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**Understanding Organizational Stupidity**



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 Is it morning in America again, or is the bubble that is the American economy about to pop (again), this time perhaps tipping it into full-blown collapse in five stages with symphonic accompaniment and fireworks? A country blowing itself up is quite a sight to behold, and it makes us wonder about lots of things. For instance, it makes us wonder whether the people who are doing the blowing up happen to be criminals. (Sure, they may be in a manner of speaking—as a moral judgment passed on the powerful by the powerless—but since none of them are likely to see the inside of a jail cell or even a courtroom any time soon, the point is moot. Let's be sure to hunt them down once they try to run and hide, though.) But at a much more basic and fundamental level, a better question to ask is this one:

“Why are we being so fucking stupid?”

What do I mean when I use the term “fucking stupid”? I do not mean it as a term of abuse but as a precise, if unflattering, diagnosis. Here is as good a definition as any, excerpted from American Eulogy by Jim Quinn:

If you had told someone on September 10, 2001 that ten years later America would be running $1.5 trillion annual deficits, fighting two wars of choice in countries that despise our presence, and had not only not addressed the $100 [trillion] of unfunded welfare liabilities but added billions more with Medicare D and Obamacare, they would have thought you were a crazy doomster predicting the end of the world. They would have put you away in a padded cell if you had further predicted that politicians would cut taxes three separate times, that the Wall Street banks that leveraged themselves 40 to 1 and destroyed the financial system [would be] handed $2 trillion of taxpayer funds so they could pay themselves multi-million dollar bonuses, and that the Federal Reserve would triple its balance sheet to $2.45 trillion by running its printing presses at hyper-speed and handing the money to those same Wall Street Mega-Banks.

 Well, the evidence is in, and that crazy doomster in his padded cell has turned out to be amazingly prescient, so perhaps we should listen to him. And what would that crazy doomster have to say now? I would venture to guess that it would be something along these lines:

There is no reason to think that those who failed to take corrective action up until now, but remain in control, will ever do so. But it should be perfectly obvious that this situation cannot continue ad infinitum. And, as a matter of general principle, things that can't go on forever—don't.

Back to the question of stupidity: Why are we (as a country) being so fucking stupid? This question has puzzled me for some time. It appears that the problem of stupidity is quite pervasive: look at any large human organization, and you will find that it is ruled by stupidity. I was not the first to stumble across the conjecture that the intelligence of a hierarchically organized group of people is inversely proportional to its size, but so far the mechanism that makes it so has eluded me. Clearly, there is something amiss with hierarchically organized groups, something that causes all of them to eventually collapse, but what exactly is it? To try to get at this question, last year I spent quite a while researching anarchy, and wrote a series of articles on it (Part I, Part II, Part III). I discovered that vast hierarchies do not occur in nature, which is anarchic and self-organizing, with no chains of command and no entities in supreme command. I discovered that anarchic organizations can go on forever while hierarchical ones inevitably end in collapse. I examined some of the recent breakthroughs in complexity theory, which uncovered the laws governing the different scaling factors in natural (anarchically organized, efficient, stable) systems and unnatural (hierarchically organized, inefficient, collapse-prone) ones.

But nowhere did I find a principled, rigorous explanation for the fatal flaw embedded in the very nature of hierarchical systems. I did have a very strong hunch, though, backed by much anecdotal evidence, that it comes down to stupidity. In anarchic societies whose members cooperate freely, intelligence is additive; in hierarchical organizations structured around a chain of command, intelligence is subtractive. The lowest grunts or peons are expected to carry out orders unquestioningly. Their critical faculties are 100% impaired; if not, they are subjected to disciplinary action. The supreme chief executive officer may be of moderately impaired intelligence, since it is indicative of a significant character flaw to want such a job in the first place. (Kurt Vonnegut put it best: “Only nut cases want to be president.”) But beyond that, the supreme leader must act in such a way as to keep the grunts and peons in line, resulting in further intellectual impairment, which is compounded across all of the intervening ranks, with each link in the chain of command contributing a bit of its own stupidity to the organizational stupidity stack.

I never ascended the ranks of middle management, probably due to my tendency to speak out at meetings and throw around terms such as “nonsensical,” “idiotic,” “brainless,” “self-defeating” and “fucking stupid.” If shushed up by superiors, I would resort to cracking jokes, which were funny and even harder to ignore. Neither my critical faculties, nor my sense of humor, are easily repressed. I was thrown at a lot of special projects where the upside of being able to think independently was not negated by the downside of being unwilling to follow (stupid) orders. To me hierarchy = stupidity in an apparent, palpable way. But in explaining to others why this must be so, I had so far been unable to go beyond speaking in generalities and telling stories.

And so I was happy when I recently came across an article which goes beyond such “hand-waving analysis” and answers this question with some precision. Mats Alvesson and André Spicer, writing in Journal of Management Studies (49:7 November 2012) present “A Stupidity-Based Theory of Organizations” in which they define a key term: functional stupidity. It is functional in that it is required in order for hierarchically structured organizations to avoid disintegration or, at the very least, to function without a great deal of internal friction. It is stupid in that it is a form intellectual impairment: “Functional stupidity refers to an absence of reflexivity, a refusal to use intellectual capacities in other than myopic ways, and avoidance of justifications.” Alvesson and Spicer go on to define the various “...forms of stupidity management that repress or marginalize doubt and block communicative action” and to diagram the information flows which are instrumental to generating and maintaining sufficient levels stupidity within organizations. What follows is my summary of their theory. Before I start, I would like to mention that although the authors' analysis is limited in scope to corporate entities, I believe that it extends quite naturally to other hierarchically organized bureaucratic systems, such as governments.

Alvesson and Spicer use as their jumping-off point the major leitmotif of contemporary management theory, which is that “smartness,” variously defined as “knowledge, information, competence, wisdom, resources, capabilities, talent, and learning” has emerged as the main business asset and the key to competitiveness—a shift seen as inevitable as industrial economies go from being resource-based to being knowledge-based. By the way, this is a questionable assumption; do you know how many millions of tons of hydrocarbons went into making the smartphone? But this leitmotif is pervasive, and exemplified by management guru quips such as “creativity creates its own prerogative.” The authors point out that there is also a vast body of research on the irrationality of organizations and the limits to organizational intelligence stemming from “unconscious elements, group-think, and rigid adherence to wishful thinking.” There is also no shortage of research into organizational ignorance which explores the mechanisms behind “bounded-rationality, skilled incompetence, garbage-can decision making, foolishness, mindlessness, and (denied) ignorance.” But what they are getting at is qualitatively different from such run-of-the-mill stupidity. Functional stupidity is neither delusional nor irrational nor ignorant: organizations restrict smartness in rational and informed ways which serve explicit organizational interests. It is, if you will, a sort of “enlightened stupidity”:

Functional stupidity is organizationally-supported lack of reflexivity, substantive reasoning, and justification (my italics). It entails a refusal to use intellectual resources outside a narrow and “safe” terrain. It can provide a sense of certainty that allows organizations to function smoothly. This can save the organization and its members from the frictions provoked by doubt and reflection. Functional stupidity contributes to maintaining and strengthening organizational order. It can also motivate people, help them to cultivate their careers, and subordinate them to socially acceptable forms of management and leadership. Such positive outcomes can further reinforce functional stupidity.

The terms I italicized are important, so let's define each one:

Reflexivity refers to the ability and willingness to question rules, routines and norms rather than follow them unquestioningly. Is your corporation acting morally? Well it doesn't matter, because “what is right in the corporation is what the guy above you wants from you.” The effects of this attitude tend to get amplified as information travels (or, in this case, fails to travel) down the chain of command: your immediate superior might be a corrupt bastard, but your supreme leader cannot possibly be a war criminal.

Justification refers to the ability and willingness to offer reasons and explanations for one's own actions, and to assess the sincerity, legitimacy, and truthfulness of reasons and explanations offered by others. In an open society that has freedom of expression, we justify our actions in order to gain the cooperation of others, while in organizational settings we can simply issue orders, and the only justification ever needed is “because the boss-man said so.”

Substantive reasoning refers to the ability and willingness to go beyond the “small set of concerns that are defined by a specific organizational, professional, or work logic.” For example, economists tend to compress a wide range of phenomena into a few numbers, not bothering to think what these numbers actually represent. Organizational and professional settings discourage people from straying from the confines of their specializations and job descriptions, in essence reducing their cognitive abilities to those of idiot-savants.

Functional stupidity can arise spontaneously, because there are many subjective factors which motivate people within organizations to narrow their thinking to the point of achieving it. A certain amount of closed-mindedness can be helpful in furthering your career. It helps you present yourself as a reliable organizational person—one who would never even question the validity of the organizational or occupational paradigm, never mind stray from it. At the other extreme, your refusal to stray beyond a narrow focus may be prompted by feelings of anxiety, insecurity, and fear of jeopardizing your position. And while, just as you would expect, functional stupidity produces negative outcomes for the organization as a whole, it provides for smooth social functioning within the organization itself by suppressing dangerous or uncomfortable questions and by avoiding the awkwardness of calling into question the judgment of your superiors.

But such subjective factors are dwarfed by certain stupidity-generating features of organizations. At their highest level, organizations tend to focus on purely symbolic issues such as “strong corporate cultures and identities, corporate branding, and charismatic leadership.” Corporate (and other) leaders try to project an identical internal and external image of the organization, which may have little to do with reality. This is only possible through stupidity management—the process by which “various actors (including managers and senior executives as well as external figures such as consultants, business gurus, and marketers) exercise power to block communication. The result is that adherence to managerial edicts is encouraged, and criticism or reflection on them is discouraged.”

As the people within the organization internalize this message, they begin to engage in stupidity self-management: they cut short their internal conversations, refusing to ask themselves troubling questions, and focusing instead on a positive, coherent view of their environment and their role within it. But stupidity self-management can also fail when the mismatch between the message and reality becomes too difficult to ignore, ruining morale. The suppressed reality (“The king is naked!”) can spread as a whisper, resulting in passive-aggressive behavior and deliberate foot-dragging all the way to sabotage, defections and resignations.

The functions of stupidity management are to project an image, to encourage stupidity self-management in defense of that image, and to block communication whenever anyone lapses into reflexivity or substantive reasoning, or demands justification. Communication is blocked through the exercise of managerial power. The authors discuss four major ways in which managers routinely exercise their power in defense of functional stupidity: direct suppression, setting the agenda, ideological manipulation, and fetishizing leadership. Of these, direct suppression is by far the simplest: the manager signals to the subordinate that further discussion will not be appreciated, threatening or carrying out disciplinary action if the signaling doesn't work. Setting the agenda is a more subtle technique; for instance, a typical ploy is to require that all criticisms be accompanied by “constructive suggestions,” placing beyond the pale all problems that do not have immediate solutions (which are the vast majority). Ideological manipulation is more subtle yet; one common technique is to emphasize action, at the expense of deliberation, as expressed by the corporate cliché “stop thinking about it and start doing it!” Finally, fetishizing leadership involves splitting each group into leaders and followers, where the leaders seek to make their mark, whatever it takes, and to get promoted quickly. To do so successfully, they must suppress the critical faculties of those around them, compelling them to act as obedient followers.

Functional stupidity is self-reinforcing. Stupidity self-management, reinforced using the four managerial techniques listed above, produces a fragile, blinkered sort of certainty. By refusing to look in certain directions, people are able to pretend that what is there does not exist. But reality tends to intrude on their field of perception sooner or later, and then the reaction is to retreat into functional stupidity even further: those who can ignore reality the longest are rewarded and promoted, setting an example for others.

But the spell can also be broken when the artificial reality bubble protected by the imaginary film of functional stupidity is punctured by a particularly contradictory outcome. For an individual, the prospect of unemployment or the end to one's career can produce such a sudden realization: “How could I have been so stupid?” Similarly, entire organizations can be shaken out of their stupor by a painful fiasco that subjects them to a barrage of public criticism. Public hearings in which industry leaders are forced to appear before government committees and answer uncomfortable questions can sometimes serve as stupidity-busting events. A particularly daunting challenge is to pop the functional stupidity bubble of an entire nation, since there is no public forum at which objective outsiders can force national leaders to take part in a substantive discussion. Bearing witness to the fast-approaching end of the nation as a going concern may be of help here. How could we have been so fucking stupid? Well, now you know.