Ladies and Gentlemen,

Dear colleagues,

Researchers love crises. Management Researcher love crises management. And “Crisis Management Researcher” love theories out of crises even more. But to be honest, “Crisis Management” seems to be more interesting when we talk about management by crisis, as the management researcher Chris Argyris pointed out. In this case managers – not seldom the same managers who caused the crisis – are challenged as trouble shooter. As researcher it is our privilege to be challenged as trouble provider by complex theories.

The main thesis on the following arguments is that the economic and political crises are starting points for complex and contra-intuitive theories.

But the context factors around 1973 – above all the economically oil crisis, the politically Watergate, the military Vietnam war or the monetary Bretton Woods –

Theory Euphoria through Crisis
On the Theory of Organization and Social Movement in the Context of Crisis

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challenged the form of management, the form of organization and the form of social movements more than just rhetorically.

Just a short recall:

(1) We would like to start with the oil crisis in October 1973, when the members of Organization of Arab Petroleum Exporting Countries (OAPEC consisting of the Arab members of OPEC, plus Egypt, Syria and Tunisia) proclaimed an oil embargo. This was in response to the U.S. decision to re-supply the Israeli military during the Yom Kippur war starting from the 6th and ended at the 26th October 1973). The increase of the price was tremendous - within in just one day, like the 17th of October by 75%. The price of oil quadrupled to nearly US$12 per barrel.

In 1974 the Federal Republic of Germany had to pay for their imports ca. 17 Billion German Deutschmark more than a year before. This enforced the economic crisis and led to a significant increase of unemployment, bankruptcy, expenditure for social. Stagflation was an outcome.

Various secondary effects occurred, notably the famous toilet paper panics in Japan and the United States; these were unfounded panics which became self-fulfilling prophesies, and are classic examples of Robert Mertons work. Price rises and unfounded rumors of a toilet paper shortage – based on oil being used in paper manufacturing – caused a panic and hoarding of toilet paper in late October and early November 1973 in Osaka and Kobe, among other cities.

In the US, Johnny Carson inadvertently caused a three-week panic when, on December 19th, 1973, he read a news item regarding the US government falling behind on bids for toilet paper and quipping that the nation faced a toilet paper shortage on the "Tonight Show".

To summarize this crisis: chain reactions or collateral failures, without any sufficient buffers in a value chain. The vulnerability of “taylorized” organizations was energetically shown.

(2) Talking about the Watergate scandal: This political scandal during the 1970s in the United States resulting from the break-in of the Democratic National Committee headquarters at the Watergate office complex in Washington, D.C. Effects of the scandal eventually led to the resignation of the President of the United States, Richard Nixon, on
August 9, 1974, the first and only resignation of any U.S. President. It also resulted in the indictment, trial, conviction and incarceration of several Nixon administration officials.

The affair began – as you all know – with the arrest of five men for breaking and entering into the Democratic National Committee headquarters at the Watergate complex on June 17, 1972. The FBI connected the payments to the burglars to a slush fund used by the 1972 Committee to Re-elect the President. As evidence mounted against the president’s staff, which included former staff members testifying against them in an investigation conducted by the Senate Watergate Committee, it was revealed that President Nixon had a tape recording system in his offices and that he had recorded many conversations. Recordings from these tapes implicated the president, revealing that he had attempted to cover up the break-in. After a series of court battles, the U.S. Supreme Court ruled that the president had to hand over the tapes; he ultimately complied.

(3) Talking about the Vietnam War this Cold War era military conflict occurred in Vietnam, Laos, and Cambodia starting 1955 up to the fall of Saigon on April 30th in 1975. Despite the Paris Peace Accords, signed by all parties in January 1973, fighting continued. U.S. military involvement ended on August 15th in 1973 as a result of the Case–Church Amendment passed by the U.S. Congress. The capture of Saigon by the North Vietnamese army in April 1975 marked the end of the Vietnam War. North and South Vietnam were reunified the following year. Estimates of the number of Vietnamese soldiers and civilians killed vary from less than one million to more than three million.

(4) Talking finally about the end of Bretton Woods. By the early 1970s, as the Vietnam War accelerated inflation, the United States as a whole began running a trade deficit. The crucial turning point was 1970, which saw U.S. gold coverage decrease from 55% to 22%. This, in the view of neoclassical economists, represented the point where holders of the dollar had lost faith in the ability of the U.S. to cut budget and trade deficits.

The shock of August 15th was followed by efforts under U.S. leadership to develop a new system of international monetary management. Throughout the fall of 1971, there was a series of multilateral and bilateral negotiations of the so-called Group of Ten seeking to develop a new multilateral monetary system (the “Smithsonian Agreement” with trading bands). In February 1973 the Bretton Woods currency exchange markets closed, after a last-
gasp devaluation of the dollar to $44 per ounce, and reopened in March in a floating currency regime.

So far our brief context of crises around the year 1973 – and their inspiring the theory euphoria.

I would like to start with the organizational perspective by some concepts which arose out of this crisis – which informed us about the increase in vulnerability, and the infectious interdependencies.

We would like to highlight some concepts which are emerged in these und by these times: (1) weak ties in 1973, (2) loosely coupling in 1976 and (3) redundancy also in the 1970ies.

Dear Colleagues,

Let me start with a story by Karl E. Weick, one of the stars in organizational psychology in the 1970ies until now – as you will notice later.

The story he used to explore crises management is a story of organizing and death that played itself out in two separate disasters involving crews engaged in wildland firefighting. In 1949, 13 firefighters lost their lives at Mann Gulch, and in 1994, 14 more firefighters lost their lives under similar conditions at South Canyon. In both cases, these 23 men and four women were overrun by exploding fires when their retreat was slowed because they failed to drop the heavy tools they were carrying.

By keeping their tools, they lost valuable distance they could have covered more quickly if they had been lighter (Putnam 1994, 1995). All 27 perished within sight of safe areas. The question is, why did the firefighters keep their tools? The imperative, “drop your tools or you will die,” is the image that Weick wanted to examine more closely.

The reluctance to drop one’s tools when threat intensifies is not just a problem for firefighters – also for managers with undercomplex MBA-education. Dropping one’s tools is a proxy for unlearning, for adaptation, for flexibility, in short, for many of the crises that engage organizational scholars. It is the very unwillingness of people to drop their tools that turns some of these crises into tragedies.
Management in regular corporations like in the other wildness shows: the crisis and the catastrophe is the normality – as well as the media coverage on this. As the function of media, which is informing us about the anomaly of the normality, the function of management is mainly crises management as the anomaly of management. But in the context these paradigmatic crises – like in 1973 or in the year 2001 or our current financial crises – we can conclude, that the crises management itself has a crisis.

Nobody has described the normality of catastrophe more precisely that the Yale-based catastrophe researcher and organizational sociologist Charles Perrow and the French urban planner and velocity researcher Paul Virilio. Nobody has described the analysis of high responsibility organization and their requirements more instructive than the already mentioned Karl E. Weick. Crises by the lack of resources like oil, the effects of economic speculation like bubbles, by technological or environmental catastrophes or terrorism – there are some general insights, which were developed in 1973.

I. Weak ties

The first insights we got from Stanford sociologist Mark Granovetter who focused in the year 1973 on the strength of weak ties. “[T]he strength of a tie is a (probably linear) combination of the amount of time, the emotional intensity, the intimacy (mutual confining), and the reciprocal services which characterize the tie.” (S. 1361). At the end he could just measure frequency.

His argument was quite nice and from scientific marketing perspective very successful. Maybe it was the penalty kick for Zuckerberg’s Facebook, who is like Mark Granovetter Harvard Alumnus.

The strengths of weak ties are the non-redundancy in information and the better flow of information.

This research had at least two important consequences: First we have to switch over from the concept of redundant friendship to vibrant acquaintances. Second we have to switch over from the hierarchical transitivity of ties to the heterarchical intransitivity. (S. 1377)
He did some research named “getting a job” and gave some empirical evidence, that strong friendship lowers your career. This was the starting point of the sociology of networks with some interesting results e.g. by Ronald Burt, who was emphasizing the necessity of so-called “structural holes” who buffers contacts. And I believe in the renaissance of gatekeeper in this boundaryless global facebook community. And the IPO of facebook accompanied by the first decrease of usage ever can be seen as a so-called “weak signal”, as Igor Ansoff pointed out in 1975.

His idea of early warning systems based on the surprise that the oil crisis e.g. was not a surprise. There were weak signals before and Ansoff and Granovetter could be understood as the ambassadors of weak signals by weak ties. But how to use the strategic radar? How to observe unintentionally with the clear intention to find innovation and risks in the stage of grassroots? We have to talk about it later.

Almost 20 years later it was David Krackhardt, Carnegie Mellon, who supported the strengths of strong ties, so-called philo ties, which are provide their power of trust, loyalty and empathy in situation of crisis for an efficient change management (Krackhardt 1990).

II. Loosely coupling

For the analysis of riskful, non-linear systems Karl E. Weick, published in the year 1976, took the mistake as the common case: Stability of systems emerges not by tight coupling of the elements but by loose coupling of differentiated part systems. The more important the stability the greater is the necessity of loosely coupling.

The advantages of loosely are self-evident – especially in crises: no diffusion of a mistake from one part system to another, therefore the gain of time to find a solution (so-called “slack time”). Technically spoken we have systemic ambiguity by planned non-responsivity). Especially in complex interaction of mistakes a tight coupling would work reinforcing. Weick published 25 years later the book “managing the unexpected”.

What a contrast when you see on television the format “Domino-Day”, where millions of people watch falling dominos as a linear good-weather-entertainment. In situation of crisis you need loosely coupled systems – even in currency markets (Bretton-Woods). Interestingly he started his analysis not with economic examples but with education
institution. Nobody else than a teacher knows about the loosely systems – whether the relation of teacher and pupil, the lesson given and the lessons taken. I do not want to talk about the paradox of leadership in an institution of higher education.

III. Redundancy

The consultant loves differentiated part systems and the buffers between them because of the very intuitive recommendation of cost saving by integrating the part systems to just one.

High reliability organizations – whether the Formula One, Nuclear Power Plants, Emergency Departments, air craft carrier, but also terror networks and the human brain – are a “dance of redundancy”. Redundancy – because of differentiated and loosely coupled system, where Niklas Luhmann would call this structural coupling - is necessary to maintain the function and to avoid crises.

The Yale-researcher on nuclear power plants (just before Chernobyl occurred) published 1972 a critical essay on complex organization Charles Perrow differ between three forms of redundancy (2008; S. 327ff.):

(1) The “redundancy by replacement” is based on identical components in the case of a break down. Please observe Formula One. It is a formidable festival of manifestation of redundancy.

(2) The “redundancy by replication and linkage” emerges like in the brain or the Internet by the redundancy of locations of the resources and their relations. All we have can be accessed by different and multiple relations – there exist a “redundancy of potential command” – as the brain researcher of the first generation Warren McCulloch argued in the year 1945

(3) The “mirroring redundancy” based on fragmentation and the mirroring of the whole ensemble in every fragmented part. Like an e-mail which is fragmented in endless small packages, in each of them all addresses of all other packages are mirrored. On the one hand the probability of a successful logistics is increased, on the other hand the missing information can be re-ordered immediately. Organisation needs redundancy – in terms of replacement of capital, of replicated suppliers or of mirrored redundant capacities of
production – to cope with crisis. Lean management are not the problem but the cause of the reinforcing problem, when you got in crisis.

IV. Decentralisation

Centralisation is a reflex of a crisis. The system needs an overview – preferred by the so-called “head quarter”, this place, where no customers, competitor, or supplier is at home. The hierarchy gets back its legitimacy, because of the employers and their expectation of a strong leadership. But it can be shown, that heterarchies are leading edge, when you are no longer led by the order of the saints (that is the etymological meaning of hierarchy), but by the order of the neighbour. Terror networks shows this dominance of heterarchy – admittedly with a strong ideology: the superior power of the small cells are in times of crisis – an empirical are the sleeper agent (Schläfer).

In loosely coupled systems the impairment and learning is always local. Even the fiat to drop the tools couldn’t avoid the tragedy with the firemen.

V. Non-transparency

Finally we have to talk about the fetish of the “Post-Moderne”: transparency. In times of deconstruction of system trust – whether in financial or food markets, in “trusts” or family business – the transparency is the legitimacy of everything. But a fetish based on the concept of the unreachable, though you have to increase continuously the doses: as transparency in loosely coupled, redundant and heterarchical decentral operating organisations.

The first rule when there are signs of a crisis: be quiet, calm down and observe your environment just on rumours! In the capital market theory you can find easily robust evidence of a self-fulfilling prophecy: When somebody communicates an insolvency, you will have an insolvency – because of the communication.

But the problem of an appropriate silence and latency is legally and media-related...

VI. Observation second order
The discussion of the early warning systems dominated the 1970ies, because of the finiteness and the oligopoly structure of the oil was soooo surprising...

We have to drop our hope, that the environment already contains all the information. We construct this information and produce complexity for the other. But the observation, how we observe environment, our dependencies to the environment, are the most reliable whistle blower. As well as the observation of risks and the observation of the risk taking preference of the decision maker are necessary for a crisis management inspired by 1973.

Let’s drop the tools of current Zeitgeist of crises management: tight coupling, non-redundancy, hierarchy and early warning systems – and then entering the fire!

Referências Bibliográficas


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