpret statistics, in such

practices as accounting, evaluation, production, and finance. There are contexts involved in producing numbers for use in accounting and management reports. There is a hegemonic reductionism, where individual stories are reduced to numerical displays. And the numbers mean different storied experiences to different people. Qualimetrics seeks to recover this loss through root cause analysis, a search for the intertextuality of attributed causes and effects (see Boje, 2001, chapter on causality). This is done by a combination of observation, interview, and document study. Savall and Zardet assume that information, be it qualitative, quantitative, or financial—is always partial. For example, if people skip the interpersonal (one-on-one interview) or the observation of social behavior, and rely on the document—they find the document leaves out many things. You find you need to interview people, and they will say “and you also need a copy of this and a signature from that other person.” Similarly, staring at a chart of accounts, you find many of the numbers, with further study, are wrong, that shortcuts were made in producing the numbers. It requires interviews and further document study to get a more complete picture of the “hidden costs and hidden revenues” depicted in financial statements.

Gephart's (1988, pp. 20-21) “expansion analysis” is similar to Savall and Zardet's idea of “hidden cost and revenue analysis.” Both are ways to recover the contextuality of statistics as well as the social construction of causal interpretations of numbers. The numbers reported by accountants to managers, for example, oftentimes do not recount the technical aspects of how the statistics were produced. Transparency becomes difficult as there are many intermediaries in collection methods between customers, communities, vendors, workers, investors, regulators, engineers, and many others. In some (dysfunctional) settings, such as the recent scandals with Enron and Global Crossing in the United States, numbers are produced to be consumed, without much attention to whether the cost and revenue profiles match the underlying processes they are meant to represent. After so many recent scandals, can the ways in which the numbers are produced be trusted?

Accountants, to continue this example, are socialized to produce and display statistics in ways that may not always match the decision makers' needs for information. Environmental indicators, to list another example, may not be available, since numbers are not being collected that could represent processes that are toxic or wasteful. There is selectivity in what measures, peoples, constructs, and processes get selected for expression in charts of accounts.

Statistics can manipulate raw data in ways that invent distorted images of human and organizational performance. This is what Savall and Zardet refer to as the hidden costs and hidden revenues, which they hope to

recover through qualimetrics. The users and the producers of statistics at work have differing interpretations and assumptions. This in ethnostatistics is the “social context” of measurement and the limits of particular quantitative practices and procedures (Gephart, 1988, p. 29).

Qualimetrics is defined, then, as an intervention into the way in which numbers are produced, analyzed, displayed, and interpreted. The aim is to be more sensitive to the socioeconomic context of measurement and the (dysfunctional) outcomes of how numbers are produced, analyzed and interpreted.

While it is assumed that the researcher has technical knowledge in measurement, the practitioner has technical knowledge and experience in understanding how numbers are being generated and used. Together they can coproduce more or less sense, yet miss the embedded context of the game. For example, Fairclough (2003b) looks at how discourse imposes a new order, which achieves its reflexive process by imposing new representations of the world, such as in the “new economy” discourses.

The capitalist mode of production is historically distinctive not only for its crisis-tendencies but also for its capacities to periodically renew the bases of its economic expansion and, in so doing, to rearticulate and rescale the relations between the economic, political, and social (Fairclough, 2003b, p. 1).

Statistics is partly rhetorical, part of the business of impression management practices; it accomplishes its re-articulation through changes in discursive practices. Indicators and databases are part of creating an impression that is inherently strategic. In interventions and in practice, qualimetrics, like ethnomethodology, refers to the interpretation and construction used in write ups, such as tropes, metaphors, metonym, synecdoche, irony, and storytelling (Gephart, 1988, p. 49). And qualimetrics can be a way of looking at how capitalism rearticulates and rescales relations between social and economic (Fairclough, 2003b). This is because qualimetrics extends qualitative and quantitative practices into their financial implications.

Qualimetrics as intervention also recontextualizes how numbers are produced and read, exploring the subjectivity of their construction, the selectivity of operations applied and not applied, ways in which some content is quantified, while other content is ignored. The hidden costs and hidden revenues that result from manager and worker action are recovered in audits and investigations involving interviews, document study, and observation.

Gephart uses the term “next stepping,” how researchers reference older research (journal and books) to establish their own contribution. Similarly, in qualimetrics, the ways in which changes are a next step to prior action can be researched. Actors in organizations constitute a collec-

tive memory, which next steps upon what gets documented in written and oral resources.

Accounting and reporting practices are indexical to meaning. Indexical is a word from ethnomethodology (Garfinkel, 1967), which means to recontextualize the meaning of words, numbers, or actions. Action, for example, is meaningful in context, but aspects of that context (e.g., socioeconomic) are emergent. Meaning is bound to the context of social action. Savall and Zardet (like Gephart) are tracing and deconstructing the construction, interpretive, and rhetorical steps of the statistical producers and users. Interpretations are coproduced by the interactions of researchers and practitioners, their actions are meaningful in the particularities of context. It is through our research and intervention work that reality gets constructed.

Social and economic (socioeconomic) contexts are dynamic and changing. They are emergent, both constructing and deconstructing situations of interpretation. Stories amplify not only qualitative but quantitative context; variables rip away context needed to interpret stories; qualimetrics traces the bridging that is in the arrival.

Qualimetrics also looks at how cost and revenue production gets fudged (manipulated), arriving in reductionistic and selective ways. There is also a fudging of the interpretation accomplished by the collectivity. There are systemic ways in which entropy occurs, ways in which the processes of numeric production and interpretation are self-deconstructing, becoming less or more than the context.

Qualimetrics cuts across disciplinary boundaries; it is interdisciplinary and intertextual. This intertextuality and interdisciplinarity is also entropic, and self-deconstructing processes rival constructing ones. A great deal of absurdity, nonsense, and illusory attribution inheres in accounting, performance, quality, and other reporting systems. What on the surface is represented as entirely rigorous, after more grounded research, turns out to be a highly subjective process. Qualimetrics questions the signature-story, the story of the firm reflected in its financial and performance accounting. Qualimetrics traces the ways in which numbers torture, fragment, abbreviate, and invent stories. Qualimetrics sets many alternative stories against the dominant story of the firm, and in this way intervention researchers and participants coproduce a new story, one bridging qualitative and quantitative practices.

I see parallels in Savall and Zardet's work and that of Kenneth Burke. In Burke's *Attitudes Toward History* (1937/1957), for example, the "Law of Excluded Middle" is developed. Burke's approach involves looking at the terminological clusters on both sides of an ongoing dialectic (1937/1957, pp. 232-236). In qualimetrics the "excluded middle" is a trilectic, the terminological clusters between qualitative, quantitative, and financial.

Savall and Zardet are not proposing a “symbolic merger” of qualitative, quantitative, and financial. Nor, is it a compromise. Rather, by charting clusters, they trace trilectic clues to important ways in which one deepens and tortures the others. Three opposed logic systems (qualitative, quantitative, & financial) can be true simultaneously. What matters here is their contextualization and interaction. Fairclough’s (2003a, emphasis mine) work on “the language in the new capitalism” applies, as well, to Savall and Zardet’s work on the socioeconomic:

The common idea of new capitalism as a “knowledge-based” or “knowledge-driven” *socioeconomic* order implies that it is also “discourse-driven,” suggesting that language may have a more significant role in contemporary *socioeconomic* changes than it has had in the past.

If this is so, discourse analysis has an important contribution to make to Savall and Zardet’s socioeconomic research on the transformations of organizations.

Since dialectic and discourse-analysis are many-faceted concepts, I will try to be more precise. The point of dialectic (or trilectic) logic and thinking is to break out of the coercive and hegemonic aspects of dualistic-logic, as it is registered by discourse analysis. Merely juxtaposing point and counter-point (quantitative, qualitative, or financial) is not dialectic, it is just another form of dualism. What is important is not the synthesis, but the context of the trilectic.

Adrian Carr (2000a), for example, talks of the triad of thesis-antithesis, and synthesis. “Each triad represents a process wherein the synthesis absorbs and completes the two prior terms, following which the entire triad is absorbed into the next higher process” (Carr, 2000a, p. 213). Qualimetrics traces important interplay between the triad and the higher-order processes that construct the new working reality of “arriving.” The word “arriving” has special meaning, the dynamic interplay that never becomes static. In deconstruction and critical discourse work, this is the “resituation” of the duality beyond its situated-hierarchic hegemony (Boje, 2001). This means that neither qualitative, quantitative nor financial is put at the top of a hierarchy of knowledge.

Therefore, my reading of qualimetrics is that it changes the rules of the research game (the logic that embeds actors in their social and economic context). This is done through long-term intervention-research that keeps integrating financial with quantitative and qualitative traces of how information is produced and distributed, and how systems of reporting distort the processes they represent. The implications of Savall and Zardet’s work is that researchers need to be trained in multiple methodologies and in ways to keep expanding the nexus of qualitative, quantitative, and finan-

cial epistemology. In practice, the implication for management science is that practitioners have to wrestle with this problem. The purpose of this book, by my reading, is to help management and other social scientists, as well as practitioners, to work between and beyond methodologies.

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FOREWORD

Henri Savall and Véronique Zardet

This book puts forth a series of proposal that respond to the needs of researchers in management and social sciences. Indeed, management science is a young discipline, still seeking “common” methodologies, stable and shared. However, consensus among teacher-researchers is difficult to reach. We have observed, time and time again, the confusion of young researchers and a certain perplexity among our teacher-researcher colleagues in various situations of interteam exchange and debate. This is why we have driven dialogue for many years, with more than 300 young researchers at the Inter-University Tutorial of the Greater South, at the European Management Doctoral Circle, at the Doctoral Research Commission, and at the workshops of the AIMS (Strategic Management International Association).

This book, far from being ethereal, lays concrete foundations for dialogue between author-researchers and reader-researchers. “Actors” of research are attributed a central, pivotal role here: the key word actors of research is cited more than 300 times, that of “researcher” nearly 250 times. Key words and concepts in epistemology and methodology are largely explained, while others such as “observation, practices, processes” are introduced in leitmotif throughout the book and are abundantly illustrated.

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