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Introduction

Processes of organizational and societal change are complex. This can be demonstrated quite easily by considering the development of the Western economic recession, which provides lessons of how change processes can impact organizational behaviour. We shall take a little time to explore this.

The Case in Hand

In 2008 and 2009 the world economy experienced its worst ever financial crisis, the apparent onset of which came in 2007, and was triggered by the relaxation of the constraints on its financial institutions and their responsibility in managing debt. The major impact came initially in the United States through the development of unsecured lending that led in due course to the collapse in the sub-prime market (composed of people with questionable credit ratings who sought to secure home loans), resulting in uncountable corporate failures and financial disasters. A consequence has been the deepest recession since the 1930s (Dolphin & Nash, 2011).

The crisis resulted from a combination of complex factors that drew on the relationship between smaller-scale microeconomics and larger-scale macroeconomics (Dopfer, Foster & Potts; 2004; Goldspink & Kay, 2004; Gibson, 2008). The problematic microeconomic factors included high-risk lending by financial institutions, regulatory failures, inflated credit ratings, and high-risk and poor quality financial products designed and sold by some investment banks (Lavin & Coburn, 2011).

The crisis was aggravated by its shadow banking system, which embraces unregulated financial activities, because since it operates through rational expectation during stability it is welfare improving, but otherwise is vulnerable to crises and liquidity dry-ups when investors ignore risks (Crotty & Epstein, 2008; Gennaioli, Shleifer & Vishny, 2013; Sanches, 2014). Despite this, it is attractive to the individualists of this world who led policy formulation. As a result, US policy deregulated the provision of credit during the period 2002–2008, allowing high-risk lending and borrowing practices. Substantial changes were made to the banking industry that resulted in the relaxation of the rules under which banks operated, and the encouragement of risk-taking. In the United States in 1994 a novel relaxation was created by Congress to explicitly authorize interstate banking, permitting federally chartered banks to open branches nationwide more easily than before. Perhaps relatively harmless on its own, in addition more deregulation occurred in 1999 with the repeal of the Glass-Steagall Act of 1933. This had required that organizations concerned with investment (banks, investment banks, securities firms, and insurance companies) should operate separately, and the repeal allowed them to openly merge operations (Levin & Coburn, 2011). Developing further on such deregulatory macroeconomic policies, in 2002 the US Treasury Department along with other federal bank regulatory agencies altered the way capital reserves were calculated for banks – effectively allowing them to hold less capital in their reserves than if the individual mortgages were held directly on the banks' books. More, than two years later the U.S. Securities and Exchange Commission (SEC) relaxed the capital requirements for large broker-dealers, allowing them to grow even larger, often with borrowed funds. Having let the deregulatory genie out of the bottle only then to discover its malevolence, in 2005 SEC attempted to assert more control over the growing hedge fund industry by unsuccessfully requiring certain hedge funds to register with the agency, an attempt that was overturned in a federal Court of Appeals opinion in 2006.

This tendency towards unbounded deregulation has not been a problem for the United States alone. Countries of the European Union were also pursuing policies of deregulation that broadly paralleled those of the United States over the last score years. This resulted in the development of competitive forces and political shifts that appeared to be towards the right (Eichacker, 2012), but which are better seen as moves towards *Individualism* (Limerick & Cunnington, 1993) with political right tendencies. Individualism has its own particular properties that are often associated with the political right, but could also be embraced by the political left. This conceptual shift offers opportunity to create a more macroscopic perspective on the crisis. Individualism is the doctrine that all social phenomena (their structure and potential to change) are in principle explicable only in terms of individuals – for instance, their properties, goals, and beliefs (Oyserman, 2002). In contrast, *Collectivism* is its polar opposite, and relates to people coming together collectively to act unitarily through normative processes in order to satisfy some commonly agreed and understood purpose or interest. Agencies that adopt varieties of Individualism or Collectivism have realities that are differently framed, maintaining distinct ontological and epistemic boundaries. These constitute frames of view which create barriers to the development of coherent communications. In political regimes that embrace Individualism, political policy making is guided by its principles that support the freedoms of the individual above the collective, and the obverse for Collectivism. Individualism and Collectivism are strategic orientations that are dynamically interactive polar opposites which are responsible for creation of fundamental policy provision vectors that determine the character of a society. Following Triandis (1988), Ball (2001) undertakes a study that indicates that Individualism and Collectivism will both influence the course of economic development, while economic growth, in a way that is dependent on its initial conditions, and changes in economic structure will alter the orientation of the society towards one of these strategic orientations. How this occurs is of particular interest. Allik & Realo (2004: 46) note Hofstede's (2001) demonstration that wealth creates Individualism (not that Individualism creates wealth). This is supported by Inglehart & Oyserman (2004: 37), who note that 'Individualism is not a static individual-level psychological attribute but is closely linked with processes of socioeconomic development.' However, for Veenhoven (1999: 4) there is not a one-to-one relationship between economic development and Individualism, since 'Individualization is not adequately measured by economic development,' and that interestingly '. . .individualization is detrimental to the quality-of-life' (Veenhoven, 1999: 13). None of these studies actually *equate* economic development with Individualism. Indeed, there seems to be evidence contrary to this, when Triandis, Bontempo, Villareal, Asai & Lucca (1988: 328) tell us that *both* Collectivism and Individualism may be associated with low economic development. This suggests that it is not Individualism or Collectivism per se that are related to economic development, but rather shifts from one of these cultural conditions (Sorokin, 1937–42) to the other. This is supported by Leung et al. (2005: 362) who note that Inglehart and Baker (2000) 'showed that. . .. economic development was associated with shifts away from traditional norms and values towards values that are increasingly rational, tolerant, trusting, and participatory'. Whatever constitutes such 'rational, tolerant, trusting, and participatory' behaviour is, presumably, a function of the dominantly prevailing cultural condition of an agency. So, if it is the case that the relationship between Individualism/Collectivism and economic development centres on the shift from one to the other, the question must be raised as to what is happening when this occurs. Well, one response is that Individualism/Collectivism are not only cultural conditions, but are also politically strategic orientations that are responsible for distinct alternative policy pathways, so that whichever strategic orientation comes to power, a shift in policy framework is to be expected which will in turn interact with economic development. Now if we assume that economic development (when it occurs) is responsive to continuity in policy orientation, then it is likely to suffer when a policy framework shifts. This is implicitly supported by Lent (2009), who explains, through the exploration of Perez (2002) in evolutionary economics, that a policy framework is important and its shifts can be related to economic crashes. While the context of Lent's and Perez's studies relate the rise of new technology, the relationship between policy framework and economic development still stands.

Thus, it seems to be a conclusion that the rise of a renewed Western political culture of Individualism, probably around about three decades ago, with its attendant policy shifts towards deregulation, can be seen as being ultimately responsible for the economic crisis of 2007/8. This implies that it is not deregulation that is responsible for the recession as such, but rather the fundamental policy shift to deregulation that developed more or less over the last score years. If this is so then it is likely to be because the financial organizations that were participant in deregulatory dynamics had not obtained any ideological or ethical appreciations that would enable them to grasp the consequences of their actions towards excessive unbridled greed, having not developed any meaningful norms of self-control in this respect. There is another facet to this argument. Following Sorokin (1962), the rise of either Individualism or Collectivism is tied to particular cultural orientations which likely change cyclically in relation to each other. When a cultural orientation is unstable, shifts in strategic orientation can more easily occur. Where a cultural redirection is sufficiently strong, policy orientations may be dramatically shifted, thereby resulting in an impact on economic development and implying the likelihood of another recession. At this juncture, it may be worth noting that Individualism/Collectivism may be seen as approximations to collective social mind sets, and as such it is not surprising that they are not easy to distinguish as an explicit part of a sociocultural dynamic.Let us move from a macroscopic reflection to one that is more microscopic. The 2007/8 economic crisis provides an illustration of the dramatic situations that can arise when the idealistic deregulatory trails of Individualism and partisan patterns of macroeconomic policy develop in a previously more Collectivist society. This leads to unbridled microeconomic dynamics that highlight policy failure. Such policy sets the scene for a crisis that involved: (1) conflicts of interest in regulatory bodies, (2) inadequate control processes (e.g. the failure of regulators, the credit rating agencies, and the market itself) and no control of financial excesses, and ultimately, (3) the use of the wrong models to guide control processes (Levin & Coburn, 2011).

A vivid illustration of the problem of conflict of interest in regulatory bodies was provided by the Enron Scandal (Teather, 2002). Enron was a US energy, commodities, and services company that employed 20,000 people. The scandal occurred in 2001, and concerned the falsely reported financial condition that constituted accounting fraud, with the passive assistance of its auditors. This was undertaken systematically and was creatively planned. The demised company has now become an exemplar for wilful corporate fraud and corruption.

This type of problem also arises in industries within which organizations are required to self-regulate, as has been the case in the news industry, which has been exposed to have issues connected with criminal behaviour and corruption (Marsden, 2012; Parliamentary Report, 2012), and the banking industry, where there is often a benchmark of cosiness, and where a *nod and a wink* are seen to be sufficient controls (Parliamentary Commission, 2012). For Ferguson (2010), the conflicts of interest referred to in this case are also reflective of the development of corrupt practices, which imply issues of ideological and ethical drift. An argument to support such a view can be made quite easily by looking for recent evidence of corrupt banking practices, not so difficult to find if one considers the remark by the UK Member of Parliament Steve Collins, who publically in 2012 referred to the banking industry as a sewer of dishonesty. As illustration, Barclays bank was fined £290m in June 2012 by the Financial Services Authority in the UK and the Commodity Futures Trading Commission and Department of Justice in the United States. It seems that for four years (2005–2009) Barclays lied about the interest rate it had to pay to borrow, to make the bank look more secure during the financial crisis and, sometimes working with traders at other banks, to make a profit. As a consequence of its unethical behaviour, Barclays lost its Chairman, Chief Executive Officer, and Chief Operations Officer, forced to resign from office for corrupt practice in relation to Libor by public pressure and the UK and US authorities. Libor is the London InterBank Offered Rate, the average interest rate estimated by leading banks in London that they would be charged if borrowing from other banks. Libor is determined by a daily poll carried out on behalf of the British Bankers' Association that asks banks to estimate how much it would cost to borrow from each other for different periods and in different currencies.

Beyond Libor, Stibor (Sweden's main interbank rate), Sibor (the leading rate in Singapore), and Tibor (the rate in Japan) have been among other rates facing fresh scrutiny because, like Libor, they are based on banks' estimated borrowing costs rather than real trades. In some cases these rates may be easier to rig than Libor, as fewer banks contribute to their calculation (Vaughan & Finch, 2012). Regulators and industry groups have been interested in determining whether other benchmark rates have been manipulated similarly. Thus: Sweden's central bank, the Japanese Bankers Association, the Monetary Authority of Singapore, and South Korea's Fair Trade Commission all announced probes into how their domestic rates are set; traders at Deutsche Bank, HSBC Holdings Plc (HSBA), Societe Generale SA, and Credit Agricole SA have been under investigation for interest rate manipulation. Yet more, Citigroup Inc. and UBS AG were also ordered to suspend some operations in Japan in December 2011 after the Financial Services Agency found their employees attempted to influence Tibor to a 'favourable level' for derivatives trading. Citigroup was banned from any trading for two weeks – tied to Libor and Tibor, as was UBS, which received a one-week suspension. While interest rate fixing seems to be an easy target for banks, it is not the only area of possible corrupt practice. JPMorgan Chase, the largest US bank, was being investigated for energy-market manipulation (Klimasinska & Kopecki, 2012), while the US-based HSBC bank was accused of drug money laundering (Reuters, 2013). Bankia too, a leading Spanish Bank, was being investigated for practices of fraud, embezzlement, and stock price manipulation. Among those accused of being involved was Rodrigo Rato, the bank's former chairman and the International Monetary Fund's managing director from 2004 to 2007 (Minder, 2012). Suggestions have been made that the banking system appears to operate as a cabal.

Reflections on the Crisis

The case of the crisis provided above offers some indication of the complexity of social environments and how what appear to be simple if accumulating policy change can have dramatic impacts on organizational and social dynamics. There is some validity, therefore, in examining aspects of the case to enable considerations to be made in relation to the theme of this book.

A number of problems were identified earlier in the case study. These included conflicts of interest, the wrong model which decomposes into a question of agency and a structural issue, and issues of control.

Conflicts of interest in regulative bodies (as well as those that they regulate) require regulative control processes to avoid the development of corrupt practices. A conflict of interest is:

> . . .a set of conditions in which professional judgment concerning a primary [professional role] interest. . .tends to be unduly influenced by a secondary interest (such as financial gain). The primary interest is determined by the professional duties. . . the secondary interest is usually not illegitimate in itself, and indeed it may even be a necessary and desirable part of professional practice. Only its relative weight in professional decisions is problematic. The aim is not to eliminate or necessarily to reduce financial gain or other secondary interests (such as preference for family and friends or the desire for prestige and power). It is rather to prevent these secondary factors from dominating or appearing to dominate the relevant primary interest in the making of professional decisions. . .It is also a mistake to treat conflicts of interest as just another kind of choice between competing values, as occurs with ethical dilemmas involving. . .[for instance, issues of economic, social or cultural profiteering, or of] confidentiality. . .. To do so dilutes the concept of a conflict of interest and encourages the attitude that conflicts are so pervasive that they cannot be avoided. In ethical dilemmas, both of the competing interests have a presumptive claim to priority, and the problem is in deciding which to choose. In the case of financial conflicts of interest, only one of the interests has a claim to priority, and the problem is to ensure that the other interest does not dominate. This asymmetry between interests is a distinctive characteristic of conflicts of interest (Thompson, 1993: 573).

It is thus apparent that conflicts of interest need to be addressed within a strategic environment through an appropriate regulatory framework. To identify such a framework, there is a need to obtain an improved understanding of the nature of conflicts of interest, and a clearer formulation of standards that could respond to the problems that this presents. Such an improved understanding can be provided by exploring the boundary issues that distinguish between primary and secondary interest, as provided, for instance, by Ulrich (1983) in his methodology referred to as *Critical Systems Heuristics* (CSH). CSH has been defined as a framework for reflective professional practice that is organized around the central tool of boundary critique (Ulrich & Reynolds, 2010). From the principles espoused in CSH, one can impute (from Ulrich, 2005: 4) that boundary critique attributes relating to conflicts of interests and their oft-associated corrupt tendencies can be addressed by:

1. *Identifying* the sources of selectivity that condition a conflict of interest by surfacing underpinning boundary judgements.
2. *Examining* these boundary judgements regarding their practical and ethical implications and the differences they make to the way a situation in question may be perceived by others.
3. *Finding options* for determining the reference system that conditions a potential conflict of interest, by giving alternative answers to some of the boundary questions, since such a referencing enables an appreciation of selectivity.
4. *Consulting with relevant others for mutual understanding* regarding different reference systems and an approach towards the coordination of distinct perspectives.
5. *Where necessary challenging* alternative perspective through the emancipatory use of boundary critique.

In relation to the comment that the 'wrong model' was being used by regulators, reference is being made to the specific financial models. These relate to the following financial issues: the lack of use of relevant mortgage performance data; unclear and subjective criteria used to produce ratings; failure to apply updated rating models to existing rated transactions; and a failure to provide adequate staffing to perform rating and surveillance services, despite record revenues. However, the comment relating to the wrong model could as well refer to the general model of the organization, which if incorrectly adopted by an organization can lead to failing business practices. This latter situation is reflected in an inability of main stream organizational theory to predict problem issues or crises (Alvesson & Willmott, 1996; Clark, 2000).

The 'wrong model' problem does not only refer to the 'business model' of an organization that reflects expected inputs and outputs. Rather, it is a ubiquitous one affecting all forms of inquiry, analysis, and diagnosis, and it often occurs when the context of what one is exploring is not commonly well-defined or understood. This suggests a need to appreciate how models are created and how they can be made relevant to contexts. One of the core features of model building is ontology. This has two dimensions of philosophical question: one of *agency* and one of *structure*. We shall briefly consider each of these in turn.

The agency question refers to whether people have free will and whether they are wholly responsible for their own actions, or whether life is predetermined in some way (Hatch & Cunliffe, 2006). This draws on the philosophical arguments of whether what one sees may be subjectivist or objectivist or some place between them. Subjectivists occur at one end of the reality continuum in their belief that something exists only when you experience and give it meaning, while objectivists believe that reality exists independently of those who live in it. Subjectivists argue that people experience realities in different ways because individuals and groups have their own assumptions, beliefs, and perceptions that lead them to do so. Objectivists argue that people react to what is happening around them in predictable ways because their behaviour is part of the material world in which they live and it is determined by causes. However, also associated with the agency question is whether an agency is (more or less) autonomous, often associated with the ability of an individual or group to (among other things) create their own realities – and in so doing reflect their behaviours on epistemic elements that result in the pursuit of their own goals, respond to a changing environment through adaptation, and self-organize.

The structural issue embraces the philosophical study of the kinds of entities that exist in reality and their relationships (Floridi, 2003), which should provide clear, coherent, and well-worked accounts of the basic structures to be found in reality (Lowe, 2006). This can be expressed through ontology, which refers to a category of being, and to its related general or formal relationships that can be identified (Spear, 2006). Here, set within an information context, these relationships affect the way in which information is or may be organized. In the case that there is a plural set of categories of being, an entity has an ontologically plural nature with ontologically distinct components. Where these components are in some way connected, their interconnecting manifolds determine the way in which that ontological information is recognized. The structural issue for an entity with a plural ontological nature then relates to the relationships that define it, and the way in which information is organized and manifested across its ontological dimensions.

This explanation takes the structural dimension to be one of ontology. It is core to the development of theory, and from a pragmatic perspective this needs to be sound. Soundness in turn calls on theory coherence. Coherent theories are logically interconnected sets of propositions, built on a set of basic

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concepts that can weave together to form paradigms, though not all theories have developed paradigms. Where the theories are related to limited contexts and arise from particular narrow perspectives of inquiry, then the nature of the propositions and the interconnections between them can be classified as idiosyncratic. Such theories thus have an internal structure differentiated through the creation of universals and their sets of particulars.

In contrast, paradigms form for sufficiently broad contexts that arise from wider perspectives and where support is offered by populations of inquirers. So paradigms are social phenomena as much as theory ones. When theory builders attach themselves to a given paradigm their capacity to create variations from the base structures becomes increasingly limited as the paradigm develops. With this, committed paradigm holders exclude other structures and reject alternative paradigms. Where the contexts are limited the capacity of the theory to represent broad aspects of reality is bounded, and so a paradigm may not form. In contrast, where theory is created that supports generic principles for open themed contexts, then meta-theory develops which may form into a meta-paradigm.

This situation can be related to organization theory. It is a discipline that can be identified through three theoretical and practical components (Hatch & Cunliffe, 2006). These are *organizational structure and environment*, *management and purposive behaviour*, and *organizational change and dynamics*. There has been a failure of organization theory to develop a coherent horizon of theory (McAuley, Duberley & Johnson, 2007), with extreme fragmentation and no agreement concerning the underlying theoretical dimensions or methodological approach to be employed. This failure has not given rise to new meta-paradigms capable of formulating new ideas (Clegg et al., 2006). One can surmise the reason for this. Organization theory is passing through a dynamic process of change, and has hit a mode of reconstruction that some might refer to as its chaotic ante-narrative stage of development (Boje, 2011). An outcome of this can result in one of three options: a return to traditional intellectual orthodoxy (Clegg et al. 2006), the development of a new meta-paradigm, or the demise of organization theory due to its irrelevance.

The problem of control, and by association the communications processes that are crucial to it, is another central issue: and this is the natural domain of cybernetics. So, one way of satisfying the needs for modelling control processes is through the creation of a cybernetic meta-framework capable of representing a theory of meaning through the construction of meta-theory (Oakley, 2004), an idea that we shall return to in due course. Meta-theory provides the capacity to connect knowledge-related models that might normally not be associated with one another. For the purposes of control and communications, probably the most useful meta-theory is one of cybernetic agency. This approach is normally interdisciplinary and through a cybernetic perspective it is concerned with the control and communication features of coherently controlled (systemic) structures and their regulation that are essential to all social contexts. It is also normally concerned with agency 'circular causality', i.e. action by an agency in an environment that in turn draws consequences to itself from the environment. This process occurs through information feedback, which in turn can affect the way the system then behaves: that is its dynamics. This cybernetic frame of reference can be formulated to create a general 'living system' meta-model that if culture based, can draw on a variety of particular context-sensitive models.

Such an approach would necessarily be bedded on a complete understanding of the nature of communications, as has been developed within previous sociological work concerning the normative nature of organizations, composed as they are of collectives of individuals working together according to some purposes that influence both individual and collective behaviours. The sociological work referred to is driven towards an understanding of how social groups form and maintain themselves. It connects psychology of the individual with social psychology of the collective. It also involves the concept of life-world originally proposed by Husserl (1950), and after Habermas (1987) is taken as a mental meeting place where a group of worldview holders participate in structured communications according to some cognitive interest or purpose that can result in plans and decisions. It is a place where autonomous agencies maintain their proprietary local worldviews, and communicate with intention over a theme. The communications are structured to enable coherent participation of the worldview holders. This enables them to make sense of the acts of communication that occur in relation to other acts. The communication occurs through the transmission of meaningful symbols that enables the possibility of meanings to be embraced by worldview holders, and occurs through both information and knowledge migration. Information migration arises through the principle of hermeneutics (Heidegger, 1978; Baecker 2001, p. 66): the philosophy and methodology of text interpretation describing how information is communicated between agencies. Luhmann (1995) (as explained by Seidl, 2004) adopts the hermeneutics principle within the context of his communication theory of social (living) systems. Here, information around a theme is manifested in one worldview from others, and meanings then arise. To understand how this occurs requires the idea of knowledge migration. The information that is contained in messages is knowledge laden, i.e. its frame of reference is worldview knowledge belonging to an autonomous agency through which understanding and meaning develop. While the migration of information results in the accumulation of related thematic information, under certain conditions knowledge can then emerge. It is this emergence that is meant by the term knowledge migration, a potentially complex dynamic process that is susceptible to uncertainty, and that may or may not result in the