Leading Contemporary Organizations

Why do organizations fail? What hinders otherwise responsible leaders from recognizing looming disasters? What prevents well-intentioned people from responding properly to an emerging crisis? Using systems psychodynamics to analyze an array of international crises, award-winning author Amy L. Fraher explores ethical challenges at Silicon Valley tech companies, the Wall Street implosions that led to the 2008 financial industry crash, societal crises such as 9/11 and a wide range of social crises, policy failures, and natural disasters, offering a crisis management philosophy applicable in diverse settings. Rather than viewing crisis as an anomaly that cannot be anticipated, Fraher persuasively argues that crises can, and should, be embraced as naturally occurring by-products of any organization's change management processes. If leaders do not proactively manage organizational change, they will inevitably manage crisis instead. This accessibly written book will appeal to business students and researchers studying leadership, change, and crisis, as well as progressive-minded business leaders keen to improve their own organizations.

Amy L. Fraher is a retired US Navy Commander and Naval Aviator, and a former United Airlines pilot, who is currently serving as head of department in the Southampton Business School in the UK. She has authored several books, including *Thinking through Crisis: Improving Teamwork and Leadership in High-Risk Fields* (Cambridge, 2011) and *The Next Crash: How Short-Term Profit Seeking Trumps Airline Safety* (2014).

Leading Contemporary Organizations

Psychodynamic Perspectives on Crisis and Change

Amy L. Fraher

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Preface

Few people have the imagination for reality.

Johann Wolfgang von Goethe (1749–1832)

Some people are able to be more honest with themselves than others.

Isabel Menzies Lyth (1917–2008)

Although terrorism, war, natural disasters, displaced populations, political instability, climate change, and life-threatening product failures have challenged society to think differently about risk and uncertainty – honestly imagining a new reality – few books have attempted to provide a more nuanced exploration of the psychodynamics behind such crises. In the 1990s, the US Army War College adopted the term 'volatile, uncertain, complex, and ambiguous' (VUCA) as a way to describe the emerging post–Cold War global environment in which change often leads to environmental instability (i.e., volatility), operational unpredictability (i.e., uncertainty), a cascading of unknown variables (i.e., complexity), and likelihood for misdiagnosis (i.e., ambiguity).[1] The idea of VUCA quickly spread to the business world, where many contemporary organizations are struggling to gain traction in a twenty-first-century marketplace that challenges them to flatten, globalize, network, and innovate, or else risk annihilation. Today, a Google search of the term VUCA identifies almost 3 million Internet hits.[2]

In response to the challenges of living in a VUCA world, management and organization studies scholars note the need for business leaders to understand how to deal with uncertainty, manage ambiguity, think critically, and perform ethically during challenging periods of volatility and crisis. Yet universities, in general, and business schools, in particular, rarely offer formal crisis management courses. If they do provide crisis instruction at all, it is typically tangentially covered during the study of other organizational challenges such as economic downturns, societal attacks, natural disasters, ethical lapses, communication failures, reputation damage, or loss of market share.[3] Similarly, business management textbooks rarely present a formal definition of crisis or pay much attention to managing during uncertainty, leaving classroom instructors to

find ways to integrate these important topics into already time-pressed courses primarily focused on other subjects such as strategy, communication, public relations, organizational behavior, or human resource management.[4]

International business schools and their management education programs continue to receive criticism from both inside and outside academia about the disconnect between what they teach their students and which skills contemporary organizations need management graduates to possess.[5] Described as facing a "crisis in management education," business schools are accused of "failing to impart useful skills, failing to prepare leaders, failing to instill norms of ethical behavior – and even failing to lead graduates to good corporate jobs."[6] And rather than helping students develop skills in the practice of managing, contemporary management education more often emphasizes profitability and business functions such as ways to improve shareholder value and increase managerial bonuses.[7]

One cause of this shift away from the practice of managing is that within business schools, research produced for other academics is often deemed more rigorous and important – and therefore less relevant for practical purposes – and scholarly materials developed for practitioners are often viewed as less rigorous and academically sophisticated, regardless of the actual contributions in both situations. Admittedly, this critique is not entirely new. Almost thirty years ago, academics observed that, as in law schools and medical schools, pedagogy and management research in business schools should be motivated by the problems that frontline practitioners face in real organizations. In reality, neither research nor pedagogy is often motivated in this way.[8] However, what is new in contemporary debates about 'rigor,' 'relevance,' and business school 'pedagogy' is a recognition of the risky repercussions associated with flawed management education programs. Scholars note that bad management theories have destroyed good management practices by legitimizing destructive leadership behaviors that have contributed to nearly every recent crisis in the last fifty years.[9]

The Aim

In this book, I suggest that one way to address this crisis in business education and management research is through development of a new crisis management philosophy. Studying crisis provides researchers with a unique opportunity to address the pedagogical crisis in management education, focusing on VUCA skill development and thereby providing
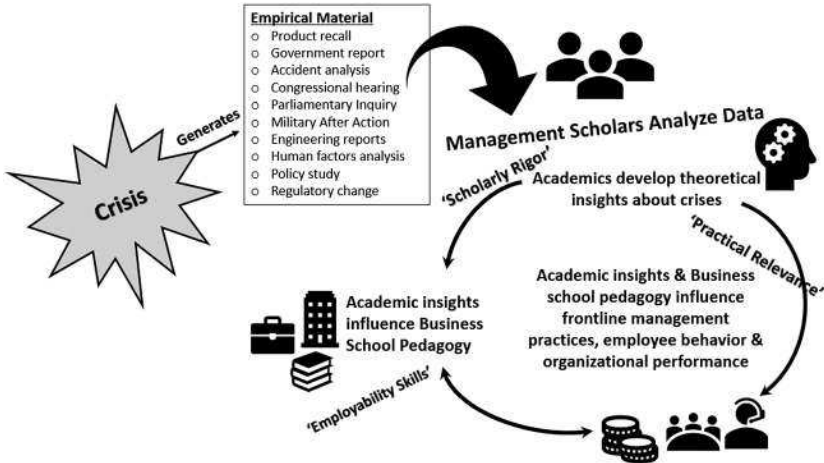
Figure 0.1 Bridging the divide between scholarly rigor and practical relevance in business education and management research

the employability skills that graduates need, as well as bridging the divide between scholarly rigor and practical relevance. As Figure 0.1 demonstrates, crises often produce a plethora of reliable empirical material assembled by experienced professionals and government officials, which researchers can analyze – for example, Congressional hearings, Parliamentary inquiries, Government Accounting Office investigations, National Transportation Safety Board reports, product recalls and military after-action reports, as well as videos, photographs, news footage, interviews with survivors, engineering studies, and simulation reenactments. Management and organization studies scholars can interrogate these data to help identify the underlying causes of crises and discover how crises evolve over time, which factors escalate and deescalate crisis situations, how people can best respond to crisis, and how organizations can evaluate and learn from outcomes. Using this empirical material, academics can develop theories about crisis and publish insights that have both scholarly rigor and practical relevance for frontline management practices, employee behavior, and organizational performance. Academic insights can also be used to inform crisis management pedagogy and improve business education, providing students with opportunities to develop the workplace skills that employers seek. Thus, a pedagogical approach based on the case study analysis of real-world organizational challenges can lead to both refinements of our

theoretical understanding of the evolution of crisis and the development of practical VUCA skills to address them.

Another aim of this book is to suggest that crisis management education is not best served by defining crisis as an event that results from the unpredictable, exceptional, and unexpected. Rather, I propose adopting a different approach to studying crisis can better serve crisis management education by illuminating the ways that crises result from an accumulation of organizational imperfections that, for a variety of reasons, are often allowed to incubate and escalate, sometimes for years.[10] As one crisis management scholar observes, a key challenge in teaching crisis management is deconstructing "the popular perception that crises are rare, improbable, and unpredictable phenomena, often leading individuals to feel powerless and fatalistic."[11] Similarly, I believe that it is fundamentally flawed to claim that crises always emerge 'out of the blue' from ambiguous causes. This book will demonstrate that people did predict many of the recent crises we have encountered with ample time to address the root causes, including the September 11, 2001, terrorist attacks,[12] the 2005 levee failures during Hurricane Katrina,[13] and the 2008 financial industry collapse.[14] However, for a variety of reasons, leaders did not respond properly to the warning signs to prevent the looming disaster.

Although numerous books have been written about organizational behavior, managing change, and dealing with crisis, few books have attempted to bring these concepts together through the psychodynamic study of leadership in organizations. This book makes a unique contribution by differing from other books in the following ways.

First, this multidisciplinary book brings together literature, theories, frameworks, and case studies from seven previously distinct areas of research and pedagogy – psychoanalysis, leadership, communication, organization studies, change management, crisis management, and disaster analysis – to introduce new perspectives on leading contemporary organizations.

Second, this book rejects assumptions that many studies of change and crisis adopt – namely, that change is a temporary period of organizational transition from one stable state of operation to another and requires top-down managerial control efforts to be successful, and that crisis emerges suddenly and without warning. In doing so, this book eschews change management models that offer a 'universal solution' approach based on prescriptive steps and stages, and crisis management definitions focused on managing spin and mitigating organizational responsibility and reputation damage.

Third, this book differs from previous studies of leadership, crisis, and change by investigating the following question: What if managing change and crisis was not a process to be controlled and feared, but rather a leadership challenge to be embraced as a natural aspect of organizational life? By adopting this view, change can be seen as part of a revitalization cycle that keeps companies vibrant and viable in today's dynamic, globalized, fast-paced workplace. Effectively managing change is one way to avoid organizational crisis.

Fourth, by adopting a psychodynamic perspective, this book investigates organizations and *organizing*, leadership and *leading,* change and *changing*. This more process-oriented vocabulary can better identify active patterns of organizational behavior, thereby linking action and outcome, and capturing the emergent interrelated nature of leading and managing change and crisis. Although other authors have argued that organizations contain both conscious and unconscious dynamics, few books have offered a way to operationalize this view in the study of crisis.

Finally, in this book I join other critical management scholars in their interest in writing differently.[15] "'Writing differently' is concerned with broadening, widening and deepening knowledge and understanding by giving our ideas space in which they can flourish, create new meanings, help us learn and become human."[16] In this book, I attempt to bridge the divide between scholarly rigor and practical relevance by weaving academic theories with empirical materials gleaned from a range of nontraditional sources, with an aim to present scholarly knowledge in a more accessible way and unleash new insights that may prove useful to a wide range of people. Thus, a universal aim throughout this book is to challenge dominant assumptions and largely unquestioned ways of framing, analyzing, responding to, learning from, and writing about crisis, and to offer alternative viewpoints.

The Philosophy

The ideas within this book represent a philosophy about leadership, change, and crisis that has evolved in my mind over the past thirty years. During that period, I completed several formal leadership training programs, including US Marine Corps boot camp, US Navy Flight School, and United Airlines Crew Resource Management training, as well as earned a doctorate in the academic study of leadership and completed several psychodynamically informed group training workshops. To that list of structured educational programs, I add an extensive amount of

'on the job' leadership experiences – as a pilot, military officer, academic program director, and head of department – that have informed my current thinking as an international business school professor.

During my doctoral dissertation research almost twenty years ago, I investigated psychodynamic methods of group study and interviewed key leaders in the field, one of whom was Isabel Menzies Lyth.[17] Isabel was a psychoanalyst and central figure in the development of social defense theories and Tavistock methods of group study in London in the post–World War II period.[18] She was an analysand of Major Wilfred Bion, who was trained as a psychoanalyst by Melanie Klein, an early protégé of the 'father of psychoanalysis' Sigmund Freud. I traveled to Isabel's home in Oxford, England, several times during my studies to speak to her about her career and work, and we engaged in deep discussions about the psychodynamics of group life.[19] During one of our conversations, Isabel responded to my probing about how – and *why* – dysfunctional psychodynamics become so prevalent in organizations with a very succinct statement: "Some people are able to be more honest with themselves than others." I have been on a quest ever since to unpack this statement further in my own research.

I think Isabel meant that some people can see organizational psychodynamics more clearly and tolerate the associated sense of chaos more honestly, maintaining the ability to think and act in the present to a greater extent than other people can. These chaos-thrivers do not just succeed in ambiguous and chaotic contexts but positively thrive in them, seeking out uncomfortable situations that most of us try to avoid. Rather than focusing their energy on containing the chaos in these environments, chaos-thrivers tap into cues that trigger an increase in mindfulness, which fosters creative leadership processes that lead to innovative solutions.[20] In contrast to a presumption that reliability results from stable hierarchical environments in which human operators are controlled through close supervision and rigid procedures, in this book I propose that a flexible and less hierarchical approach improves performance in ambiguous environments by enhancing mindfulness. In this environment, employees can be less focused on avoiding failure and the blame that often accompanies it, and more focused on learning from failure.

Isabel's theories explain how emotions have a powerful influence on group behaviors and how organizations develop complex social defense systems to contain anxieties and other uncomfortable feelings related to work and workplaces.[21] The paradoxical challenge is that leaders must feel these complex emotions while simultaneously containing the

debilitating side effects so that they can continue to function, and use these emotional data to inform thinking and actions. However, as Goethe famously observed, "few people have the imagination for reality."

The Audience

This book is a scholarly research monograph, but not exactly a textbook. Although it is designed with international students in mind, progressive-minded business leaders will also find the book thought provoking. With vivid case studies and practical examples from around the world, it is designed to be accessible to a diverse group of business students, practitioners, and managers, aiming to deepen their understanding of leadership, change, and crisis and prepare them to improve their own organizations, as well as to researchers interested in studying the phenomenon. When writing this book, I did not assume the reader would have an extensive knowledge of any particular academic field. Therefore, it could be helpful for a range of people in organizations and academia. Instructors might find this text an excellent companion book for advanced undergraduate students studying leadership, change, organizational behavior, or crisis, and for master's human resource management and MBA students in international university business schools and schools of management. In addition, it could be a valuable text for use in executive coaching and psychodynamically oriented consultancy training programs, both within and outside universities. Outside the business school, students in engineering, aerospace, medicine, the military, or criminal justice who are studying organizational behaviors and human factors could also benefit from the book's perspective.

The Format

This book can be roughly divided into four types of chapters.

Critiquing Academic Approaches

One set of chapters aims to critique widely accepted and largely unchallenged academic theories about change and crisis, establishing the novelty and originality of the approach adopted herein (Chapters 1, 2, and 3). For example, in Chapter 1, I argue against academic definitions of crisis that infer a good crisis manager is like a lucky football quarterback, dodging danger until he can throw a desperate 'Hail Mary' pass, just in

time to avert disaster. Instead, I suggest, successful crisis management is a holistic process that happens in day-to-day organizational life by creating a climate in which employees feel comfortable speaking up, voicing concerns, and asking questions, particularly during periods of uncertainty.

Chapter 2 introduces system psychodynamics theories as a way to unpack organizational psychodynamics. It proposes that successful crisis management is a 'now skill' that requires conviction, self-discipline, emotional awareness, and an unwavering commitment to staying present, no matter what unfolds.

Chapter 3 further explores the psychodynamics of crisis by comparing and contrasting traditional definitions of change and change management models, and several different management and organizational studies theories. The analysis demonstrates how change and crisis are often linked in the day-to-day leadership of the workplace: organizations that are not effectively managing change will inevitably be managing crisis instead.

Collectively, these chapters will have a wide audience appeal and could be used as supplemental readings in 'critical' university classes.

Applying Psychoanalytic Theory

Another group of chapters directly applies psychoanalytic theories to understand links between change and crisis in contemporary organizations (Chapters 5 and 7). For example, Chapter 5 investigates Sigmund Freud's psychoanalytic construct of the Oedipal complex as a way to analyze how flawed sensemaking and inadequate problem framing can impact the range of solutions perceived to be available during an unfolding crisis, often with disastrous consequences. Chapter 7 explores some of Freud's earliest theories about the formation of self as a way to consider how contemporary organizations can offer people a way to regress to a period of 'primary narcissism,' allowing them to empower their id in increasingly risky ways, from aggressive Wall Street trading to dangerous bungee jumping. Organizational psychology students and organizational consultants may particularly enjoy this material.

Ethics, Jolts, and Power

A third group of chapters apply other academic theories to further analyze the psychodynamics of crisis (Chapters 6, 8, and 9). In Chapter 6, I explore links between ethical decision making and crisis, arguing that

organizations with a clear sense of corporate values *before* crisis hits can make more ethical decisions during the stress and ambiguity of crisis situations. Chapter 8 discusses policy and crisis, reviewing some recent fieldwork I conducted with the London Metropolitan Police Service as a way to demonstrate the emotional nature of public policymaking particularly after environmental jolts, and the implications for the safety of both police and the community. Chapter 9 explores power and crisis by using the theories of Michel Foucault to expose a power imbalance in the Northern California tech industry, which is underpinned by micro-inequities in which certain people's bodies are more welcome than others in Silicon Valley. Researchers and doctoral students will enjoy these chapters as well.

Offering New Theory

Finally, two chapters use psychodynamics to introduce new theories as a way to unpack the cause of crisis (Chapters 4 and 10). Building on the previous chapters, in Chapter 4 I investigate the events of September 11, 2001 (9/11), developing a new psychodynamic concept called the *Hubris of American Imperialism.* This framework allows me to analyze the complex psychodynamics surrounding the 9/11 terrorist attacks – in particular, why the US government's *9/11 Report* attributed America's vulnerability to 'a lack of imagination.' In Chapter 10, I introduce another new idea I call *Queering Crisis.* Specifically, I suggest that a novel way to analyze the psychodynamics of crisis is for researchers to gather empirical materials such as accident reports, photographs, engineering tests, government investigations, newspaper articles, and video news footage, and then 'Queer' these materials by asking what cannot be heard, said, or seen; what seems odd, unusual, or too easily explained; what is closeted and what is out in the open; and most importantly why these things cannot be acknowledged and talked about. Researchers and doctoral students may find these two chapters particularly generative.

Acknowledgments

Crisis Case Studies

Examples of crises discussed in this book (in alphabetical order)

Airlines
Amazon
Amusement parks
Apple
Australian bushfires
Bernie Madoff
Boeing 747 Collision in Tenerife
Cuban Missile Crisis
Cyclone Fani
Eastern Airlines Flight 232
Eastman Kodak
Ebola
Ellen Pao
Enron
Facebook
Financial industry crisis
Global Citizens Festival
Harvey Weinstein
Hurricane Florence
Hurricane Katrina
Kleiner Perkins Caufield & Byers
Korean Air Vice President Heather Cho
Mount Everest disaster
National Aeronautics and Space Administration (NASA)
Niels Högel
New York Times
New Zealand mosque
Pakistan's soccer ball industry
President Bill Clinton
'Route 91' Harvest Music Festival
September 11, 2001 (9/11)
Tesla
Tylenol

Uber
United Airlines Flight 173
USS Cole
Wells Fargo
YouTube