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Sustaining an Organization in the Midst of Chaos

Using the Interconnected Nature of Systems To Effectively Respond to Crises

By Steven M. Walker, PhD, and Matthew P. Earnhardt, PhD

Sustainability is a popular topic that influences almost every area of life and industry. Using the 2008 recession as the crisis examined, we will take a look at how several leaders have handled economic, environmental, and organizational responsibility and sustainability in the midst of chaos. We will then tie those examples together within the realm of systems thinking, highlighting how leaders need to see the interconnected nature of systems in order to effectively respond to crises.

Introduction

Sustainability has been a popular discussion topic, particularly during the last three decades, as it is an issue that can influence almost every area of life and industry.[1] In the context of this article, sustainability is defined as development that meets the needs of the present without compromising the needs of future generations.[2] Sustainability has been characterized as a balanced relationship between nature, society, and economy.[3] Sustainability can be categorized as economic, environmental, and organizational and is interdisciplinary in nature, with a focus on a long-term systems approach to thinking and balance, rather than short-term gains and profits. Many organizations struggle with sustainability, especially in the midst of a crisis.[4] The question for leaders then becomes: How does one make his or her organization sustainable, especially in the midst of a crisis? Using the 2008 recession as the crisis examined, we will take a look at how several leaders handled economic, environmental, and organizational responsibility and sustainability in the midst of chaos. Then, we will discuss how those areas influence thinking on sustainability and how leaders can respond to a crisis.



One final note is that while the leaders whose stories are presented here are actual presidents and CEOs of organizations, their names and the names of their organizations have been changed to protect their privacy. Pseudonyms were chosen for the organizational leaders and are used throughout this paper.

Economic

Economic sustainability is concerned with fiscal policy, debt balancing, and government spending. In 2011, Mary Meeker, an economist for the Federal Reserve Bank, examined the United States' financial status and analyzed the economy as if it were a business. Meeker characterized the state of the country's fiscal outlook as bleak, as the government continued to spend beyond its means, making the current path unsustainable.[5] In addition to financial and debt stability,[6] the current economic paradigms and models are inaccurate, according to some scholars. They noted that currently, the economic system is widely measured within a positivistic framework that does not take into account the subjective and complex nature of human behavior and decision making as well as the open nature of the economic system.[7] Therefore, scholars recommend a long-term policy rooted in debt and deficit reduction and the adoption of a conceptual framework that incorporates the issues noted into the discussion. This economic policy has several ramifications for private and public organizations that have to anticipate and operate based on an economic policy they may not have set.

In interviewing organizations that were successful in responding to crises, some themes were evident. For example, John, president of a bank in the Northwest, predicted an economic meltdown based on the spending and economic trajectory of the country. This allowed him to be ready for the economic meltdown by positioning his organization to be prepared for it. John built a company based on communication, transparency, and ethical behavior. He viewed these attributes as the keys to maintaining confidence with his customers, stakeholders, and employees in the face of this major crisis. In fact, John spoke with the Occupy Wall Street protestors, Congress, and anyone who would listen about ethical banking decisions to refrain from lending to those who could not afford the debt and to keep an organizational balance sheet that could support their own outstanding debt obligations. John saw these two examples as major influences in weathering the economic crisis of 2008.

Environmental

Sustainability at the environmental level is centered upon the driving forces behind the ecological footprint.[8] Specifically, the ecological footprint is concerned with the demand nations put on the environment and their natural resources and whether or not these resources are given enough time to regenerate.[9] One consideration regarding environmental sustainability is the rate at which the world is currently consuming environmental resources (1.5 times the rate at which the Earth can regenerate them).[10] Globalization and industrialization create structural forces that influence increases in deforestation, biodiversity loss, and carbon dioxide emissions,[11] all of which have placed immense constraints on the environment. The understanding that structural forces are the primary influence on the ecological footprint bleeds into both economic and organizational structures. This lends itself to the idea of a more holistic unification of organizations, economies, and the environment, rather than the fragmented approach that is currently in place. The main concerns within the context of environmental sustainability reside in the fact that nearly 9 billion people cannot live a Western lifestyle. At current levels of resource

depletion and pollution, as well as a lack of concern regarding climate stability, the planet will not be habitable for human life in the long term.[12]

The good news is that governments, not-for-profits, and for-profit organizations are recognizing the need for environmental sustainability. Consider, for example, Joe and Kelly, who founded a craft brewing company with the purpose of providing a business that is a force for good.[13] Specifically, their company honors nature through every turn of their business, from brewing and bottling to distribution.[14] Furthermore, Joe and Kelly are constantly looking for ways to be less wasteful and more efficient. This search has manifested in practices such as relying on natural lighting in most rooms, landscaping with low water plants, providing bike parking and showers (which encourage others to ride or walk to work instead of using a vehicle), and using reclaimed materials.[15] This focus on sustainability translated into an increased distribution and portfolio expansion during the 2008 recession when many craft brewers slowed production.[16] Analysts speculated that this growth was driven by fierce loyalty and solidarity with companies that support their communities.[17]

Organizational

In looking at organizational sustainability, Gibson's definition of sustainability is a policy that "intersects between social, economic, and ecological interests and initiatives." [18] Most organizational sustainability assessments are conducted separately between social, economic, and ecological initiatives, only to have the unconnected findings for each area become difficult to integrate into the whole system. In a great number of cases, decisions come down to an economic versus ecological ruling, where economics take a higher priority than ecology. What is needed is a more unified, balanced, and holistic approach to these three dimensions of sustainability, one in which the needs of each area are considered, a more balanced approach is taken, and there is more respect for the interdependence of these areas.[19]



For organizations that have to operate during a time of crisis, understanding the holistic nature of sustainability is important. Derek, the cofounder of an investment firm, thinks of sustainability as having to apply to environments as well as social dynamics. Derek comments that one cannot actually have a sustainable society or project or a sustainable industry or ecosystem without it being economically viable and impacting both the environment and the society. He also viewed sustainability fundamentally as a shift in economic value. The summer before the economic collapse, Derek decided to start an investment firm that only held positions in sustainable organizations. Seeing the economic crash coming, Derek felt that this position would sustain his firm through the oncoming recession. What Derek's organization underwent was real and systemic: a shifting of value. At both the macro and micro levels, Derek saw the oncoming economic breaking points as opportunities. In other words, he understood he could use the crisis as a way to build a unique business for the future. Derek said that he believed what the country was going to go through as a result of the recession was a major rethinking and restructuring of the

entire economic system. He knew it was going to take time for a shift to develop fully and that it would be extremely difficult to make it through the crisis, but he was confident that it was both possible and important for him to do so. By investing in organizations that already held paradigms that viewed the needs of the social, economic, and ecological systems as interdependent and mutually penetrating, Derek was able to be proactive in his planning. Derek's systematic paradigm allowed him to employ foresight that ended up being profitable.

Derek's story exemplifies a thought process that ties together all of the areas mentioned in order to ensure organizations are sustainable. The unifying, balanced, and holistic approach, according to Dervitsiotis,[20] begins with an ontological shift in the mind or consciousness. Dervitsiotis[21] maintained that for leaders to create sustainable organizations, they must shift their perspective of organizations away from hierarchical and machine-like creations. The new perspective should frame organizations as living systems or processes existing in the midst of millions of other living systems or processes in constant communication and relation with one another. The machine-like metaphor of organizations is only useful for a reality that is stable without flux, but this is not how the world operates.[22] A new conceptual framework for organizations is needed, wherein organizations are treated as processes, rather than structures.[23] In other words, no longer can an organization focus solely in one area; instead, it needs to focus on the social, the economic, and the ecological as interdependent forces. For a sustainable system to take shape, both the organization and individuals must view the world in this more unifying, holistic, and systemic fashion.[24]

Systems Thinking

In organizational terminology, focusing on a holistic perspective is referred to as systems thinking. Systems thinking is about understanding the interconnectedness, limits to growth, feedback loops, and the balance that is achieved through a holistic perspective.[25] This systems thinking is an important step in moving toward sustainability. In the examples provided, the case subjects understood that they could not focus on one issue related to the crisis. They understood the importance of focusing efforts in economic, organizational, social, and ecological areas all at once. They understood that the collapse of Lehman Brothers was part of a larger dilemma for which they needed to prepare. In other words, they understood that to be sustainable, they needed to stay true to the tenets of their organization, but they also needed to view the bigger picture and how the pieces of the puzzle fit together. They understood that our earth is a system with which we should remain in balance. They understood that economic sustainability was a micro process within the much larger system of our world.[26]

Conclusion

In analyzing the presented cases, whether that of John, Joe and Kelly, or Derek, one area may have been the focus initially, but in order to truly weather the 2008 recession, the leaders of these organizations understood the need for a new kind of thinking. John recognized the importance of not only preparing and having an economically sustainable model, but of understanding the social and organizational aspects as well. He met with

protestors, government officials, customers, and employees alike. Transparency was the key along with a conservative economic plan. Likewise, Joe and Kelly understood that in order to continue to grow, they needed to not just focus on ecological sustainability, but to also expand their product lines and marketing during this time. Derek knew that all of the systems work together, which helped him successfully navigate and expand during the difficult crisis. These leaders had an uncanny ability to focus on the big picture, see the interconnectedness of systems, and stay true to themselves and their company missions. In order to build a sustainable organization, there is a lot we can learn from studying those who thrive during crisis.

About the Author(s)

Steven M. Walker, PhD, has a Ph.D. in Leadership Studies from Gonzaga University in Spokane, Washington. In his systemic approach, Dr. Walker identified sustainability as an essential challenge facing humanity. His research is primarily based on Prigogine's Reverse Second Law of Thermodynamics and Senge's Systems Thinking and demonstrates how energy released at the bifurcation points of the system can present an opportunity for sustainable transformation. Over the past seven years, he has primarily focused on higher education with an emphasis on real estate, sustainability development, leadership development, and non-profit relations work. He is also a reviewer for *The Journal of Leadership Education*. Dr. Walker resides in Portland, Oregon with his wife and son.

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