PREDICTABLE SURPRISES

THE DISASTERS YOU SHOULD HAVE SEEN COMING AND HOW TO PREVENT THEM

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Predictable Surprises: The Disasters You Should Have Seen Coming, and how to Prevent Them, Max H. Bazerman, Michael Watkins, Harvard Business Press, 2004, 1591391784, 9781591391784, 317 pages. Most events that catch us by surprise are both predictable and preventable, but we consistently miss (or ignore) the warning signs. This book shows why such predictable surprises put us all at risk, and shows how we can understand, anticipate, and prevent them before disaster strikes. There is a universal fear factor surrounding this subject: that society and the workplace are filled with disasters in the making that we could prevent if we only knew what to look for. This book plays on that fear and offers a positive, proactive resolution to it.

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Managing Change for Competitive Success, Andrew Pettigrew, Richard Whipp, 1991, Business & Economics, 340 pages. This extremely successful book, already in use on courses in hardback, is now being made available in paperback. Based on a major in-depth study of four UK industry sectors ....
Even the best-run companies can get blindsided by disasters they should have anticipated. These predictable surprises range from financial scandals to operational disruptions, from organizational upheavals to product failures. In "Predictable Surprises", Max H. Bazerman and Michael D. Watkins show you how to minimize your risk by understanding and lowering the psychological, organizational, and political barriers preventing you from foreseeing calamity. They then describe the powerful tools - including incentives and formal coalitions - that business leaders can use to ferret out and fend off threats invisible to insiders. Failure see what's coming exposes your company to predictable surprises. Given the stakes involved, this book should count among every business leader's most trusted resources.

Bazerman and Watkins, faculty at the Harvard Business School, define predictable surprises as "an event or set of events that take an individual or group by surprise, despite prior awareness of all of the information necessary to anticipate the events and their consequences." They cite as examples the tragedy of 9/11 and Enron's collapse. Insisting theirs is not 20/20 hindsight, they explain how many disasters are preceded by clear warning signals that leaders miss or ignore. Characteristics of predictable surprises include when leaders know a problem exists and that problem does not solve itself and gets worse, the human tendency to maintain the status quo, and the reality of a small vocal minority (special interests) that benefit from inaction. Future predictable surprises include government subsidies, global warming, government's ignoring future financial obligations in medical costs and retirement commitments, and the large obligations airlines have in frequent flyer miles. This is an excellent book for library patrons in both the public and private sectors. Mary Whaley

The book is invaluable for the clear way in which it brings the elements together and for the vividness and immediacy of the examples chosen to illustrate the points. The result is a book that is very readable as well as being immediately useful, even if many of the points have also been made elsewhere by other authors. The book provides a template against which organizations can assess their defences against 'predictable surprises', and I suspect that every organization will find gaps in its armour when it measures itself against the recommendations in the book.

The authors also use the book to mount a stinging attack on the failures of the American political system (and by extension those of other countries) and the need for fundamental reform. Their attack on the activities of the special interest groups and their direct responsibility for some of the worst disasters that the US has suffered is particularly pointed. One can only hope that the criticisms will be listened to and acted upon, and that politicians as well as business people will read and note them.Read more &raquo;

Anyone who has worked for some sort of organization, government agency, business, university or whatever, will empathise with "Predictable Surprises" by Bazerman and Watkins. This book focuses on the early and late warning signs, the cover-ups, the denials, and the eventual consequences of failing to take action to avert disaster. I've been in far too many situations where I observed that the peple "in charge" (really??) were blindsided by their own limited vision to the realities of what was happening within their organizations.

There are two "Predictable Surprises" that weren't included. First, Hurricane Katrina and the aftermath in New Orleans. Anyone visiting that city and talking with one's professional compatriates could have seen coming what unfolded before our eyes. The warning signs and studies were out
there and ignored. That's why those who had a reasonable level of education left town and paid attention to the evacuation notices.

The other predictable surprise that was missed was the sex abuse scandal in the Roman Catholic Church. I'm Protestant but know a lot of fine Roman Catholic people. I heard things as long ago as fifty years and knew then that this situation was going to explode in the public domain. "Predictable Surprises" provides the principals that explain why this particular surprise was kept under the radar so long.

So I first turned to Chapter 10, Future Predictable Surprises. I have to admit, I was surprised. Their entries in this category: Campaign-Finance Reform; Auditor Independence; Global Depletion of Fish Stocks; Government Subsidies, particularly in agriculture; Global Warming; Ignoring Future Financial Obligations, medicaid, medicare, social security; Frequent Flyer Miles. Yup, those are all predictable disasters.

And if you brainstorm a while you can come up with a bunch of other predictable disasters: AIDS, Oil Running Out, Terrorists hitting a nuclear plant, or bombing the Old River Control Project in Louisiana, which would leave New Orleans and the hundreds of petro-chemical plants downstream high and dry, let along killing 15,000 or so people along the Atchafalaya river.

A major shortcoming of Bazerman and Watkins' book is the failure to provide adequate evidence to support their arguments about what they call "predictable surprises", which they define as "an event or series of events that take an individual or group by surprise, despite prior awareness of all of the information necessary to anticipate the events and their consequences." Bazerman and Watkins build their case substantially on just two examples: aviation security failures leading to the terrorist attacks of September 11, 2001 and auditor independence concerns leading to the collapse of Enron and Arthur Anderson. Several other examples are discussed in less depth throughout the text, however many of these are not actually predictable surprises under the definition provided. For example, global warming is discussed a number of times; however global warming has been in public discussion since the 1930s, and today a substantial majority of people believe not only the concept of global warming but that current warming is man-made. By 2050, this subject will have been under study for 120 years and popular consensus will have been achieved for 50-60 years. This is certainly predictable, but hardly a surprise. The United States' looming crisis in entitlement spending also falls in this category.

Flaws exist in other anecdotal support as well. For example, Bazerman and Watkins cite aviation security failures as an occasion when overly discounting the future lead to a predictable surprise. Quick calculation based on figures provided in the book show that, using equal discount rates for the expected future cost of security and the future cost of disaster, even with a disaster probability as high as 10% for any given year, the airlines would be ahead on a cost basis.

April 29, 1995, was not a good day for Royal Dutch/Shell. That morning, a small group of Greenpeace activists boarded and occupied the Brent Spar, an obsolete oil-storage platform in the North Sea that Shell was planning to sink. The activists brought with them
members of the European media fully equipped to publicize the drama, and announced that they were intent on blocking Shell’s decision to junk the Spar, arguing that the small amounts of low-level radioactive residues in its storage tanks would damage the environment. Greenpeace timed the operation for maximum effect; just one month before European Union environmental ministers were scheduled to meet and discuss North Sea pollution issues.

Shell rushed to court, successfully suing Greenpeace for trespassing. In the full glare of the media spotlight, the activists were forcibly removed from the platform. For weeks afterward, as the cameras continued to roll, Shell blasted Greenpeace boats with water cannons to prevent the group from reoccupying the Spar. It was a public relations nightmare, and it only got worse. Opposition to Shell’s plans mounted throughout Europe. In Germany, a boycott of Shell gas stations was organized, and many of them were firebombed or otherwise vandalized. Pilloried in the press and criticized by governments, Shell finally retreated. It announced on June 20 that it was abandoning its plan to sink the Spar.

Shell’s uncoordinated, reactionary, and ultimately futile response to the Greenpeace protest revealed a lack of foresight and planning. The attack on the Spar had clearly come as a surprise to the company. But should it have? Shell actually had all the information it needed to predict what would transpire. The company’s own security advisers entertained the possibility that environmental activists might try to block the dumping. Other oil companies, fearing a backlash, had protested Shell’s plans when they were originally announced. Greenpeace had a history of occupying environmentally sensitive structures. And the Spar was nothing if not an obvious target: Weighing 14,500 tons, it was one of the largest offshore structures in the world and only one of a few North Sea platforms containing big storage tanks with toxic residues.

But, even with all the warning signs, Shell never saw the calamity coming. Unfortunately, its experience is all too common in the business world. Despite thoughtful managers and robust planning processes, even the best run companies are frequently caught unaware by disastrous events; events that should have been anticipated and prepared for. Such predictable surprises, as we call them, take many forms, from financial scandals to disruptions in operations, from organizational upheavals to product failures. Some result in short-term losses or distractions. Some cause damage that takes years to repair. And some are truly catastrophic; the events of September 11, 2001, are a tragic example of a predictable surprise.

The bad news is that all companies; including your own; are vulnerable to predictable surprises. In fact, if you were like most executives, you could probably point to at least one potential crisis or disaster that hasn’t been given enough attention; a major customer that’s in financial trouble, for instance, or an overseas plant that could be a terrorist target. But there’s good news as well. In studying predictable surprises that have taken place in business and government, we have found that organizations; inability to prepare for them can be traced to three kinds of barriers: psychological, organizational, and political. Executives might not be able to eliminate those barriers entirely, but they can take practical steps to lower them substantially. And given the extraordinarily high stakes involved, taking those steps should be recognized as a core responsibility of every business leader.

It’s all too easy, of course, to play Monday-morning quarterback when things go terribly wrong. That’s not our intent here. We readily admit that many surprises are unpredictable; that some bolts out of the blue really do come out of the blue; and in those cases leaders shouldn’t be blamed for a lack of foresight. Nor should they be blamed if they’ve taken all reasonable preventive measures against a looming crisis. But if a damaging event happens that was foreseeable and preventable, no excuses should be brooked. The leaders; feet need to be held to the fire.

So how can you tell the difference between a true surprise and one that should have been predicted? Anticipating and avoiding business disasters isn’t just a matter of doing better environmental scanning or contingency planning. It requires a number of steps, from recognizing the threat, to making it a priority in the organization, to actually mobilizing the resources required to stop
We term this the “RPM process”: recognition, prioritization, mobilization. Failure at any of these three stages will leave a company vulnerable to potentially devastating predictable surprises. (See the sidebar “Are You to Blame?” for a further discussion of the RPM process.)

Did the leader recognize the threat? Some disasters can’t be foreseen. No one, for instance, could have predicted that the HIV virus would jump the species barrier to infect humans on such a vast scale. But in examining the unforeseen disasters that strike companies, we’ve found that the vast majority should have been predicted. The way to determine whether a failure of recognition occurred is to assess whether the organization’s leader marshaled resources to scan the environment for emerging threats. That includes ascertaining whether he did a reasonable job of analyzing and interpreting the data. If not, then the leader should be held accountable.

Did the leader prioritize appropriately? Predictable surprises also occur when a threat is recognized but not given priority. Failures of prioritization are particularly common, as business leaders are typically beset by many competing demands on their attention. How can they possibly distinguish the surprise that will happen from the myriad potential surprises that won’t happen? The answer is that they can’t make such distinctions with 100% accuracy. Uncertainty exists; high-probability disasters sometimes do not occur, and low-probability ones sometimes do. If, therefore, a leader performs careful cost-benefit analyses and gives priority to those threats that represent the highest costs, he should not be held accountable for a failure of prioritization.

Did the leader mobilize effectively? When a threat has been deemed serious, the leader is obligated to mobilize to try to prevent it. If he takes precautionary measures commensurate with the risks involved, he should not be held accountable. Nor should he be blamed if he lacked the resources needed to mount an effective response.

Lapses in recognition occur when leaders remain oblivious to an emerging threat or problem; a lack of attention that can plague even the most skilled executives. After European Commission regulators refused to approve General Electric’s $42 billion acquisition of Honeywell in 2001, for example, Jack Welch was quoted as saying, “You are never too old to be surprised.” Welch is a famously hard-nosed executive, and if anyone could have been expected to do his homework, it would have been him. But was Welch correct in viewing the decision as a true surprise, an event that couldn’t have been foreseen? The evidence suggests he was not. The Economist reported at the time that there were many warning flags of the EC’s intent to scuttle the deal. For some time, the magazine pointed out, a philosophical gap had been widening between Europe and America over the regulation of mergers. And Mario Monti, the recently appointed head of the European Commission’s competition authority, was widely believed to be looking for an opportunity to assert Continental independence.

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should. They do point out that depletion of international fisheries is a classic case of 'the tragedy of the commons', one of several archetypal forms of systems relationship, but virtually every example that the authors cite could well be illustrated with simple systems diagrams based on one or other of the classic 'systems archetypes'. Systemic issues require systemic solutions and the leverage for systemic change may be located well beyond the area of control of the immediate actors - another fact that shows up clearly in the course of the authors' examples.

It is probably no coincidence that I was strongly reminded of Barbara Tuchman's The March of Folly as I read the book. The perspective and coverage is different, but the themes of willful ignorance, willful inaction and willful pursuit of perceived short-term self interest as fundamental drivers of future disasters are common to both. If Tuchman were still alive, I would have confidently expected an analysis of Iraq to follow her masterful analysis of the Vietnam war, the American War of Independence and the drivers of the Reformation. In its own way, Predictable Surprises provides a contemporary update of the ways in which we continue the march of folly.

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