

IDENTITY MAINTENANCE AND ADAPTATION: A MULTILEVEL ANALYSIS OF RESPONSE TO LOSS*

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Abstract: Similarities between individual and organizational response to loss are documented through literature analysis and case studies in the automobile industry. An identity maintenance and adaptation thesis is developed to explain this similarity and provide a logic for a stage theory of loss. Risk-seeking behavior under loss is also explained.

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Loss has long been an important concept in psychology, and clinical therapists worldwide have long found Kubler-Ross' (1969) five stage model of loss – denial, anger, bargaining, depression, and acceptance – extremely useful in talking about, understanding, and treating those who experience a sharp break with the past. The model has also proven clinically robust to a wide variety of loss situations including matters relating to work, injury, and status.

In contrast, there is *no* consensus prescriptively, predictively, or even in words to describe organizations which experience sharp breaks. Organizational scholars see widely divergent patterns, running the gamut from neo-classical economists who see efficient diffusion of adaptive practices (e.g. Holmstrom & Tirole, 1991) to organizational ecologists (Hannan & Freeman, 1989) who argue that organizations remain inert regardless of environmental change. I propose that this may be due in part to a lack of attention paid to *timing* of responses and the absence of longitudinal studies.¹ In this paper, I propose that organizations and other social entities can also suffer loss, and that when they do so pass through a pattern remarkably similar to that proposed by Kubler-Ross.

The argument is complicated by controversy within psychology about loss. While the term *loss* is widely used in psychology and psychotherapy, almost taken for granted as a universal experience, it remains a baffling phenomenon, anomalous and empirically controversial. Despite the overwhelming acceptance of Kubler-Ross' model by clinicians, the scientific community is skeptical: no conclusive empirical studies have come forth, nor has a theoretical explanation been proposed to

¹ This investigation was suggested in part by McKinley's lament in an introduction to a special issue on organizational decline for *Organization Science* of the static quality of research in this area and call "to move toward more dynamic models." (McKinley 1993:6)

argue for the logic of a stage theory. So in this paper, I make a second major argument: that a common identity imperative drives the process at all social levels through all phases.

I begin with a brief statement and derivation of the identity-maintenance thesis. I then review Kubler-Ross' five-stage model of individual response to loss, positing a functional explanation of *why* individuals pass through these stages and why we might expect other social entities to do so as well. I conclude with organizational case studies to illustrate how the process seems to work at collective levels.

I. LOSS AND THE IDENTITY-MAINTENANCE THESIS

Some skepticism about a concept of organizational loss is in order: as individuals we feel deep emotion from loss; organizations *feel* nothing. But the objective situation is not so different: An esteemed colleague dies; a firm's close trading partner goes bankrupt. A person's role changes due to employment, unemployment, marriage, divorce, births and departures; a firm's role changes due to market gains, setbacks, alliance, reorganization, growth and divestiture.

At both levels, I propose that "loss" is loss of identity, a concept I derive from the juxtaposition of two distinct understandings of identity: psychological perspectives in which identity resides within the individual versus sociological accounts which define identities as a function of relationships. The former, more familiar view conjectures that throughout life we remain in some important way the same (hence the term, "identity"). Erikson (1968, 1980), the leading architect of this view, believed a stable identity necessary to mediate between internal aspirations and the demands of society. He explained identity formation as the synthesis of developmental experiences. In contrast to this account of relatively fixed and enduring *identities*, most sociologists postulate *situated selves*. For example, Goffman (1959) describes various masks we learn to put on as we learn the appropriate rules of situation. Observing that, "when the occasion demands we can act as salesperson, moralist, customer;" Van Maanen (1979:92,95) argues that, "humankind is social to the core, not just the skin."

At the organizational level, the same theoretical distinction holds. Most organization theorists who use the concept of identity use Erikson's understanding either analogously or aggregatively. Albert and Whetten (1985) define identity as a statement of central character based on shared understandings. Presumably these shared understandings arise through shared formative experiences such as described by Schein (1992: chapter 4). Other principal works on organizational identity include those by Dutton, Dukerlich and associates who demonstrate in a series of papers (Dutton & Dukerlich, 1991; Dutton, et. al. 1993; Pratt & Dutton, 1996) the ways in which organizational identification by members affects individual self-concept, social interaction, and drives organizational behavior (an example of which is given at length in Section III). In contrast, White (1992) defines identity structurally – as a function of *present* relationships – and suggests that identity can be mapped on the basis of social relations such as production arrangements, status hierarchies, and memberships.²

I propose that these two views of identity are usually more-or-less consistent, but that loss provides a sudden chasm which must somehow be spanned before an entity can move on. What happens when present structural relationships no longer correspond to cognitive understandings of roles and responsibilities? When a woman who thinks of herself as a wife no longer has a husband? When a firm presumed to be at the pinnacle of the industrial world is bypassed by an upstart from a lesser nation?

The apparent response among entities at all social level seems to be the pattern described by Kubler Ross: First we ignore discrepancies. If they persist, we fight to prevent or reverse structural change. If we cannot prevent structural change, we bargain hard to preserve what is most precious. If we must accept change, a depression ensues during which we work to reconcile past and present. Finally, if we survive this lengthy process, we accept and adapt.

² In developing this paper, I am theoretically indebted to White (1992) in two fundamental ways: First, his theory on the self-similarity of social organization encouraged me to explore underlying dynamics shared by individuals and organizations that could explain the puzzling phenomenon I originally observed empirically (Section 3). Second, his principal thesis that *all* social relations are based on the primacy of **identity** formed through social connections, and **control**, the effort to maintain and perpetuate identities (1992:5), provides the specific imperative which I postulate underlies response to loss at all social levels.

II. KUBLER-ROSS' MODEL OF RESPONSE TO LOSS GENERALIZED

In this section, I review Kubler-Ross' model, discuss its specific merits and general appeal, and follow with a discussion of each stage's generalizability, in particular to organizational behavior.

Background, Summary, and Applicability of the Model

Elizabeth Kubler-Ross developed her model through observations of how terminally ill patients reacted to being informed that they are going to die. Most went through some or all of the following five stages:

1. *Denial and shock*: The person denies that the loss is inevitable.
2. *Anger and irritability*. The person questions why the loss should be happening and feels resentful.
3. *Bargaining*: The person attempts to postpone the inevitable through appeal made to a high power by making a promise of a certain behavior or sacrifice if the wish is granted (i.e. "If I promise this or do that, I'll get better").
4. *Depression and beginning acceptance*: A period of hopelessness results in which the person recognizes that the loss is inevitable.
5. *Acceptance*: A more positive attitude regarding the loss, and readiness to move on.

At first glance, one may believe that this model, whatever it's worth in thanatology, has limited application to the study of organizational adversity or decline, but the model has proven robust towards understanding individual loss generally.³ The *Encyclopedia of Psychology* discussion of

³ To prevent potential confusion, I want to make clear that I am not writing about Kubler-Ross' model with respect to death. Evidence indicates that her model does *not* generalize to all individuals' experience of death, but is probably limited to the kind of patients whom she initially observed – prime-of-life cancer patients, for whom the news of death unexpectedly destroyed dreams, plans, and the ability to fulfill responsibilities.

Retsinas (1988) finds that Kubler-Ross' model is not usually applicable to the dying experiences of *elderly* patients. She argues that (1) the elderly see themselves as part of a reference group that is also confronting senescence; (2) death of an elderly person may be timely; and (3) aging involves a series of role redefinitions – bodily decay, retirement, and social disengagement. Distinguishing Kubler-Ross' mid-life cancer patients from her own elderly subjects, she notes, "Cancer may make the middle-aged patient stop practicing law, while the octogenarian has left his legal practice long before." (p. 85-86)

Accordingly, I make no claim about organizational death. Sutton, the researcher best known for work in this area (i.e., 1987), explicitly rejected the Kubler-Ross model in his dissertation (1984). The important distinction is that he was working with organizations which had long been on the verge of insolvency; the American auto industry prior to the early 1970s was the leading industry of the world's leading industrial power.

“Loss and Grief,” for example, focuses almost exclusively on Kubler-Ross' work and derivatives, noting:

The stage ... method of conceptualizing grief processes has proved quite popular and has been applied in a variety of forms to other losses including divorce, homosexual identity formation, and spinal cord injury. (Barón 1994)

To Barón's list, we can add sports career death (Blinde 1992), family members of alcoholics (Breen 1985, Sapp 1985), and unemployment (Winegardner 1984). That a theory of loss derives from the study of those who are suddenly confronted with death should not, in retrospect, be that surprising: death is total loss – it might therefore, be expected to reveal the process most pristinely.

Why do Individuals Respond This Way (and Why Would Organizations)?

To extend the Kubler-Ross model, it's necessary to consider *why* individuals behave in this manner. Early psychological crisis theory overlooked many aspects of the grief process and even tended to view these feelings and behaviors as dysfunctional (Simos 1979). Until Kubler-Ross and for some time thereafter, therapists focused on coping rather than on grieving, the goal being to help people quickly resume the normal functioning experienced before the loss. This has changed to the point that Barón (1994) concludes his entry in the *Encyclopedia of Psychology* with:

These conceptualizations provide guidance in understanding the varieties of losses and grief reactions experienced by human beings and point toward helpful and healthy patterns of recovery (Vol. 2, pg. 353).

Despite this, the model has met with scientific skepticism, a principal source of which is the questionable applicability of a stage model. For academics seeking to identify change *mechanisms* (Van de Ven & Poole, 1995), a stage theory explains development as immanent based on logic, program or code (usually genetic). On the other hand, Kubler-Ross apparently conceived her model as an empirical generality: Many individuals (or entities) suffering loss will proceed through the stages in order; others will backtrack or follow their own sequence. Most will go through at least some of the stages... but nothing is foreordained.

At present, the precise stimuli or motor that leads to the transition from one stage to the next is unclear. In this section, I attempt the more limited goal of postulating a general functional logic for why both individuals and other social entities that suffer a sharp break with the past might be expected to pass through the stages Kubler-Ross observed – in the order she observed them. Loss, as generally conceived, is a retrospective account. In the beginning, we do not know how a potential loss will run its course, but the process functionally makes sense if we think of each stage as the next level of a decision tree (Norberg, 1996).

- Stage 1: Denial Is the event/information something we can ignore? Can we continue business-as-usual? If no, proceed to:
- Stage 2: Anger Can we prevent the change? If no, proceed to:
- Stage 3: Bargaining Can we mitigate the effects? The less we can, the more extensive the ensuing,
- Stage 4: Depression What changes must we make in order to go on? Can we consolidate what is still valuable from the past, and reestablish a meaningful pattern of relationships? If yes, then
- Stage 5: Acceptance Having made these changes, is existence viable? The better the “solutions” in “depression,” the more successful the ultimate acceptance and adaptation.

Stage 1. Denial

Denial is perhaps *easier* to see and accept at the collective level than at the individual. Starbuck, et. al. (1978) find that, in organizational crises, denials of need for strategic reorientation are standard practice and arise from both sincere conviction and to avoid blame. Individuals often have a vested interest in the status quo despite potential organizational benefits arising from change.

On the other hand, it is difficult to understand why an individual might ignore or reject information concerning his own welfare on other than epistemological grounds (especially for those of us who struggle so hard to find truth). Accordingly, denial is widely seen as dysfunctional both

for individuals and organizations. Kubler-Ross, however, regards denial in the face of learning about loss as healthy:

Denial functions as a buffer after unexpected shocking news, allows the patient to collect himself, and, with time, mobilize less radical defenses (p. 39).

While therapists treating individuals accept a period of denial, organizational consultants tend to focus on it as a serious problem (e.g. Argyris, 1990, 1995). Yet it's not difficult to tell a similar story of value in denial for the organization. Hannan and Freeman (1984) point out that selection processes favor organizations with high reliability and accountability; these traits require standardization, which in turn generates strong inertial pressures. Denial, for both the individual and the organization, is perhaps the necessary consequence of having ever been a successful entity. Furthermore, not all indications of loss are accurate, and even actual losses are often temporary – investors, suppliers, and customers can usually be replaced. In situations of ambiguity, a passing storm, and stochastic or cyclical change, “denial” may well be the most successful coping strategy.⁴ The alternative – identifying the loss – often sets us on a course to try to do something about it, which may not be in our best interest.

Cohen, March & Olsen (1972) show that under heavy load, decision makers tend to ignore problems for which solutions are not available. Ocasio (1995) observes that prior to action, adversity must first be *enacted*: “Adversity cannot be determined by ‘objective’ measures, but rather through application of schemas which determine what measures are important and which levels of performance or external events constitute a threat.” Only in the time *since* the auto industry crisis, for example, have world market share figures been regularly collected and analyzed.

4 There is an instructive scene from the movie, "Lawrence of Arabia": During a Middle East crisis in the aftermath of World War I, the fiery young lieutenant raved "We can't just sit here and do nothing!", the old major asked, "Why not? It's usually the best thing." Denial exists because it often serves the denier well.

Unfortunately the standard organizational ecology story of inertia in the face of environmental change ends prematurely⁵: for while both individuals and organizations have commitments which limit flexibility and while there are additional reasons why both may resist adaptation, neither people nor social systems normally fade away without a fight.

Stage 2. Anger

Anger is an unpleasant emotion, both to the possessor (linked with high blood pressure, heart attacks, etc. ...) and those around him. Kubler-Ross notes that this stage is the most difficult for the family and loved ones, but adds that when denial can no longer be maintained,

the next *logical* question becomes, "Why me?" ... We are angry at those who are taking life from us, mainly God, but anyone else who denies us: the nurse who impedes our mobility, the mother who prevented us from taking a trip when we could have, etc. ... (1969:50)

Anger is a remarkable mechanism to protect ourselves, our family, our clan, etc... An assertion of anger is often enough to ward off an adversary, and if it fails to ward him off, it stimulates adrenaline to prepare for fight. Frank (1988:5) points out that economic reasoning leads to a serious deterrence problem: anger, however, signals commitment to retaliation even when the apparent costs may outweigh apparent benefits. Studies in humans and other primates (recounted in Lazarus, 1991 and Goleman, 1995) show that anger and other emotion work effectively and efficiently as signaling devices: appropriate displays of emotional commitment not only lead others to refrain from opportunistic behavior, but allow for quick, haggle-free settlement of potential battle-provoking conflicts.

Organizations and other social entities face the same deterrence commitment problem that individuals do. For forty years, the U.S.A. and the U.S.S.R. had to convince each other that they would react angrily rather than with cool reason in the event of a crippling first strike by the other.

⁵ An exception is Haveman (1992) who, in conducting one of the few organization-level studies from an ecological perspective, found that savings and loans not only attempted change in the wake of fundamental environmental shifts, but that most did so successfully.

And for over forty years, M.A.D. (mutually assured destruction) worked – perhaps because we did irrationally hate each other! This is an extreme case of the kind of signaling which organizations must continually make and monitor. For example, firms facing the possibility of a price war or market incursion must try to convince adversaries to refrain.

While organizations do not have emotions, individuals, whose interests and identities are tied to the organization, do. Leaders rally the troops against “enemies” – communists, Republicans, United Parcel Service, or Toyota. Rallies both motivate the organization and signal to adversaries that a particular behavior will not be tolerated. Anger may also be unleashed from the lower echelons. In the auto industry, anger seems to have come most directly from auto workers who lost their jobs, or whose jobs were threatened.

Findings and reasoning from rigidity-threat theory are consistent with the logic of this phase. Staw et al. (1981) propose that acknowledged threats lead to restriction in information and constriction in control in organizations as it does physiologically in individuals during anger. Moreover, a leader trying to rally the troops both to signal the adversary and preparing for fight accentuates the process. Centralization in response to threat has been documented by Singh (1986), Cameron, et al. (1987) and Starbuck, et al. (1978); the latter two articles also suggest a more generalized rigidity.

Stage 3. Bargaining

Kubler-Ross describes the next maneuver of the terminally ill as bargaining.

"If God has decided to take us from this earth and he did not respond to my angry demands then perhaps he will respond more favorably if we ask nicely." (p. 82)

These three stages can be readily observed in lesser forms of loss, transparently so in the behavior of small children: When we order them to do something they do not want to do – e.g. time to go to bed – they first ignore us hoping we'll do the same, then they might throw a tantrum or angrily refuse to obey. If that fails, they'll (note how quickly they recover) bargain, "Please just *five* minutes, then we'll go right to bed."

Bargaining hardly needs explanation. As the stock in trade of the economist, bargaining is *the* accepted form of business adaptation and change. All of life involves trade-offs, the reasoning goes; to get one good, we must give up another. What's striking is that it extends even to discussions with God about death: patients offer up all their vices and even body parts for a chance at survival.

The striking general feature about loss bargaining is how *painful* these trade-offs can be. The pain does not enter into the economic equation: we should be content if we can make a trade for something which provides higher utility, but that is *not* the way it feels. To consider why that should be, I digress for a moment to consider a long-standing anomaly of loss and some tentative thought on an economics of identity.

Prospect Theory and Economics of Identity

The point I have been trying to make – that we try very hard to *avoid* losses – is consistent with an important group of anomalous findings in economic psychology: Kahneman & Tversky (1979) demonstrated that while individuals are risk-averse with respect to gains (as predicted by the structure of financial markets), they are *risk-seeking* in the domain of losses (we overwhelmingly choose to risk \$100 in order to avoid losing \$50). Similar behavior among firms has been documented by Bowman (1980, 1982) who observed in the bottom quartile of firms in various industries a propensity for acquisitions, litigation exposure, and the undertaking of new (and presumably untested) activities, approaches and ventures. Jackson and Dutton (1988) also show loss aversion by demonstrating that organizations are much more sensitive to threats than to opportunities.

Loss aversion is consistent with the discussion of identity put forth. The one constant in nearly all theories of identity from White's structuralism to Eriksonian developmentalism is that identities are enormously difficult (and costly) to construct. White (1992) emphasizes the vast, complex net of interrelationships which essentially define us and which we therefore struggle to maintain. Erikson (1968) characterizes the period of identity creation (youth) as a time of crisis (commonplace use of the term "identity crisis" suggests that this concept has resonated strongly and widely) and proposes identity formation as the primary task of adolescence. Sartre (1943) and other

existentialist philosophers (see Olafson 1967) go one step further – claiming that creating an identity is our essential “life project.”

Identity as such is a precious “possession,” perhaps our most precious possession. An economics of identity, as I propose it, indicates that we are generally best off staying approximately as we are because of the life investment entailed in constructing and mastering a self-understanding, effective methods of self-presentation, and an appropriate network of social relations. For example, the challenge and importance of understanding signals and appropriate signaling alluded to in the discussion of anger, and the value of past signals in communicating present commitments above represent just one tiny portion of the investment that goes into building an identity. It is therefore economically rational to engage in objectively poor risks if it means that identity can be preserved: the cost of developing a new identity at a lower economic/status level may be extremely high. Likewise, we would expect risk aversion among the satisfied – it takes much more than money to develop a new, higher status identity.

Stage 4. Depression

Depression is probably the most difficult of these responses to understand. Freud (1917:154) was perplexed by the “mental economics” of mourning, and it’s still perplexing.⁶ Although it’s clear why we prefer not to lose someone or something we value, it’s not at all clear why we should waste time ‘crying over spilt milk’ once it’s lost. Kubler-Ross (1969:86) says that depression prepares the terminally ill patient for “his final separation from this world,” but doesn’t say why or how.

Therapists believe that one important function of grief is to dissipate the anger (stage 2) that constricts our options, limiting us to a maladaptive dominant response.⁷ Mourning may be necessary

⁶ Freud believed that illumination would come with advances in “the economics of the mind.” I am, however, unaware of any advances economics has made in this area.

⁷ One explanation of the seemingly intensifying and accumulating anger in our society may be that we have forgotten how to grieve and mourn. The rituals for grief and mourning among primitives were among the most extensively developed; today rituals, where they exist at all, are mere relics. In particular, we have lost communal rituals for grief and mourning. Perhaps individuals still do so in their own way, but we do not do so as communities and as organizations. In studies of organizational death, Sutton (1984, 1987) noted that six out the 24 organizations he researched performed a “wake” within two weeks of the official death. This theory suggests that those who participated in such wakes will have adjusted better over the long term than those who did not.

to acknowledge that the tie has been severed. In the absence of mourning, we try to simply recreate these ties rather than develop new ties more appropriate to our condition and the party with whom we wish to connect.

The word *depression*, however, signifies something beyond grief and mourning – perhaps a physiological slowdown necessary to limit arousal and anxiety (and thereby dominant response) prior to the formulation of genuinely adaptive behavior consistent with a new pattern of social ties. Depression in individuals is an inward phenomenon. Psychoanalytic theories assert that depression is anger-turned inward (Marsella 1988). Therapists observe patients who can't get angry at others become depressed (Hirschfield and Shea, 1985). Depression could also be seen as bargaining-turned-inward. We struggle within ourselves to decide what to preserve and what to give up – what values to maintain (cognitive identity) and what realities to accept (structural identity). An inward struggle implies reduced *outward* activity, which appears to an observer as depression.

Depression as such, like denial, is perhaps *easier* understood as a collective phenomenon than an individual one. When I struggle with myself, who precisely am “I” and with whom am I struggling? On the other hand, organizational or national depression can be understood as the internal battle for control, with different individuals and groups representing different forces of preservation and reform, espousing competing sets of values.⁸ Staw et al. (1981) document a series of findings showing that whereas competition initially increases group cohesion, losing groups subsequently suffer a decrease in cohesion. Informally, we see this phenomenon often – a country or a political party unites behind a winner; an internal battle for leadership breaks out in the face of defeat.

The second half of the identity maintenance and adaptation theory suggests further explanation for this slowdown – spanning the chasm created by loss requires a great deal of construction, and perhaps some preparatory dynamite to break down obsolete cognitive structures and parts of a no-longer-adequate network of relations.

⁸ This formulation, however, does support the concept of multiple identity in normal individuals, a position put forward with great sophistication by Elster (1989).

Resistance to Adaptation; Loss and Motivation

Many early theories of organizational adaptation, in particular the contingency theory of Lawrence & Lorsch (1967) and Thompson (1967), observed reasonably functional fit and emphasized the nature of structural functionality. Much of organization theory since has challenged the notion of functionality both positively and normatively (functional for whom?).

The identity theory put forth here attempts to reconcile these traditions: Adaptation occurs; at some point, it's clearly desirable, and eventually it's necessary for survival. Those who laud adaptation and change, however, must recognize what's lost in the process. The apt image of organizational change is perhaps domestication of an elephant. *National Geographic* (1989) documented the painful process: an adolescent elephant is tricked away from his pride, after which he refuses to eat for days, wails incessantly, and does anything including self-mutilation to get free. It takes three months or more of what could only be described as torture to "break" the creature and make him amenable to service.⁹

I am not the first to note similarities of loss on several social levels. Two insightful works point toward an appreciation of the depression or grief which accompanies communal loss, and its implications for understanding the importance of the attachments we form. Researching a tragic 1972 West Virginia dam burst, which killed 125 and destroyed communities throughout a river valley, Erikson (1976) found survivors still frightened, lonely, and grieving four years later. He surmises that individual losses were paralleled by an even more pervasive communal loss. Marris (1974) observes similar themes in research on a wide variety of topics concerning crucial transitions: bereavement, slum clearance, graduation into an educated elite, and the pioneering of new business ventures. He explains grief as,

⁹ One cannot help but react strongly to the process, but the ethics are complicated: The Indian peasants live in a symbiosis with the animal that we have abandoned in the industrialized world (resulting in no use at all for animals and ever advancing encroachment of wildlife territories), and at some point elephant and trainer come to a mutual respect, even love. The point for our story is that identity adaptation is no simple trip to the beauty parlor or even a *physically* grueling exercise and diet program, but rather, in terms of pain and commitment, on the order of giving birth and child rearing.

... the expression of a profound conflict between contradictory impulses – to consolidate all that is still valuable and important in the past, and preserve it from loss; and at the same time, to reestablish a meaningful pattern of relationships in which the loss is accepted. Each impulse checks the other. (p. 31)

The intensity of loss, the baffling “mental economics,” the sense of lost love¹⁰ and lack of meaning suggests a compelling force at least the equal of economic rationality and orthogonal to it. We all wish to be well-adapted, integrated, or “isomorphic with our environment.” In short, we seek to increase our utility. At the same time, however, the orthogonal motivation more important, albeit theoretically undeveloped, is our desire to *utilize* our utility: we choose to survive not simply for survival sake, but to *do* something with our lives, to express ourselves, to be *somebody*.

Organizations, and especially institutions (Selznick’s 1957 distinction) likewise are created, built, and maintained not merely for the material compensation they provide, but also to fulfill a purpose beyond that which a single mortal being is capable of. Such purpose may well be even more steadfast than that of individual human beings: organizations provide a relatively stable identity in a world populated by countless, anonymous individuals.

Both individuals and our organizations fight hard to maintain that purpose even in the face of apparent loss. During grief and depression, outward struggle makes no sense because the goals we have struggled for are no longer valid. Before it makes sense to take on the world again, we must have goals that can motivate behavior. Only once these are reasonably well clarified can we accomplish the adaptation early psychological crisis theorists and modern business advisors strive for from the outset. Rapid acceptance of loss and moving on might be possible in an atomistic world of unconnected entities, but we are linked with others in complex patterns involving complex mechanisms of trust and commitment. When ties are severed, identities are shaken and scarred. Forging ties and a coherent identity to maintain them is a hundred fold more difficult than using already forged ties for transactions. Since identities are so costly to rebuild, we try hard to avoid the

¹⁰ For those further interested in this theme, the psychoanalytical classic is Bowlby’s (1973, 1980, 1982) trilogy which locates the roots of loss, as well as the anxiety, bewilderment, and depression it can provoke, in attachment and love.

need to do so. If and when the time comes when there is simply no choice, we must retreat for awhile to do the hard work of rebuilding. Only after this very hard work is done can we accept the loss and move on.

Stage 5. Acceptance

Throughout this section, I have speculated on “Why a loss process?” We’d obviously rather not lose, for example, use of our legs; but once it’s lost, neither denial, nor anger, nor bargaining, nor depression will do anything to get it back. Other intellectual approaches, however, might raise the opposite question: “How do we change at all?”

One might choose to see human beings as extraordinarily malleable: a non-disabled person may well find the thought of life without legs as unbearable. Soon after it happened, he might feel the same, or even worse, because loss of legs is limiting in so many more ways than the non-disabled can imagine. But with time, people do accept this and other losses. Reference groups change, goals change, and life is still every bit as worth living as before, sometimes more so, because little things are appreciated anew. Viewed from both perspectives, people are a remarkable compromise between commitment and adaptation. Organizations and institutions share an equivalent need to balance these two attributes.

III. CASES OF COLLECTIVE LOSS

In this remainder of this paper, I present cases of organizational loss. The first is a case from the Organization Theory literature reformulated to show its consistency with this model. After that, I provide data from a new case study of the American automobile industry (Freeman 1996), before briefly sketching how a variety of other well-known cases of collective loss also seem to conform to this pattern.

The New York-New Jersey Port Authority and Loss of Prestige

In highlighting the role of image and identity in organizational adaptation, Dutton and Dukerlich (1991) provide a rich eight-year case study of the New York-New Jersey Port Authority's response to a sharp increase in the number of homeless people occupying their facilities (p. 518). The agency suffered loss of both *mission* – its role as a premier professional engineering organization – and *prestige* – its place in the community of organizations, manifested as a severely deteriorated image (p. 520), resulting from its association with homelessness – "a blight on our professionalism" (p. 517). The events Dutton & Dukerlich document can be reformulated to illustrate the five stage pattern¹¹:

Denial. Senior management at the Port Authority ignored dramatic increases in homeless people occupying their facilities for over two years; rather it was treated as a police-security issue. Top management only took notice once the homeless appeared at the organization's flagships – the World Trade Center and the airports (p. 531).

Anger and dominant response. When the problem could no longer be ignored,

56% of interviewed employees expressed anger, frustration, and disappointment that [social service] organizations had shirked their responsibilities. (p. 537).

The amount of times the words *anger* and *angry* is striking for an article by academics about engineers, two professions characterized by dispassion. Moreover the organization itself was characterized as angry. A local newspaper wrote:

In its last board meeting before Christmas, the Port Authority played Scrooge ... by outlawing begging and sleeping at the ... PATH Transportation Center." (p. 534).

¹¹ In this grounded study, Dutton and Dukerich observe the following five phases in the Port Authority's "struggle with the homelessness issue" (p.527). Homelessness is:

1. a police security issue (1982-84)
2. a corporate issue, but the Port Authority is not in the social service business (1985-86)
3. a business problem and needs moral solutions (1987)
4. an issue of image and no one else will solve it (1988)
5. linked to other problems; homeless in transportation facilities are unique and need advocates (1989)

Dutton & Dukerich's phases no doubt describe the specific pattern more accurately than this reformulation. Nevertheless, the reformulation shows a general pattern consistent with other entities' responses to loss. Kubler-Ross' stages correspond closely but not precisely with the authors' phases.

Extremely poor relations ensued with the city, press, and police unions (p. 539): the city repealed its anti-loitering law, "significantly restricting the ability to move the homeless out" (p. 533); and police unions hired a public relations agency to put pressure on the Port Authority to hire more police.

Authority actions at this stage seem to indicate use of readily available solutions (March & Olsen, 1976; Mintzberg, et. al. 1976) consistent with theories of dominant response to stress (Ocasio, 1995; Staw, et. al. 1981; Zajonc, 1965): (1) Following bureaucratic process, the Authority formed a committee to collect data, analyze it, and make recommendations; (2) a facilities manager, they tinkered with their facilities, removing benches and restricting access to make areas "uncomfortable" and (3) a professional agency, they tried to educate patrons. The researchers describe this as:

the first of many attempts to improve [their] image ... using a well-learned recipe: "educating others or helping them to get smart on the issue." (p. 532)

Bargaining. After attempting and failing to embarrass, coerce, and threaten social service agencies into "doing their job," the Port Authority tried to bargain with external groups. They spent several millions renovating and building new facilities for the homeless in the hope of getting the city to assume responsibility for their operation, but this too failed when the city backed out of an informal agreement.

The activities of these three stages all serve to maintain an organizational identity which the researchers summarized as "a professional organization with a uniquely technical expertise, ill-suited to social service activities" (an ascription made by every one of the researchers' 25 employee-informants during open-ended interviews, p. 526). When they grudgingly accepted responsibility for the problem, they stepped in with an engineering solution consistent with their (cognitive) identity as a premier engineering agency – building a state-of-the-art homeless shelter.

Depression. When attempts to maintain identity seem to fail, informants commented:

- Yeah, we're two feet deep into the business of homelessness, and we don't want to be.
- We may be throwing a lot of resources at this, but our heart just isn't in it (p. 540).

Increasingly severe morale problems and vivid emotional expression occur as a result of increasing association with homelessness (p. 538). Informants conveyed with "great disdain" stories about "architects holding babies with AIDs, engineers changing diapers, and sanitation engineers cleaning filthy bathrooms" (p. 545). The researchers surmise that,

informants expressed negative emotion when inappropriate involvement of individuals or the organization in certain activities compromised the Port Authority's identity.(p. 545)

The study's end points to a process of exploration theorized in the depression phase as well as a criterion used for adaptation:

As our history ended in 1989, the Port Authority were continuing to try a variety of impression and image management tactics to see if they could transform the organization's image without violating attributes that defined its core identity. (p. 549)

Adaptation? We do not know the end of this story. The study suggests that the agency was still struggling at story's end to maintain core aspects of identity, rather than invent a new identity.

Adaptation was observed, however, coming from a minority involved in new roles for the agency – becoming a quiet advocate of homeless, seeking partners in creating social service capacity, and similar roles and activities which, to an outsider, might have seemed reasonable from the first.

American Automobile Industry: Loss of Customers, Status, and Influence¹²

In the aftermath of the Arab oil embargoes and emerging Japanese preeminence, the American automobile industry seems to have suffered three types of loss: (1) customers – a large percentage of the world and domestic market; (2) purpose – much of their special competencies (e.g. mass production, rework; big, comfortable, muscle cars) lost their value; and (3) industrial status – these firms' places near the top of the world industrial and social structure. Whereas once a candidate for

¹² This section includes draws on data from a current study on attention and initiatives in the auto industry in which I reviewed CEO letters to shareholders from GM, Ford, and Chrysler annual reports. Additionally, I scanned GM letters between 1963 and 1988, coded them, and recorded and summarized the data using Nud.ist Qualitative data analysis software. A detailed discussion of the methods used and a thorough presentation of the findings from this survey can be found in Xxxxxx (1996).

the Secretary of the Treasury could state, "What's good for General Motors is good for America," the auto industry became increasingly unwelcome supplicants in the political system.¹³

Denial

Journalists (Halberstam, 1986; Yates, 1983), financial analysts (Keller, 1989), academics (Ackoff, 1978) and even auto executives George Romney (Wernle, 1996) and John DeLorean (Wright, 1979) accuse the industry of ignoring the warning signals pointing toward increasing gas prices and smaller cars. Womack, Jones, & Roos, (1990) in the study that documented the development and advantages of lean production, conclude that the American companies missed the essence of Japanese improvements in design and manufacturing based on new industrial relations paradigms – lean production – until well into the 1980s. In retrospect, it's hard to miss the trend: World automobile production¹⁴ (figure 1) shows striking Japanese momentum throughout the 1960s. While US production levels were cyclical with only a slight upward trend, Japanese sales were increasing at a steady rate of 25% annually.

REFER TO FIGURE 1

To see if “big 3” executive management were actively addressing this threat, I reviewed GM, Ford, and Chrysler annual report letters to shareholders beginning in 1963. This is an annual summary of how the company is performing, key events, issues it faces, and actions it is pursuing.

Analysis reveals no mention of the Japanese competition or any of the attributes which gave them competitive advantage – lean production, single supplier relations, statistical quality control, or human resource – until the late 1970s. No company even mentions world market share until 1976. Yearly performance is evaluated, instead, on the basis of gross sales and profitability. Until the 1970s there is relatively little discussion even of domestic market share, and that, moreover, is

¹³ Choate (1990) argues that Japanese auto manufacturers routinely outlegislated their American counterparts in the 1980s, e.g., getting pickup trucks classified as cars (2% tariff) rather than trucks (30% tariff).

¹⁴ Worldwide market share data has traditionally not been very reliable (perhaps this is an important reason auto companies did not use it). As a rough gauge, production will correspond, although precisely yearly figures may not as inventories change.

obliquely measured: In 1967, GM reported, “Market share of domestically produced cars is 51.8%.” In 1968, it’s “54.7% of North-American type passenger cars.” The implication is that imports are a different market, less important, perhaps negligible.

One might be inclined to dismiss these letters as impression management crafted to portray the firm in its best light, but throughout much of this period, the companies seem to have wanted to portray themselves as *worse* off than they were. For example, GM reported for 1972,

Earnings per share edged to a new high, but the margin of profit to sales, while slightly higher than in 1971, was well below that of other years. The lag of profit increases behind rising production costs and added investment was a significant consequence of inflationary costs and governmental price controls.

This was a year in which they earned \$2.2 billion, more than any company had ever earned in history! The new high it “edged to” it was a 12% increase over the previous year and 120% over two years. GM, and the others to a lesser degree, put a negative spin on every performance statistic in the effort to mitigate union demands and ward off government price controls, anti-trust action, and regulations on safety, pollution, and affirmative-action. But even looking for problems, they seemed to miss the Japanese.

The cataclysmic oil embargo of late 1973 would have seemed to have made the trend unmistakable – as gasoline prices increased fourfold and buyers had to endure long waits and rationing, consumer demand changed abruptly. But with the ensuing calm, American big-car buying patterns rapidly returned, and building the big cars of old, Ford and GM both enjoyed record profits throughout the late 70s (see figure 3). Critics charge, however, that the companies remained asleep at the wheel, ignoring Japanese competitive advances that would ravage the domestic industry from 1979 with the second Arab oil embargo. Annual report contents support this conclusion. As displayed in figure 2, under 40% of the lines in GM letters to shareholders from 1967 through 1981 are about standard business concerns. Only about 3% of the lines from 1970 through 1981 concern issues of design, production, and process – the areas in which Toyota and other Japanese firms had superseded them.

REFER TO FIGURE 2

Anger

The steep decline in the fortunes of the American auto industry from 1980-82 elicited a great deal of anger. As a quantitative measure, I searched all references in the *New York Times* to autoworker anger. As indicated in figure 3, from 1980-1983 there were 21 such stories; over the next four years there was only one.¹⁵

REFER TO FIGURE 3

There were nationally publicized Japanese car-bashing parties – compliments of Chevrolet (see picture) – and the grisly case of a young Asian-American killed by two autoworkers who picked a fight with him in a Detroit bar. Despite guilty pleas acknowledging that they struck him repeatedly in the head with a baseball bat, the autoworkers were freed on probation and \$3,000 fines (Cummings, 1983). Other *New York Times* articles from the period include:

- * DISPLAY OF JAPAN FLAG STARTS PROTEST AT PLANT. Milwaukee auto workers spontaneously ripped down a Japanese flag flown to honor visiting businessmen from Tokyo (Nov. 18 1981: 13)
- * RESENTMENT OF JAPANESE IS GROWING, POLL SHOWS. 63 percent of Americans had a favorable attitude toward Japan, while 29 percent had an unfavorable one. In a 1980 poll, 84 percent of Americans looked favorably on the Japanese and 12 percent had negative feelings. (April 6, 1982: Sec. B,12)
- * IN OHIO, THE ENEMY IS JAPAN documents very strong anti-Japanese sentiment throughout the midwest. Powerful Congressional committee chairman, John Dingell (D-

¹⁵ This count was performed by using automated features of the Lexis-Nexis news retrieval service, which includes New York Times on-line beginning June 1980. (Of course, I would have liked to have gone back further, but no other full text database does.) I searched the New York Times for all stories that include both the words “autoworker(s)” and (“anger” or “angry”). From these items, I excluded irrelevant juxtapositions (news summaries where “autoworker” and “angry” reference different stories), stories about workers that are “not angry,” (evidently by the mid-80s, editors found *this* newsworthy) and reviews of a play and books about earlier period anger (there were no such stories 1980-83).

Michigan) is quoted as saying that the problems of the American auto industry were the fault of "those little yellow people." (April 25, 1982: Sec. 3:8).

REFER TO PHOTO

This anger was not simply emotional aftereffect; the role of Chevrolet management, judge, congressman, and popular opinion indicate an important signal sent out with official sanctioning – an organizational, rather than individual, phenomenon. Moreover this anger had *strategic value*: it was used, if not fomented, by American auto manufacturers much as individual anger is used: to protect their turf. Anger, resentment, and fear were at the heart of buy-American campaigns, protectionist legislation, and, most successfully, at persuading the Japanese to accept “voluntary” import restraints.

Bargaining

When conditions became serious for the companies, the normal bargaining which is part of being a business took on an unusual intensity. When, for example, Chrysler’s situation further deteriorated, they “began lopping off limbs” to reduce costs and raise money (Sawyers, 1996). The firm sold its operations abroad, closed several plants, and entered into agreements with unions and government unprecedented and unequalled in American history. The United Autoworkers union renegotiated contracts at lower wages and benefits, giving up \$1.1 billion in concessions (Sawyers, 1996); in return Chrysler provided full access to the corporate books, profit sharing privileges, and a seat on the Board of Directors. Such an accord would have been unthinkable even a few years before, and met with criticism from both industry and labor. The U.S. government agreed to back loans of \$1.5 billion, an arrangement which upset thinking on corporate relations even more than the union agreements, generating bitter criticism of corporate welfare from across the political spectrum. Additionally, new arrangements were made with dealerships, whereby dealerships also provided loans and the company put in place a new accounting/inventory system that geared production more closely to sales (Kisiel, 1996).

Depression and Acceptance at Chrysler and Ford

Several types of depression seemed to occur concurrently. Share values of first Chrysler and then Ford dropped to a fraction of their former value. Detroit and other auto communities suffered severe economic depression. Morale was low and not only because of economics – managers and workers throughout the company didn't like learning from the Japanese. The joke circulated about the Japanese and American auto engineers who were to be sentenced to death and offered a final request: the Japanese engineer requested the customary last meal; the American simply said, "Shoot me first. I couldn't bear to listen to another lecture on quality." The theory I've postulated here, however, is that the apparent listlessness and uncoordinated activity of depression is most importantly understood as a period of intense *internal* activity – Marris' (1974) struggle "to consolidate all that is still valuable and important in the past, and preserve it from loss; and at the same time, to reestablish a meaningful pattern of relationships." This was such a period at Chrysler and Ford.

Chrysler faced its depression first (see figure 4). Between 1978 and 1980, the company had three major management reorganizations including change in the top two posts. There were massive layoffs and divestment. The company took on new partners in the government, union, and dealer network. It was a leaner, different company that emerged with different priorities and an all new market identity. The company focused fully on automotive operations with an emphasis on altogether new cars, quality, and marketing. In particular, its promotions were something altogether new in the industry – the CEO direct appeal, money for simply taking a test ride, and everything-covered, multi-year warranties.

Ford faced its depression next and also suffered through many changes. As with Chrysler, there were several top management changes. Iacocca was fired as President in 1978 and Henry Ford II resigned as chairman in 1979 relinquishing family control. Like Chrysler there were massive layoffs, and new priorities in quality and new product design. The company's \$5.1 billion investment in

Taurus/Sable was the greatest new product development effort in history (Doody and Bingaman 1988). Like Chrysler, Ford emerged as a new company.

Confounding prevailing “liability of newness” theories, both companies have since prospered: \$1 invested in Ford at the beginning of 1982 was worth \$29.02 as of the end of 1993; invested in Chrysler it was worth \$59.02 (by contrast an S&P Index would have increased to \$3.80). Both have had strings of fine products: Ford Taurus has been the world’s most popular vehicle for a decade and Chrysler created a new, hugely popular market for the minivan. In 1993, the *Wall Street Journal* (Miller, 1993) ran a lead story about how, over the course of a decade, the fortunes of Chrysler and Ford on the one hand and Honda and Nissan on the other had precisely reversed position.

REFER TO FIGURE 4

Deeper Loss, Deeper Pockets, and an Elongated Response Cycle at General Motors

Severe as the crisis was for Ford and especially Chrysler, GM took much longer to adapt; whereas Ford and Chrysler had essentially remade themselves by the mid 1980s, GM did not make major changes until the 1990s and their adaptation to the new world order remains suspect to this day. I postulate that the explanation lay with three identity-related factors: (1) a greater loss of status, (2) deeper pockets to resist the loss, and (3) prior loss from which the firm had not recovered.

Status. GM’s fall was from the pinnacle of the industrial world, a point from which Ford had already long since fallen and Chrysler never attained. Long accustomed to emulating GM, it was a fairly straightforward transition for Chrysler and Ford to emulate Toyota and Honda as well. GM was *not* an emulator, it was a management and technological *leader* – in their Letters to Shareholders, GM never mentioned a competitor and throughout the period devoted half the document to issues of national or world significance (see figure 2).

Once Japan actually surpassed America in auto production in 1980, Ford and Chrysler were quick to copy Japanese manufacturing and supplier partnership practices, and made product reliability and production quality (those features which made Japanese imports so popular) their top

priority. In all these areas, GM changes lagged far behind. Even today, GM retains a policy of multiple, competing suppliers with whom they are notoriously tough negotiators. Rather than emulate Japanese practices, GM bet their future on advanced technology, spending several billions to acquire Ross Perot's Electronic Data Systems and Hughes electronics. This enormous investment in technology is difficult to justify knowing what we know now or even knew then of Japanese manufacturing and design advances: these advances were due primarily to improvements in human processes and supplier relations – the lean manufacturing paradigm of Womack, Jones, & Roos (1990). Nor do the acquisitions seem to make much sense from a cost-benefit perspective. Perot himself claims GM overpaid by 50% both in the acquisition of EDS and in buying back his shares for \$750 million (Levin, 1989). But the move could be seen as an attempt to reacquire the industrial preeminence upon which the corporate identity rested.

Buffering. The second difference for GM was that it did not suffer the financial losses of its less well-endowed rivals. Unlike Chrysler and Ford, who nearly failed to survive the 1979-81 crisis and needed to *promptly* reform themselves, GM never feared for its existence. It had enormous resources that allowed it to create and control its world to a great degree, and its tremendous competitive advantages in marketing, distribution, and economies-of-scale were further strengthened by weakened domestic competition. Chrysler lamented in its 1976 Letter to Shareholders how difficult it was to maintain continuity in the face of conflicting demands. GM stockholders may well lament how difficult it was to *disrupt* continuity.

Former President of GM's Chevrolet and Pontiac divisions, John DeLorean describes a "Fourteenth Floor" completely cut off from accountability or knowledge of the world. A culture of cronyism developed where loyalty to one's boss is the only performance criteria. He recounts an archetypal Executive Committee meeting exchange:

[Chairman] Dick Gurstenberg: "Goddamnit. We cannot afford new models next year because of the cost of this federally mandated equipment. There is no goddamn money left for styling changes. That's the biggest problem we face."

[Executive Vice President] Dick Terrell (10 minutes later): “Dick , goddamnit. We’ve just got to face up to the fact that our number one problem is the cost of this federally mandated equipment. This stuff costs so much that we just don’t have any money left for styling our new cars. That’s our biggest problem.”

Gurstenberg: “You’re goddamn right, Dick. That’s a good point.” (Wright, 1979:39)

Prior losses. Finally, the oil embargoes and Japanese competition came for GM on the heels of a series of attacks upon its identity. Erikson (1976) felt that prior losses were a key reason why the West Virginia communities could not recover from loss that occurred in the wake of the dam break: life in Appalachia had long been lived on the brink, and the tragedy confirmed underlying feelings of hopelessness and helplessness. The losses which seemed to weaken GM’s immunity by 1973 themselves follow the Kubler-Ross pattern (as discussed in the next section, “GM and safety”).

Beginning with Nader’s (1965) criticism on safety, waste, and pollution, and GM’s heavy-handed attempt to destroy his reputation, GM suffered a dramatic fall from respected industrial giant to establishment villain. This loss of public trust, led to more than a decade of preoccupation: from 1967-1978, an average of 40% of the lines in the Letters to Shareholder concerned social issues – usually criticism of regulations and proposals around safety, pollution, efficiency, price-fixing, and affirmative action (figure 2).

Collapse and Change at GM

GM was able to avoid the kind of change in practices that Ford and Chrysler adopted for a long time, even when US market share declined sharply in 1986 (see figure 5). Financial losses did not occur until 1990, though when they hit, they were of astounding magnitude: GM lost \$2 billion in 1990, \$5 billion in 1991, and another \$2.6 billion in 1992! It would appear that these losses finally

REFER TO FIGURE 5

stirred the traditionally compliant GM outside directors. The chairman, vice chairman, president, and an executive vice president were forced to retire; the CFO was demoted, and an outside director

became chairman. Now at least GM is speaking the same language as its rivals. Criticized recently for slowness in stepping up production of popular cars, GM responded: “We’re putting quality first. If it takes longer to get it right, so be it.” (Plume, 1996)

Other Examples of Collective Loss

One might imagine these cases to be oddities that coincidentally fit Kubler-Ross’ stage theory of response, but the model seems to hold for other examples as well:

GM and Safety

Accidents and death had been a serious problem associated with automobiles since the inception of the industry. Beginning in the 1950s, the American Medical Association began calling for safety devices in cars as Cornell University studies documented the grisly impact results of car crashes and demonstrated conclusively the value of safety devices. But GM dragged their feet on the issue, even pressuring Ford to back off from a 1956 safety campaign on the principal that, “If buyers thought they needed safety devices in a car, they would hesitate to buy one in the first place.” (Kurylko, 1996)

When a young lawyer (Nader, 1965) documented serious safety defects in the Chevrolet Corvair and charged that GM was responsible for deaths by not spending trivial amounts on recalls, GM reacted by spying on Nader and intercepting his mail in an effort to destroy his reputation.

As the consumer movement and governmental regulations grew, GM spent the next two and a half decades bargaining over regulations they claimed were too costly or not technically feasible. Ironically, the consumer movement was built out of GM’s own botched “investigation” of Nader, and sustained largely by the firm’s own reactionary behavior.

Finally, with the accession to power of a new generation, GM stopped fighting the issue, and today GM proudly trumpets their safety features. In the same *Automotive News* centennial commemorative that recalls this battle, GM runs an oversize two-page color spread boasting how

their new daytime running lamps will reduce collisions and save lives. (Automotive News, 1996:6-7)

The Chemical Industry and *Silent Spring*

Hoffman (1995), in his study of chemical industry activity in the aftermath of Rachel Carson's *Silent Spring* (1962), documents a strikingly similar story: The industry ignores Carson and other scientific findings that growth in the use of potency of chemicals was having increasingly destructive effects on the natural environment. When mainstream media and government take up the problem, the industry seeks to discredit and defame the environmentalists. Once they acknowledge the problem, they try to fight the effects of chemicals with yet more chemicals. When this approach failed to restore their good public image, the industry was some time demoralized: the industry could not attract young people into careers as chemical engineers, despite salary premium of as much as 25% above other entry level engineers. Finally, today, chemical firms are at the forefront of the environmental movement, frequently as leading patrons of environmental groups and initiatives.

Maritime Resource Depletion

A similar story seems to hold for the fishing industries of New England and the Canadian maritime provinces as they deplete the resource on which they depend. Despite abundant scientific evidence, many commercial establishments dispute the claim that the banks have been overfished. There are great displays of anger toward Government, and environmentalists whose objective is to preserve the industry, albeit by restricting and regulating it. Rather than cooperate with environmentalists, fishermen protest loudly, demanding greater privileges and higher takes. These areas are becoming increasingly depressed, economically and psychologically. In the end, there seems little question that these economies must change, as tourism or other industries are substituted for fishing.

SUMMARY AND DISCUSSION

I have here painted a large mural containing many central elements with a broad brush. To recount:

- I've introduced the concept of organizational loss and argued that this framework can reconcile various schools of organization theory by offering a temporal sequence along which each is salient at a particular time.
- To explain this similarity, I have developed an identity maintenance and adaptation thesis that a common identity imperative drives the process at all social levels through all phases, and explained the process as the logical outcome of a chasm between two forms of identity – structural and cognitive – that a viable entity must hold in some reasonable congruence.
- This thesis also serves to provide the logic for a Kubler-Ross' stage theory of loss at the individual level, a model that has enjoyed widespread clinical acceptance, but has met with scientific skepticism.
- In the process I've introduced an explanation of an important anomaly of loss (risk seeking behavior), suggested the importance of a study of the economics of identity, and introduced a concept of identity motivation orthogonal to rational choice.
- Finally, I've attempted to illustrate empirically how collectives, in particular organizations, behave in accord with the thesis and the Kubler-Ross pattern.

Critical Unanswered Questions

Many questions arise from this paper. Even if one were to accept my account at face value, the contribution to theory is uncertain. The most critical unanswered questions are:

1. How can we specify “loss” *a priori*? Bowman (1994) speaks of a ladder of theory: The most basic kind of theory *describes* phenomena; this represents the information required to try to *explain*. Good explanations provide a theorist with knowledge necessary to *predict*. Finally, once we prove successful in our predictions, we have understanding we can use to *control*. This paper has been mostly explanation and some description; the standard we aim for in social science is *prediction*. The identity thesis offers some hypotheses about predicting the magnitude of loss – disappearance of

critical relationship, change in functioning, altered status hierarchies – but these need to be specified, operationalized, and empirically tested.

2. How general is the sequence? If it does not always occur, or if it does not occur in sequence, why not? And how vast is the domain? Understanding the reach and generality of this theory requires specifying the properties of a given stage, choosing a representative sample of cases, and careful observation.

3. What are the motors of change? What is the mechanism that induces a transition from one stage to the next? On this question, I can offer only the most tentative speculation. In a sense, each of these stages is a “strategy” for dealing with external change. Transitions may occur when either outside agents force our hand, we consciously decide an approach is not working, or we are biologically programmed to move on. A careful study that documents the generality of these stages should be useful in identifying mechanisms to test.

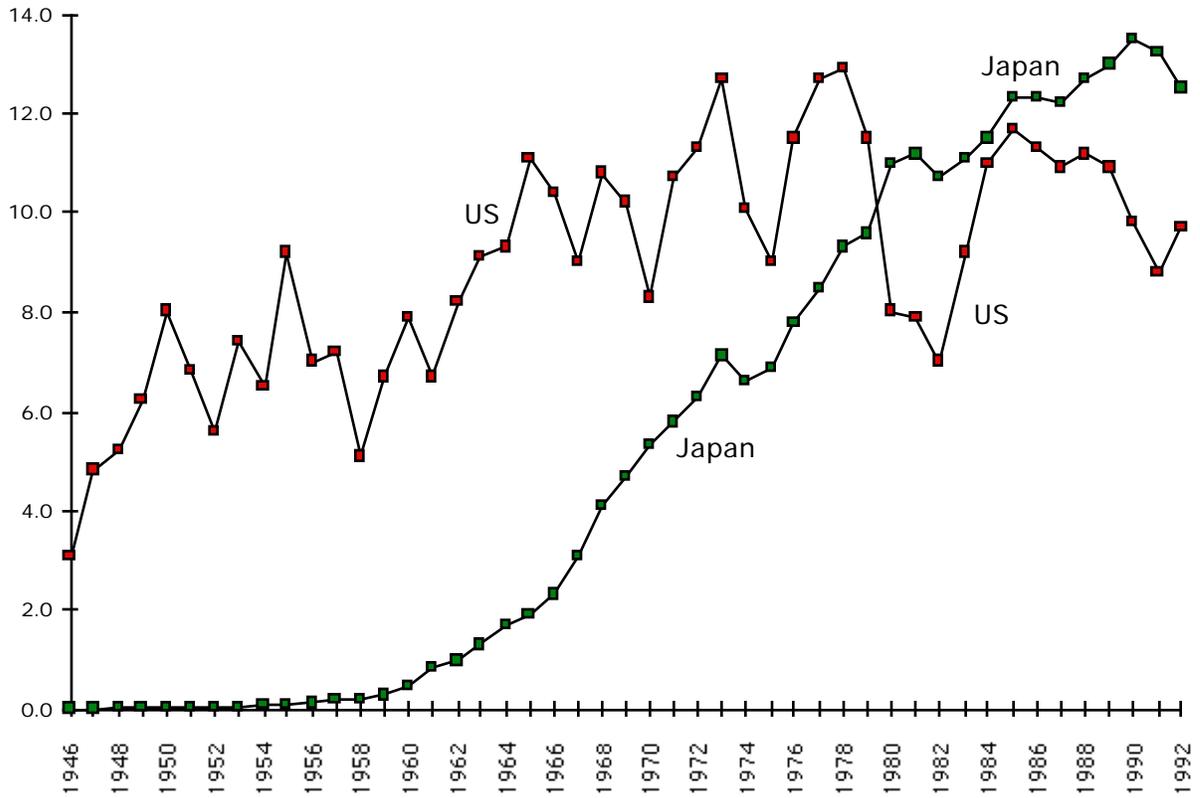
Final thoughts

It remains for readers to decide whether this account is sufficiently compelling that it warrants the effort to answer these questions, but on a personal note I hope that I have conveyed how much I feel I have learned in pursuing this research. Even attempting to understand these phenomena adds dimension to our view of ourselves and our institutions beyond that of economics’ rationally efficient actor or cognition’s rationally *deficient* actor. *Loss*, like tragedy, provides perspective that highlights emotions, commitment, and the subtle interplay of human constancy and change. Loss has always been close to the heart of literature and the humanities; I believe it also warrants a place in the frontal lobe of social science.

Identity Maintenance and Adaptation: a Multilevel Analysis of Response to Loss

Figure 1 (Denial)

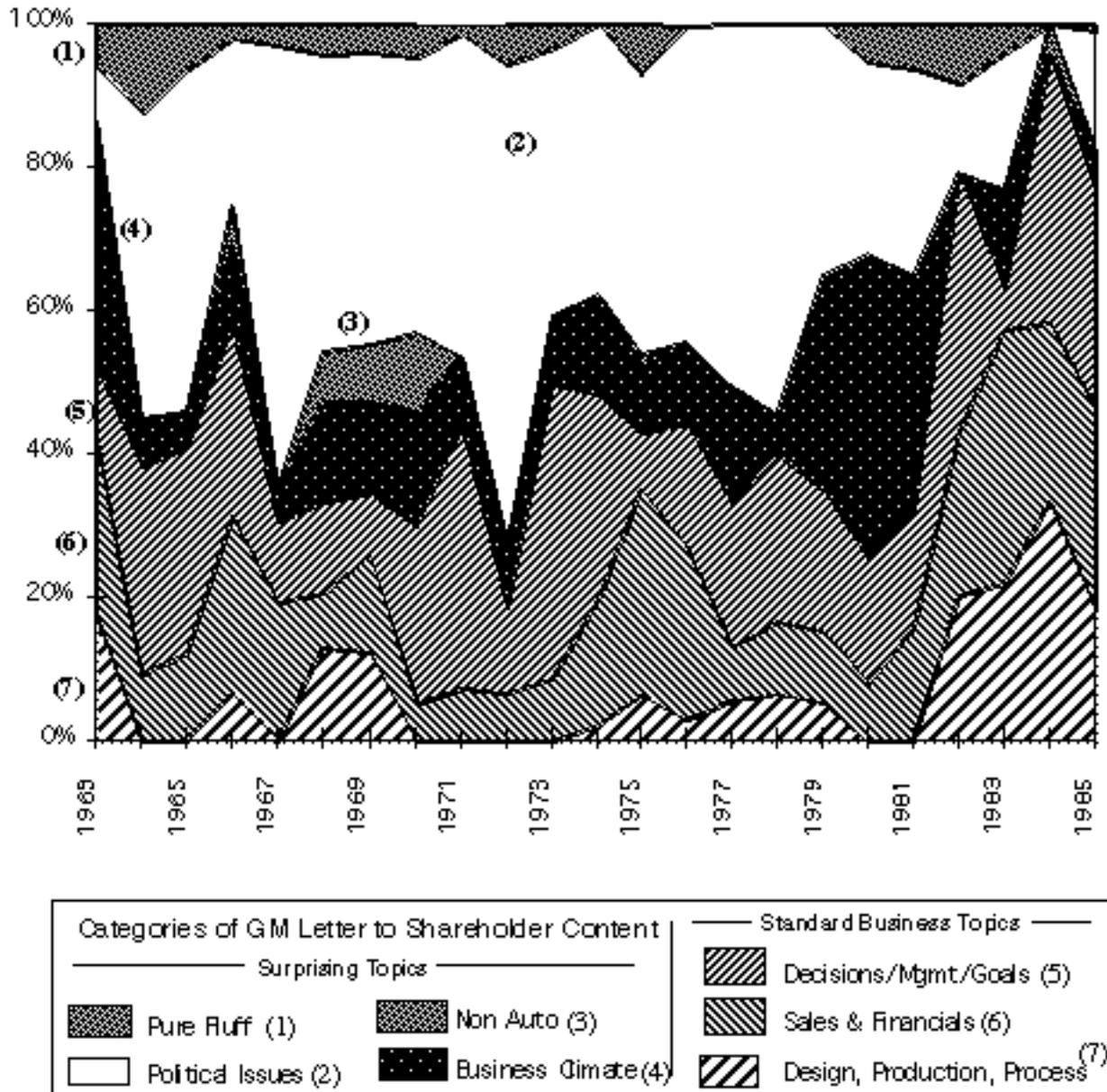
Figure 1: Auto production by US and Japanese firms 1960-1990. Source: Wards.



Identity Maintenance and Adaptation: a Multilevel Analysis of Response to Loss

Figure 2 (Denial)

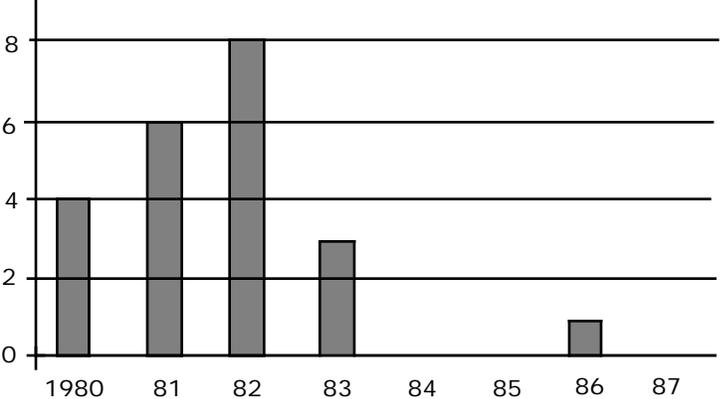
Figure 2: Allocation of subject matter in GM letters to shareholders 1963-1985



Identity Maintenance and Adaptation: a Multilevel Analysis of Response to Loss

Figure 3 (Anger)

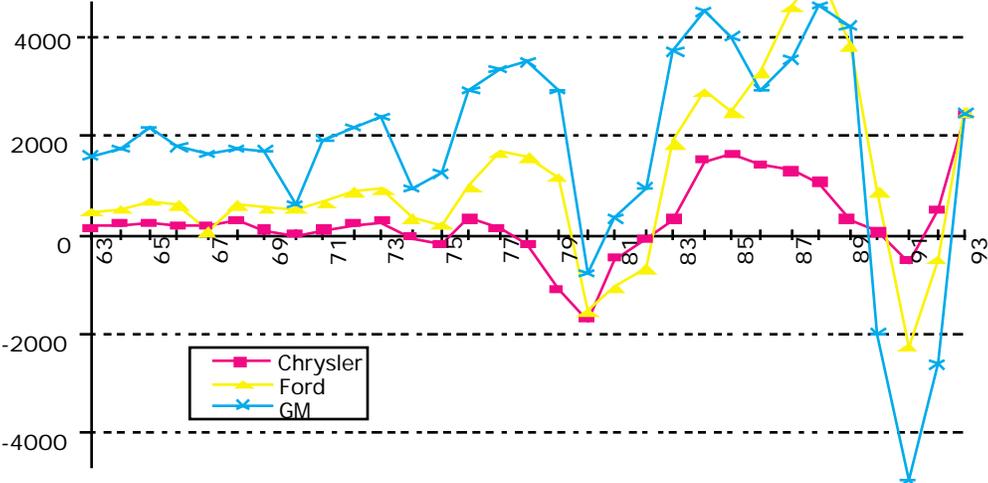
Figure 3: Number of New York Times stories referring to autoworker anger per 12 month period beginning June of the year noted.



Identity Maintenance and Adaptation: a Multilevel Analysis of Response to Loss

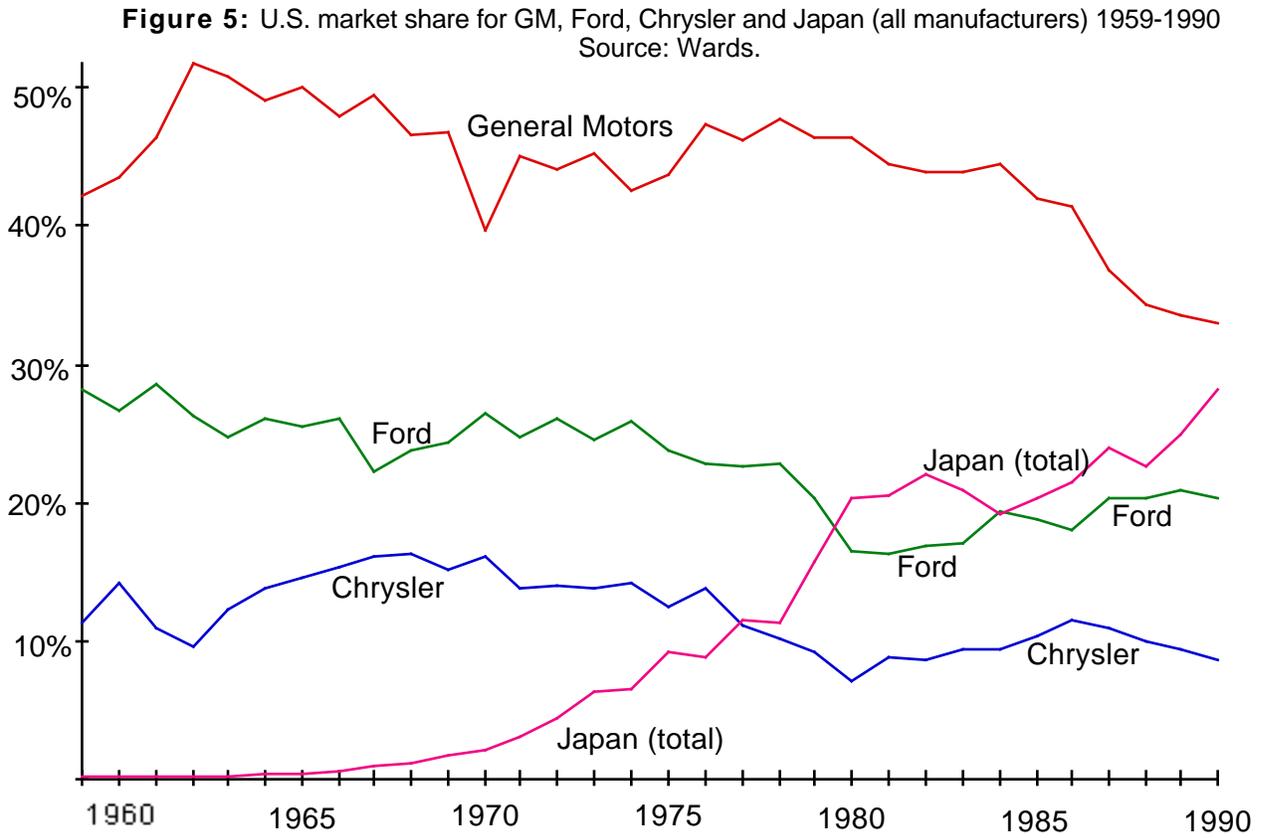
Figure 4

Figure 4: Annual income in millions(before extraordinary items) for GM, Ford and Chrysler 1963-1993.
Source: Compustat



Identity Maintenance and Adaptation: a Multilevel Analysis of Response to Loss

Figure 5



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