Mitchell's Musings 8-19-13: Never Having to Say You're Sorry

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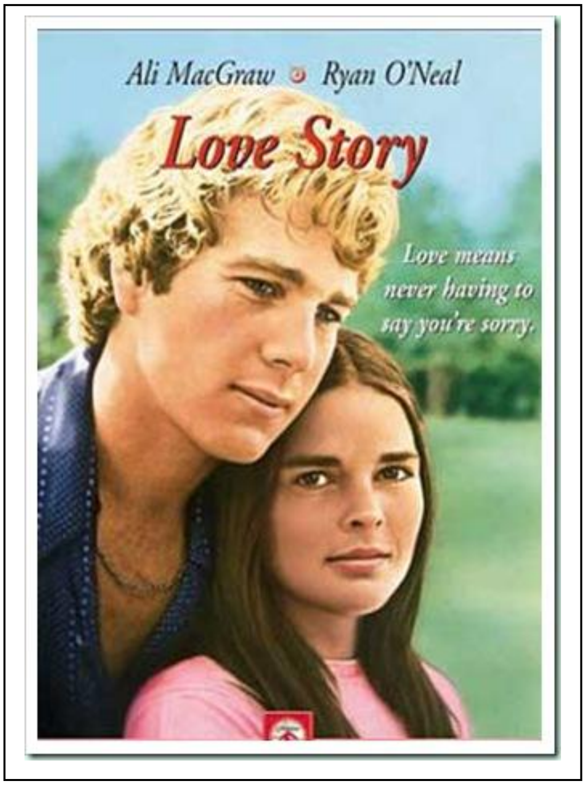

During the Vietnam War – with the country divided and on- and-off race and student riots – came the book and movie "Love Story," the ultimate in escapist entertainment but with the imprimatur of a Harvard author.[1] The famous line in the film, "*Love is never having to say you're sorry*," is about all that is remembered from the film nowadays: http://www.youtube.com/watch?v=B5-8_1uCzR8. (Never mind that the opposite is true.) An interesting question is whether when you are in charge of something – a government official, a high-level manager in a firm or organization – the saying applies.

I was reminded of the idea that those in charge (almost) never say they're sorry by a recent incident in California involving cell phones. At around 11 pm a few days ago, I was awakened by a very loud blast from my iPhone – not a ringtone or a sound I had ever heard. When I looked at the phone's screen, a message appeared and then disappeared quickly. It was something about a kidnapping somewhere – I couldn't read it in full before it vanished - and, needless to say, I could do nothing about it in any case.

What was it all about? California had developed an "Amber Alert" system which essentially would blast every smartphone in the state when some official decided that the authorities needed the aid of the public. (It is separate from a system that does the same, but only in cases of natural disasters such as earthquakes.) Needless to say, many folks were annoyed and were unaware that they were opted into the Amber Alert system. And needless to say, the following morning there were instructions posted by IT experts as to how to opt out.

Eventually, the kidnapper was caught and killed in a confrontation, but not in California – in Idaho. No apologies from the powers-that-be resulted. In fact, they officially deemed the capture as a success of the system. Why? The kidnapper had been spotted by a citizen in an Idaho forest who – after returning to civilization – heard about the alert and then reported the kidnapper's whereabouts to police. But why had the alert been in the news in Idaho? Not really because of the kidnapping but because of controversy over the cell phone system that no one knew about until someone decided to test it.

[1] http://news.harvard.edu/gazette/story/2010/01/love-story-author-erich-segal-72/.

So, in a sense, the cell phone alert system *had* led to the capture albeit through an entirely inadvertent chain of events. And never mind that many folks, including yours truly, had opted out of the system to avoid another rude awakening or that a simple ordinary text message, without the blast sound, would have alerted lots of people without precipitating them to opt out. (And a simple text message would not have disappeared before it could have been read.)

Is this just a California story? You could be forgiven for thinking that is the case. There have been a series of disclosures of failures of state government in the last year or so without anyone in authority really apologizing to the public or taking a hard look at what must be systemic problems that caused the multiple failures. Several departments turned out to have "hidden funds," monies that seemed to be lost in state accounting or were improperly placed or used. Most notable was the department which maintains state parks. During the lean budget years, there were constant threats of park closures and private fundraising was used to keep parks open. But it turned out that the department had more money than it seemed to realize. (The full story of how and why it happened has never been clear.) Top officials resigned. But the underlying problem – how a department could have funds that no one with oversight authority (including the governor) knew about – seems to remain unaddressed. And no one seems to be sorry.

Similarly, a major public construction project is underway to replace a large segment of the Bay Bridge in the San Francisco area. The project has been plagued by falsified inspections, inadequate inspections, and the installation of faulty components that will have to be replaced at major cost. It is unclear at this point whether the new bridge can be opened on or about Labor Day as originally scheduled. Some temporary fixes may allow such an opening but ultimately permanent fixes will be needed. The main reaction of the governor so far was to tell a reporter that "sh*t happens."[2]

Actually, the only California gubernatorial apology I can remember came from the previous governor – former (and now present) movie actor Arnold Schwarzenegger. In 2005, he sponsored what was termed "the Year of Reform," a set of four ballot initiatives which the public soundly rejected and which dropped his favorability ratings so low that his outlook for re-election in 2006 looked dim. After the 2005 fiasco, Schwarzenegger said he took "full responsibility" for the outcome. He replaced his key staff with new (and very different) people and apologized to the public in his State of the State address in January 2006.

Perhaps Schwarzenegger was recalling his Hollywood experience; if you are in a movie that fails at the box office, you find a new script for the next one. In any event, he won overwhelming re-election the following November. So apologies and changes in policy seem to work – at least on the rare occasions when they are tried.

Commentator Harry Shearer's weekly "Le Show" public radio program has a segment called the "Apologies of the Week" in which he reads on the air exactly what the title implies, public apologies. I have never made a count but the vast majority of apologies are not for policy mistakes. They are

[2] http://blogs.sacbee.com/capitolalertlatest/2013/01/gov-jerry-brown-calls-2013-year-of-fiscal-discipline.html.

typically apologies by a mix of celebrities, sports stars, public officials, and an occasional private sector executive, for racist, sexist, anti-Semitic, or homophobic remarks that became public – sometimes through tweets or recordings of what were thought to be private conversations. The apologies are frequently qualified with "if anyone was offended..."

Even when top management is involved, changes in policy are usually not on the table. The CEO of AOL last week apologized for firing his PR director in the midst of a quasi-public conference call for taking a photo of him during the talk.[3] A recording of the call went viral. Irony of ironies, the theme of the CEO's talk was the need and ostensible implementation of a policy of "transparency." But the apology, when it came, did not suggest that the victim would be rehired, i.e., that the decision itself was wrong. Just the bad resulting PR and public nature of the firing was wrong.

The inability to reverse course or re-evaluate policy (as opposed to just apologizing) seems to be a characteristic of management in all facets of society, public and private. Academics reading this musing will undoubtedly be able to cite many examples in which university administrators are unable to reverse direction on misguided policies, absent tremendous negative fallout. Apparently, changing direction is feared to be a sign of weak leadership and "flip-flopping." (Schwarzenegger, as governor, once said in a TV interview that he thought flip-flopping was a great thing – it showed a willingness to learn – but that view doesn't seem to be the prevailing attitude.) Or maybe there is a deep psychological need to see oneself as always correct.

Clearly, however, there has to be a balance between total consistency and excessive flexibility. There are endless stories and MBA-oriented case studies of private firms that fail due to "bad management." Jobs and wealth are destroyed in the process of these failures. But typically what is meant by bad management is a series of incorrect decisions. Perhaps what should be meant by the term is a more general inability to *reverse* bad decisions. In an uncertain world, there will always be decisions made that seem correct at the time but turn out to be leading to failure.

Last week's musing was partly devoted to the choice for a new Federal Reserve chair that will soon have to be made. I noted that during the 2008 financial crisis, it turned out to be a mistake to let Lehman Brothers fail and thereafter the policy was reversed. You could say the initial decision was "bad management" of monetary policy. But the fact is that no one could have been sure what the consequence would be. Since the decision to bail out financial institutions itself has costs, it would be natural to resist doing so. In my view, what would have been "bad management" would have been an inability to learn from the outfall of that first decision and to continue to let big financial institutions fail.

In a sense, therefore, MBA case studies of successful firms don't really identify good management – or at least a key aspect of it. If a top executive makes a correct decision and success flows from it, you still don't know what he or she would have done if the decision had turned out badly. Would corrective

[3] http://techcrunch.com/2013/08/13/aol-ceo-tim-armstrong-apologizes-for-brutally-firing-employee-during-patch-all-hands-call/.

action have been taken? Or would the executive have continued to insist that all would be well if the policy were maintained? You don't know – until "sh*t happens." And the test is what you do then.