

# Managing Crisis: Single-Loop or Double-Loop Learning?

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## Abstract

The traditional approach to crisis management suggests autocratic leadership, which nevertheless entails risks (leader is the bottle-neck of problem solving; single-loop learning; crisis management is a matter of efficiency). However, managing crisis nowadays is rather a matter of effectiveness, and requires double-loop learning (second-order change) and leadership role in the sense of Kotter's theory. The paper discusses the top management's leadership responsibilities, and their special tasks in the problem-solving process of change. Inappropriate perception of leadership responsibilities and insisting upon first-order change strategy results in becoming part of the problem, rather than part of the solution of the problem.

## Keywords

Crisis management, leadership, second-order change.

„When depression economics prevails,  
the usual rules of economic policy no  
longer apply: virtue become vice, caution  
is risky and prudence is folly.”  
(Krugman, 2008)

One of the key concepts of management literature and practice of the turn of the century is learning organization. It is not only the mainstream academic theory (Senge, 1990a; Garvin, 1993), but has become a new paradigm in management practice as well. As Bill O'Brian, the CEO of Hanover Insurance depicted it, „the old dogma of planning, organizing, and controlling must be given up.... giving way to a new dogma of vision, values, and mental models“ (Senge, 1990a, p. 299).

The new paradigm has been enforced by two independent factors:

- the necessity of *continuous change*, as a consequence of fast-changing customer expectations, technological development, and fierce competition among industry members;
- people enter to the world of work with highest-level motivation and professional preparedness. Chris Argyris studied how the personal development of people, i.e. their growth from infancy to maturity, is affected by the kind of situation they find at work. Some work situations help people to grow while others stunt their growth. (Argyris, 1957, 1962, 1974, 1985) Peter Senge advocates the notion of personal mastery: “the discipline of personal growth and learning”, meaning that people are committed to the continuous improvement of everything they do, in all areas of their life (Senge, 1990a). Csíkszentmihályi (1996, 1998, 2003) developed the concept of flow, the mental state in which people are fully immersed in what they are doing by a feeling of energized focus, full involvement, and success in the process of the activity.

The new paradigm, characterized by empowerment (Argyris, 1998), and by priority of macro-leadership roles responsible for recognizing the need of change, developing change strategies and align-

ing people to change (Kotter, 1990) meets both the environmental and the individual (motivational) challenge.

Peter Senge makes it clear that building learning organization requires special leadership competences (Senge, 1990a). One of the key competences, among others, is personal learning.

It is Chris Argyris who developed the theory of learning, differentiating single-loop and double-loop learning: “Whenever an error is detected and corrected without questioning or altering the underlying values of the system (be it individual, group, intergroup, organizational or interorganizational), the learning is single-loop.” (Argyris & Schön, 1978, p. 8) „Double-loop occurs when errors are corrected by changing the governing values and then the actions.” (Argyris, 2002, p. 206)

This powerful concept was unfolded gradually:

- recognizing that the CEO’s behavior “ultimately does or does not confirm the idea that organizational development is necessary, credible, and inexorably linked to his leadership style”, and that “[it] is crucial for the survival of organizational renewal and change activities” (Argyris, 1973, p. 64);
- differentiating between two types of learning: single-loop learning, which “does not question the fundamental design, goals, and activities of their organization” and double-loop learning, which is ‘able to ask questions about changing fundamental aspects of the organization’ (Argyris, 1976, p. 375);
- separating two theories of actions (Model I and Model II) highlighting the difficulties to move from single-loop to double-loop (Argyris, 1976);
- discovering gaps between what we say and what we do (Argyris & Schön, 1978);
- describing the individual and communication difficulties of executives to switch from single-loop to double-loop, describing the skills they need to enable (Argyris, 1982);
- describing the defensive routines, making the most skilled communicator executives cover up real problems, called skilled incompetence (Argyris, 1986, 1994);
- without doubt the new management paradigm cannot be performed but with the double-loop learning model.

The single-loop and double-loop learning models can also be interpreted from change management point of view: it was Paul Watzlawick and his academic team (Watzlawick, Fisch, & Weakland, 1974) who elaborated the theory of first-order and second-order change: “.... there are two different types of change: one that occurs within a given system which itself remains unchanged, and one whose occurrence changes the system itself. .... Second-order change is thus the *change of change* ....” (Watzlawick et al., 1974, pp. 10-11).

The economic crisis is compelling evidence in both macro- and micro-economy, one of the key challenges for both policy makers and business executives.

The literature that discusses finding ways out of crisis is surprisingly limited. Even more, what we have is focused on exploring and analyzing the causes of the crisis, and offering business strategies floundering out of crisis. Very few sources offer recommendations on how to manage in the time of crisis, and what kind of leadership pattern should be chosen and followed.

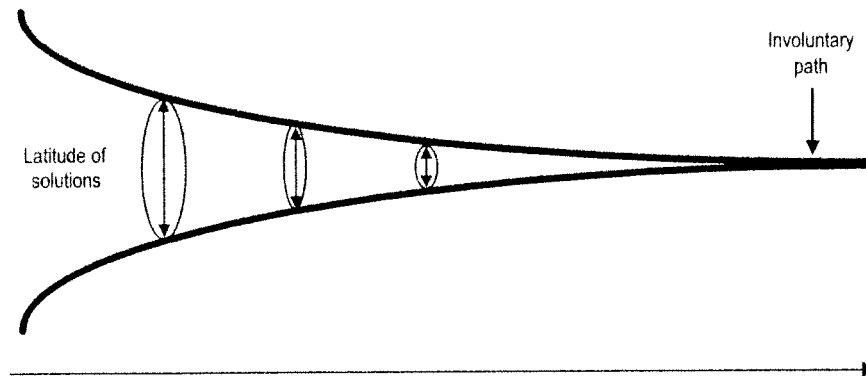
Leadership propositions, if any, originate rather from political leaders: leadership of Lincoln during Civil War, and that of Roosevelt in the Great Economic Crisis (Coutu, 2009). The September 11 events boosted a new wave of crisis leadership literature (Weiss, 2002; Schuler, 2002).

There is a strong stereotype on crisis management, with time pressure, urgent need for making decisions, therefore involving autocratic leadership style in focus. This approach has solid foundation, based on the following notion of crisis: we may consider a change process turning into a crisis, if the latitude of the possible solutions is narrowed and limited to a few alternatives, or become involuntary path – that is: no choice!

Without doubt, this approach has a strong explanatory power; however, one should notice some hidden pre-assumptions behind it:

- There is an extraordinary leader with a wide range of competencies, who is able to overview and solve the whole scope of crisis related problems (if not, the leader himself becomes the bottleneck of the problem-solving process).

- With urgency (“quick-fix”), we have a fairly good chance of a single-loop type of learning process and problem solving: searching for solutions within the given system (the basic beliefs and assumptions remaining unchanged).
- As a consequence, crisis management is considered to be an efficiency problem, rather than a successful change of the whole system (effectiveness).



**Figure 1** Narrowing maneuvering room of management during crisis

Source: Developed by the author.

However, I am strongly convinced that managing (leading) crisis is essentially leadership, and not management role, referring to John Kotter’s powerful *Leadership vs. Management* theoretical framework (Kotter, 1990). The urgency/autocratic approach to crisis management, anyway, aims to solve the crisis within the scope of management roles instead.

As Kotter himself writes: “Leadership is a set of processes that creates organizations in the first place or adapts them to significantly changing circumstances. Leadership defines what the future should look like, aligns people with that vision, and inspires them to make it happen, despite the obstacles.” (Kotter, 1990) Kotter’s leadership concept fits into and assumes the new management paradigm, with empowerment (Argyris, 1998), and neo-charismatic, value-based leadership (Conger & Kanungo, 1988) and personal mastery (Senge, 1990a).

This concept results in a substantially different division of labor between top management and middle management: out-bound focus and responsibility for (second order) change on behalf of the top managers (leaders), and fully empowered building systems, running the business smoothly and efficiently, micro-managing and responsibility for first-order (internal) changes on behalf of the middle managers.

We may formulate a dilemma here: does the crisis situation in the 21<sup>st</sup> century, as a special kind of change, push the crisis management back to an earlier (classic) management paradigm (autocratic), or just the opposite: the same new paradigm offers solution to the crisis management as well. My point is that the primary framework of managing crisis is the new paradigm, with some limitations.

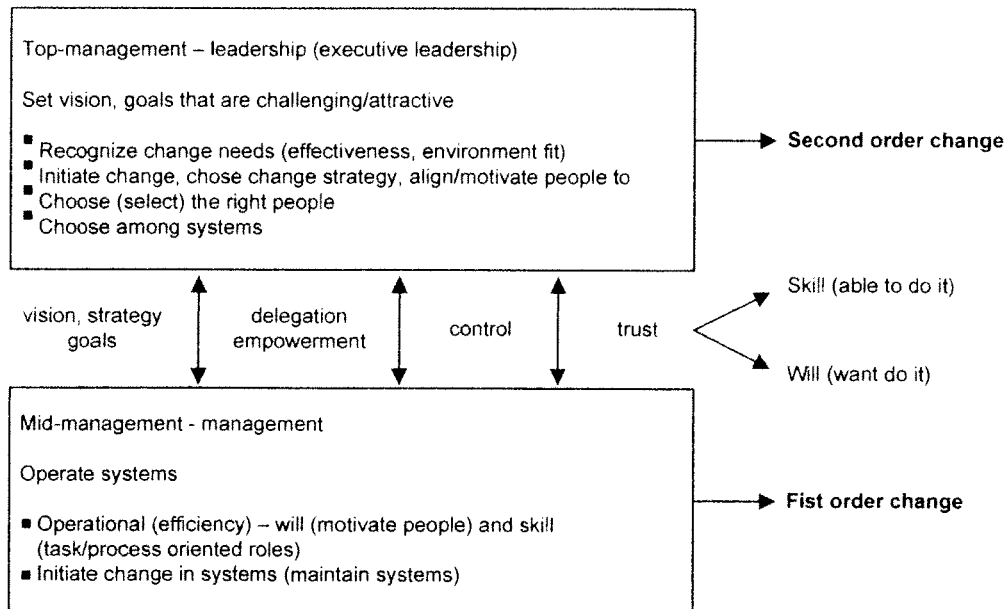
The notion of crisis in modern Western societies is associated with “danger, frightening, destructive”. However, as early as in 1959, President Kennedy recognized that “When written in Chinese the word crisis is composed of two characters. One represents danger, and the other represents opportunity.” (Kennedy, 1959)

Both in Chinese and Japanese the expression “crisis” is composed of two *kanjis*: one’s meaning is Danger, whereas the other one’s is opportunity, reflecting the philosophically different approach of the Far East culture to the notion of crisis.

As Scott Gordon, the former Chairman of the Board of Chicago Mercantile Exchange expressed, “Every time I see the word threat I look at it as an opportunity.” It seems that the Far-Eastern way of thinking is slowly infiltrating into the Western mindset.

What makes the crisis management to be considered as a specific version of change is that it definitely requires second-order change instead of first-order change. However, managing crisis may not be even seen as extraordinary challenge, if we take into consideration the response to turbulent changes (as the title of Andy Grove’s book makes it very tangible: “only paranoids survive”).

So, what is the responsibility of leaders during the times of crisis? The Number One responsibility is to perceive the crisis as it is: crisis – crying for second-order change (and double-loop learning). Understanding the message of Bartee’s *problem* definition (Bartee, 1973, p. 439), we should realize that recognizing what the problem is is a matter of perception rather than fact-based. So the perception of the leader is critical: what is her framework to seize the key factors (variables) of crisis (referring back to O’Brian’s mental model, as key element of the new paradigm). “At first sign of a major crisis, get the complete and awful truth out precisely because it is so damaging. The longer the truth has to be dragged out, the worse the crisis will become and the lower your chances of recovering from it.” (Mitroff, 2001, p. 19)



**Figure 2** New division of labor between top and middle management in the new management paradigm

Source: Developed by the author.

Leaders are supposed to solve the “right” problem! What is the right problem? According to Bartee’s interpretation it is in fact another question: Whose problem is it anyway? To whose problem do we seek solution? Whose perception will determine:

- what the desired situation should be (see: Kotter’s vision); and
- what the critical (important) factors of the current situation are, and what factors can be eliminated.

Therefore, the role of change leader is critical, because:

- (s)he is the one defining the problem; and
- the system expects solution to the problem from the change leader!

In her responsibility described above, a crisis leader may fail in three instances:

1. Inadequate, inaccurate perception of the current situation:
  - seizing the problem by the wrong variables;
  - eliminating important factors of problem interpretation, failing to include them into the crisis management model;
  - overweighing unimportant factors is then considered as a part of the problem. (Note that important-unimportant can be both matter of professional and preference consideration, therefore failure can be both political and professional. Professional misperception and misinterpretation is expected to be avoided for sure.)
2. Inappropriate (wrong) desired situation:
  - cannot be achieved; or
  - can be achieved, but unaccepted by the stakeholders of the change, and therefore illegitimate.

### 3. Inappropriate change process chosen:

- the action (plan) unsuitable to transmit the system from the current to the desired state;
- lack of resources to complete the transition;
- stakeholders unwilling to implement the change process (perceived as illegitimate by them).

If the change leader commits these mistakes, (s)he him/herself becomes the cause of the problems, and beyond a critical point, even deepens the crisis.

Reflecting upon leader's responsibilities, it is important to highlight the risk of illusion of control, and avoid the tendency to believe that we are in control (or at least we are able to influence certain outcomes), when in fact we are not! Are we able to change what we want to change? Quite a lot of time we are not in trouble because we do not know something, but because we know something that is quite not so! The famous prayer of the German theologian Oetinger sheds light on this kind of responsibility: "God, give us grace to accept with serenity the things that cannot be changed, courage to change the things which should be changed, and the wisdom to distinguish the one from the other".

So, I do believe that managing change is not a re-entry of old-style, autocratic management, but continuing and consciously adapting the new leadership paradigm to crisis. It should be team-work of top managers, focusing on the environmental challenge, and still empowering middle-managers in their management roles. As Lao-Tzu says, "The bad leader is he who the people despise. The good leader is he who the people praise. The great leader is he who the people say, 'We did it ourselves.'" I am deeply convinced that 21<sup>st</sup> century leaders should not deviate from this paradigm, even if there is a crisis.

It is an illusion, anyway, that a company can develop this model and the necessary competencies *during* the crisis. Only companies that developed them *prior to the crisis* and fine-tuned them in their everyday change management practice (learning organization, ready to change mental models, team-work, empowered responsibilities, quick reaction and learning, routinely questioning the status quo) are able to apply it to solve the crisis-challenges. Those who are engaged to one of the earlier management paradigms – these companies had better apply the old-fashioned autocratic way.

It is also an illusion that a crisis leader emerges from the crisis situation. "The fantasy that somehow organizations can change without personal change, and especially without change on the part of people in leadership positions, underlies many change efforts doomed from the start." (Senge, 2003, p. 48) Only those with strong leadership competences developed and fine-tuned in prior change management practice can cope with the crisis this way.


However, during crisis leadership the leader has additional special responsibilities:

- Fears and uncertainties are inherently attached to crisis, naturally accompanying any actions out of it. The leader should be sensitive to that, respect the fears of people: without emotional intelligence, people skills and competences (s)he cannot succeed.
- Build and maintain trust: without the integrity and authenticity (both personal and professional) of the leader this model does not work either. Being a role model, demonstrating personal example, and making personal sacrifices put leader into the same shoes with the followers.
- Without open, straight communication, naming the crisis as crisis, not glossing over risks and hardships, neither trust nor clear understanding of what should be done can be achieved.
- There is no way out of crisis without taking risk. The leader needs intellectual courage, finding a good balance between taking calculated risk and blindfold audaciousness.
- Concluding the responsibilities of nowadays executives in managing crisis: it is leadership in Kotter's sense.
- Leadership (leading change out of crisis) is the primary challenge and responsibility of the top management.
- It is the leader's special responsibility is to decide whether the system needs first-order or second-order change, and therefore initiate rather double-loop learning, instead of single-loop.

It has to be pointed out that if the leader chooses first-order change (single-loop learning), (s)he will remain within the framework of the existing system, and the target of the change is correcting, maintaining, and fine-tuning the system – that is (s)he is in management role ("doing things right"). As a contrast: if the leader chooses second-order change (double-loop learning), (s)he remakes the framework of the existing system, puts the organization into a new orbit, does something different – that is, (s)he is in leadership role ("doing the right things"). If a change agent recognizes the need of a second-order change, however, but makes decisions and chooses actions remaining on the level of first-order change

– (s)he conserves the existing system (the status quo), regardless of whether it is because lack of professional knowledge, of intellectual fortitude, or simply (s)he does it for personal gains.

The French proverb says: “Plus ça change, plus c’est la même chose“. Changes remaining within the same basic framework do not touch the system itself. Napoleon added: “The Bourbons learned nothing and forgot nothing” All kinds of restorations (conserving the status quo) are, by nature, first-order changes, and they do not solve systemic problems (more exactly, do not resolve the problem of the system); usually the only problem they solve is the power-game.

What if this happens? In this case there is no other way to solve the problem of the system, but to replace the top management, the elite, which is not part of solving the problem any more, but is now part of the problem itself (in the worst case, generating the greatest part of the problem). However, this is now the responsibility of those who practice corporate governance control. 

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