

## Managing the Unexpected

### Business Organizations Must Learn to Operate "Mindfully" to Ensure High Performance

By Karl E. Weick and Kathleen M. Sutcliffe



Company managers often complain that "fighting fires all day" prevents them from concentrating on "more important matters," such as writing strategy or planning for the future. Yet, "fighting fires" is probably one of the best investments an organization can make in its own performance. What these managers fail to realize is that ignoring day-to-day issues and/or failing to deal effectively with unexpected events can lead to bigger, more serious problems that eventually erupt into a costly, full-blown crisis.

Today's headlines are full of news about companies that have announced sudden earnings shortfalls, layoffs, product failures and management irregularities. Witness the case of Enron, which skidded from its topdog status as the nation's number-one energy trader to the point of bankruptcy within the span of a few months. A host of other companies in industries ranging from automotive manufacturing, advertising and pharmaceuticals to toys, telecommunications and technology also have hit the business equivalent of a partially submerged iceberg, causing them to sink faster than the Titanic.

Is this fallout an inevitable consequence of an age of complexity and a highly volatile business climate? Not necessarily. There are ways companies can avoid being derailed by unpleasant surprises and keep their operations on track.

Research reveals that certain organizations have been highly successful in honing their abilities to act reliably and handle adversity. These are called high-reliability organizations (HROs). They include aircraft carriers, nuclear power plants and firefighting crews, which consistently deliver high performance in unpredictable situations where the potential for error and disaster is overwhelming. Although ordinary companies do not face do-or-die circumstances of the same magnitude, they can learn a great deal from HROs about managing their operations effectively under trying conditions so crises can be avoided.

To head off the disruptive escalation from issue to problem to crisis, business organizations must monitor their moment-to-moment activities continually, anticipate problems in advance and respond promptly to adverse events in a flexible rather than rigid way. When things do go wrong, companies must identify and empower those with the expertise to contain or minimize the situation, and then rely upon organizational resilience to bounce back quickly after a misstep. By operating "mindfully" and making critical adjustments in a timely manner, business organizations are better able to manage the unexpected in a challenging, highly competitive environment.

One common pitfall is rushing to make a decision before a situation is fully understood. Some business organizations are so preoccupied with decision-making they fail to pay close attention to earlier events leading up to that point. To make matters worse, they plunge into action on the basis of their first impressions and then fail to revise their assumptions and expectations as new information comes to light. These companies continue to seek evidence that supports, rather than refutes, their actions because they only want confirmation of their responses.

As a result, weak cues signaling pending disaster are ignored or discounted.

Planning further complicates matters. Mapping out a preconceived way to react to would-be problems actually discourages business organizations from viewing each occurrence as a unique event requiring an equally unique management response. Instead, the blinders come on and the brains turn off, as companies try to make the solution fit the problem rather than

vice versa.

In reality, business organizations are better served by focusing on earlier, less obvious events where something out of the ordinary occurs or there is a near miss. Often these small details contain huge amounts of important information and may be indicators that everything is not going quite right in the company. By taking the time to understand a complex situation thoroughly-or "sense-making"-before jumping to a decision, managers can take steps to deal properly with an unforeseen event on an issue level, rather than a problem or crisis level. HROs constantly engage in this "struggle for alertness" and continually revise and update their information as events unfold; they often are suspicious of first impressions, which may be misleading or inconclusive.

Five key practices can help business organizations develop a state of "mindfulness." These practices must be implemented at all levels to develop a collective state of awareness of important details in companies. This can enhance their ability to be more reliable in managing the unexpected, and bolster their effectiveness in meeting customers' expectations and retaining management talent.

#### Five Practices for Developing "Mindfulness"

1. **Preoccupation with failure.** Encourage the reporting of errors and pay attention to any failures. These lapses may signal possible weakness in other parts of the organization. Too often, success narrows perceptions, breeds overconfidence in current practices and squelches opposing viewpoints. This leads to complacency that in turn increases the likelihood unexpected events will go undetected and snowball into bigger problems.
2. **Reluctance to simplify interpretations.** Analyze each occurrence through fresh eyes and take nothing for granted. Take a more complex view of matters and look for disconfirming evidence that foreshadows unexpected problems. Seek input from diverse sources, study minute details, discuss confusing events and listen intently. Avoid lumping details together or attempting to normalize an unexpected event in order to preserve a preconceived expectation.
3. **Sensitivity to operations.** Pay serious attention to minute-to-minute operations and be aware of imperfections in these activities. Strive to make ongoing assessments and continual updates. Enlist everyone's help in fine-tuning the workings of the organization.
4. **Commitment to resilience.** Cultivate the processes of resilience, intelligent reaction and improvisation. Build excess capability by rotating positions, creating additional sources of knowledge and adding new skills. Be mindful of errors that have occurred and take steps to correct them before they worsen. Once the fix is made, make every effort to return to a state of preparedness as quickly as possible. Be ready to handle the next unforeseen event.
5. **Deference to expertise.** During troubled times, shift the leadership role to the person or team possessing the greatest expertise and experience to deal with the problem at hand. Provide them with the empowerment they need to take timely, effective action. Avoid using rank and status as the sole basis for determining who makes decisions when unexpected events occur.

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