

palgrave▶pivot

COMBATTING DISRUPTIVE CHANGE

Beating Unruly Competition
at Their Own Game

Ian I. Mitroff



Combatting Disruptive Change

Ian I. Mitroff

Combatting Disruptive Change

Beating Unruly Competition at Their Own Game

palgrave
macmillan

Ian I. Mitroff
Center for Catastrophic Risk
Management
Haas School of Business
Berkeley, California, USA

ISBN 978-1-137-60043-1 ISBN 978-1-137-60044-8 (eBook)
DOI 10.1057/978-1-137-60044-8

Library of Congress Control Number: 2016940016

© The Editor(s) (if applicable) and The Author(s) 2016

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, express or implied, with respect to the material contained herein or for any errors or omissions that may have been made.

Printed on acid-free paper

This Palgrave Macmillan imprint is published by Springer Nature
The registered company is Nature America Inc. New York

PREFACE

Arguably, more than at any time in history, whether it is due to novel technological inventions (3D printers), business and social innovations (Airbnb, Amazon, Uber), or serious upheavals in the social order (globalization, terrorism), the world is experiencing changes that are profoundly disruptive. Indeed, disruptive change threatens every organization, industry, and aspect of society. At the same time, disruptive change works both ways. It frequently produces serious negative effects that affect not only its recipients, but also its producers.

Take Airbnb. The online service helps people turn their homes into hotels. Not only have most of those who have rented out their homes profited financially, but both renters and occupants appear to have had good experiences. Nonetheless, a few short-term occupants have staged wild parties that understandingly have upset neighbors, trashed houses to the immense anger of owners who naively assumed that there would be no problems in renting their homes to veritable strangers, plus the fact that the company has enraged a number of municipalities because owners and occupants alike have not paid taxes as standard hotels do.

In brief, the lack of regulations, safety, and cleanliness that are taken for granted in regular hotels has produced considerable backlash against Airbnb. For instance, recently, Airbnb was roundly criticized for not coming to the aid of a renter who was threatened by a host who was “rattling knives and pressing him to submit to a sexual act”.¹

Of course, nasty problems always get more headlines than good news. But then, lest it lead to a major crisis that can utterly destroy an organization, this is precisely why one is well advised to prepare for bad news. This

is especially true of innovations that promise to make life better for all concerned. If Airbnb had carried out proper planning, not only should it have anticipated such problems, but worked hard to prevent them.

It is little consolation to point out to someone whose home has been trashed that standard hotel rooms are wrecked more often than private homes. The violation of one's home is a very personal experience that is not taken lightly, and hence, not soon forgotten. Observing that standard hotels are trashed more often comes across as callous and unfeeling.

TWO BASIC PREMISES

Combatting Disruptive Change is founded on two basic premises: One, although many innovations are merely evolutionary in that they only improve on existing ideas, we are seeing more and more such as Airbnb and Uber that are in the business of producing changes that are highly disruptive to standard industries and thus are completely game changing. For this reason, I am dismayed that to the best of my knowledge, none of the current books on disruptive change or startups lay out systematically the full set of challenges and tasks that one needs to master in order for existing organizations to weather disruptive change or to make a startup successful. In this regard, existing books are seriously incomplete.

Two, even when they correctly identify some of the many basic challenges and tasks, none really show how to accomplish them in any comprehensive and systematic way, even though that is supposedly one of their major selling points.² In this sense, they are not only seriously deficient, but also misleading. They talk a good game, but they do not deliver.

For example, many acknowledge that it is absolutely essential that one identify, challenge, and test critical, taken-for-granted assumptions and monitor them carefully so as one's basic assumptions change, one can intelligently modify one's business strategies, products, and services in response to rapidly changing conditions.³ Because the innovators of a new product or service are obviously in love with their ideas, how valid is the assumption that others will equally be in love with it such that they will flock to it in droves? And, how does one keep newfound customers satisfied over the long run? For another, since one is highly dependent on a wide array and constantly changing set of stakeholders that affect and are affected by one's business plans, products, and services, one needs to keep track of their interests so as they change, one's plans can be modified accordingly. Furthermore, in order to test one's critical assumptions, one

is strongly advised to conduct hard-nosed, scientific-like experiments that will not only assess the validity of one's assumptions and ideas, but also reveal unequivocally which ones should be kept versus those that should be abandoned altogether.⁴

While it is easy to agree with the preceding—indeed, who could rationally argue against them?—there are at least two major problems with actually carrying them out. One, if they even mention it at all, current books do not present effective methods that show systematically and comprehensively how to identify critical assumptions and stakeholders. And two, they often presuppose highly idealized accounts of science that make it appear that scientific experiments are always clear-cut and definitive in weeding out good ideas from bad ones. Sadly, this is not always the case.⁵

I acknowledge that many will feel that I am lumping all books on startups together. And, in a certain sense, I am. Even though a number contain good, sensible advice, I still find them wanting on how to really surface and test critical ideas.⁶

KEY ROLES

In sharp contrast, *Combating Disruptive Change* shows that in launching a new venture, or weathering disruptive change in the case of existing organizations, one is making two highly critical and important assumptions: (1) *one is aware of and thus understands the need to perform a number of key roles* and (2) *one knows how to perform these roles competently*.

First, one has to function as an Applied Epistemologist. (Epistemology is the particular branch of philosophy that examines the nature and properties of valid knowledge and how humans can attain it.) For instance, what actual methods are there for surfacing, testing, and validating the key ideas and assumptions that one is making with respect to why a new or existing product or service will fill important needs and thus be successful and, furthermore, will continue to be? For another, how can one ensure that one has identified as many of the major stakeholders as possible that impact the success or failure of a new or existing product or service?

Two, one also has to act as an Applied Ethicist. How does one ensure that one's ideas are ethical, at the very least, not harmful to a wide range of stakeholders, especially the most vulnerable members of society such as young children, the infirm, and the elderly?

Three, one is assuming that one knows how to act as an Applied Social Psychologist. How should one treat one's employees so that they will

not only be productive, but find their work meaningful and satisfying? In short, how does one build and keep spirit high?

Four, one also has to assume the role of an Applied Systems Thinker. How does one ensure that all of the critical roles and tasks are working together seamlessly and not against one another?

Five, in addition, one has to assume the role of a Crisis Manager. How can one anticipate and prepare for the inevitable crises that will strike any organization? What can go wrong and cause harm and injuries by using new or existing products and services inappropriately? What latent defects are lurking in products and services that can lead to injuries and even deaths?

Six, one also has to act as a Wise Leader. How does one ask the “right questions” and do the “right things” to ensure the greater health and well being of one’s organization and the surrounding world?

And, how does one do all of the above without losing sight of the original goal of developing a new product and/or service, or maintaining existing ones, that will be a rousing success? Further, how does one do them without losing the excitement and passion one had in starting a new business or venture in the first place? How does one maintain dedication and enthusiasm in an existing enterprise?

These do not of course exhaust all of the important roles one has to play in starting any new venture. For instance, one also has to act as a Chief Marketing Director, Head Legal Counsel, and Chief Financial Officer of an organization. However, since most books dwell exclusively on these, I do not treat them here. This is not because they are unimportant. Indeed, they are of vital importance.

Nonetheless, the roles on which I focus are equally important, if not more so. For this reason, it is disturbing that they have not been recognized, and thus given the attention they deserve.

The roles I emphasize make it even clearer why starting a new organization or keeping existing ones running well is more difficult than many would have us believe. On the other hand, if I did not believe that they could be mastered, I would not have written this book. One does not need to be a Darwin to be able to think widely across different disciplines. For instance, as Stephen Johnson notes:

Published several years later as a monograph, Darwin’s theory of atoll formation marked his first significant contribution to science, and it has largely stood the test of time. The idea itself drew on a coffeehouse of different

disciplines: to solve the mystery, he had to think like a naturalist, a marine biologist, and a geologist all at once. He had to understand the life cycle of coral colonies, and observe the tiny evidence of organic sculpture on the rocks of the Keeling Islands; he had to think on the immense time scales of volcanic mountains rising and falling into the sea...To understand the idea in its full complexity required a kind of probing intelligence, willing to think across those different disciplines and scales...⁷

But make no mistake about it. The failure to appreciate and to carry out successfully the full complement of roles that are critical in starting and operating any new business is responsible for the failure of many startups. Good ideas alone have never been sufficient.

Notice that these very same factors are responsible for the success or failure of existing enterprises as well. For this reason, I am equally concerned with what needs to happen to keep a startup successful after its initial success. This is precisely why I do not draw a hard and fast line between startups and existing enterprises. Instead, I see them as parts of a continuum, not as totally separate beasts. In today's world, they share more thorny issues in common than most are wont to acknowledge.

Because they are more familiar with conducting and participating in workshops, as well as implementing complex programs and procedures, established organizations may actually have an advantage in carrying out the roles that I believe are vital to the success of any organization. This is not to say that they are perfect by any means in executing them.

Sadly, except possibly for Social Psychology, the roles I emphasize are discussed only marginally, if that, in the curricula of most business schools. In my view, they need to be put front and center. They are the only ways of which I know that organizations cannot only survive massive change, but also meet the growing threats to their existence.

I believe that businesses can meet the challenges of disruptive change *but if and only if* they know how and are willing to challenge their core assumptions and beliefs.

Lest the reader get the wrong impression, I am not opposed to innovations or startups at all. Indeed, I am strongly in favor of them. Traditional ways of doing things constantly need to be challenged, but with an important caveat. I am for intelligent, ethical organizations, wherever they are in their life cycle.

A PREVIEW

Finally, let me give a preview of just one of the main things that organizations can and need to do to combat disruptive change.

In 1986, at the Marshall School of Business at USC, I not only founded, but ran one of the very first research centers on Crisis Management. In order to learn more about what companies could do to protect themselves from major crises such as product tampering, I visited a major pharmaceutical company. I asked the person who agreed to talk with me, “Please tell me what you are doing to combat the threat of product tampering?” Without missing a beat, he replied, “We formed two Internal Assassin Teams!” To which I blurted out, “You did what!?”

The person went on, “One day we held up one of our bottles of tablets and asked ourselves, ‘Suppose we look at the cap of a bottle as the front door to a house and the sides as the walls of the house. How then could a smart burglar get in, remain undetected for as long as possible, and do the most damage?’” He went on, “Since no one knows more about our products and our methods of packaging than we do, we decided to form two Internal Assassin Teams, one composed entirely of people with their PhDs and another with those that had no more than a high-school education.

Each team did everything they could think of to compromise our products. We learned rather quickly that there was no such thing as tamper-proof seals. There was no way to keep someone from tampering if he or she was determined to find ways to damage one of our products. We found out that the best one could do is to put tamper-evident seals in place so that if someone breached the contents of one of our products, it would be obvious to a consumer.”

Today, all businesses face the threat of disruptive change, for example, innovations like Uber and Airbnb that rock the foundations of old established industries to their core. Unless all organizations form their own Internal Assassin Teams that can think of every way possible to destroy their businesses, they are literally dead in the water! The moral is: Disrupt yourself before someone else disrupts you!

Ian I. Mitroff
Berkeley, CA, USA

NOTES

1. Ron Lieber, “Moral of Airbnb Horror Story: Beware,” *The New York Times*, Saturday, August 15, 2015, pp. B1 and B4.
2. See for instance, Eric Cries, *The Lean Startup: How Today’s Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*, Crown Business, New York, 2011.
3. *Ibid.*
4. *Ibid.*

5. See Ian I. Mitroff, *The Subjective Side of Science, A Philosophical Enquiry into the Psychology of the Apollo Moon Scientists*, Elsevier, New York, 1974.

6. Two of the better books are: Steve Blank, *The Four Steps to the Epiphany, Successful Strategies for Products That Win*, 2013; Ben Horowitz, *The Hard Thing About Hard Things, Building a Business When There Are No easy Answers*, Harper Business, New York, 2014.

7. Steven Johnson, *Where Good Ideas Come From, The Natural History of Innovation*, Riverhead Books, New York, 2010, pp. 180–181.

ACKNOWLEDGEMENT

I wish to acknowledge the help of Christine Haskell in the preparation of this book. Christine not only read earlier drafts, but also offered invaluable advice and criticism. I am of course solely responsible for the final version.

Portions of Chapters **1** and **3** are based on Chapters 1 and 3 of Vincent P. Barabba and Ian I. Mitroff, *Business Strategies for a Messy World, Tools for Systemic Problem Solving*, Palgrave Pivot, New York, 2014.

Portions of Chapter **2** were previously published in Ian I. Mitroff, *Indiana's Religious Freedom Restoration Act Is Contemptuous: The Never-ending Battle Against the Dark and Reactionary Forces*, The Huffington Post, April 9, 2015; and, *The Left's Forms of Denial and Ignoring Science*, The Huffington Post, February, 6, 2015.

Portions of Chapter **4** are based on Ian I. Mitroff, Terry Pauchant, and Paul Shrivastava, *The Structure of Man-made Organizational Crises*, Journal of Technological Forecasting and Social Change, Vol. 33, 1988, pp. 83–107.

Portions of Chapter **5** are based on Christine Haskell, *How Purposeful Leaders View Growth*, A dissertation presented to the Faculty of Saybrook University in partial fulfillment of the requirements for the degree of Doctor of Philosophy in Organizational Systems.

CONTENTS

1	It's All About Assumptions: The Critical Role of an Applied Epistemologist	1
2	Doing What Is Right: The Role of an Applied Ethicist	21
3	Think Like a System: Be an Applied Systems Thinker	33
4	Thinking Like a Crisis Manager	41
5	Wisdom: How the Leaders of Purpose-Driven Organizations Manage from Their Values	47
6	Applied Epistemology, Part 2	65
7	Assumptions and Stakeholders Revisited	81
	About the Author	87
	Index	89

LIST OF FIGURES

Fig. 1.1	Disruptive versus evolutionary change	2
Fig. 1.2	Stakeholders	10
Fig. 1.3	Facebook	11
Fig. 1.4	Uber	11
Fig. 1.5	Airbnb	12
Fig. 3.1	The Jungian framework	34
Fig. 3.2	The Jungian framework	39
Fig. 4.1	Types of crises	42
Fig. 4.2	The causes of crises	43
Fig. 4.3	Preventative actions	44
Fig. 5.1	The values life cycle	60
Fig. 7.1	The Jungian framework	82
Fig. 7.2	The Jungian framework	82
Fig. 7.3	The Jungian framework- prime stakeholders	82
Fig. 7.4	Stakeholders	83
Fig. 7.5	Stakeholders	83
Fig. 7.6	Stakeholders	84
Fig. 7.7	General SAST	85

LIST OF TABLE

Table 7.1 General assumptions

85

It Is All About Assumptions: The Critical Role of an Applied Epistemologist Disruptive Versus Evolutionary Change

Abstract Through examining three extremely important cases—Facebook, Uber, and Airbnb—this chapter illustrates the general kinds of assumptions one has to make in starting new businesses and keeping existing ones successful. Uber and Airbnb are especially noteworthy since they are the quintessence of organizations that have produced disruptive change.

A well-tested method known as Strategic Assumption Surfacing and Testing (SAST) for uncovering, challenging, and monitoring key assumptions and stakeholders that underlie key business plans is described in detail. In essence, assumptions are the presumed properties of key stakeholders. Figure 1.1 presents a few examples of various organizations and technologies and the types of changes that they have produced. The horizontal dimension shows whether an organization has produced change that is primarily disruptive versus evolutionary, that is, whether something is totally revolutionary and thus produces dramatic changes in an industry or society, or whether it merely extends already existing ideas and technologies. The vertical dimension shows whether the effects of the change are primarily technical or social. Of course, in many situations, they are both.

In particular, notice the case of Facebook, about which I say more shortly. It is a prime example of an innovation that is both disruptive and evolutionary. That is why I have placed it at both ends of the spectrum at

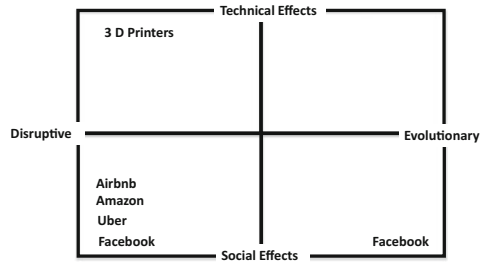


Fig. 1.1 Disruptive versus evolutionary change

the same time. It is evolutionary in that the online technology per se did not introduce anything that was completely new or revolutionary. At the same time, it is clearly disruptive in how it changed the communication habits of young people, who of course have migrated to newer, edgier platforms. (Facebook now mostly serves adults.) In other words, it has produced changes with both positive and negative effects.

I could have easily placed many more organizations that are simultaneously at both ends of the evolutionary and disruptive dimension. Thus, there is no doubt whatsoever that Amazon has certainly been disruptive with regard to the book publishing industry. Furthermore, its use of drones is also disruptive in the sense of being able to deliver goods even faster. At the same time, its use of computer-based platforms is more evolutionary.

The distinction between disruptive and evolutionary is important because different types of change are based on different kinds of underlying assumptions.

While the organizations I consider shortly are clearly well past their initial startup phases, I have chosen them deliberately because they illustrate some of the many kinds of general assumptions that are necessary to make when a business is first starting out.

In addition, each of the organizations is highly atypical in that they became successful in very short times. This is another reason why it is important to analyze the assumptions on which they were founded.

Because I have had to infer many of the assumptions, it is not my contention that the organizations were necessarily conscious of or stated them

in the exact form that I have, if they were even aware or conscious of them at all. Nonetheless, there is no doubt that important assumptions not only were, but had to be, made.

Because we live in a constantly changing and highly uncertain world, not everything important can be known prior to our starting a new venture or to keep existing ones running smoothly. The best we can do is to be aware as much as is humanly possible of the key assumptions we are making and to monitor their status carefully over time so that as key assumptions change, we can change our crucial business strategies and plans that depend on the assumptions.

Finally, once we have viewed the assumptions that each of the organizations made, I want then to describe in some detail a method known as Strategic Assumption Surfacing and Testing (SAST) that my colleagues and I have developed for uncovering assumptions as comprehensively and systematically as possible.¹ It is precisely because I have used SAST repeatedly over the years in both my professional work and daily life that I am able to uncover assumptions. In other words, the ability to surface and critique key assumptions is a learned skill.

FACEBOOK

In 2004, Mark Zuckerberg, his fellow Harvard University roommates, and Eduardo Saverin founded Facebook. It was not the first attempt to make it easy for people to be and to stay in touch with one another, but it was one of the most successful. As of this writing, Facebook has become the first company to attain a market value of \$250 billion in the shortest time in the history of the New York Stock Exchange.

As is well known, Facebook was originally designed to allow Harvard students to communicate easily with one another. It caught on so fast that it quickly spread to other Ivy-league universities.

In retrospect, it is easy to pinpoint some of the many critical, taken-for-granted assumptions that were not only made, but were also necessary to make, in order for Facebook to be adopted by a wide range of users other than Ivy-league undergraduates and thus be a business success. The following are some of the more obvious, but necessary assumptions:

No matter what their age or social position, people have an inordinate need to communicate, i.e., stay and be in touch; therefore, they will flock to an

easily available means (cellphone and computer apps) that allow them to communicate quickly and effortlessly with others 24/7; indeed, they will want to be in touch with one another 24/7; in addition, Facebook will make it easy to compile lists of friends with whom one wants to be in regular communication.

Other key but not as obvious assumptions are:

No matter what their age or social status, other parties (stakeholders) will behave on Facebook similar to Harvard undergraduates. Further, because Harvard undergraduates have not used Facebook to bully their friends and classmates, we don't have to worry about bullying when younger kids use Facebook; in short, people of all ages will use Facebook responsibly; therefore, there's no need to involve parents or other responsible adults from the very beginning in overseeing its design and operation. In other words, a highly important and implicit assumption was that Facebook would *not* be socially disruptive when it came to fostering anti-social behavior.

Notice carefully that whether Harvard students were actually responsible or not, a key point is that all businesses and organizations make assumptions with regard to how important stakeholders on which they depend will or will not behave. One of the ways in which they do this is by having some set of stakeholders serve implicitly as role models, standards of behavior, and so on.

More to the point, *all* organizations *make* a great deal of assumptions about the nature of their users, their responsibility to their stakeholders, critical factors that lead to success, and so on. To emphasize an earlier point, because everything cannot be known beforehand, they *have to make* such assumptions.

Since I do not expect readers to agree necessarily with my exact wordings or even the assumptions themselves, I strongly encourage them to come up with their own. This is in fact one of the prime purposes of the book, that is, to help people be more aware of their assumptions and those of others.

As an aside, Zuckerberg has been accused of bullying himself when he broke into sites to get pictures of girls he wanted to date. Far more serious is the fact that Facebook was used to distribute child pornography. In this regard, Facebook was not socially responsible from the beginning.

Notice carefully that even if the number of instances of distributing child pornography were small in relation to the total number of posts on

Facebook, from the standpoint of Crisis Management, if not plain human decency, this does not let Facebook off the hook. It should have anticipated such behavior and done everything humanly possible to prevent it. Organizations and individuals have been ruined for less. One act of child pornography is one act too many!

Despite the fact that people do not always trust it to keep their personal data safe, Facebook has been a business success, although not as much as was promised. Still, judged solely in terms of profits, all is seemingly well and good. On the other hand, I cannot castigate Mark Zuckerberg and others too strongly for not anticipating that teenagers and younger kids would not use Facebook responsibly. Key stakeholders such as parents, psychologists, teachers, historians of technology, and kids themselves should have been involved from the very beginning in helping to anticipate and to curb abuses such as cyber-bullying.

Enough is known about how various technologies were misused in the past. Thus, there is no valid excuse for not having thought seriously about such issues from the very beginning and doing something significantly about them. Indeed, because they were hounded 24/7 by extremely nasty and vicious posts, several young girls committed suicide. But then in the words of Andrew Keen (see directly below), from its very inception, someone other than a computer geek with low empathy would have had to be involved in the design and implementation of Facebook. And of course, Crisis Management would have had to be given high priority.

Inspired by Max Weber's Protestant Ethic and the Spirit of Capitalism, the American sociologist Robert Merton popularized the idea of the 'unintended consequences' of purposeful social action. The history of Facebook is an excellent example of Merton's theory. Facebook has been designed to bring us together as a happy global village. [Needless to say an important assumption!] But the reverse is true. [In other words, the assumption is false!] Rather than uniting us, a 2013 study by the University of Michigan... shows, Facebook is making us unhappier and more envious of others. Rather than establishing trust, a 2014...poll of Americans found, Facebook was trusted with our personal data by only 5% of the respondents, significantly less than either the 35% of people who trusted the Internal Revenue Service or even the 18% who trusted the National Security Agency. Rather cheering us up, a 2013 study of 600 Facebook users...found, Facebook made more than 30% of its users feel lonelier, angrier, or more frustrated.

None of this should be surprising. It's what happens when you hand over the conversation to a geek [Mark Zuckerberg] who talks like a computer. It's what happens when you trust somebody [a critical stakeholder] with zero empathy.²

All of which helps identify another critical assumption that drives many organizations, and not just startups, namely, that quickly building a mass audience is more important than in thinking about what can go wrong and harm users. Quickly building a mass audience is all-important because the dream—fantasy!—is that one will then be acquired for billions.

Even if one excuses Facebook for not thinking ahead, in today's highly charged environment, there are no longer valid excuses for any startup for not planning ahead for crises. But then sadly, existing businesses are not always any better in thinking about and preparing for crises as well.

UBER

In 2009, Garrett Camp began working on an iPhone app that would launch a different kind of taxi service. The basic premises were as follows:

People were tired of having to wait needlessly for regular cab services; therefore, because waiting times would be cut substantially by increasing the pool of available drivers that one could contact almost immediately by cellphones, potential passengers would accept being picked up and driven to their final destinations by ordinary unlicensed drivers.

Passengers certainly would support a service that charged considerably less than traditional cabs.

Uber drivers would relish their independence and therefore would not want the same benefits and restrictions of salaried employees.

Additional critical but unstated assumptions were the following:

Uber drivers would be as courteous and safe as licensed taxi drivers.

Uber drivers would not overcharge their customers or harm them in any way.

As Jeff Cherry points out, this has not always been the case:

...Uber's worst offense of all came to light during...recent tragic events in Sydney, when a terrorist took 18 people hostage in a café. The 16-hour ordeal ended with two hostage deaths and four others injured—and Uber making more money than ever, thanks to its 'surge pricing' model. During

the day, as panic-stricken Sydney residents tried to flee from danger, Uber's prices surged to as much as \$100 per ride—quadruple the company's normal rate. Instead of apologizing, Uber defended itself, saying the price surge was not gouging and that its purpose was to attract more drivers to the scene.³

For another,

Uber drivers in Los Angeles and San Francisco include convicted sex offenders, identity thieves, burglars and a murderer, according to San Francisco District Attorney George Gascon.

We've learned of systemic failures in Uber's background checks,' Gascon said... 'A lot of the information that Uber has presented to consumers has been false and misleading.'⁴

To put it mildly, as in the case of Facebook, all of Uber's critical assumptions have not panned out. For instance, the cases described above are not unique. Not only have some drivers overcharged their customers outrageously, but to pile insult onto injury, those who were had to complain forcefully to the company to be reimbursed. Furthermore, in a few cases, Uber drivers have physically and even sexually attacked passengers. For another, a number of Uber drivers have instigated lawsuits saying they were taken advantage of by the parent company. This reveals another critical assumption, namely, Uber's contractors would not sue it in sizeable numbers.

Once again, from the beginning, Crisis Management was not given the serious consideration it deserved.

Finally, Carolyn Said has put it as follows:

The issue of independent contractors versus employee status has exploded in recent months spurring a national debate and a raft of lawsuits against Uber, Lyft, Postmates, Handy, Homejoy and other providers of on-demand the services. These tech startups all rely on workers who set their own hours, and say the business model benefits both the companies and the workers. But the critics argue that the rise of independent contractors is creating a new class of workers who lack the basic social safety nets.⁵

AIRBNB

Founded in 2008, Airbnb is headquartered in San Francisco, CA. Airbnb is basically a website for people who want to rent out their personal lodgings and hence make extra money. For some, it is the only way that they

can continue to live in high-priced cities such as San Francisco. As of this writing, it has 1,000,000 listings in 34,000 cities and 190 countries.

Some of the prime assumptions underlying Airbnb are:

The general public is willing not only to book their own reservations via computer, but to use private lodgings for vacation and work-related stays. (Of course, business travelers have booked their own reservations for years, and the general public has also steadily followed along. In this sense, Airbnb was merely evolutionary. But it was certainly disruptive to the traditional hotel industry in that people would stay in private homes in rooms that their owners would rent willingly.) They are more than willing to do this in exchange for much lower rates than they would have to pay for comparable hotel rooms.

Another key assumption is that Airbnb lodgings would be as clean, safe, and as well maintained as standard hotel rooms.

From the standpoint of people renting out their lodgings, a critical assumption is that renters would respect owners' properties by not having wild parties, which would annoy neighbors to no end, and would not trash their homes.

Unfortunately, this has not been the case as a number of widely publicized situations have shown. Once again, the assumptions with respect to health, safety, and respect for property have not always been adhered to. Indeed, in number of cases, they have been seriously proven false.

Furthermore, a number of cities have challenged Airbnb on grounds that as a business, property owners and renters have not paid proper taxes as licensed hotels and guests do. And, instead of relieving San Francisco's acute housing shortage, it has exacerbated it by not making units available for longer-term rentals for middle-class families. For these and other reasons, a number of cities in the San Francisco Bay Area have enacted ordinances banning all short-term Airbnb rentals.

OTHER INNOVATIONS

These three cases, all of which are platform based, do not of course exhaust all the various types of innovations or startups. For this reason, when I talk about the role of an Applied Crisis Manager, I will talk explicitly about a different kind of a startup for which I worked as a consultant. This case reveals different kinds of assumptions.

THE KEY ROLE OF ASSUMPTIONS

This brief review of three important cases is more than sufficient to show that the assumptions one makes about a business are extremely critical not only to its initial success, but also to its continued existence. Assumptions are in fact among the most critical of all factors. They are the cornerstones that underlie all enterprises. Therefore, the supreme question is, “How can one ensure oneself that one has identified as many of the key assumptions as possible upon which the existence and the success of an enterprise depends?” To answer this, I want to describe SAST in some detail. While not perfect by any means, SAST is the best method of which I know for getting at critical assumptions both comprehensively and systematically. As I noted earlier, since I played a critical role in its formation, I have used it many times.

SAST

The basic idea of SAST is that assumptions are the hypothesized, presumed characteristics or properties of stakeholders. Again, one has to make enumerable assumptions because the world is just too complex and uncertain to know everything one would like to know before starting a venture. Indeed, often the only way to know whether an idea has merit or not is by putting it into practice and seeing what happens.

Assumptions pertain to:

1. The basic political and social beliefs of stakeholders;
2. Their relative ability and power to influence others;
3. Ease of access to and understanding of important information; privileged information;
4. Levels of education and general knowledge;
5. Specialized and professional knowledge;
6. How responsible they are, trustworthy, honest;
7. Openness and receptivity to new ideas;
8. Attitudes toward business and government;
9. Access to key stakeholders, and so on.

In short, assumptions are what stakeholders are presumed to be like such that they will either support, remain neutral, or oppose certain actions, policies, and so on.

In turn, stakeholders are all of the critical parties that affect and are affected by the policies and programs of businesses, organizations, institutions, and government agencies. Needless to say, as societies have become increasingly complex, the number and types of stakeholders that are involved in any given policy or situation have grown exponentially. For this reason as well, one has no choice but to make a great many assumptions.

Figure 1.2 represents some of the many stakeholders that impact an organization's actions and policies. It starts with those stakeholders that are at the core of an organization and expands outwards to include others that are seemingly far removed and thus supposedly have little impact.

One of the most essential features of SAST is how it displays assumptions and thereby captures belief systems. Figures 1.3, 1.4, and 1.5 display some of the assumptions that were necessary to launch Facebook, Uber, and Airbnb.

The assumptions on the left of the displays or graphs are those that are judged to be less important to the success of a policy. They also represent the types of assumptions that are not only most often overlooked, but frequently do not even rise to the level of consciousness. In contrast, the assumptions on the right are judged to be the most crucial to the success or failure of a policy.



Fig. 1.2 Stakeholders

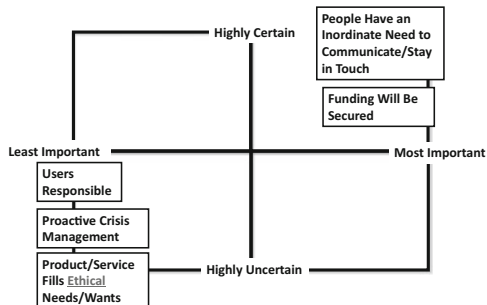


Fig. 1.3 Facebook

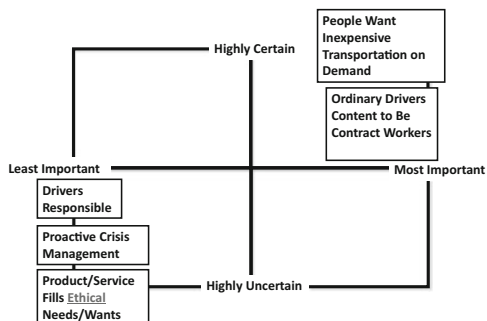


Fig. 1.4 Uber

The assumptions that are placed at the top are those that are felt to be either strictly true or false with respect to the behavior or nature of a stakeholder. Those that are placed at the bottom are as likely to be true as they are to be false.

To take a simple example, if someone is absolutely certain that it will or will not rain on a particular day, then one would plot the assumption of rain or no rain at the very top of the Certainty axis. Conversely, if it were as likely to rain as not—the odds were 50–50—then one would plot the assumption at the very bottom of the Uncertainty axis. In other words, maximal uncertainty is the case of 50–50.

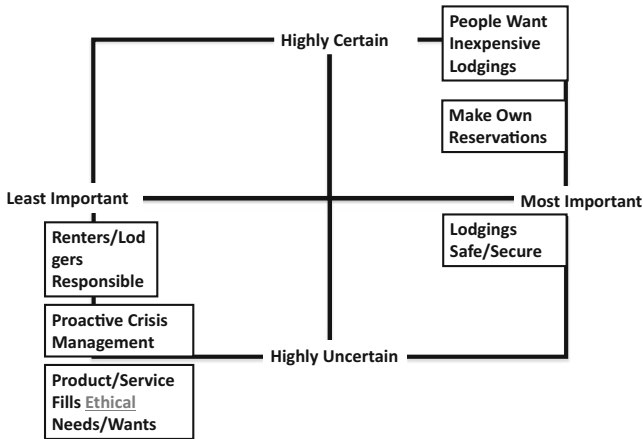


Fig. 1.5 Airbnb

Notice carefully that it is *the assumptions with respect to stakeholders that are being plotted and not the stakeholders, events, or situations themselves*. Thus, in the case of rain, it is the assumptions of meteorologists regarding the chance of rain are those that would be plotted.

I cannot overstate the importance of this aspect of SAST. Very rarely do people have the ability or opportunity to examine their key assumptions systematically (methodically) and systemically (comprehensively as a system). They almost never have the ability or opportunity to see a map of their assumptions, in effect, a map of their fundamental beliefs (belief systems) about an important issue or problem. Such maps allow one to go beyond seeing assumptions individually and in isolation. They allow one to see potential interactions between sets of assumptions.

A MORE DETAILED VIEW OF SAST

In short, SAST was developed to reveal the critical assumptions underlying strategic plans and policies and to create explicit visual maps for exploring those assumptions. To achieve this, SAST incorporates the following key principles.

Adversarial

SAST is based on the underlying premise (that is, like everything, SAST is itself based on key assumptions) that the best way to test an assumption is by making the strongest case one can for the strongest possible opposing assumptions one can envision. This requires people in an organization who can take opposing points of view. From the standpoint of SAST, the worst thing that can happen is if everyone agrees too readily and sticks to their agreement. This does not mean that the opposition between different points of view is necessarily personal, although often it is. The essential purpose of SAST is to use conflict and opposition constructively, and not destructively as it is all too frequently.

Participative

SAST is based on the premise that the knowledge and resources necessary to solve and implement the solution to a complex problem are distributed among a group of individuals. No single individual, no matter how well placed he or she is in an organization, has all the relevant knowledge or even the power to address a problem or issue adequately. True, the chief executive officer (CEO) knows things that none of those below him or her does, but then those in the middle and bottom of an organization know things that those at the top do not know and often do not want to know.

Integrative

SAST is based on the premise that a unified set of assumptions and action plans are needed to guide decision-makers and that what comes out of the adversarial and participative elements of the process can be integrated. At the very least, serious attempts should be made to integrate various views.

Supportive

SAST is based on the premise that the ability to expose and examine assumptions deepens an organization's insights into itself, its policies, planning processes, and strategic thinking. This is another of SAST's prime assumptions about itself.

The detailed steps of SAST include:

1. Group Formation

- Key individuals from functional areas in an organization are formed into small six to eight person groups. In private sector organizations, these include the CEO, Heads of Finance, Information Technology, Legal, Public Affairs, Security, and so on.
- To minimize conflict, ideally the groups should consist of those individuals who get on relatively well with one another.
- To maximize differences, the groups should differ in their particular knowledge and perspectives of important issues or problems. Each group should have a different orientation, perspective, or policy option from which to approach an issue. Naturally, in startups or small organizations, one would *not* expect to have as many people, and therefore as many groups. *But there is no excuse whatsoever for not having at least two groups that can challenge one another as strongly as possible. At a minimum, two people can agree to argue opposing positions.*

2. Assumption Surfacing and Rating

Each group meets separately and, from its own viewpoint, identifies the key assumptions that are inherent in an issue and especially with respect to its distinct approach to it. All of the assumptions generated are then listed.

3. Debate Within Groups

- The debate involves three key activities:
 - a. By means of eliminating irrelevant assumptions, each group determines which assumptions need to be accepted as strategic premises. To accomplish this, each group asks itself, “If the opposite of a particular assumption is true, does it have any significant bearing on the issue?” If the answer is “No”, then the assumption is judged “not relevant” to the group’s position. That is, neither the truth nor falsity of a particular assumption is relevant. Of course, this may not only change over time, but another group may not accept it as a valid conclusion. What is irrelevant to one group often turns out to be very relevant to another. This immediately produces a strong difference of opinion that needs to be examined.

- b. The group then ranks its assumptions with regard to their relative degrees of importance and certainty.
- c. At this stage, the individual plots of assumptions are then opened for discussion.

- Assumptions that are both important and certain become the central assumptions of a policy.
- Assumptions that are important but uncertain require monitoring and additional research.
- Assumptions in the other two quadrants may be dropped, but if the resources and time allow, they may be monitored as well.
- Using an Importance/Certainty graph, each group debates which assumptions are pivotal, that is, absolutely central to its position, and it prioritizes them.

4. Further Debate Activities

The groups are brought together, and a spokesperson for each group presents their Importance/Certainty graph and concentrates on those assumptions that are central to the policy (important and certain, and important and uncertain). In order not to bog down the presentations, only clarifying questions are permitted at this stage. That is, debate and challenges between the groups are not permitted at this point. When all of the groups have presented, all of the assumptions are combined in a single slide and thrown open for evaluation, debate, and discussion.

The assumptions that are central to, in the sense that they cut across, all of the groups are the basis for debate. The most contentious assumptions are the special objects of debate.

5. Final Synthesis

Ideally, the debate leads to a set of modified assumptions or a new set of agreed upon assumptions. Based on these, a Planning Book is produced. If agreement on an assumption is not reached, it warrants further investigation. Where the data are inadequate, activities are undertaken to acquire specific data necessary to resolve a strategic issue.

A Planning Book consists of:

- A prioritized list of the most critical issues.
- An assessment of the current state of knowledge with respect to the solution of the issues.

- A list of current and future activities to produce information designed to improve the state of knowledge relevant to the critical issues.
- When a policy decision must be made, the results of the information produced in accordance with SAST are collected and related to the issues for which they were undertaken. A final debate is held, and judgment is made on *the best set of assumptions that are known at the present time* from which to proceed.
- An appropriate policy is chosen, based on the new information and the synthesis that have hopefully emerged.

MISSED ASSUMPTIONS

From the standpoint of SAST, some of the most critical assumptions that pertained to Facebook, Uber, and Airbnb were missed or downplayed altogether. Unfortunately, this is far more common than not. This is not to say that SAST would have necessarily picked up all of the critical assumptions prior to the launch of each of the three ventures. But, the more one uses SAST and the more cases one considers, the more likely it is that one will zero in on and thus not overlook critical assumptions. Using SAST alerts one to be continually on guard for new or missed assumptions.

Nonetheless, while SAST increases substantially the probability that one will surface and address important assumptions, there is no absolute guarantee that it will. As with all processes, SAST is highly dependent on the intelligence and the willingness of a group to be self-reflective and self-critical. (In Chap. 6, I talk explicitly about the various types of Guarantors that Western Philosophy has produced for guaranteeing actions and knowledge.)

One thing is clear. Facebook, Uber, and Airbnb missed some very important stakeholders. For instance, they did not really appreciate the role and the power of the media in surfacing and publicizing negative cases. This is especially alarming for innovations such as Facebook that were in the business of enhancing communication! They also missed the key role that lawyers would play in representing disaffected employees.

In today's volatile environment, one needs to anticipate the damage that unfriendly stakeholders can do to any organization. For this reason, I will talk more in the last chapter about surfacing stakeholders.

CONCLUDING REMARKS

I am the first to acknowledge that SAST is a highly demanding process. It requires the understanding, patience, and commitment of time by those individuals and organizations that desire to use it. Nonetheless, I also know from experience that the more that it is used, the easier, faster, and more efficient it becomes.

In this context, it is important to note that when my lifelong friend and colleague Vince Barabba was head of marketing at Kodak and there were not enough resources available to set up four separate teams to debate a significant issue, an employee who had previously participated in SAST came up with the idea of his role-playing four separate positions. He thus took turns acting as four separate groups. In effect, he assumed the role of a rotating proponent for each of four separate positions.

What counts in the end is not following lockstep the detailed steps of a process, but in constantly innovating and improving how it is to be used. Most important of all is the understanding that there *is* a process for getting at key assumptions. Without this, there is no hope that it is possible to uncover key assumptions.

At this point, I hope that it is clear that *assumptions are the presumed properties of stakeholders*. This is precisely why I recommend strongly that before people and organizations make crucial business and policy decisions that they surface and debate as best they can the most critical assumptions upon which every important decision depends.

This does not mean that one necessarily has to go through a formal SAST process every time one makes an important decision. It does mean however that SAST always has to be at the forefront of one's mind. One always has to be cognizant of important of stakeholders and their associated assumptions.

Ideally, every organization should have a map of its most critical assumptions. It needs to monitor, critique, and update these assumptions on a regular basis as conditions change and new information is obtained. In this sense, SAST, or a variation of it, needs to be a cornerstone of the strategic planning and thinking of every organization, big and small, public and private, and for-profit and not-for-profit. For this reason, I view SAST as one of the essential cornerstones of a Learning Organization.

Further, every organization would have a person or better yet a set of persons who are the SAST Monitors for the organization.

POSTSCRIPT

I want to close with a relatively recent example. It reveals as much as any the extreme importance of so many of our assumptions, especially those that we take for granted. They literally involve life and death.

For over 30 years, I have been researching and consulting with regard to major crises, disasters, and tragedies of all kinds. During this time, I have found that one of the least recognized, and unfortunately most disturbing, aspects of all major crises is the extreme havoc they wreck with our taken-for-granted assumptions about the ways things are supposed to work. Along with the immediate and palpable tragedy of the loss of lives and serious injuries, major crises seriously challenge one or more of the major assumptions we have been making about ourselves and the safety of the world. In this regard, I have also found that those who are on the inside of a company or industry are often the last to see the folly of their assumptions.

I thus read the remarks of Barry Schiff, a retired pilot, with more than a modicum of disquiet. In an op-ed he wrote in *USA Today* with regard to the South Korean airliner that crashed at the San Francisco International Airport on July 6, 2013, according to Mr. Schiff, we should not be afraid to fly on planes with pilots who are undergoing training with a supervising pilot. After all, given the high cost of fuel, it would be highly uneconomical to have pilots fly training missions with no passengers aboard. That may indeed be a perfectly reasonable and well-accepted assumption for Mr. Schiff and the other members of the airline industry, but it is not for me. This is precisely why one can never leave the testing and acceptance of key assumptions to the members of a company or industry. This is also why those of us who conduct Crisis Management workshops insist upon having members present from different industries who can challenge the “normal thinking” of those inside an industry.

I could multiply examples ad nauseam. For instance, in the case of a train crash that literally wiped out a whole Canadian town, it may well have been a reasonable working assumption to let engineers take a breather just by putting on the brakes of a large train carrying dangerous cargo instead of shutting down the engine completely before they got out and stretched their legs. That is, it was until this working assumption failed disastrously and the train careened out of control and blew up the entire town. Now even the CEO of the company questions the practice!

Time and again, my colleagues and I have found that one of the hardest tasks facing humans is to get them to become aware of and challenge their key operating assumptions before a major crisis, disaster, and so on. Given that everything rides on the assumptions we make, it is literally a matter of life and death.

I also need to say a word about the use of traditional scientific-like experiments to test key assumptions. Of course I support such experiments, but only if it is with the clear understanding that those conducting experiments have their own biases as well. Therefore, one needs to apply SAST to uncover and debate the assumptions that experimenters bring to their experiments.

The last thing I would ever assume is that *any* stakeholder is free of prior assumptions and biases. What we need are methods to get at assumptions and biases, not to assume that there are none! Talk about a dangerous assumption!

POST-POSTSCRIPT

Finally, if ever a word was needed on the absolute necessity of involving non-traditional stakeholders in starting a new business and, certainly, in protecting an existing one, consider the following:

Amazon's two-decade ascent from Internet curiosity to global juggernaut demonstrates an important lesson that foes of Uber would be wise to heed in today's breakneck digital economy: To fight such disruptive adversaries, hire scientists and engineers, not lawyers and lobbyists. Companies must counter-innovate, not hide behind laws written for an era that has faded into distant memory.⁶

I agree, but once again while well meaning, the prescription is too narrow. One needs to hire ethicists, social scientists, and historians as well.

NOTES

1. See Ian I. Mitroff and Richard O. Mason, *Challenging Strategic Planning Assumptions, Theory, Cases, and Techniques*, John Wiley, New York, 1981 for a history of SAST.
2. Andrew Keen, *The Internet Is NOT The Answer*, Atlantic Monthly Press, New York, 2015, p. 68.

3. Jeff Cherry, <http://www.consciouscompanymagazine.com/blogs/press/22766337-the-missing-link-at-uber-ethics-innovation-conscious-capitalism>
4. Carolyn Said, "D.A. hits Uber for criminal drivers," *The San Francisco Chronicle*, Thursday, August 20, 2015, p. A1.
5. Carolyn Said, "Uber Says Drivers Like Independence," *San Francisco Chronicle*, Friday July, 10, 2015, p. C1.
6. Thomas Lee, "Uberpower: Those Fighting Innovation Might As Well Be Tilting At Windmills," *The San Francisco Chronicle*, Sunday, July 12, 2015, p. D2.

Doing What Is Right: The Role of an Applied Ethicist

Abstract This chapter not only describes some of the major schools of ethics but uses them to uncover additional critical assumptions that start-ups and existing organizations often make to justify their existence. For instance, from the standpoint of Kantian Ethics, Facebook, Uber, and Airbnb were unethical because they did *not* subscribe to the following moral maxim:

Whenever the probability, however small, is such that a person will be harmed in any way by a product or service, whether it's through its misuse or initial design, then the provider is obligated ethically to involve those stakeholders that are necessary to monitor and to remediate potential harmful effects.

In talking about ethics, it is absolutely necessary to use concrete examples. The subject is too abstract and difficult to discuss otherwise. Consideration of the ethical issues involved in any business reveals other important assumptions that are too difficult, if not virtually impossible, to uncover by other means.

I strongly caution the reader not to take the following example too literally and narrowly. On its surface, it seems to relate to one industry only. But, if one considers that many of the underlying issues such as

determining whether one's products and services are responsible for causing harm and the presumption of responsibility are perfectly general, then the example relates to virtually all industries.

The example concerns an unidentified person who wrote to The Ethicist Column in the Sunday, January 18, 2015, *New York Times Magazine*, for advice. The person noted that he lives and works in Hollywood where he has several friends who are screenwriters and politically progressive. His friends constantly lambast conservatives for not accepting the science behind Global Warming. And yet, when it comes to accepting the effects of screen and TV violence on young children, they reject 35 years of social science research that shows unequivocally that screen and TV violence are harmful beyond any reasonable doubt.¹

Having lived in Los Angeles (LA) for 26 years when I taught at University of Southern California (USC), I heard repeatedly the rationalizations of the movie and TV industry. The members of both industries never tired of pointing out that research does not establish strict causal relationships between the exposure of children to simulated violence and their heightened aggressiveness. The research only shows that there are correlations between the number of hours young children are exposed to movie and TV violence and their heightened aggressive behavior. That is, the greater the number of hours spent viewing violence, the greater is the aggressive behavior.

True enough. The research does not establish strict causality. Nonetheless, the correlations are not only statistically significant, but both consistent and persistent. That is, they are such that they could not have arisen purely by chance alone.

Furthermore, since they watch TV more, young children from economically distressed households are even more susceptible to depictions of violence. While many factors are of course involved, there is no doubt that movie and TV violence are prime contributors to, but not the sole causes of, the heightened aggressive behavior of young children.

Except in highly idealized and strictly controlled settings, we are never really able to say that a limited number of variables are the sole cause of something else. If all we had was the concept of causality, then we could not say that there was ever any relationship between two or more variables or different phenomena.

If the effects of violence were not so tragic, it would be utterly laughable to find Liberal Hollywood screenwriters and executives suddenly becoming so concerned about arcane matters of social science methodology when all they really care about is their freedom to do what they want.

And, of course, the considerable monies involved. All of a sudden they are experts in social science research! Equally disturbing is that many of these same writers and executives are highly critical of the National Rifle Association (NRA) when it comes to what they view as our completely out-of-control gun culture. And yet, they defend to the death their right to depict gun violence no matter what (pun intended!).

Of course, in accordance with the First Amendment, I defend the “rights” of artists to do what they feel is warranted dramatically. But because something is a right, is it always prudent to exercise it?

As a result, I found Chuck Klosterman’s, the Ethicist’s, responses to the young man who turned to him for ethical advice particularly feeble. Because Klosterman is right that one cannot predict precisely how all parties, that is, stakeholders, will react to a work of “art”, this does not mean that one should not even attempt to consider them at all. *The New York Times* certainly did so in its decision *not* to publish the French magazine *Charlie Hebdo*’s depictions of Mohammed. After all, there is no reason whatsoever why one could not use SAST to try and predict the reactions of different stakeholders to screen and TV violence.

What especially rankled me was Klosterman’s justification for the depiction of violence. Apparently, if an artist’s motives are “pure”, then he or she should not be particularly disturbed how others will respond to one’s rendition of violence or anything else for that matter. The trouble with this, of course, is that it essentially gives Hollywood a free ride to do anything it wants without any consideration of the public good.

ETHICAL PROPOSITIONS

To examine further the febleness of Hollywood’s reasoning regarding the depiction of TV and movie violence, especially that which is directed toward children, I have recast some of their prime assertions in the form of ethical propositions. Doing so is one of the best ways of which I know to examine the soundness of one’s reasoning from the standpoint of ethics. Namely, are the propositions “ethically reasonable”, or “supportable”, such that they “pass” the muster of what “‘decent’ humans” feel is ethically “right”, or, are the propositions so odious that they fail miserably?

For example, put in the form of a general ethical proposition, one version of Hollywood’s contention concerning the depiction of violence reads as follows: “Whenever the correlation (association) between what we do (manufacture, publish, produce, sell, transmit, etc.) and some

presumed social ill is small, then our actions and behavior are warranted ethically.” (Notice how with little modification the same kind of contention applies to Facebook, Uber, and Airbnb.) In other words, “We are off the hook ethically.” This, of course, only raises the following thorny question: “How high would the correlations have to be before one would change, modify, stop, etc. one’s behavior because it is not ethical?” Or, “why do you view the correlations as so small such that you don’t need to think about how your product is contributing to social ills?” In short, “Is there an ‘Ethical Thresh-Hold’ beyond which we should not go, or below which we don’t need to think about unpleasant consequences?”

To be perfectly clear, I find the notion of an “Ethical Thresh-Hold” odious for it obviously can be used to justify any and all kinds of detestable actions and behavior. Indeed, from the perspective of Kantian Ethics, about which I say more shortly, I can hear someone arguing, “Though the correlation is only 0.01 between what you do and some social ill, do everything in your power to reduce the correlation even more so that you will inflict ever less amounts of harm on the most vulnerable members of society.”

It is not the case that Kantian Ethics is always unequivocally right and Utilitarian ethics (e.g., the notion of an “Ethical Threshold”, assessing the amounts of harm versus good, etc.) is thereby always wrong, but that *all* hot-button issues (abortion, gays, guns, religious freedom, etc.) *invariably* raise important ethical considerations. Indeed, as a universal proposition, I can say that something is not a “hot-button issue” unless it raises important ethical considerations, and vice versa.

As we have seen, startups are certainly immersed in hot-button issues. For instance, does Facebook adversely affect the well being of children and teenagers? Does Airbnb actually contribute to or harm homeowners and cities? Is Uber safe to use as a means of public transportation?

Furthermore, because of the inherent nature of ethics, there will always be strong ethical debates concerning the disposition of hot-button issues. Rarely, if ever, will there be a strong consensus as to how to handle a particular issue. In other words, there would not be one and only one way to handle the issue from the standpoint of ethics.

In the case of Hollywood, two different ethical stances are deeply at odds. If we followed the strict and rather severe interpretation of Kantian Ethics outlined above, then it is highly likely that we would ever do anything that has the slightest remote possibility of harming anybody or anything. In other words, we would never risk anything. On the other

hand, if we followed Utilitarian ethics, then it is also highly likely that we would harm any number of people. Once again, this conflict of ethical principles is precisely one of the things that make hot-button issues hot—very hot indeed!

Unlike science and technology, where it is commonly presumed—wrongly I would note!—that there is one and only one right answer to important problems, ethics does not generally admit of single right answers. Often, the “best resolution” is to show there is more than one “best or right answer” to a problem and, therefore, better to leave one in a state of “prolonged ethical doubt and indecision” rather than have one go off half-cocked and adopt the very first action or solution that comes to mind, which we then later regret.

CONSTANTLY BOMBARDED BY HOT-BUTTON ISSUES

To say that we are bombarded constantly, if not inundated, with hot-button issues is one of the gross understatements of our times. Take, for instance, (1) the recently proposed laws in Arkansas and Indiana that would supposedly protect the “rights” of orthodox Christians to refuse service to those who they feel violate the fundamental tenets of their faiths (mainly Lesbians, Bisexuals, Gays, and Transgenders or LGBTs); (2) parents who for religious and other reasons refuse to vaccinate their children for various childhood diseases; (3) Tea Party members and supporters who believe that President Obama is leading us straight down the path to Socialism; (4) the severe polarization that is grinding our political system to a halt. All of these and more affect all businesses.

DIFFERENT SCHOOLS OF ETHICS

Let us take the example of Hollywood producers and writers to see very briefly how different schools of ethics would treat the issue of subjecting young children to simulated violence. This is one of the best ways to understand what different schools of ethics are about. This will also allow us to see how the different schools apply to startups as well.

Virtue Ethics is one of the earliest known schools of ethics. It emphasizes that ethics is ultimately grounded in moral character. Thus, virtues such as generosity, helpfulness, honesty, heroism, truthfulness, and so on, are primary in determining whether a person, society, or an act is ethical or not. In the case of Hollywood, an ethical producer or writer would be

someone who did *not* do what they did primarily for personal monetary gain or fame, but rather, in order to improve the overall well being of young children, if not all persons who viewed or witnessed violence. As a matter of principle, this stance would hold violence to an absolute minimum no matter what the research showed. Ultimately, it would strive to produce dramatic situations that did not depend on gratuitous depictions of violence in order to attract and hold audiences. The difficulty, of course, is not only finding a generally applicable set of “virtues”, but how to determine whether a person or society has them in “sufficient amounts”.

In the case of startups, the ethics of the enterprise rests squarely on the moral virtues of all the stakeholders connected with it. It is judged especially by its impacts on the most vulnerable members of society. The lack of concern with the impacts of violence, or bullying, on young children says tons about the moral character, or lack thereof, of the major stakeholders connected with a business.

Utilitarian ethics strives for the measurable effects of any proposed action or policy. Thus, it weighs the measurable benefits versus the costs of one’s actions. If the general benefits exceed the costs by some specified amount, then the actions are deemed ethical. The problem, of course, is that the depiction of violence may greatly benefit producers and writers but not the most fragile members of society. And, of course, who defines benefits versus costs?

From the standpoint of Utilitarianism, Uber may well benefit independent contract drivers, but given that it seriously impacts the incomes of those who are licensed to drive regular cabs, it certainly does not benefit them. And, it may not benefit all types of passengers. In addition, if one believes the contractors who are currently engaged in suing it, Uber is not really concerned with and does not look out for the well being of its drivers.

In this regard, Jeff Cherry is particularly critical of Uber:

...the long list of offenses by Uber represents more than just bad behavior—it represents bad business. Sure, the company has disrupted the transportation industry, but it seems this ‘disruption’ has come without a sense of organizational ethics. It’s my belief that innovation, unmoored from organizational purpose or ethics, leaves space for many bad things to happen. This seems to be the case with Uber and, as such, its experience gives us a case study from which to investigate how purpose and profit tied together

can create truly world-class companies. “Innovation for innovation’s sake has been a longtime driver for Silicon Valley. However, simply being innovative is no longer enough—the winners of the future will be those companies that understand how to engage all stakeholders by “out-behaving” the competition.²

In our initial discussion of Hollywood, we presented an especially strong, if not severe, interpretation of *Kantian Ethics*. Kantian Ethics asks whether any proposed ethical action or policy can be generalized such that it applies universally to all persons everywhere all of the time. For example, lying fails as a universal policy for if everything that everyone uttered were a complete lie, then who or what could anyone reasonably trust? The difficulty, of course, is finding universals that are anything but platitudes. Indeed, how are they to be determined and implemented?

From the standpoint of Kantian Ethics, Facebook, Uber, and Airbnb were unethical because they did *not* adhere to the following moral maxim:

Whenever the probability, however small, is such that a person will be harmed in any way by a product or service, whether it’s through its misuse or initial design, then the provider is obligated ethically to involve those stakeholders that are necessary to monitor and to remediate potential harmful effects.

In *Situational Ethics*, whether something or someone is ethical or not depends upon the particular person, context, and situation. Thus, in the case of Hollywood, whether the use of violence is justified or not depends upon the particular story line and how it is enacted. The difficulty, of course, is that this often leads to Relativism. That is, seemingly there are no general guidelines that would prohibit even the most egregious acts. Everything just depends on the particular situation, the unspoken “rules” of a culture, and so on.

Systems Thinking or Pragmatism views ethics in terms of whether a proposed action or policy helps a person, organization, or society (a wide body of stakeholders) manage critical problems in an ethical manner. In this case, “ethics” means whether a proposed action or policy meets the criteria of any of the major schools of ethics. Thus, in general, proposed actions or policies will not only be examined rigorously from the vantage point of several schools of ethics, but the disagreements between them are key. Thus, in the case of Hollywood, the use of violence is viewed systemi-

cally, that is, how it affects multiple stakeholders and all of society itself. Are society and justice served well by the seemingly endless depictions of violence?

In effect, the SAST process is a method for applying Situational Ethics and Systems Thinking.

This brief review in no way exhausts all of the various schools and viewpoints regarding ethics. But I hope that it is sufficient to give the reader an overview of the subject matter and how the different schools approach it.

CLOSING EXAMPLE: IS RELIGIOUS DISCRIMINATION EVER JUSTIFIED ETHICALLY?

I want to close with a hot-button issue that I referred to earlier and one that increasingly affects all businesses. It shows the general power of Kantian Ethics and reasoning in general.

The April 13, 2015, issue of *TIME* featured a strong interchange between two pro and con arguments (pp. 32–33) over whether Indiana’s Religious Freedom Restoration Act is necessary or not. The issues at the heart of the debate are: Are the beliefs of orthodox Christians so much under attack such that they deserve special protection? Should orthodox Christians and the members of other faiths be required to undertake actions which go against their fundamental beliefs? Should the owners of businesses be forced to serve those—for example, gays who wish to be married or who already are—that violate their deeply held religious beliefs?

I found the pro position by Rod Dreher, a Senior Editor of the *American Conservative*, not only seriously flawed, but shameful. Once again, I have recast one of the most critical parts of Dreher’s argument into the form of various ethical propositions.

It is not that my personal ethical and moral standards are above criticism and thereby universal, but that once again an ethical proposition of some sort underlies every important social issue. As such, they deserve to be fleshed out so that we can subject them to rigorous examination.

Let me take just one of Dreher’s prime contentions, namely, that if, for whatever religious reasons, one baker refuses to make a wedding cake for a gay couple, in today’s world there are many more bakers who are willing to have their business; therefore, gay couples have no right to feel

slighted and thus complain. Translated into an ethical proposition, the principle reads:

Whenever there is at least one other person, say person 2, who is willing to serve someone, person 1, who for whatever reasons person 3 refuses to serve, then person 3 is ethically justified in refusing service to person 1; in other words, person 3 is ethically justified in committing an act of discrimination. To boil it down, “discrimination in the large is acceptable as long as there is at least one other person who doesn’t practice it in the small so-to-speak”.

As an aside, would it thereby be ethical to build an app that would locate those and only those who are willing to serve gay couples or would this only further discrimination? I believe that it would only further discrimination. Therefore, such an app is unethical.

The preceding principle not only further institutionalizes prejudice, but it also puts the burden squarely on those who have been discriminated against to seek out others who do not discriminate. Worst of all, the principle serves as its own justification, that is, it is self-justifying. It also conveniently sidesteps the whole issue when there is no one in a small or closed community who wishes to serve someone else. Should the person who is denied service therefore be forced to drive miles at considerable cost and time in order to find someone who will serve them?

In Dreher’s words, “What is so alarming about the opposition’s [presumably, Liberals and gays] moral panic over [the Indiana law] is its inability to accept that there could possibly be a legitimate religious defense of discrimination at all.” Really? Name one! How about slavery and the treatment of blacks and women?

Yes, we discriminate all the time in distinguishing between different objects, places, and so on. But discrimination based on race, religion, or sexual orientation is not the same.

Of course, I accept that anyone is free to believe and to say publicly anything they wish, except of course hate speech.³ But, since businesses are licensed by law to serve the general public, one’s actions are judged in a very different matter. In this case, the proposition that “Every belief and action that is based on one’s deeply held religious beliefs are warranted ethically” fails miserably.

To take a recent example, as an individual, Kim Davis is perfectly free to believe anything she chooses according to the dictates of her religion, but in her sworn office as a county clerk she has no right to refuse to sign

marriage licenses for gay couples. Nowhere in the Bible does it say that one has a “right” to be a county clerk.

As a universal proposition, discrimination of any kind is not warranted, period! The dubious principles on which discrimination are based do not hold up to the moral cleansing light of daylight.

CONCLUDING REMARKS

The implications of this chapter in particular for startups are very strong indeed. For instance, in the case of Uber, ethics asks us to consider seriously those stakeholders that will be potentially helped as well as those who will be harmed by the service. The same applies as well to Facebook. Obviously, some Uber drivers and the company itself stand to profit handsomely. Customers may or may not profit depending upon the particular driver, the condition and state of his or her car, the level of his or her driving skills, his or her general attitudes, work behavior, history, and so on. On the other hand, drivers who work for traditional cab companies stand to suffer financially as indeed they already have.

Consider another important aspect. From the standpoint of ethics, how does the following proposition fare?

Whenever traditional licenses and rules are an impediment to starting a new business, and innovations in general, then one is warranted ethically in ignoring them. In other words, in the name of progress, disruptive technologies are warranted no what the particular kinds of disruptions they cause.

To say that from an ethical standpoint this proposition is highly debatable is putting it mildly. Yes, there is no doubt whatsoever that we are living squarely in The Age of Disruptive Technologies. But, surely this does not mean that we have to accept every disruption as beneficial, let alone as ethical.

Writing in *TIME*, Joel Stein summarized the matter as follows:

...Legislators in cities around the world are not thrilled with how fond the CEOs of many sharing economy companies seem to be of flouting their laws. Uber, which was so hot it managed to raise \$1.2 billion from investors twice last year, is the best known. In December alone, Uber quit its Spanish operations after a judge ruled that some of its services broke the law,

giving it unfair advantages over taxi drivers; it appealed decisions in France and the Netherlands prohibiting it from operating its lowest-cost service; it launched in Portland, Ore. in defiance of clear regulations, leading the city's transportation commissioner to get so mad he said he wished out of spite that he could find a legal way to let Lyft operate there; it saw two California district attorneys file suits claiming that the company doesn't screen drivers as it says it does...⁴

It is highly unethical—no matter what school of ethics to which one gives one's primary allegiance—*not* to consider the ethical ramifications of any proposed course of action, certainly those that impact large numbers of people. In short, every business needs to undertake an Ethical Impact Analysis!

NOTES

1. See www.apa.org/research.
2. Jeff Cherry, <http://www.consciouscompanymagazine.com/blogs/press/22766337-the-missing-link-at-uber-ethics-innovation-conscious-capitalism>.
3. However, see Greg Lukianoff and Jonathon Haidt, "The Coddling of the American Mind," *The Atlantic Monthly*, pp. 42–52 for the negative effects of "policing" speech.
4. Joel Stein, "Tales from the Sharing Economy," *TIME*, February 9, 2015, p. 38.

Think Like a System: Be an Applied Systems Thinker

Abstract This chapter shows how the Jungian personality typology leads to a very different form of systems analysis that is applicable to all organizations. For instance, while traditional Venture Capitalists are primarily interested in (1) how soon a startup can pay back initial investment capital (narrow, short-term economic and technical concerns) and (2) whether an initial idea is truly revolutionary and visionary (broader, long-term economic and technical concerns), every organization also needs to pay attention to (3) the broader needs of its surrounding community (wider human concerns) and (4) the engagement and health of its workers and their families (personal concerns). Over the long haul, all four must work together seamlessly if any organization is to be successful.

Open up a typical book on systems and for the most part one sees a system represented as a bunch of boxes with a complex tangle of arrows running each and every which way between the boxes. Inside the various boxes are key activities, decisions, and/or various processes that need to be performed. The arrows represent the multiple interactions and feedback loops between the boxes or elements that comprise a system. The arrows thus show how the actions in one box affect those in the others.

This common view of systems is not entirely wrong. To a degree, it shows how the various activities not only relate to, but affect one another. Nonetheless, it leaves out some of the most crucial aspects of systems. It does not show how very different types of people and perspectives not

only depend on one another, but have to work together seamlessly if a system is even to exist in the first place, let alone accomplish its intended goals. In this sense, since it leaves out vital aspects, the common approach is not systemic in the truest sense of the term!

In sharp contrast to the overwhelming ways in which systems are normally discussed, I want, instead, to draw upon the pioneering work of the Swiss psychiatrist and psychoanalyst Carl Jung. Jung's ideas are critical in pinpointing the different types of activities and processes that are essential if startups and organizations of all kinds are to survive, and even more, to prosper in today's highly dynamic and complex world.

THE JUNGIAN FRAMEWORK

Figure 3.1 describes four essential sets of activities that any organization not only needs to perform, but to do well. The essential activities fall into four distinct quadrants. The leadership of an organization not only needs to ensure that the activities in each quadrant are taken seriously and thus are done well, but that the four quadrants need to work together seamlessly if any of them are to be successful. In short, acting on their own, none of the quadrants can succeed. (I say more about the kind of leadership that is required in Chap. 5.)

In order to understand Fig. 3.1, let me briefly describe its underlying dimensions. The horizontal dimension refers to how one initially represents, structures, or views a complex entity. The vertical dimension refers to how one analyzes, responds to, or the process one uses in making an important decision.

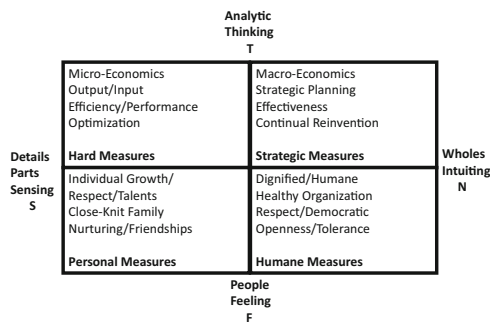


Fig. 3.1 The Jungian framework

The dimensions compose two of the key parameters of the Jungian framework. Jung observed that no matter what the field of human endeavor, the same two dimensions emerged repeatedly. They captured the differences between how different people viewed any situation, field of human knowledge, or practice.

The left-hand side “Details Parts” refers to the fact that no matter what the particular entity or situation, there is always the perspective or point of view that instinctively breaks a complex whole (problem, situation, system, etc.) down into its supposedly separate, constituent parts and then analyzes and studies the parts in isolation. In other words, some people are comfortable if and only if they can break a complex problem or system down into its “individual parts” so that they can focus solely on the parts alone. In doing so, they are making the critical assumption that the parts can be analyzed independently of all the other parts that comprise a complex entity or system. The left-hand side also represents those aspects of a system that can be understood in terms of established concepts and measures. The left-hand side is primarily from where incremental, evolutionary change originates.

Following Jung, the left-hand side is called Sensing or S for short. Sensing type personalities—people whose S side is strongly developed—prefer to gather information in terms of their senses. In fact, anything that is not ultimately based on or reducible to the senses is not considered to be “legitimate information” at all.

The right-hand side “Wholes” stands for those who instinctively prefer *not* to break something down into its so-called “parts”. Instead, they prefer to look at the whole of any entity or situation. If they do look at the “parts”, it is not only to draw out all of the interconnections between them, but to create a whole whose value is greater than the *product* of the values or performances of the individual parts. (In this view, a system is *not* the commonly accepted idea that it is an entity that is greater than the *sum* of its parts. Rather, a system is better thought of as the *product* of the performances of all its parts. The idea is that if one does well on one part and thus receives a score of 100, but does poorly on any other part and thus receives a score of 0, then 100 times 0 is 0! In other words, one does make up for poor performance by doing well on other parts when all of them affect one another.) In slightly different words, they do not look at anything in isolation. Finally, the right-hand side also represents the use of non-traditional concepts, ideas, and measures to assess the performance of a system. Thus, the right-hand side is primarily from where disruptive change originates.

Jung called the right-hand side Intuiting or N for short. Intuiting type personalities—people whose N side is strongly developed—prefer to gather information in terms of their imagination or hypotheticals, that is, what ifs, what might be. In fact, anything that is not ultimately based on imagination is not information for them at all. In short, facts hem in Ns. It is not that facts do not matter, but today’s facts have a disconcerting way of becoming the discarded realities of yesteryear. For Ns, facts only matter in the aggregate, that is, how they relate to one another, not in isolation.

A strong word of caution is in order. It is definitely *not* the case that Ss or Ns are better in all situations. Rather, every situation calls for Ss *and* Ns to analyze it from their own unique perspective so that important aspects of a situation or problem are not overlooked. Indeed, the difference between Ss and Ns is one of the most fruitful starting points for a SAST.

The top of the vertical dimension, “Analytic”, represents the use of impersonal ways (logic, science, statistics, etc.) of analyzing entities and situations and making decisions. The bottom “People” represents the use of one’s personal feelings to assess a person, organization, or situation in intensely human terms.

In terms of the Jungian framework, the top of the vertical dimension is called Thinking or T for short. Thinking type personalities—people whose T side is strongly developed—prefer to analyze situations impersonally. In sharp contrast, Feeling or F types respond to every situation in intensely personal terms. Once again, it is not that one type is “right” or “better” and the other is “wrong” or “inferior”, but that both need and depend upon each another in order to pick up and respond appropriately to everything that is involved in every situation.

Putting the horizontal and vertical dimensions together results in the four quadrants in Fig. 3.1.

I cannot emphasize enough that none of the aims and objectives in any one of the quadrants can be realized without realizing all of them. At best, each quadrant picks up a tiny percentage of the full set of issues that must be dealt with in any complex organization if it is to be successful and thus to exist for any extended period of time.

A GENERALIZED ORGANIZATIONAL PROBLEM FORMULATION AND PROBLEM-SOLVING “TOOL”

The Jungian framework is extremely helpful in identifying and defining the problems with which an organization is having trouble. To use it, one forms four Jungian groups by putting all those with the same personality

type into the same group. That is, one puts all the Sensing-Thinking (ST) into one group; all the Intuitive Feeling (NFs) into another, and so on. One then asks each group to uncover whatever problems the organization is having trouble acknowledging or defining.

Using the Jungian framework in this way always brings to the forefront whatever issues and problems that are lurking just beneath the surface. More significantly, it gives four very different views of important problems so that one does not instinctively latch on to the view that is most in sync with one's personality and the underlying culture of the organization, and thus neglect others, more often than not with disastrous consequences.

Even though I believe that the Jungian framework is an extremely important and indispensable tool in the problem-solving arsenal of organizations—certainly if they are to be able to tackle the complex, messy problems that they face—I would be remiss if I did not point that like everything, it has its drawbacks. To use it, it is necessary to have individuals take a brief psychological instrument—the Myers-Briggs personality inventory—that measures one's "psychological type".

They also have to be willing to spend at least half a day working together in groups to see how the Jungian framework sheds insight on themselves and their organization. Unless individuals and organizations are willing to spend time, then, unfortunately, many will continue to suffer many of the dysfunctions that plague far too many: absenteeism, deep hostility, high turnover rates, suspicion, poorly run meetings, and so on.

Nonetheless, if a consultant or member of an organization understands the Jungian personality system well enough, then he or she can quickly pick up on the "psychological language" that most individuals or organizations are using without first having to administer the Myers-Briggs. One then uses one's consultant skills to address the underlying needs of the various Jungian personality types, for example, that STs more often than not have an inordinate need for clarity and precision far beyond what a particular situation demands, and Intuitive Thinking (NT) and Intuitive Feeling types (NFs) have a need to float off into futuristic fantasies that are not "grounded in today's 'realities'". Finally, Sensing Feeling (SFs) overly personalize all issues.

A particular strength of the Jungian approach is that like SAST, having been through it once, it does not take as much time to go through it in subsequent applications. Indeed, it often makes future group meetings far more efficient and productive.

A strong caveat is in order. If a group or organization suffers from severe dysfunctions, then it requires treatment far beyond the Jungian framework. It requires deeper organizational interventions.

EXAMPLES

An article in *The New York Times* reported on how Patrick J. Geraghty arrived in Florida about a year and half ago to lead and reform the state's largest health insurer, Florida Blue.¹ Geraghty has gotten Florida Blue to literally reinvent itself. For this reason, it is one of the best contemporary examples of NT and NF one could hope to find.

To give but two illustrations, Geraghty has set up “retail stores” around the state where current and prospective members of Florida Blue can come in and speak to a live human being about their health needs, plans, and so on. He has also worked tirelessly with physicians throughout the state to buy into Florida Blue's new treatment and payment plans. Notice that these also incorporate SF in a deep and sincere way.

To make sure that his radical vision for Florida Blue is feasible financially, Geraghty and his team have done their ST financial and operational homework.

The second example concerns organizational health. I find it quite amazing that people can write popular books about the various dimensions of healthy organizations without at least once mentioning the Jungian framework.² It is not that the Jungian framework is the beginning and end—all of everything pertaining to organizations or that it is the only framework that one could use to understand them. Instead, the Jungian framework is one of the most powerful ways of analyzing organizations *as systems*. For instance, the ST aspects of organizational health are concerned fundamentally with efficiently well-planned and run meetings. It is also concerned with individual physical health. NT is concerned with innovative, strategic thinking and plans; NF with how much an organization works and comes together as a community; and, SF how much it really cares about individual people.

CONCLUDING REMARKS

This chapter leads to the following important definition of a problem: *something is a problem if and only if it has significant aspects in every one of the four Jungian quadrants*. To turn it around, *something is an exercise if it exists or emanates primarily from one or two at most of the Jungian quadrants*.

There is no doubt that *on their surface* and *when they are first presented*, many problems do not appear to involve all four of the Jungian quadrants.

Thus, it would appear that many technical problems primarily involve ST and NT only. If it is ST, then the problem is one of improving on known technology and ideas. If it is NT, then it is concerned with new ideas. Nonetheless, from my experience, I have never seen a “problem” in the true sense of the term that does not have important aspects in all four quadrants. For instance, every problem has technical aspects of some kind (ST/NT). But given that it is humans who perceive what is and is not a “problem”, every “problem” impacts human behavior and thereby has important NF and SF components as well.

I thus stand by the statement that something is a “problem” *if and only if* it has significant aspects in all of the quadrants. Alternately, all “problems” worthy of the name have important aspects in all of the quadrants. The danger is that the aspects we neglect or downplay are often precisely the ones that come back to haunt us as major crises.

Finally, Fig. 3.2 shows the kinds of major concerns and questions that any organization, certainly startups, must answer if they are to be successful.

Notice carefully that while traditional Venture Capitalists are primarily interested in the upper left-hand quadrant—namely, how much investment will it take to bring an idea to market, what is its “true” earning potential is, and thus how long will it take to recoup their investment—they are also interested in the upper right-hand quadrant given that the basic idea first has to “knock their socks off!” before they will even take a second look at it. But notice as well that Socially Responsible Investors, of which there is a growing number, are primarily interested in the bottom two quadrants, especially whether the new idea satisfies human needs that are ethical.³ Notice also that the Jungian framework shows that it is not

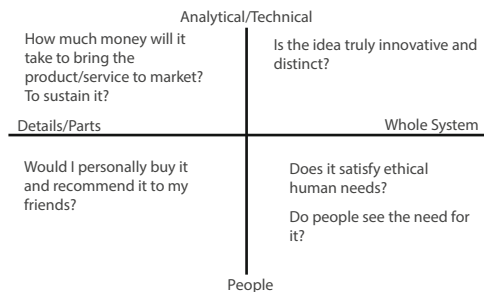


Fig. 3.2 The Jungian framework

enough for a startup merely to manage the upper two quadrants. In addition, one has to create the type of organization that honors its people. In short, one has to treat them as fellow humans, not as machines that can be worked to death. (Once again, I say much more about this in Chap. 5 when I discuss special types of leaders who have founded distinct types of organizations in order to help everyone connected with them.)

The upper left-hand quadrant typically evaluates people in what they contribute to the profitability of an organization, and often nothing more. The upper right-hand quadrant evaluates people primarily in terms of their novel ideas, and nothing more. In contrast, the bottom right-hand quadrant evaluates people in terms of their ethical contributions to the larger community, society, and the world. The bottom left-hand quadrant looks at how work impacts one's family life, personal relations, and individual health.

To be systemic is not only to value all four quadrants equally, but to learn continuously how to make them work together, which is really the only way that they can.

NOTES

1. Abelson, Fred, "Bracing for Health Care Shifts, A Florida Insurer Takes Steps To Be An Innovative Player," *The New York Times*, Wednesday, February 6, 2013, pp. B1 and B10.
2. For example, see Lenicon, Patrick, *The Advantage: Why Organizational Health Trumps Everything Else in Business*, Jossey-Bass, San Francisco, 2012.
3. Ryan Honeyman, *The B Corp Handbook, How to Use Business as a Force for Social Good*, Berrett-Koehler Publishers, San Francisco, 2014.

Thinking Like a Crisis Manager

Abstract This chapter shows what all organizations need to do to be able to anticipate and plan for the broadest range and types of crises that can now strike any organization. It shows how the Jungian personality typology leads to a broader, more comprehensive form of Crisis Management.

In the preceding chapters, I have stressed the importance of Crisis Management. Unless one considers how one's products and services will be basically misused, and takes serious precautions to minimize such possibilities, then the likelihood is high that major crises that can seriously impact the health and safety of users will occur. Ultimately, it will impact seriously the financial well being of an organization.

In a word, *major crises occur because virtually every single one of the major assumptions that are supposed to benefit users harms them instead!* In slightly different words, *virtually every single one of the purportedly positive properties of a startup or existing venture instead become negative properties!*

THE JUNGIAN CRISIS FRAMEWORK

In addition to helping one understand and plan for so-called everyday organizational phenomena, the Jungian personality typology is equally helpful in thinking about and planning for crises as well. Even though the Jungian typology was developed initially to understand and explain individual personality differences, it has proven extremely useful in

understanding complex organizational phenomena. For instance, as we have seen in the last chapter, it leads to a very different form of systems analysis.

Figure 4.1 presents a list of crises classified according to two primary dimensions: (1) the originating source of a crisis and (2) whether it is due primarily to technical or human/organizational factors. Figure 4.1 thus differentiates between those crises that arise from *within* or *internal* to an organization and those that arise *external* to it. This entire dimension corresponds to a combination of Jung’s crucial distinction between Introvert/Extrovert and Sensing/Intuition. The difference is between those factors that are looked at in the *short run* and/or as *internal* to an organization and those that are looked at in a *longer time span* and/or as *external* to the organization. This distinction is critical because the management of crises is not the same for all of them.

Figure 4.1 also differentiates between those crises that are caused primarily by *technical/economic* breakdowns or factors and those that are caused by *people/organizational/social* breakdowns. This distinction corresponds to Jung’s Thinking/Feeling dimension. The difference is between those crises that are primarily or immediately traceable to human actions (e.g., rumors and terrorism) and those that are primarily or to technical or economic factors (e.g., hostile takeovers and plant defects).

Figure 4.1 must be taken with a word of caution. Every crisis has aspects that fit in all of the four quadrants. That is, each quadrant gives a different

		Technical/Economic			
		Cell 1 Product/Service Defects Plant Defects/Industrial Accidents Computer Breakdowns Defective Information Bankruptcy	Cell 2 Widespread Environmental Destruction Large Scale Systems Failure Natural Hazards Hostile Takeovers Governmental Crises International Crises		
Internal				External	
		Cell 3 Failure to Adapt to Change Organizational Breakdowns Miscommunication Employee Sabotage On-site Product Tampering False Rumors/Sick Jokes/Malicious Slander Sexual Harassment Occupational Health	Cell 4 Sabotage Terrorism Executive Kidnappings Off-site Product Tampering False Rumors/Sick Jokes/Malicious Slander Labor Strikes Boycotts		
		People/Social/Organizational			

Fig. 4.1 Types of crises

		Technical/Economic			
		Cell 1 Undetected, Unanalyzed, Unsuspected Product Defects Undetected Plant/Manufacturing Defects Faulty Detection Systems Faulty Backup Design Controls	Cell 2 Undetected, Unanalyzed, Unsuspected Environmental Conditions Faulty Technical Monitoring Systems Faulty Strategic Planning Poor Societal Planning/Global Monitoring		
Internal		Cell 3 Faulty Organizational Controls Poor Company Culture, Information/Communications, Structure, Rewards Poor Operator Training Poor Contingency Planning Human Operator Failures/Errors Internal Saboteurs/Faulty Screening	Cell 4 Failure to Design/Implement New Societal Institutions Faulty Monitoring of Criminal Stakeholders Disgruntled Ex-Employees Assassins Kidnappers Terrorists External Saboteurs Copycats/Psychopaths	External	
		People/Social/Organizational			

Fig. 4.2 The causes of crises

interpretation of any crisis. For example, given that financial crises directly affect individuals and communities, there are NF and SF aspects (depression suicide, etc.) of financial crises in addition to ST and NT.

Figure 4.1 is also another form of Jungian systems analysis. A key implication of the figure is that from a systems perspective, all organizations must not only prepare for *at least one crisis in every one of the quadrants or cells*, but even more onerous, *every crisis in every cell is capable of acting as the cause and/or effect of every other kind of crisis in every other cell*. That is, no crisis *is ever* a single well-contained crisis. Instead, every crisis is a series of multiple crises. Typically, each crisis sets off a chain reaction of other crises. If an organization is not prepared for a series of multiple crises, then it is not Crisis Prepared. Once again, if it is not thinking systemically, then it is not prepared.

Figure 4.2 presents the causes and sources of various crises.

And, Fig. 4.3 presents a summary of the actions that organizations can do to lower the chances of major crises.

A DIFFERENT KIND OF STARTUP

In Chap. 1, we considered only one kind of venture, that is, those that were primarily platform or service based. Even though it does not cover all kinds as well, I want to give an example of a very different kind of startup. Because the work it does seriously impacts human health, I was called in to do a crisis audit of an organization. To protect its identity,

		Technical/Economic	
		Cell 1 Preventative Packaging Better Detection Tighten System Security Tighten Internal Operations Better Operator/Management Controls Crisis Management Teams	Cell 2 Expert Monitoring Systems Continual Planning Workshops Outside Experts Design Stores of the Future Systems-Wide Monitoring Crisis Command Centers Periodic, Mandated Reviews
Short-Term		Cell 3 Emotional Preparation Psychological Counseling Security Training Detection Training Social Support Groups Media Training Business Ethics	Cell 4 Profiles of Psychopaths Community Watch Groups Consumer Education Political Actions Groups Counseling Groups Examine Corporate Culture Media Training for All Executives Meet With Industry Associations
		People/Social/Organizational	
		External	

Fig. 4.3 Preventative actions

I am going to give it a fictitious name, Critical Diagnostics. I am also going to disguise its services. Despite this, the example still captures the essence of its services.

Critical Diagnostics conducts various tests to determine the toxicity of samples of potential physical and environmental hazards that are sent to it for analysis by environmental field scientists. Predominantly, the scientists have PhDs.

To do its work, Critical Diagnostics has invented new tests and technologies to analyze the results of its tests. It not only has had to invent new technologies to perform critical tests, but it has also had to invent new automated computer systems to oversee the tests in order as much as possible to eliminate or hold to a minimum human errors. Nonetheless, humans are still essential because the computer programs are modeled after what experienced lab technicians actually do. And, of course, people still have to oversee the system and monitor critical activities.

In talking to and asking people throughout the company what keeps them up at night, that is, what they fear the most, a number of dire scenarios emerged. One, the incoming samples could be poorly labeled and/or switched so that the wrong tests would not only be performed, but not caught before it was too late. If the test results were wrong, then either a costly mitigation would be done that was not needed, or even worse, a mitigation that was needed to ensure human health and safety would not be done.

Two, even worse, people worried if a malicious employee was somehow hired who for whatever reasons wanted to do severe damage to the company. For instance, if the wrong person got into the automated com-

puter systems and tampered with the computer codes, then they could do irreparable damage to the operations before it was caught.

Three, but what people did not think about was worse still. I brought to their attention that no one had thought about the possibility of collusion between a malicious outsider and insider. That is, suppose a malicious environmental scientist and a malicious employee teamed up to attack the company. The damage they could do would be horrific.

CONCLUDING REMARKS

Even though I have disguised the name of the company and its actual services, in order to protect it, I cannot discuss the case further. However, I do need to say that product tampering is one of the most important and generic crises facing all companies. Even though a company may not be directly in the food or pharmaceutical businesses, every company has to ask itself, “What are the *forms* of product tampering that can do extreme damage to us?” Thus in the case of Critical Diagnostics, tampering with computer codes is the form of product tampering that applies directly to them.

The worst thing one can do is to ignore any type of crisis by saying that it does not apply to us. If one has to be highly imaginative in coming up with a new business, one has to be equally imaginative in thinking about what can spell disaster for it.

All of the preceding chapters, and especially this one, provide a powerful way that companies can use to protect themselves from disruptive change. *Every company* needs to go through a SAST exercise that is organized around the following: If we wanted to do extreme damage to our company and thus cause a major crisis—or worse yet, a series of crises—then how could one do it? If someone wanted to subject our company and industry to the worst possible form of disruptive change, then what would he or she do to attack and destroy our products and services? What crucial assumptions are we making about ourselves such that we think we are immune from disruptive change? What are we taking as inviolable constraints such that we believe that no one can enter our business or industry and disrupt it with incalculable consequences?

In the end, the only thing that ever really protects us is our ability to think creatively. This is as true toward the end of a product’s or a service’s life as it was in beginning when one first imagined something new and exciting.

Think creatively or someone will think creatively to do you in!

Wisdom: How the Leaders of Purpose-Driven Organizations Manage from Their Values

Abstract This chapter shows how the CEOs of “purpose-driven organizations” fundamentally manage in accordance with their basic values. In this way, they ensure the loyalty of their employees, customers, suppliers, and a wide range of stakeholders. For instance, the CEOs of “purpose-driven organizations” do not pursue growth and profits for their own sake. In short, they are not willing to do anything that will compromise their basic values.

The chapter also argues that if the CEOs of “purpose-driven organizations” choose to start businesses that are highly disruptive to existing industries, then it is highly likely they would set up special funds to help retrain workers for new jobs.

INTRODUCTION

Recently, Amazon has been the subject of a scathing *New York Times*’ article that described what it was like to work there.¹ In no uncertain terms, the article described a workplace that was draconian in every sense of the term. People were constantly browbeaten, humiliated, physically driven to the point of exhaustion, refused time off for medical reasons, fired for no good reasons, texted and expected to respond immediately at any time of the day or night, and so on. Even though Amazon’s founder and CEO Jeff Bezos disputes the charges, it is not the first time that Amazon has

been accused of fostering a work environment that has displaced Walmart as the worst US company for which to work.

In contrast, I want to describe a very different kind of organization. In order to understand better the personal experiences of leaders in managing the growth of what she has called “purpose-driven” organizations, Christine Haskell interviewed 19 CEOs. The results are directly relevant not only to startups, but to all organizations, especially those in the later stages of their development.

When facing serious challenges, the major factors that helped the CEOs of purpose-driven organizations surmount them were their early formative experiences, and not necessarily their formal training. Again and again, loyalty emerged as a primary factor in helping meet serious situations. Loyalty was established first in the family where values were initially formed and then in their organizations where they were subsequently recreated and implemented. Feelings of fear, sadness, dread, excitement, and enthusiasm underscored experiences that were related to the growth and protection of the organization’s fundamental values.

Notice carefully that once again, to my knowledge, none of the books on startups talk of such fears. But then few books on organizations in general do as well. Notice also that the focus on values means that the primary ethical orientation of the CEOs was that of Virtue Ethics.

In a word, the leaders of purposeful organizations weather changes and crises differently because they make decisions in accordance with their fundamental values. When it came to scaling up the size and scope of their organizations, managing crisis, or succession planning, they were unwilling to make tradeoffs that would compromise their basic values. They were highly protective of the organization. They did not want it to become a typical bureaucratic, hierarchical system, filled with atrophy and lack of meaning. In short, they were unwilling to “sell out”!

But the thing that especially distinguished the CEOs was their sense of purpose. They were also different from other leaders with regard to the risks they were willing to take in order to protect that which made their organizations unique.

I cannot overemphasize that their early formative experiences strongly influenced their attitudes toward the growth of their organizations. In turn, this influenced how they made important decisions. In general, they adopted one of three modes: Defaulting, Correcting, and Balancing.

DEFAULTERS, CORRECTORS, AND BALANCERS

Defaulters repeat the patterns that were established in their families. They essentially allow external factors to dictate the story of their lives and that of their organizations. Rewards versus punishment—in short, external definitions of success—determine their choices. In this sense, Defaulters are Utilitarian.

For example, one of the interviewees “just fell into his first career”. He went to college because “it was expected of him; it was automatic”. When it was time to get a job, he took a part-time position in the same industry that his father had found so frustrating. Unfortunately, his father died of a heart attack at the age of 55. Twenty-five years later, while his part-time job had become quite lucrative, it was frustrating and unfulfilling. By defaulting, he had repeated his father’s example.

Correctors and Balancers are repairers. Correctors sometimes took radical steps in order not to repeat past lessons that they perceived as negative. They did not want to succumb to or become a victim of circumstances. As a result, they sought to create new and positive opportunities for themselves. Balancers emphasized positive experiences by projecting them forward. They were motivated by the desire to share something positive from their past with others. As a consequence, it brought rewards of a fulfilling career and meaningful work.

After losing his father at age 55, and seeing the same happening to him, the Defaulter described above took actions to change his life. Upon approaching the age when his father died, he said: “I didn’t want to die without some kind of fulfillment or at least a chance of fulfillment, of being and using myself in a way that was satisfying.” Figuratively speaking—not literally—by resigning from his job without a concrete plan for his future, he was giving himself a heart attack. “[I was] walking away, with no clue, absolutely no clue of what I was going to do, just knowing that I had to. I had no idea where I was going to land but I had to take the step off the edge. And I really felt it was a matter of life and death.”

Likewise, another CEO made a life-changing decision when he decided to leave a well-paying job in New York to start a company with friends. In leaving, he said that he “felt imbalanced”. His participation in public, private, and nonprofit efforts was not equal. Drawing on values and experiences from his childhood, he developed a business while getting his master’s that would involve public, private, and nonprofits equally. He attributed the strong need and desire to do it to his upbringing:

I was inspired by my parents. I watched them build a company and create something, being members of the community, and having impact. I think I did on a larger scale what they did. I think it's taking their work and...building on it and strengthening it, taking it to the next level.

PURPOSE AND MEANINGFUL WORK

All of the choices that were made by the CEOs represented precious opportunities to celebrate that which they deemed was special about the human condition. Their primary objective in creating meaningful work was to cultivate distinctive cultures, which in turn would inspire distinctive products, services, and experiences for others. This is precisely why their choices represented opportunities.

The primary sense of “purpose” was “doing meaningful work in the service of others”. The single phrase that best captures the essence of the idea and the vital role that it plays is “intrinsic motivation”. That is, they were *not* motivated primarily by external factors.

PURPOSEFUL ORGANIZATIONS

Purposeful organizations do not merely offer high quality and unique products or services, which they do of course. More importantly, their employees, customers, suppliers, and partners are all highly engaged with the organization. As a result, even their competitors admire them.

The CEOs of purposeful organizations inspire exceptional loyalty and enthusiasm. Purposeful organizations offer unique products or services at levels of quality that larger organizations cannot meet. To repeat an earlier point, customers, suppliers, and partners forge extremely close relationships with the organization. Further, in sharp alignment with their values, purposeful organizations deliberately opt for slower, more measured growth. They tend to go about their business quietly, under the radar. Fewer, but loyal, customers are worth more than 1 million followers on Twitter.

Previous work in spirituality shows that without forsaking profits or acting as missionaries, people are hungry for ways to develop purpose and meaning in their lives, both at work and at home. People believe strongly that unless organizations learn how to combine profits with a deep concern for others, they will not be able to produce products and services that can compete in the global marketplace.²

PROVIDERS AND STATESMEN

Based on the amount of experience they have had as CEOs, two different types of leaders emerged. Providers had less than 10 years of experience; Statesmen had over 10.

Providers used the language and exhibited many of the same behaviors that young families do with their first baby. While excited and enthusiastic, they were also focused on the survival of their young businesses. There was excitement in the discovery and integration of new talent and the ability to take on large projects. When crises emerged, it was as if every cold was the flu.

Providers experienced hiring, scaling up their businesses, and crises for the first time. Their primary focus was on growing and maturing. They often experienced high anxiety, enthusiasm, excitement, and the weighty sense that all decisions came down to them.

Statesmen often used the language and exhibited many of the same behaviors of a trusted advisor. Keeping with the metaphor of a family, they represented an uncle, with a more distanced relationship to the business, watching trends, and interested in how they could serve. Their excitement and enthusiasm for their businesses deepened over time. At this stage, their businesses were more predictable. They were knowledgeable about macro-industry trends. Their interest lay in thinking about where the business would be in the long term.

When a crisis emerged, Statesmen generally had experience with some aspect of it and therefore experienced less feelings of anxiety or a sense of sole responsibility. Statesmen were primarily focused on maintenance and succession plans. Since the company was beyond the survival stage, they were sought out for advice and guidance. They experienced anxiety as an expected part of change, tempered enthusiasm, and the sense that decisions could be made in various areas of the company, not just in the corner office. Fear arose when they considered the organization's potential to atrophy or becoming bureaucratic—of losing the characteristics that made it special.

Providers and Statesmen both believe that purpose-driven organizations are quick to adapt, value teamwork and employee empowerment, while continuing to innovate and thus be responsive to customer needs. Their biggest fear is making tradeoffs that will cause them to become bureaucratic, resist change, maintain the status quo, and thus be average.

GROWTH

Purposeful CEOs display four prominent characteristics that contribute to their ability to make decisions that affect the growth of their organizations. As previously noted, they have a heightened sense of purpose. They determine the values of things by means of their personal values. They view risk as a form of problem-solving. Lastly, purposeful CEOs want to protect their organization's uniqueness.

A heightened sense of purpose was manifested in the strong desire to create meaningful work with respect to something that interested and challenged them. It included the creation of jobs, products, and services that served others in significant ways. They rejected external factors such as clever technologies or quick profits in shaping their businesses.

Values guided much of the language around decision-making. Throughout the interviews, the CEOs referred to the decisions they made with a sense of "doing what is right". When they found themselves confronted with decisions that clashed with their values, the CEOs used phrases, such as "it just felt right to do such and such", "that does not feel good", or "taking that approach, I felt imbalanced".

The CEOs often referred to embracing risk as a form of problem solving. Managing issues that related to the size of their organizations led to their being more conscious with regard to how they wanted to grow. At all stages of growth, the CEOs reflected on what was at stake and what would be lost if they grew too fast. Most of all, they wanted to preserve meaning and their sense of happiness as part of the overall equation.

Notice that in terms of the Jungian framework, NT, NF, and SF were dominant in their decisions. Since they were businesses and had to make money, ST was clearly present. Nonetheless, ST was not the major consideration that drove the organizations.

In the rest of the chapter, I will indicate where key ideas of the CEOs were in line with the Jungian framework by putting the abbreviations ST, NT, and so on in parentheses next to the main thrust of the ideas.

WHY THEY STARTED THEIR ORGANIZATIONS

When asked what made them start their organizations, the CEOs responded as follows:

- Viewed as an ecosystem (NT and NF), they wanted strong relationships (NF and SF) throughout the entire organization: between

leaders and employees, the organization and its customers, with and among suppliers; they expressed genuine concern for each other and their employees (NF and SF).

- To enrich their life and the lives around them by making a difference (NF and SF).
- Creating a work environment that inspired everyone (NF), and where one was still able to make a decent living (ST).
- Being relevant to a neighborhood or community, contributing to civic vitality, while making money doing it (NT, NF, and ST).
- Creating conditions for people to be fully themselves through greater autonomy in their work (NF, and SF).
- To welcome people and create joy in lives through work that is meaningful (NF and SF).
- Respect for people as creative individuals, to help people achieve great things, to practice effective, caring self-management (NT, NF, and SF).
- In all of the interviews, the CEOs described roles that not only were complex and challenging (ST and NT), but, at the same time, were also personally rewarding (NF and SF). While all acknowledged that profits (ST) were important, even for those organizations that were public, profits were not overly emphasized.³ Beyond a certain point, profit ceased to be the most important thing. It cannot be emphasized enough that the quest for meaning, the desire for autonomy, and self-actualization were or became dominant strategic goals for both leaders and their organizations (NF and SF).

THE KEY ELEMENTS OF PURPOSEFUL ORGANIZATIONS

From the CEOs' descriptions of meaningful work, the following key elements of purposeful organizations emerged:

- There were just enough processes in place to achieve quality products or services, but not too much so as to make work routine (ST and NT).
- Employees had enough autonomy such that they were free to do the right things; in this way, decision-making was broadly distributed in most of the organizations (NF and SF).
- The organizations were broadly inclusive; they involved a wide array of stakeholder, such as employees, customers, and suppliers (NF).

- The organizations were viewed as timeless. They were not created in order to be sold. Therefore, creating and maintaining the organization was part of establishing one's legacy, playing the long game (NT).
- There is excitement of doing work people love, with people they like, in order to contribute to a vital community. Being part of something bigger than one's self is a core value (NF and SF).
- A high degree of trust in one's employees, as well as cultivating trust with employees, customers, suppliers, and partners for the long haul. The bar for success is not how much revenue was made. The question "Do we want to do this again?" is asked continually in order to determine long-term success (NF).
- Deep feelings of reward and gratitude (NF and SF).
- While certainly not everyone either articulated or ascribed to every element of the preceding list, most endorsed the idea of wanting meaningful work in their lives and the rewards that come from focusing on others instead of solely on oneself. These were the fundamental components that drove the organizations.

PERSONAL STORIES (SF)

Throughout the interviews, the CEOs constantly reflected on personal stories. For instance, Participant 7 is the President of a 14-branch credit union. He has had to deal with a tumultuous board in order to transition it from a credit union to a bank. The transition was a pivotal point in the organization's history. It's what made the culture what it is and differentiated it from their competitors.

With seven neighborhood branches, growth is no longer a key measure and determinant of success. The organization's strength comes from the relationships it has built among itself, its community, customers, small businesses, partners, and so on. In his mid-fifties, happily married to a "great spouse", he has an enduring enthusiasm for leading his organization. He is proud of the culture he has created and is always looking for ways to improve himself and his business. Nonetheless, over the course of the interview, it did not take long for him to reveal what he considered were the primary influences on his leadership during a critical transition:

You want to know what's going through my head? I'm in high school, 10th grade, playing football. I was a second string safety and the first string safety got hurt. All of a sudden I'm 145 pounds playing safety on a really

crappy football team and getting my butt kicked. Many of our scores were like 48 to 7 and we didn't have the 48. Halfway through the season both my thumbs were sprained and bandaged up. It was just bad. I talked to my mom and I said 'I can't do this anymore.'

And I got the classic mom speech of 'Joe, you committed to this and you committed to those other players. I'm sure they're not feeling very good about this either. Is this the way that you're going to go through life? That you're going to quit?'

I went back out there to have my butt kicked for another six games. It's one of those kind of aha moments where it's like 'okay, she was right.' Everybody else was in just as much pain. Their butts were being kicked too. That speech was rattling around on my head as I was sitting there at the end of the quarter, trying to figure out what to do.

While not always able to make direct connections between what influenced them and their experiences, as Participant 7 was able to do, most of the CEOs recognized that their formative experiences had a significant impact on their decisions. Seminal experiences with role models, or witnessing the impact of the choices made by those around them, influenced the kinds of decisions they made and how they chose to grow personally as well as grow their organizations. Those with negative experiences that left them with feelings of sadness, or with pronounced empathy for a role model, stated that they were doing things differently in order to leave a positive legacy for their mentors.

THE NEED FOR CRISES IN THE SEARCH FOR VALUES

One thing in particular became extraordinarily clear from the interviews. *In order to embark on the search for values, higher purpose, and the creation of meaningful work, one must experience a major challenge or crisis.*

Not every one of the CEOs had really thought about their values before their starting a business. For instance, Participant 12 is a 45-year-old male. He is CEO of the world's largest community for learning and sharing information about medical procedures. He cited a conversation he had when a friend confronted him with the impacts his website had on its members:

She said, 'You do realize that you are not just dealing a website that [has] clever functionality and [makes] money.' I said, 'oh yeah of course I know.' She said: 'Women are making life decisions based on the information that you are providing them.'

Later in the interview, Participant 12 talked about how he grew along with his business, and as a result, he developed a core value: the responsibility to provide a platform that was an effective advocacy for health. He referred to it as his “cause and calling”.

And it...struck me, I have to do *this* now...It was like a cause and a calling that I never expected...I am starting to understand that based on our position in the market and our resources, we actually can deliver a ton of social good to the world. And we have embarked on supporting medical trips around the world and building capacity in countries for [medical services] for the poor in these nations where there is no access to it. And I told my wife after we kicked off our first round of funding of this effort, I said, I thought I was building a consumer website now, but *this* is what I am doing it for now.

Making connections between his past experiences and why he was so passionate about his company and establishing a legacy, he explained:

So my father—he’s the most likeable person you’ve ever met and he’s just a delightful kind soul—and when he retired I just felt like [he hadn’t lived his life] because he got sucked into being employee number 6543 or whatever and then when he retired; they gave him like a bag of golf—and he didn’t play golf.

It was the classic TV movie kind of retirement and he couldn’t believe there was nothing left; they just replaced his name on a door and he was gone, nothing there. You got together with a couple of people you worked with, but there is nothing he can point to and say ‘I spent my entire life and time working against that’ and so I think it’s very hollow and...I think it affected him. I think he didn’t know what to do with himself and I just saw that and I saw different things leading up to that. I just didn’t aspire for that...Making money was [not] my drive. It’s about having fulfillment. It’s about having a fulfilling experience with where I spend my time working.

Through that exploration [with my parents]—I would say I have a pretty healthy self-esteem and I think I also have a really nice sense of curiosity and sense of self, a kind of self-drive and belief.

I’m not very tortured. There are so many [community] members who are tortured and really suffering or struggling. I’ve just been really fortunate just to have a pretty sane life and it allows me to focus. Then that focus allows me to say: what would really make me passionate? Doing something where I could say, I did *that*, I built *that*, I worked against *that*.

It's something that's out there, beyond my lifetime. A legacy. Most of the guys (with startups) are like, 'yeah I want to make [x amount of] money, I'm just going to pop this' or 'Google is going to buy me in two years.' But maybe because I'm older, I like all the plans [that go into building this organization]. I want to build something that has sustainability to it and I don't want to sell it to somewhere where they're just going shove it under a new thing and to squeeze money out of it.[emphasis mine]

Most of the CEOs provided poignant examples when they learned pivotal lessons, which aided them in times of difficulty. Again, in times of stress, the CEOs were not guided as much by their formal training as they were by their core values. Citing their formative experiences, each of the CEOs reflected on some form of what was “the right thing” to do. For example, *it was right to pay a fair wage, to use only the best materials, to stand by your work, to make a wrong situation right, to take care of people and treat them well, to have presence and give back to the community, and to live a meaningful life.*

Across the CEOs, there was a common set of values, which served as important resources in making hard decisions. Seventeen emphasized family role models and twelve mentioned strong bosses or educators. Within the family, three clusters emerged: an ideal family (complete unit, ties to community, deep relationships, and meaningful discourse); single parent, or divorce, and strong relationship to primary parent (positive or negative); and, watching a parent frustrated in his or her career.

Certain families, as well as organizations, carry easily recognizable multigenerational patterns of relationships.⁴ For example, Participant 14's family cherished spirited debate. In his organization, this was re-experienced through the development of processes and structures that constantly challenged the status quo, celebrated failure in pursuit of ongoing learning, and a desire for straight talk, a kind of structured debate.

Participant 6 grew up in a rural environment, among a close knit family, and surrounded by multigenerational family members. She later re-created this in her local shops where she uses sustainable “farm fresh” ingredients, cultivates a sense of community among her employees, suppliers, and customers, and creates a friendly destination where people of all ages can congregate.

THE POWER OF EARLY FAMILY DYNAMICS

*Without any interest in the relationships between one's formative experiences, the formation of values, and decision-making, leaders remain handicapped in dealing with the long-term health and the ongoing vitality of their organizations. Because of the power of early family dynamics, people repeat the good, the bad, the ugly and the beautiful. In attempting to repair early experiences, they can easily overcorrect.*⁵

Connections to one's past are unavoidable. However, leaders can think about, and decide if need be, what they want to correct, but not overcorrect. They can also decide what part loyalty will play in why and how they will grow their companies and themselves. In short, they can be more mindful of what good, bad, ugly and beautiful they wish to bring forward, and what to leave behind.

THE LIFECYCLES OF VALUES

Values, like organizations, go through a lifecycle of generation, productivity, self-deception, and regeneration. When organizations start out, they generally intend to do something audacious and wonderful. Nike, Microsoft, McDonald's, and Starbucks started out this way. Considering these organizations' histories further illustrates how value lifecycles work. Figure 5.1 shows the four stages of the values life cycle.

- **Generation.** In the generation phase, leaders seek to create something of their own that inspires them (NT and NF).
- **Productivity.** Hypnotized by 5X multipliers and the desire for an Initial Public Offering (IPO) or large payout, leaders embark on expansion and scale (NT).
- **Self-deception.** As leaders continue to emphasize growth, they make crucial trade-offs between (a) quality and efficiency versus (b) uniqueness, meaning, and values that were once at the core of the generation phase (ST).
- **Regeneration.** With noticeable differences in the initial service or product, the leader (either through legal pressure or a personal awareness, SF) begins a process of returning to and revitalizing the original values of the organization. The first steps often start by reemphasizing and reintroducing values by means of programs philanthropy, corporate social responsibility, or sustainability, often resulting in reducing one's energy footprints (NT and NF).

- When one embraces growth for growth's sake, organizational structures, processes, and markets (ST) are emphasized to the neglect of autonomy (NF and SF) and embracing failure (NT and NF). Over time, feelings of inspiration (NT and NF) that started the organization begin to erode. Values (NF and SF) that once guided decisions are now just reminders of the past. They are relegated to the training of new employees and rarely revisited in day-to-day operations. For example, quality becomes someone's job in particular, and not part of everyone's. Environmental litigation has become so accepted that they become a normal budget item. And, sharp increases in lawsuits result in sustainability and citizenship programs. Both of these examples reflect a process of reintroducing eroded values back into the organization from the bottom up.
- Real change occurs only when individuals reflect seriously and integrate their learning from critical events. This requires that they change their beliefs and attitudes so that their behavior is altered. When organizations do not learn from failures, problems that could have been solved easily turn into wicked problems requiring constant attention.⁶
- Simply experiencing a negative event is not sufficient for real learning. Companies incur large fines and lawsuits only to suffer them repeatedly, eventually accounting for them in their budgeting processes. Simply put, their values erode over time. Thus, negative events alone are not enough to change behavior.
- Effective regeneration requires the transformation of companies and their leaders from top-to-bottom. Leaders have to integrate the knowledge and awareness of the broader impacts of their companies, along with what else they could do.
- The CEOs attempted to mitigate the potential losses of their basic purpose and values by means of the notion that "enough profit was enough". In essence, they remained in the generation stage. They did this by making conscious choices to be purposeful rather than merely efficient. They chose variable versus fixed outcomes.⁷ Their internal, values-based compasses helped them avoid defaulting to the market's expectations to drive their growth continuously. Instead, they constantly looked inward to align with their core values. They accepted reduced growth in order to preserve their sense of purpose and uniqueness.

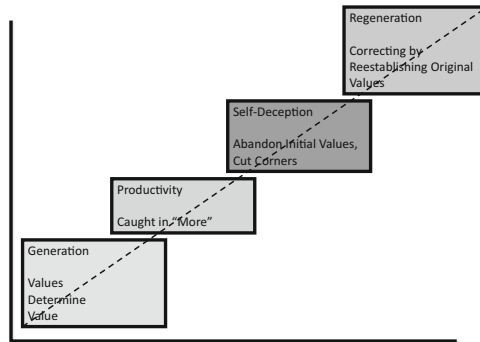


Fig. 5.1 The values life cycle

- Christine Haskell, on whose work this chapter is based, cannot emphasize enough that purposeful leaders weather market changes and crises differently. They make decisions primarily by creating and maintaining work that is meaningful to them. In a recent and rare personal interview, Wendell Berry suggested: “We don’t have a right to ask whether we are going to succeed or not; the only question we have a right to ask is: what’s the right thing to do? What does the earth require of us if we are going to continue to live on it?”⁸ Many of the participants used similar words in terms of “the right thing to do” when it came to making critical decisions related to the growth of their companies.

GROWTH AGAIN

The following are typical responses about the growth of their companies:

- On taking the initial leap: I took [the business] from an ideal concept from zero to \$700–800 or million.... That’s a lot value created over 10 or 11 years’ time.... We took down 65 million of debt, 13 % of interest that was going to create 95 million in three years. You probably couldn’t get a loan like that today. In retrospect, it might seem very risky, but at the time, it didn’t seem risky because of the interest in the business, how well we knew the market, and how much we believed in it. (Participant 18)
- On managing crises: I remember [the CEO] saying we were going to be investigated and the US attorney is getting involved and we’re going to

tell him what happened and the truth. And I think he said, “We’re going to do the right thing.” And I just—and there were several other moments where whether it was [one of the partners] and you go to a meeting and, “Hey, we’re going to fix that,” or, “We’re going to take care of it.” It was like—just a matter of fact. (Participant 16)

- On paying a fair minimum wage: I...ask myself, are your real true values (even when the press hype is huge) that everyone should make at least \$15 an hour? When you look at the economics of what it takes to live in this city, the answer is yes. OK, then figure out how you do it. (Participant 6)
- On maintaining culture of innovation: If people can truly go out and do what they’re capable of without fear of failure, they have ownership of it, they love—it’s their idea. (Participant 14)
- On succession and long-term growth: We are afraid of [growing into] business units of profit and loss bookings, revenue, and being bureaucratic. We fight that kind of thinking everyday. If we stick to our knitting and we make mistakes, we’ll always find ourselves going back to the idea that if our people can’t tell the story of where they work, the story is too complicated and we are not doing the right thing. (Participant 10)

As the responses illustrate, it is possible to manage growth and still maintain a strong, purposeful organization, one where leaders remain unwilling to compromise their core values.

The following composite is a typical response to the motivation for creating meaningful work:

- People know that I’m a part of this... that if something is broken I fix it. My relationship is really strong with my staff.
- I do this work to enrich people’s lives. The solidifying characteristic of the company is the concern we have for each other and the employees. People depend on us for their livelihood and we’re only as good as long as they are happy. It’s trying to create a work environment that inspires everyone.
- With each new business I create, not only do we get to invite people in, but then we also have another neighborhood to get to know. I mean what could be better?
- It’s all about being fully present and being in tune with the person that’s sitting right next to you or what’s going on collectively in the company. The idea of being yourself is really foreign to a lot of people as well as the idea of being in control of your job or destiny. People are used to being told how they’re doing and told when they’re ready for a raise and told when they’re ready for a promotion, but what I really wanted was for people to take it into their own control and into their own hands.

- We take pride in serving our community and we want to create safe bases for individuals to come to and feel that they are welcomed and that there is joy in their life. They might have other things going on in their life so that they don't experience that joy.
- To me, it's more about just respect for people as creative individuals. They start to have the belief that everybody is smart and creative and can do great things and your job is to help them achieve that—that kind of changes things. I mean that's all it really is to me, it's just effective, caring self-management.

While nearly every one of the CEOs agreed with most of the preceding responses, there was not universal agreement on growth itself other than it represented the unknown, or that which had yet to be experienced or learned. There was, however, a common perception that growth for growth's sake leads to “atrophy”, “greed”, and routine work that lacked meaning. It was a case of where “money was more important than the mission”, “relationships with employees were purely transactional”, or “it was all about a pay check in exchange for time and talent”. For these reasons, they did not want to “sell out” or “go big”.

CONCLUDING REMARKS

Even though there is a great deal of research on how organizations experience growth, in particular how they decide to grow or not to grow, few have interviewed CEOs in order to understand their personal experiences in making key decisions that affect the growth of their organizations. In contrast, this chapter has considered what has made a select sample of CEOs care about starting their businesses, their experiences in leading change, and how their early, formative years contributed to their decisions. They were not concerned with merely sustaining their current businesses or exploring new revenue streams. They were concerned about managing the speed of change while maintaining their commitment to meaningful work.

If we continue to perpetuate transactional models where paychecks are exchanged for time and talent in pursuit of being number one, we will not only lose valuable talent, but also contribute to human crises of immense proportions.

If the understanding of and participation in sustainability, corporate citizenship, or philanthropic efforts are separate from the day-to-day

operation of businesses, then the vital engagement and energy of workers are lost. Energy is then focused primarily on routine work. Leading only from one's own narrow self-interest means that vital relationships can break at any point.

POSTSCRIPT

I suspect strongly that if any one of the CEOs that Haskell interviewed were involved in fomenting disruptive change that they would want to seek provisions for those that were displaced by such change. I suspect that they would be willing to pay into a fund that would help those stakeholders that were displaced acquire training for new jobs. Again, they are not merely out for themselves. They are concerned with the larger society.

NOTES

1. Jodi Kantor and David Streitfeld, "Amazon's Bruising, Thrilling Workplace," *The New York Times*, Sunday, August 16, 2015, pp. A1 and A20.
2. Ian I Mitroff and Elizabeth A Denton, *A Spiritual Audit of Corporate America; A Hard Look at Spirituality, Religion, and Values in the Workplace*, Jossey-Bass, San Francisco, 1999.
3. As in the case of Participant 18's business model which worked the public, private, and nonprofit sectors equally.
4. Boszormenyi-Nagy, I. (1984). *Invisible loyalties*. New York, NY: Routledge.
5. Boszormenyi-Nagy, I., & Krasner, B. (1986). *Between give and take: A clinical guide to contextual therapy*. New York, NY: Routledge.
6. Bazerman & Watkins, 2004; Mitroff & Anagnos, 2001; Mitroff & Silvers, 2010; Sitkin, 2008.
7. Ackoff, R. (1971). Toward a system of systems concepts. *Management Science*, 17(11), 661–671.
8. Hitt, M. A. (2013, October 1). Wendell Berry and Bill Moyers to talk coal, climate: This Week on PBS. *Grist*. Retrieved from <http://grist.org/article/wendell-berry-and-bill-moyers-to-talk-coal-climate-this-week-on-pbs/>

Applied Epistemology, Part 2

Abstract This chapter uses the concept of Inquiry Systems (ISs) to reveal deeper aspects of SAST. SAST is fundamentally based on Dialectical Inquiry. That is, in order to ensure that one is not committing Errors of the Third Kind (“solving the ‘wrong problems’ precisely”), one must produce at least two very different versions of all-important problems. This chapter takes a deeper look at the underlying philosophical basis of SAST. It also gives us further insights into the nature of applied epistemology. Most important of all, it reveals the kinds of activities in which organizations need to engage in order to combat disruptive change.

INQUIRY SYSTEMS

Inquiry Systems (ISs) are one of the best ways to understand the philosophical basis of SAST. An IS is not only a particular way of *obtaining* knowledge about the world, but it is more basic than this. ISs differ fundamentally over what they *label worthy* of the term “knowledge”. That is, they have very different conceptions of “knowledge and truth”. In short, each IS represents a different philosophical method and school for obtaining knowledge, indeed what it recognizes as knowledge in the first place.

A PROSAIC EXAMPLE

Because philosophy is such a difficult subject, in order to make the discussion as accessible as possible, I am going to discuss five different archetypal ways of producing knowledge and truth in terms of a fictitious company, Healthy Bars, Inc. As its name indicates, Healthy Bars Inc. makes healthy food energy bars. Its goal is not only to be the number one company in its industry in terms of market share, but it also wants to be the company that consumers think of first when they think of an environmentally responsible and ethical company.

In order to increase awareness of its products so that it could boost sales, Healthy Bars Inc. decided to hold a worldwide contest. They invited consumers to send in recipes on “how to make the perfect fruit bar”.¹ The only restriction was that the recipes had to use one of Healthy Bars Inc.’s products. Other than this, consumers were free to add any ingredients they wished, providing of course that they were safe, environmentally friendly, and legal. The contest winner received not only free health bars for a year, but also, more importantly, the honorific title of “master chef”.

Although at first glance this example seems trite and far removed from the philosophical foundations of SAST, it is anything but.

THE FIRST WAY OF DECIDING: EXPERT CONSENSUS

Like most organizations, Healthy Bars Inc. appointed a small committee to judge the huge numbers of entries it received. To its chagrin, the committee soon found that it was literally drowning in thousands of entries that poured in from all over the world.

As a result, the committee was completely stymied. There was no way that a small group could sift through thousands of submissions.

Besides, what was the meaning of “perfect”? They had not even considered that a definition of what they were looking for might be important before they started the contest. Rather naively, they thought that it would just emerge. (Note that it is only in simple exercises such as “ $X + 21 = 5$; find X ” and well-structured problems that we start with a clear definition of the problem at the beginning of an inquiry and thus know what form the solution will take. Further, the initial definition of the exercise, as opposed to a problem, does not vary over the course of the inquiry.)

One of the committee members suggested tabulating all the entries by putting them into a personal computer (PC). The particular recipe receiving

the most votes or the one that had the most in common with all the individual recipes—the “average”—would be declared the winner, in this case, the “perfect fruit bar”. The member pointed out that this was a convenient way of bypassing the definition of “perfect”. “Perfect” would in effect emerge from the process itself. As one of the committee said, “Why get hung up on definitions?”

However, as soon as this was suggested, it raised more concerns and issues than it settled. Most of the committee members felt that it was a copout.

Why was the “average” in any sense the definition of “perfect”? Could it not lead to the selection of the most bland and inoffensive entry? Besides, what did it mean to “average” entries from around the world? Were all entries equal? Was everyone who submitted an entry an “expert”? Were all experts equal?

In effect, *the committee could not agree among themselves to use the method of agreement to settle the contest!* Thus, this particular method was rejected before it even got started. In other words, the taken-for-granted and implicit assumption that the problem was well structured was false.

Even if they polled “experts” for their opinion, there would be problems. For instance, how would they define an expert? If an “expert” was defined as the “community” of “distinguished chefs” worldwide, say all those working in two star restaurants or better, the committee still felt that this way of choosing the winner would be inadequate, for it would privilege a certain group of experts over all others. In using experts, one is not only dependent on the consensus between them for producing “truth” in the first place—in this case “truth” is the ‘perfect’ fruit bar—but one is also assuming that the more agreement there is between the experts, the stronger, and therefore, the “better”, the “truth”.² In this system, “truth” is that with which a group of experts agrees strongly.

Appropriately enough, this approach is known as the Expert Consensus Way of Knowing or of Producing Knowledge. “Truth” is both the product of and the outcome of the agreement between the judgments, observations, or opinions of different experts.

Take Global Warming. The “body of ‘reputable scientists worldwide’” is now in substantial agreement that human activities are a significant factor responsible for Global Warming. This “fact” is taken as “strong evidence” that the debate whether humans are or are not responsible for Global Warming is essentially over even if all the mechanisms for it are not understood completely.

Agreement is no less important in science than in any field of human activity. One could in fact argue that agreement is even more important in science where so much is riding on the outcome of scientific knowledge.

For short, I refer to this IS as Expert Agreement.

Expert Agreement is important to understand for no other reason than it underlies the vast majority of Risk Assessments. First, a group of “experts” is assembled who are “qualified to assess risks”. Next, they agree on how a complex system is to be broken down into its “component parts or assets”. (Notice that in terms of the Jungian system that this is clearly an example of an ST approach to Crisis Management.) Independently, each expert then identifies the risks associated with each individual component and gives a numerical score that reflects the seriousness of each risk. The independent scores are then averaged to produce an “aggregate risk score” for each component. Discussions then take place with those experts whose assessments are far from the group average to bring them into line with the general agreement. If the outliers cannot agree to go along with the group average, then their scores are excluded. The tighter the agreement between the individual scores, then the greater the confidence that is placed in the belief that the group averages “bound the true risks”.

As much as this particular IS *secures* agreement, more often than not it *produces* it by *forcing* it. For this reason, it is never enough to know that a particular group is in agreement. One always needs to know how the agreement was arrived at.

Notice that this same procedure is used to produce estimates of the probabilities of the occurrence of the various risks and their consequences. Thus, Expert Agreement is used to calculate the Probability of a risk times its Consequences, which is the formal definition of Risk. That is, Risk equals the Probability of a risk times its Consequences, or $R = P \times C$. Finally, the method of Expert Agreement is also used to rank risks.

THE SECOND WAY OF DECIDING: “THE ONE TRUE FORMULA”!

One of the members on the committee had a B.S. in chemistry from a top university. She argued that chemistry should be used to derive the ingredients and the recipe for the perfect fruit bar. The winner of the contest would be that person or persons whose submission matched the recipe derived from this procedure.

In the second system or model of inquiry, the perfect recipe is based on the theoretical principles and laws of some “hard science” such as chemistry and that particular science alone. Thus, in this system, we see directly the linkage with science. Science is *the model* for inquiry, and “truth” is equivalent to an algorithm or formula.

The reasoning behind this model is that “the perfect fruit bar”—truth itself—should not be based on anything so crass as the mere opinions of a group of experts no matter how distinguished they may be. Truth should not even be based on what a particular set of experts regard as the “facts”, because the “facts” of one group and age have an uncanny way of becoming the falsehoods of another. After all, it was once a “fact” that the Earth was flat.

Truth should be based on the established principles—the laws—of hard science. In fact, proceeding from firmly established scientific first principles, one should be able to derive a single formula. For instance, in the case of a falling body, the distance D that it covers in a certain amount of time T is given by the familiar formula, $D = (1/2) GT^2$, where G equals the acceleration due to gravity. (Notice that this is also an example of ST, where major emphasis is placed on the Thinking aspect of ST.)

Since the formula for falling bodies can be derived directly from Newton’s laws of gravitation—one of the first principles of physical science—the formula is akin to a “hard law of Nature”. The important point is that this system seeks to produce a single abstract formula that it regards as “the truth”.

Appropriately enough, this system is known as the Pure Theory Way of Knowing. For short, I refer to it as The One True Formula or Analytic Modeling.

This system is actually much broader than mathematics or science alone. Much more basic is the idea that the Pure Theory Way of Knowing is a coherent belief system—a framework of basic, presumably rational, first principles. In this broader sense, it does not always appear in the form of a formula.

Needless to say, the committee did not buy this way of choosing the winner as well. Why should the winner be decided by a single scientific discipline, let alone something so ridiculous as a single formula? Why was chemistry superior to any other science, or for that matter, any non-scientific discipline or profession such as cooking? If one was restricted to choosing a single discipline, why should not it be psychology? Were not the attitudes of the contestants just as important as the physical ingredients themselves?

Since the committee could not answer their own questions based on their own first principles, they rejected the method of first principles in choosing the winner.

Risk Assessment typically uses The One True Formula as follows. Theoretical attributes or scales are “identified” that are “germane” to the determination of the Risk of the system under investigation. In principle, each scale is weighted differently. Thus, Risk equals the sum of the individual Risk Score on each scale multiplied by the Scale Weight.

In this way, The One True Formula establishes the formula that will be used to calculate Risk. Data from Expert Agreement are input to the formula in to order to actually apply the formula. In this way, the first two ISs work together. Indeed, the first two ISs underlie the overwhelming majority of scientific work in Western societies.

THE THIRD WAY: MULTIPLE PERSPECTIVES, MULTIPLE FORMULAS

One of the committee members suggested an approach that all of the members agreed with instantly. For the first time, they felt that they were making headway. (Notice that in agreeing so readily, they were buying into the first method, Expert Agreement. In effect, they were using the first way of producing knowledge to select another way of producing it.³ There is nothing inherently wrong with combining ISs. This is in fact an important way of getting around the weaknesses of any single system. The “truth” no longer depends or rests upon a single system.)

Instead of lumping all of the entries together and averaging them, suppose that one grouped them initially by countries or regions of the world. Or, suppose that one first grouped them by different schools or philosophies of cooking. Then, from each group, one could select a winner by using the first way of knowing, that is, consensus.⁴

Another way to put it is to say that instead of their being a single, best formula for all of the entries, suppose that each group of entries had its own special formula. Using each formula, one would determine the winners of each group, and from these, one would select an overall winner.

The third system is a combination of the first two: Expert Agreement and The One True Formula. In this approach, backed up by whatever data and facts they have to support their judgments, one samples the opinions of different regions or schools of cooking. Presumably, each region or school has its own distinct recipe or formula.

This system allows a decision-maker to witness explicitly how the outcome, the perfect fruit bar, varies as one changes the underlying method or formula (recipe) for producing it. It thus allows a decision-maker, in this case, the committee, who may not be an expert in, or a proponent of, any particular school of cooking to better understand the reasoning (basic assumptions) behind each school by seeing how they each approach the “same problem”.

This system allows one to see explicitly the differences in basic assumptions between various approaches. In other words, it does not leave variety to chance. Unlike the first two ways, it does not believe that there is one best answer to complex problems or questions.

The third way believes that on any problem of importance, one must produce at least two different views of the problem. Unless we have two or more different formulations of a problem, we cannot possibly know whether we are attempting to solve the “wrong” or the “right” problem. And in fact, without two or more views to compare, the terms “right” and “wrong” have no meaning, unless of course one believes in unequivocally the “truth” of a single system or way of looking at the world.

This system is thus a minimal requirement for ascertaining whether we are committing Type Three errors, that is, solving the wrong problem(s) precisely.

One can also begin to understand why the third way of knowing is the basis of critical thinking. It forces one to examine the assumptions that underlie any particular formulation of a problem by explicitly comparing different formulations. The third way in particular constitutes one of the cornerstones of the philosophical foundations of SAST.

After one has witnessed the differences between different approaches, one can, if one wishes, pick and choose, blend if need be, between them to form one’s own unique recipe.

Appropriately enough, this system is known as the Multiple Perspective or the Multiple Formula Approach to Knowledge. It argues that complex problems are too important to be left to the reasoning of any single approach no matter how appealing it is. All the more that a particular approach is appealing, the more one needs to resist the temptation to fall under its sway.

This system is also the basis of Multidisciplinary Inquiry. The end result is a conclusion or recommendation that is the product of two or more scientific disciplines or professions. But since the disciplines or professions that are involved in Multidisciplinary Inquiry are not affected by one another—they remain separate and intact—this system is not interdisciplin-

ary. The basic disciplines and the professions themselves do not change as a result of their being involved in the third way of knowing. They remain unaffected and undisturbed. We have to reach the level of the fifth system, Systems Thinking, before we can say that we are engaged in interdisciplinary inquiry.

Finally, there is another aspect of this system that is very important to note. The first two systems assume that data (expert judgments, facts, observations, etc.) and theory are independent of one another. Expert Agreement assumes that one can gather data, facts, and observations on an issue or phenomenon without having to presuppose any prior theory. In other words, it assumes that data, facts, and observations are theory and value free.

In contrast, The One Best Formula assumes that theories are free or independent of data, facts, and observations. In principle, the formulation of theories is dependent only upon pure thought or logic alone.

In contrast, the third system assumes that our prior beliefs, whether in the form of The One True Formula or not, affect what we decide is important to collect or to observe. Every observation we make presumes that we have made a decision about what is worth observing. This “decision”, certainly the assumptions upon which it is based, is a form of “theory” however informal it may be. In this sense, every observation presupposes some prior theory. Data, facts, and observations are not theory free. They certainly are not value free given that we only collect data that we believe are important.

Whether we acknowledge it, ethics is thereby an important part of every inquiry. In fact, the less we acknowledge ethics, the more it is important, because instead of examining and debating our ethical assumptions, the more we take them for granted.

THE FOURTH WAY: EXPERT DISAGREEMENT

Someone in the committee had another idea. Instead of depending upon the *agreement* between experts, suppose they used *disagreement*. The winner of the debate between experts would then be the winner of the contest.

The fourth approach is the direct opposite of the first. Whereas consensus is the Guarantor of the perfect fruit bar, and the way to produce it in the first approach to truth, intense conflict is the Guarantor, and the way to obtain it, in the fourth model.

As a very important aside, the Guarantor is one of the most important and critical parts of an IS. The Guarantor is the part of an IS that “guar-

antees” that starting with the “right” initial building blocks of knowledge (basic assumptions, elemental or fundamental “truths”, data, facts, observations, etc.) and combing them in the “right ways”, then one will arrive at “the truth”.

In the fourth approach, one picks two schools of cooking that disagree the most. One then arranges a knockdown, no holds barred, debate between them. The recipe that emerges from (survives) the debate, which may be neither of the original two recipes, is then dubbed the “truth”. Appropriately, this model is known as The Dialectical Theory or Model of Knowledge. It is also known as The Conflict Theory of Truth, or Expert Disagreement for short.

Alfred P. Sloan, Chairman of General Motors from 1937 to 1956, is one of the very few executives who not only understood the importance of the fourth way, but actually used when he had an important decision to make. When his team of top executives agreed too quickly and willingly with his ideas, Sloan is reputed to have said, “I propose we postpone further discussion until our next meeting to give ourselves time to develop disagreement and perhaps gain some understanding of what the decision is all about.”⁵

The fundamental adversarial nature of SAST is based on Expert Disagreement.

THE FIFTH WAY: SYSTEMS THINKING

The committee still was not satisfied. They felt that something fundamental was missing, but they did not know exactly what it was. Someone finally exclaimed, “We’re thinking too narrowly. We need to expand our thinking.” This led her to say, “Maybe we need to bring in someone who can help us to think more broadly. Isn’t this what systems thinking is all about? Why don’t we call in a systems expert?”

The last way of knowing is the most comprehensive of all. It is known as the Systems Way of Thinking, or simply, Systems Thinking.

In this model, one sweeps in considerations that are typically overlooked in the first four models. For instance, ethical and aesthetic considerations are given center stage. Using the “right”, that is, “ethical”, ingredients that are not harmful to the environment are central in this approach. For another, the ambience or the aesthetic design of the kitchen in which a fruit bar is produced is as important as the actual physical recipe itself. In fact, anything that affects the mental state and the well being of the cook is

potentially an essential part of the “recipe”, for example, the lighting and the color of the walls of the kitchen, and so on.

This helped to put some of the entries in a special light (pun intended!). A few of the entries described the setting in which they prepared their submissions. They felt that the kitchen in which the fruit bars were prepared was as important as the raw ingredients themselves. For this reason, they included pictures of their kitchens along with their recipes.

THE ESSENCE OF SYSTEMS THINKING

The last way of knowing is based on the work of C. West Churchman and his mentor E.A. Singer Jr.⁶ Singer was one of William James’s best students. Singer emphasized that there are no “basic disciplines”. For Singer and Churchman, no science, no profession or field of knowledge was more basic or superior to any other. This idea is so important that it is one of the fundamental cornerstones of Systems Thinking.

In Systems Thinking, the physical sciences, certainly knowledge about the physical world, are inseparable from the social sciences and knowledge about the social world. Churchman’s, and that of his lifelong friend and colleague Russ Ackoff, philosophy⁷ is based on Singer’s. In their philosophy, the physical and the social sciences are not only inseparable, but they presuppose one another. Neither is possible without the other. Whether we admit it or not, physical science is done by all-too-human beings that not only have a “psychology” but also operate within a “social context”. The psychology and the sociology of the investigator affect not only the production of physical knowledge but also its very existence.⁸ My four-year study of the Apollo Moon scientist’s demonstrated this repeatedly.

Notice that the integrative nature of SAST is based on Systems Thinking.

THE SUMMARY THUS FAR: OBJECTIVITY

The discussion of different ISs helps to make clear why the admonition to be “objective” is in most cases laughable if not meaningless. Which *kind* of objectivity is the proper response?

According to Expert Agreement, something is objective if and only if it is based on “hard data, facts, or observations” and the “tight agreement” between different observers as to the data, and so on.

According to The One True Formula, something is objective if and only if it is based on logical reasoning from self-evident first principles or

premises. The trouble is that as the American humorist Ambrose Bierce observed, “self evident means evident to one’s self and to no one else.”

According to Multiple Perspectives, something is objective if and only if it is the product and the result of multiple points of view.

According to Expert Disagreement, something is objective if and only if it is the product and the result of (that is, it survives) the most intense debate between the most disparate points of view.

And finally, in Systems Thinking, something is objective if and only if it is the product and the result of the most intense effort of sweeping in different knowledge from the arts, humanities, professions, philosophy, sciences, and so on.

What then does it mean to be “objective”? To be “objective” is to “choose” the “‘correct’ mode of inquiry depending upon the purposes of one’s study”. And, to “choose” means to debate which mode of inquiry is “best” in the light of knowledge of all the various modes.

THE PROBLEM WITH SCIENCE

Traditional science and business education primarily mainly stress the first two ways of knowing or ISs: Expert Agreement and the One Best or True Formula. Scientists and educators pound “well-accepted facts” based on the first way of knowing, Expert Agreement, into our minds, and they stress knowledge of “well-accepted theories”—The One Best Formula—in solving problems. Anything that cannot be reduced to hard data, facts, or observations—the first way—or represented in terms of accepted theories—the second way—is false, dangerous, and misleading.

The first and the second ways are historically the foundations of education and of knowledge for a traditional “round world”. But they are seriously deficient and inadequate for a “flat world”, that is, a world that is global and increasingly interconnected along every conceivable dimension, in short, a world that is composed of complex messy systems and problems from top-to-bottom. For one, they are too restrictive. They assume that the problems we need to solve are already well known and well defined. But as I have stressed throughout, the “problem” with most problems is “to define what the problem(s) is (are) in the first place”.

The first two ways are not well suited for complex problems such as the recent financial crisis. Surely, the definition, let the resolution, of the financial crisis is as difficult and as messy as the Iraq War. This is precisely

where the third (Multiple Formulas), the fourth (Expert Disagreement), and the fifth (Systems Thinking) ways are required.

The third way, Multiple Formulas or Perspectives, says that we explicitly need to see multiple definitions of a problem so that we can attempt to avoid Type Three Errors. Once again, how can we even begin to assess, let alone know, if we are “solving the ‘wrong problem’” if we do not have more than one formulation of a problem for our explicit consideration? We cannot.

Notice that comparing two or more different formulations of a problem is no iron-glad guarantee that we will solve the right problems precisely. At best, it is a minimal Guarantor. But, we can say that without examining explicitly two or more different formulations, the probability of committing Type Three and Type Four Errors goes up considerably.

The third, fourth, and fifth ways require us to exercise judgment, and an even more precious commodity, wisdom.

THE MORAL

The moral of the story is *not* that we should never use the first two ways of knowing, but that we should use them only after we have assured ourselves that, by using the third, fourth, and fifth ways, we are working on the “right problem(s)” to begin with. The third, fourth, and fifth ways are best suited for problem formulation; in contrast, the first two ways are best suited for problem-solving, once we have assured ourselves that we have defined the “right problem(s)”.

A complex, globally interconnected world requires that we manage complex messy problems and not solve them exactly as we attempted to do in a simpler, fragmented world. A complex, globally interconnected world also requires that we acknowledge that the predominant philosophical bases of a simpler, fragmented world—the first two ways of knowing—do not apply in their entirety. They apply only in the sense that we still collect data when we can and we still apply accepted scientific thinking, but we accept their limitations.

In the end, one of the most essential aspects of Systems Thinking is the realization that we only get out of inquiry what we put into it initially. And, what we fundamentally put into every inquiry is “us” through our collective psychology.

In far too many cases, we are obsessed with what John Dewey referred to as *The Quest for Certainty*.⁹ The first two ways differ only in where

they locate the certainty we so desperately seek. The first way, Expert Agreement, attempts to find certainty in hard data and expert consensus, supposedly the “facts” on which everyone can agree. The second way, The One Best Formula, attempts to find it in the “indisputable scientific laws of nature, pure thought, or abstract logic”. For Dewey, both were neurotic attempts on the part of humankind to manage the anxiety brought about by a dangerous and uncertain world into which all of us are born. Notice carefully that Dewey did not say that “basic facts” or “elemental truths” were neurotic in themselves. What was neurotic was our obsessive need for certainty.

The danger is not that we will agree, but that we will agree too readily by being pressured to go along with crowd.

DISRUPTIVE CHANGE

The third, fourth, and fifth ways of knowing are especially relevant to the topic of disruptive change. In particular, the fourth way suggests a powerful dialectic. On one pole are all the reasons why an organization or industry *does not need to change*. On the other pole are all the threats that one can envision why one *needs to change* or literally cease to exist:

1. Threats to the basic nature of one’s products and services;
2. Dramatically different ways of producing and delivering one’s products or services;
3. Different ways of advertising, marketing, packaging, and delivering them;
4. Dramatic changes in personnel and hiring policies; changes in location, pricing, and so on.

In short, every organization needs to have a full-time External Disruption Team, not just an Internal Assassin Team.

CONCLUDING REMARKS: FDR VERSUS EISENHOWER

Very few people and organizations do what President Franklin Delano Roosevelt (FDR) did when he was faced with a difficult policy decision, which of course all Presidents face regularly. Unbeknownst to either one of them, FDR assigned two analysts to research a problem from two completely different perspectives. (FDR thus instinctively used the fourth way

of knowing.) When both were finished, they were ushered into the Oval Office to make their reports in person and directly in front of one another. While the process was highly disconcerting to each analyst, FDR felt that he was not informed unless he witnessed explicitly at least two widely contesting views of an important issue. FDR believed that the only way he could begin to understand the assumptions that underlie all important policy issues was by having two analysts analyze them from two very different perspectives. Only then could he decide whether to go with either perspective or neither of them. Frequently, he had the analysts go back and formulate a new option by integrating their original, diverse perspectives. Or, based on their opposing presentations, they came back with entirely new options.

Contrast this with the decision-making behavior of President Dwight David Eisenhower. When faced with a difficult issue, President Eisenhower just wanted the single recommendation with which his advisors agreed presented to him. In this way, he naturally used the first way of knowing. Once again, the downfall of this approach is that it is only for very simple and extremely well structured issues and problems that one can generally trust without serious challenges and questions the agreement between experts or policy advisors.

The sad conclusion is that the vast overwhelming majority of people and organizations are locked into the Eisenhower method of making important decisions. Of course, in most organizations there is conflict all the time, but rarely is it the structured and productive kind that FDR purposefully orchestrated.

NOTES

1. This example is taken from several student papers from Mitroff's classes.
2. An IS consists of: Inputs, an Operator that transforms the Inputs into Outputs, which are then regarded as the "truth". One of the most critical features of an IS is what Churchman labels the "guarantor". The guarantor is that feature of an inquiry system that "guarantees" that if one starts with the "right kind of Inputs" and Operates on them in the "right way", then the Output(s) of the system will be the "truth". In the first model, the tighter the agreement between experts, that is, the stronger the agreement between them, supposedly the "more" that the agreement is or approaches the truth. Thus, in the first model, the guarantor is the agreement between independent experts. Notice that the guarantor and the operator are con-founded. That is, they are not independent. Agreement is the operator—it

is used to manufacture or to produce the output—and agreement is also the guarantor of the system as well. For this reason, one is well advised to be suspicious of how agreement is obtained, for example, whether it is forced or not.

3. There is nothing wrong per se in using one method initially to select another method of reaching an important decision. Once we have all of the various methods at our disposal, we can use them in various combinations. The important point is the pure methods, systems, or models themselves that are rarely discussed in the arena of business, let alone their combinations.
4. See the previous footnote.
5. Quoted in David Marcum and Steven Smith, *Egonomics* (New York: Simon and Schuster, 2007), 132.
6. See Churchman and Singer, Op cit.
7. Churchman and Ackoff, Op cit.
8. Mitroff, Op cit, 1974.
9. John Dewey, *The Quest for Certainty* (New York: Putnam, 1960.)

Assumptions and Stakeholders Revisited

Abstract This chapter not only reviews some of the main findings of the book, but takes a deeper look at stakeholder analysis.

Most important of all, every business needs to set up special units whose primary job is to disrupt the business of an organization and its surrounding industry. The moral is, “Disrupt yourself before others do it to you!”

Throughout this book, I have emphasized the extreme importance of identifying and challenging key assumptions about important stakeholders. They are the foundation upon which all business plans and operations depend. For this reason, I want to take a deeper look at assumptions and stakeholders.

But first, let me revisit the Jungian Framework. Figures 7.1, 7.2, and 7.3 not recap the primary dimensions of the Jungian Framework, but show its application to businesses.

Figure 7.1 shows the major business and organizational concerns of each of the four quadrants of the Jungian Framework. Figure 7.2 shows the primary concerns that each of the Jungian personality perspectives has with regard to starting a new business. On the other hand, Fig. 7.3 shows the different types of stakeholders with which each of the perspectives is concerned primarily.

Figures 7.4, 7.5, and 7.6 give even more in depth treatments of stakeholders. (Recall that we covered Fig. 7.5 in Chapter one.) Figure 7.4 shows how stakeholders exist at various levels of society and the world.

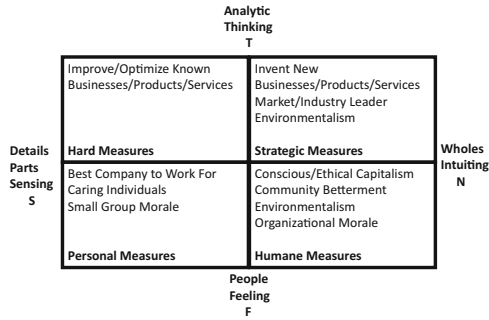


Fig. 7.1 The Jungian framework

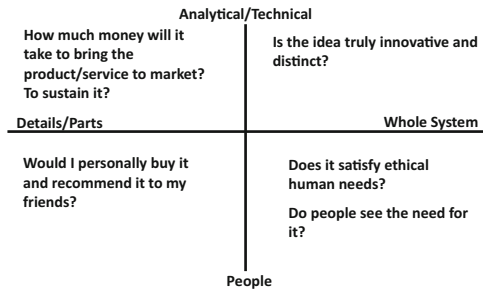


Fig. 7.2 The Jungian framework

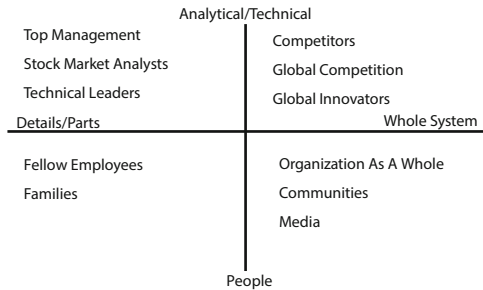


Fig. 7.3 The Jungian framework- prime stakeholders

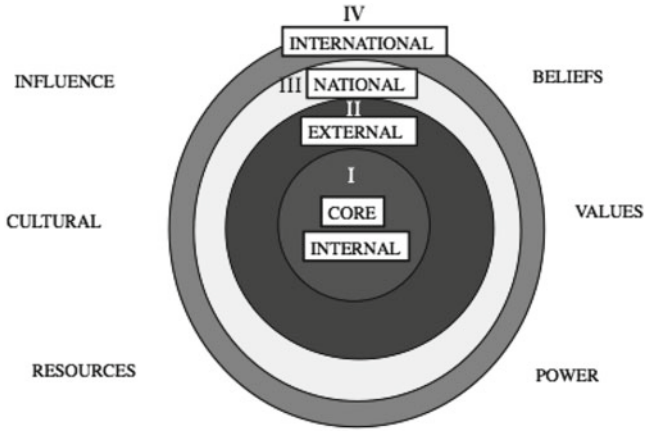


Fig. 7.4 Stakeholders



Fig. 7.5 Stakeholders

Thus, the innermost stakeholders are those that compose the core of an organization. The figure also shows that stakeholders generally differ with respect to their knowledge, beliefs, power, etc. That is, the assumptions we make about the beliefs, power, etc. about stakeholders are precisely from where assumptions come.

One of the most important uses of Fig. 7.1 is in explaining how and where new ideas originate. The left-hand side of Fig. 7.1 can equally be

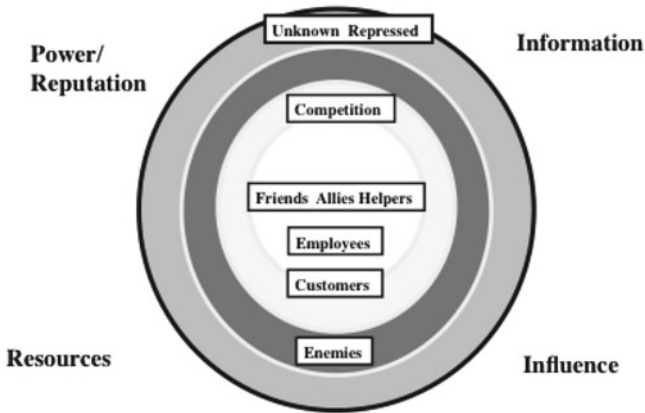


Fig. 7.6 Stakeholders

labeled Evolutionary, and the right-hand Disruptive. The primary concern of the upper right-hand quadrant is with improving the technology of already existent, well-known products and services. Thus, it is concerned with incremental improvements. The primary concern of the upper left-hand quadrant is inventing new technologies that render old technologies and whole industries completely obsolete. The bottom right is concerned with new ideas that upset old established social orders, i.e., commonly accepted ways of organizing and relating to people. Finally, the bottom left is concerned with preserving well-established relationships within the social order.

Rarely do these four perspectives work together, but there are no valid reasons why they cannot. Disruptive ideas on the right can be made much more palatable if the left-hand quadrants are involved from the very beginning. For instance, the left quadrants could aid the ones on the right in helping those whose jobs and lives will be seriously affected by disruptive social change transition to new careers. Those whose lives are thrown asunder should not be left to sink or swim completely on their own.

Figure 7.5 gives a more concrete but nevertheless general set of stakeholders that apply essentially to all organizations. And, Fig. 7.6 gives a picture of how stakeholders are often experienced in feeling and emotional terms, i.e., as friends, enemies, etc. Recalling Chapter Five, notice carefully that depending upon the type of organization, one's competition are experienced either as friends, enemies, or both.

Table 7.1 gives another perspective of the general types of assumptions that are generally made about stakeholders.

Finally, Fig. 7.7 shows a SAST graph of the major assumptions that are made in starting a new business venture and/or keeping an existing venture running. Notice carefully that many of the key assumptions are not only highly uncertain, but do not even cross the plane of consciousness. That is, many, if not most, of us are unaware of very important assumptions upon which our plans rest. Worst of all, many choose not to be aware in the mistaken belief that by not considering unpleasant issues, they will not come back to do harm.

Table 7.1 General assumptions

-
1. Safe & secure
 2. Ethical, good, just & lawful
 3. Sensible & understandable
 4. Orderly & stable
 5. Predictable, & reliable
 6. Accountable & responsible
 7. Appropriate use of power
 8. Approachable & respectful
 9. Educated, informed, & intelligent
 10. Environmentally values
-

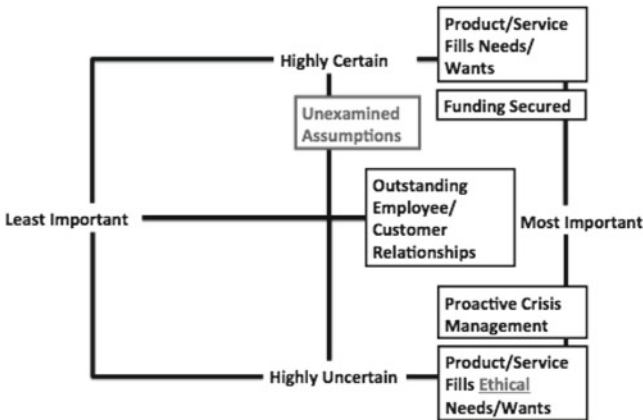


Fig. 7.7 General SAST

CONCLUDING REMARKS

In the end, one of the most important tasks facing any organization is knowledge of the key assumptions that one is making about important stakeholders. That is precisely why I propose that every organization needs to have a map of key assumptions that it continually updates and revisits.

The Socratic dictum “Know thyself” applies without exception to all human entities.

ABOUT THE AUTHOR

Dr. Ian I. Mitroff is a Senior Investigator in the Center for Catastrophic Risk Management, University of California, Berkeley. He is Professor Emeritus from the Annenberg School of Communication and the Marshall School of Business, University of Southern California, where he was the Harold Quinton Distinguished Professor of Business Policy. He is the President of the consulting firm Mitroff Crisis Management.

Dr. Mitroff is regarded as one of the founders of the discipline of Crisis Management. He founded and directed the University of Southern California Center for Crisis Management.

This is Dr. Mitroff's thirty-sixth book. Known for his thinking and writing on a wide range of business and societal issues, Dr. Mitroff's previous books include *Swans, Swine, and Swindlers: Coping with the Growing Threat of Mega Messes and Mega Crises*, *Dirty Rotten Strategies: How We Trick Ourselves and Others into Solving the Wrong Problems Precisely*, *A Spiritual Audit of Corporate America*, *Smart Thinking for Crazy Times*, *The Essential Guide to Managing Corporate Crisis*, *The Unbounded Mind*, and *Managing Crises Before They Happen*. More recently, he and his wife Donna have written *Fables and the Art of Leadership: Applying the Wisdom of Mister Rogers to the Workplace*. He is also a frequent blogger for The Huffington Post.

Dr. Mitroff is a Fellow of the American Psychological Association, the American Association for the Advancement of Science, and the American Academy of Management. He has an honorary Ph.D. from the University

of Stockholm. He is the recipient of a gold medal from the UK Systems Society.

Dr. Mitroff has a B.S. in engineering physics, an M.S. in structural engineering, and a Ph.D. in industrial engineering, all from the University of California at Berkeley. His minor for the Ph.D. was the Philosophy of Social Systems Science.

INDEX

A

adversarial nature, SAST, 13, 73
The Age of Disruptive Technologies, 30
Airbnb, 2, 7–8, 10, 12, 16, 24, 27
Amazon, 2, 19, 47–8
Analytic Modeling. *See* “The One True Formula”
Applied Crisis Manager, 8

B

Balancing, 48, 49
Bezos, Jeff, 47

C

Camp, Garrett, 6
causality, concept of, 22
companies, growth
 fair minimum wage, 61
 initial leap, 60
 innovation, culture of, 61
 managing crises, 60–61

 succession and long-term growth, 61
The Conflict Theory of Truth, 73
Correcting, 48, 49
Crisis Management, 5, 7, 18, 41, 68
Crisis Manager
 crisis audit, organization, 43
 Critical Diagnostics, 44–5
 Jungian crisis framework, 41–3
 SAST exercise, 45
Critical Diagnostics, 44–5

D

Defaulting, 48, 49
Dewey, John, 76–7
The Dialectical Theory or Model of Knowledge, 73
disruptive *vs.* evolutionary change, 2, 77
 Airbnb, 7–8
 post-postscript, 19
 postscript, 18–19

- SAST (*see* Strategic Assumption Surfacing and Testing (SAST))
Uber, 6–7
- E**
Eisenhower, Dwight David, 78
ethical propositions
 “Ethical Thresh-Hold,” notion of, 24
 hot-button issues, 24, 25
 religious discrimination, 29–30
 TV and movie violence, 23
 violence, 23–4
“Ethical Thresh-Hold,” notion of, 24
ethics
 issues, 21
 Kantian, 24, 27
 screen and TV violence, 22
 situational, 27
 systems thinking or pragmatism, 27–8
 Uber, case of, 30–31
 Utilitarian, 25, 26–7
 virtue, 25–6
everyday organizational phenomena, 41–2
Expert Agreement, 68, 70, 72, 74, 75, 77
expert consensus, 77
 perfect, definition, 66–7
 “truth”, 67
Expert Disagreement, 75, 76
 adversarial nature, SAST, 73
 Guarantor, 72–3
- F**
Facebook, 27, 30
 assumptions, 4, 10, 11
 child pornography, 4–5
 Crisis Management, 5–6
 cyber-bullying, 5
 disruptive and evolutionary, 1–2
 Ivy-league universities, 3
 missed assumptions, 16
 misuse of, 5
 stakeholders, 5
 family dynamics, early, 58
FDR *vs.* Eisenhower, 77–8
Feeling or F types, 36, 48
financial crises, 43, 75
Franklin Delano Roosevelt (FDR), 77–8
- H**
Haskell, Christine, 48, 60
Healthy Bars Inc., 66
- I**
Inquiry Systems (ISs), 65, 68, 70, 72–5
 integrative nature, SAST, 13
 Intuiting or N, 36
 Intuitive Feeling (NFs), 37
 Intuitive Thinking (NT), 37–9, 43, 52–4, 58–9
iPhone app, 6
ISs. *See* Inquiry Systems (ISs)
- J**
Jung, Carl, 34–6, 42
Jungian crisis framework
 causes, 43
 dimensions, 42
 everyday organizational phenomena, 41–2
 financial crises, 43
 preventative actions, 43, 44
 types, 42–3
Jungian framework
 dimensions, horizontal/vertical, 34–5

- Feeling or F types, 36
 Intuiting or N, 36
 parts, details/individual, 35
 prime stakeholders, 81, 82
 problem-solving tool, 36–7
 quadrants of, 34, 38–40, 81, 82
 Sensing or S, 35
 Thinking or T side, 36
 Wholes, 35
- K**
- Kantian ethics, 24, 27, 28
 Klosterman, Chuck, 23
 “knowledge and truth”, 65, 66
- M**
- Merton, Robert, 5
 Merton’s theory, 5
 multiple formulas or perspectives
 circular thinking, 71
 decision-maker, 71
 Expert Agreement, 70, 72
 Multidisciplinary Inquiry, 71–2
 The One Best Formula, 70, 72
 Myers–Briggs personality inventory, 37
- N**
- National Rifle Association (NRA), 23
 Newton’s laws of gravitation, 69
The New York Times, 22, 23, 38, 47
 NFs. *See* Intuitive Feeling (NFs)
 NT. *See* Intuitive Thinking (NT)
- O**
- objectivity, 74–5
 “The One True Formula”
 Expert Agreement, 70
 “hard law of Nature”, 69
 model of inquiry, 69
- Pure Theory Way of Knowing, 69
 Risk Assessment, 70
- P**
- participative nature, SAST, 13
 “perfect,” definition, 66–7
 personal stories (SF), 54–5
 pragmatism, 27–8
 problem-solving tool
 Jungian framework, 36–7
 Myers–Briggs personality inventory,
 37
 psychological language, 37
 SAST, 37
 Providers and Statesmen, 51
 “psychological language”, 37
 Pure Theory Way of Knowing, 69
 “purpose-driven” organizations,
 48–50
 CEOs response, 52–3
 elements of, 53–4
 growth, 52, 60–62
 “intrinsic motivation”, 50
 personal experiences, 62
 postscript, 63
 transactional models, 62
 “purpose,” primary sense of, 50
- Q**
- The Quest for Certainty*, 76
- R**
- religious discrimination, 28–30
- S**
- SAST. *See* Strategic Assumption
 Surfacing and Testing (SAST)
 Saverin, Eduardo, 3
 science and business education, 75–6

- Sensing Feeling (SFs), 37–9, 43, 52–4, 58–9
- Sensing or S, 35
- Sensing-Thinking (ST), 37–9, 43, 52–3, 58–9, 68–9
- SFs. *See* Sensing Feeling (SFs)
- situational ethics, 27–8
- Sloan, Alfred P., 73
- Socially Responsible Investors, 39
- ST. *See* Sensing-Thinking (ST)
- stakeholders, 10, 23, 26–8, 81, 82
- assumptions, types of, 85
 - characteristics or properties, 1, 9
 - feeling and emotional terms, 84
 - innermost, 83
 - prime, Jungian framework, 82
 - SAST graph, 85
 - treatments, 82, 83
 - uses and primary concern, 84
- Strategic Assumption Surfacing and Testing (SAST)
- assumptions, 9–12
 - assumption surfacing and rating, 14
 - belief systems, 12
 - debate activities, 15
 - debate within groups, 14–15
 - exercise, 45
 - features, 10
 - final synthesis, 15–16
 - group formation, 14
 - healthy food energy bars, 66
 - missed assumptions, 16
 - principles, 12–13
 - screen and TV violence, 23
 - stakeholders, 9–10
- supportive nature, SAST, 13
- systems thinking
- collective psychology, 76
 - ethical and aesthetic considerations, 73–4
 - integrative nature, SAST, 74
 - pragmatism, 27–8
 - social sciences and knowledge, 74
- T**
- Thinking or T, 36
- U**
- Uber, 6–7, 10, 11, 16, 19, 24, 26–7, 30
- Utilitarian ethics, 24–7
- V**
- values
- crises for, 55–7
 - decision-making, 52
- values lifecycles
- generation, 58
 - productivity, 58
 - regeneration, 58
 - self-deception, 58
- violence
- depiction of, 23–4, 28
 - screen and TV, effects on young children, 22
 - use of, 27
 - witnessed, 26
- Virtue Ethics, 25–6, 48
- W**
- Walmart, 48
- Z**
- Zuckerberg, Mark, 3–6