

Outside-the-box, but Inside-the-elevator: A Case of Leadership Myopia Reaching Media

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Abstract: Practitioners claim that successful leaders should be able to think out-of-the-box and “first break all the rules”. However, when it comes to organizational regulation inside some public institutions, more often than not the leaders replace the organizational creativity with an extreme exploitation of the existing rules. The “tendency to overinvest in exploitation” (Levinthal & March 1993) of the routines that proved successful in the past is well-known in the literature on organizational learning.

In the present study, we examine a specific context in which a traditional rule meant to offer legitimacy to the public leaders was over-exploited up to the point when all national media reacted against the actions of the public institution. Thus, instead of obtaining more legitimacy, the leaders learned the hard way that the organizational rules should be assessed periodically and the obsolete ones be replaced/balanced with new rules, resulting from the exploratory dimension of organizational learning.

We consider that an explanation for this specific case of leadership myopia may be found in a recently defined leadership style, ie, the spiritual leadership (Fry, 2003), situated in a case of over-exploiting an impermanent institutionalized rule (Schulz, 2003).

Key words: organizational learning traps, spiritual leadership, organizational rules, impermanent institutionalization

JEL Classification: D23

Introduction. Not an elevator, but a symbol

Extensive coverage in the Romanian media had recently presented in the most negatively manner the fastuous public ceremony of inaugurating an elevator, organized by the local authorities. The elevator was part of a much larger investment in the local hospital of a small city called Gura Humorului, placed in the Romanian North-Eastern County named Suceava.

Hospital inauguration as a key component of managing reputation and public relations seems to be an usual routine of public authorities in several countries. When searching online, the majority of similar inauguration ceremonies are announced for hospitals in countries such as India, Indonesia, Taiwan, Malaysia, Mozambique, Haiti, aso. Also, mission hospitals are publicly inaugurated throughout the world and announced online.

However, searching the online sphere, there seems that no other elevator inauguration has been held in such a way as to reach the English-speaking online world. In the first pages of google search, the single mentioning of an elevator inauguration is an ironic Romanian twitt, with the hashtag #funny.

The event was held in the presence of the highest local representatives of the Government and the Parliament. The event was presided by the mayor, dressed up with artifacts such as the tricolour sash . Among the guests there were Prefect of the County, the President and the Vice—president of the County Council, one senator and three deputies, several mayors of neighbouring localities and other local opinion leaders. A number of three priests were specially invited to give the spiritual blessing to the event, through a

specific orthodox sermon, before the official cutting of the ribbon.¹

The Prefect, the President of the County Council, a senator and two deputies delivered inaugural speeches. Also, the Mayor offered his statements to the audience and to the media, reminding everyone that he always stated that the hospital would exist as long as the doctors would want to. He also mentioned that the modernization of the elevator is celebrated as the last step from a complete investment in the refurbishment of the hospital, which cost around 1 million euro. In 2010, the hospital was scheduled to be closed during an extensive reform of the national health system. The mayor declared that it was normal that all the key leaders be present to the event, and “unfortunately the other representatives of the Parliament could not come”, he joked.

The following speech, held by a deputy, transformed the elevator into a symbol of the commitment to church, health, culture and education, that, together with the people from the local public administration, are “managing to keep alive the national tricoloured flag”.

In spite of the special focus of media on the elevator inauguration, another acknowledged symbol was vaguely promoted by the Mayor – a list with almost 18,000 signatures of the local citizens, against the closure of the hospital in 2010. Unfortunately, even the list was connected with the presence of the new elevator, whose existence was considered a direct consequence of the citizens’ list in 2010. As the Mayor declares, the list of signatures was “given as a gift to the hospital

¹<http://www.ziare.com/politica/parlamentari/bascalii-cu-tricolor-de-la-gura-humorului-opinii-1227315>

management", to be used just in case the hospital would be in imminent danger to be closed again. "I didn't submit the list to the press, I told them to keep it there, with the implicit wish for them of not to be in the situation of needing it." ²

Managing reputation

The Mayor was in fact continuing a long tradition of managing reputation through appeal to the advocacy or endorsement of third parties. Romanian leadership gives special significance to such procedures of transferring credibility from the key people in the Government and Parliament. Also, the presence of the priests invited to deliver a sermon is more the rule, rather than the exception, for inaugurations of new public buildings. The experience of the public authorities showed that the presence of high ranking public administration representatives is indeed an useful procedure for obtaining recognition, reconfirming the status and the power of the leaders that host such ceremonies.

The transfer of credibility from third-party endorsers is one of the main tools for creating success in public relations actions for media relations or public events. Third-party advocates deliver speeches in which they prove their commitment and their interest for the public cause. They accept to be guest speakers to the fastuous inauguration ceremonies and to remind everyone that they believe in the actions, statements and visions of the public authorities acting as hosts.

In the present context, reputation

²<http://www.gandul.info/stiri/marea-taiere-de-panglica-la-lift-cum-au-venit-seful-cj-primarul-deputatii-si-preotii-ca-sa-sfintasca-megainvestitia-lumea-a-zis-uite-e-un-lift-nu-e-cireasa-de-pe-tort-10700013>

management comprised rules of "grasstops" advocacy and "grassroots" advocacy, based on the positive intervention of third parties who have a significant recognition in the community or at the central level of the public administration. In the present case, the leadership used both type of endorsements, although they chose to make a public showcase from the grasstops advocacy, in which "influential community leaders (e.g., local or state officials, business owners, and heads of local organizations) are targeted to communicate their feelings on an issue to their respective members of Congress, Senators, or executive branch officials." (Doorley & Fred Garcia 2007, p. 172)

While the 18,000 signatures list can be seen also as part of a stakeholders management, the way the leader decided to use it indicates rather a reputation management approach, i.e., the "grassroots" advocacy³. The benefits and merits of a true involvement of the community was shadowed by the decision of the Mayor of using publicly the signature list just as a "survival kit" for the emergency cases.

Thus, there seems to be a linearity in thinking the opportunities brought about by the participation of the stakeholders in the official opening of a modernized hospital. Both the local authorities and the priests had the role of legitimizing the leadership and of enhancing the key actors' coalition and power

³ One of the most effective tools in a company's government relations tool box can be the use of third-party "grassroots" advocacy. Grassroots advocacy is an indirect form of lobbying in which constituents of a given congressional district or state are encouraged to write a letter, send an e-mail, or make a phone call to a member of Congress or Senator." (Doorley & Fred Garcia 2007, p. 172)

in the public eye, rather than having a say in the community welfare and success.

Organizational learning

One of the main theories about organizational learning is provided by March (1991), who examined the learning produced and managed by the organization as a tension between two different strategic directions – exploitation and exploration – of the organizational knowledge. Thus, the organizations look for their previous positive experiences and lessons learned, and exploit the know-how and rules that proved to work and to lead the organizations to success. On short term, the exploitation of the existing technologies, rules or rituals, is providing prosperity for the organizations. However, as the author showed, too much exploitation of former success lessons can lead to sub-optimal development of the organization. In order to counter-balance such strategies, the leadership looks for new mechanisms of development and success on the market. The exploratory component of the organizational development, although needed, cannot be assumed without high risks of failure and of facing uncertainty.

Within the exploitation-exploration framework, authors attempted to identify the role of leadership in managing the balance between the two strategic directions or in encouraging one of the types of learning.

Re-evaluating and enriching Bateson's theories (1973) on the learning levels, new ideas about organizational learning such as learning ecology transform past organizational experiences and conclusions in collective actions of developing new routines, norms and standards as part of the organizational behaviour (Levitt & March 1988).

Leaders have a significant role in organizational learning that leads to organizational success, as they "influence the organization's ability to integrate exploration and exploitation through a combination of their behaviors and the culture and structures they create" (Berson 2006, p. 588).

"Balancing strategic contradictions requires that leaders engage in paradoxical cognition that both differentiates the distinctions between existing knowledge and new ideas, and identifies synergies between them by mentally shifting between the team or project level of analysis and the superordinate or organization level" (Smith & Tushman 2005, apud Berson et al 2006, p. 588).

Leadership and organizational learning traps

Leaders are not always able to act as expected moderators between the paradoxical strategic tendencies towards exploitation and exploration. Organizations seek a balance between exploring new knowledge or exploiting the existing successful procedures, with an outcome that depends on the leadership style, organizational culture and openness to innovation.

While using intuition or formal mechanisms to create organizational learning is an organizational reality, the tendency to oversimplify is generated by many factors, among which one has to mention the bounded rationality describing organizations in general, and public institutions in particular. Thus, the context, the causes and even the solutions are more leadership-tailored than situationally adjusted.

Authors describe learning myopia as a "tendency to overlook distant times, distant places, and failures" (Levinthal & March

1993, p. 95). In the learning myopia generated by exaggerated exploitation of success lessons from the past, leaders do fall in the traps of their own success, in that of previously working contexts or of transferred knowledge about others' organizational performance. Once acquired a competence or a rule that leads organization to success, leadership myopia will focus even more on that path of development. A positive, vicious feedback circle is in place, with the emergent risk of reaching the organizational/procedural limits of growth.

The trap of over-exploitation determines the organization to avoid new exploratory strategies or to disregard the need of changing the rules even when the latter become obviously obsolete. "This competency trap is a standard, potentially self-destructive product of learning. The trap can be broken by rapid upward adjustment of aspirations or by false feedback as to the high value of exploration, but it forms a powerful consequence of learning processes." (Levinthal & March 1993, p. 106)

In the particular case of the rules dynamics and organizational learning, the dilemma between rules that seem to bring success to the organization and those who are obsolete is still in place. "Rules in organizations can be seen both as products of learning and as carriers of knowledge. Indeed, it seems likely that any theory of organizational learning will want to treat rules as major factors in the accumulation of competence in an organization. We will show how rules evolve as organizations solve the political and technical problems they face and how they mediate interactions between the actions and lessons of the past and those of the present." (March Schulz & Zhou, 2000, pp. 3-4)

Spiritual leadership and organizational success

The deep roots of the over-legitimacy through third-parties may find an answer in the spiritual leadership enthusiastically manifested by the Mayor in front of the media and the gathered audience.

Spiritual leadership was presented theoretically by Fry (2003) as an ideal model for learning organizations. "This study, using data collected from an army squadron, found that spiritual leadership is important in creating an intrinsically motivated, learning organization" (Fry et al. 2005, apud Berson, p. 583).

The spiritual leadership is considered as a good indicator of openness, commitment and happiness of the employees, due to the focus on the spirituality approach. "Therefore, Spiritual Leadership is ultimately the driver of the learning and growth performance category that produces continuous improvement in operations and the development of high-quality products and services. This in turn generates high levels of customer satisfaction, leading to better financial performance; and sustainable organizations that maximize the triple bottom line." (Fry 2003, p.292)

Spiritual leadership is considered as based on two requirements. Firstly, the organizational vision, which implies that the leaders and the supporters feel the "sense of calling" that gives meaning to their work as well as to their lives, counting on intrinsic motivation of people. Second, the organizational culture that nurtures the sense of mutual support, understanding and concern among employees or stakeholders.

"It also creates the context for employees to receive the altruistic love that,

in turn, forms the basis for intrinsic motivation through hope/faith in the organization's vision in socially responsible service to internal and external stakeholders. (...) Organizational spiritual leadership through the learning and growth category is ultimately the driver of continuous improvement in operations and high quality products and services that lead to higher levels of customer satisfaction, which then leads to better financial performance – in other words, conscious, stakeholder focused, sustainable organizations that maximize the triple bottom line." (Fry 2003, p. 305)

Features of spiritual leadership are to be found in the present case as obvious leadership learning style: the employees were highly involved at emotional level, as they faced in 2010 the danger of unemployment due to the proposed closure of the hospital; the local community supported the endeavour of the Mayor and of the other local authorities through signatures and other visible forms of involvement; the Mayor considered the finalization of the 1 million euros investment as a victory that he can pretend to, on behalf of the customers, citizens, employees and community.

But the most obvious mark of the spiritual leadership is the presence of the priests, invited to bless the spiritual community between all stakeholders. While exploiting the traditional routine of combining the opening of a public service with a religious sermon blessed by prestigious third-parties, the leaders had self-attributed the spiritual recognition of their superior virtues. It is a paradigm often used in the reputation and PR management, that of the hero that conquers against all adversities and thus is blessed with qualities that make him superior to the enemies and to its own community.

The public leaders, in search for a higher status after gaining the elections, decided to emphasize their success in the community through a traditional ceremony. What struck the media was in this instance the importance given to an elevator, eventually promoted at the rank of official symbol for a local victory. The routine of spiritually inaugurating new infrastructure investments was manipulated so as to serve the need to gain a superior status in the community.

Instead of the spiritual leadership, the leaders could have used other more participatory rules of action. They could have used the 18,000 signatures for involving the citizens not only in preserving the hospital, but also in transparent activities of support for developing better public services for the patients in the hospital. While the leaders seemed to be managing a stakeholders approach, the stress on other stakeholders' interest and involvement was subsumed to the need for acquiring a higher status. Recognition of the leaders' role in the final victory seemed to be more important than other processes through which legitimacy may be obtained.

As useful as it proves to be, spiritual leadership reaches its limits once the eggs are all placed in the same basket of over-motivating people for believing in a shared credo and victory. The rules of empowerment can act as a boomerang when it comes to better empowerment of the leaders. Once the leaders' desire of getting higher status became so visible, the media sanctioned their endeavour and treated it as ridiculous and blamable.

The dynamics of rules. The impermanent institutionalization issue

From our viewpoint, simply the learning trap of over-exploitation of a traditional

organizational rule could not push the leadership into such a highly criticized position. In what consists, then, the error of the leaders, since the manifesto of the public leader is typical for the spiritual leadership approach, considered by authors as a basis for organizational learning and success. We consider that the negative impact on the audience that led to the disastrous media coverage was due to the specifics of the rule used and to the context of the spiritual leadership approach. More specifically, we estimate it is the result of the toxic combination between the obsolete rule of acquiring legitimacy through third-parties and the spiritual attribution to the elevator of the role of a symbol of victory.

Recent authors interested in the field of dynamics of the rules describe a category of rules that have a peculiar development inside the organizations. They are considered as key rules and leadership treats them as being "the rule" of some specific contexts, while in fact they are obsolete rules that survive in the organization in a latent way and that can be changed only once a radical change is in place.

In this case, the public leaders considered normal that they should inaugurate the final stage of an investment of 1 million euros and the opening of the modernized hospital, even though the symbol used was just the elevator within the hospital building. They used an usual stake – informing publics through media - and an even more usual unwritten rule of legitimizing their success and power – third-party advocacy from the Governmental, Parliamentary and local high representatives, along with the Orthodox priests.

It was a procedure used even in the past with great success by the political leaders

representing public administration. As the media mentioned, even a few kilometers of highway were before the object of an inauguration ceremony, celebrated as a great success of the leadership. The unwritten rule of inviting special guests and get more credibility from their presence at the inauguration ceremonies seemed so good, that no one of the key leaders invited to the inauguration of the symbolic elevator could foresee that the rule was just reaching its limits of exploitation.

The over-exploitation of this peculiar rule is not accidental as it may seem, and its roots should be deeply debated. According to March Schulz & Zhou (2000), "rules are followed because they are seen as natural, rightful, expected, and legitimate. Actors seek to fulfill the obligations encapsulated in a role, an identity, a membership in a political community or group, and the ethos, practices and expectations of its institutions. Embedded in a social collectivity, they do what they see as appropriate for themselves in a specific type of situation."

Moreover, "the interpretations of history are political, reflecting efforts to assign and evade responsibility and to establish favorable historical stories" (Sagan, 1993). Organizations "record the lessons of histories in the modification of rules and the elaboration of stories, but neither is a perfect instrument." (Levinthal & March 1993, p. 1997)

The possible explanation of the error made by the leaders is that the rule was in a state of impermanent institutionalization. According to Schulz 2003, p. 1094), "impermanent institutionalization (...) is a state that emerges when permanence mechanisms create periods of stabilization that are punctuated by radical changes stemming from impermanence mechanisms. Impermanent

institutionalization can generate patterns of change that are characterised by declining rates of incremental changes and increasing rates of radical changes.”⁴

Thus, the rule of third-party endorsement at prestigious ceremonies reached its limits of beneficial impact. It is not surprising that sometimes “the development of rules reflects an inefficient story. The learning that translates political and technical pressures into rules is a complex process in which attention, prior experience, and rule ecologies all operate to frustrate any simple hypothesis of a unique match between rules and environments.” (March Schulz & Zhou, 2000, p. 4) In this context, “designing organizations to learn without attention to those limits is no more sensible than designing organizations to be rational without attention to the limits of rationality.” (Levinthal & March 1993, p. 95)

The attempt of obtaining a higher status, through an over-interpretation of the significance of such symbolic ceremonies, raises the question of the subjective interest manifested by some public leaders into selectively exploiting one organizational rule rather than others. These rules seem to be chosen by in direct connection with their potential of raising the status of the leader. Still, as visible in the present study, the leadership risks to obtain the contrary effect, in a context of the impermanent institutionalization of the rule

⁴ One explanation can be the organizational tolerance for obsolescence, which is specific to public administration. “Organizational tolerance for obsolescence can delay changes of rules and thereby make them too obsolete to be repairable, though ultimately, radical changes become unavoidable. The empirical outcomes are declining rates of rule revision and increasing rates of rule suspension” (Schulz 2003, p. 1094)

that is not necessarily a very successful one, but actually just so obsolete that it might be changed only through radical actions.

By spiritually leveraging the obsolete rule grounded in an impermanent institutionalization status, the procedure reached its limits of exploitation, in a sense similar to that of the limits of organizational growth (Senge, 1990). The positive feedback cycles were blocked by the firm reaction of the public opinion, who introduced negative feedback loops aiming at stopping the extreme use of the procedure. Thus, an attempt of raising positive reputation and status was transformed into an event that jeopardized the good reputation of the leaders .

Assuming that in the future the leadership will be more cautious when it comes to initiating such inauguration ceremonies, we can hope that they will look for other, more participative and stakeholders-focused methods of managing their own reputation. Also, they may take into consideration a second look at what works and what doesn't among the organizational procedures and routines, and avoid the misperception between an obsolete rule and a successful one. A critical thinking when it comes to organizational learning can help the leaders to inquire if there are not other more exploratory options.

Conclusions

The need to periodically assess and question the routines and rules in place and confront them with other possible options and opportunities. In case of spiritual leadership, the management of reputation should re-balance the tendency to induce high motivation with other leverages bringing about legitimacy – such as a true two-way

communication (Dozier Grunig & Grunig, 1995), in which the members of the community may be part of the decision-making processes and may encourage the leadership to explore new ways towards success.

As a new theory in the field, spiritual leadership lacks comprehensive studies that would shed a light not only on its positive significant aspects, but also on the limits of the concept. In the present case study, we proposed a correlation between the spiritual leadership approach and its consequent management of organizational rules. As showed, we question the positive impact of the spiritual leadership on the overall organizational performance and reputation in some specific learning contexts, such as the impermanent institutionalized rules.

Before proclaiming the need for an out-of-the-box type of organizational creativity, leadership myopia may be overcome firstly

by urging for an extensive assessment of the existing organizational rules, their duration, usefulness and relevance. The balanced scorecard examination is an example of useful tool that can be correlated with spiritual leadership (Fry 2003) and applied at public administration level in the form of a Spiritual Leadership Balanced Scorecard Business Model. When organizational rules and objectives are not carefully balanced, even the spiritual leadership can prove counter-productive to the well-being of the organization. For that, organizational learning cannot be seen as a result of spiritual leadership, but as a main organizational process that managers will connect with organizational performance. Moreover, further research can look into the direction of the correlation between the dynamics of selective exploiting/exploring organizational rules and the leadership interest for acquiring higher organizational statuses.

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