How could we have
been so stupid?
John F. Kennedy

Schedule

March 3, 14:15 - 15:45
Introduction
Basic tenets of leadership

March 10, 14:15 - 15:45
Trinity of change agency and opportunity spaces

March 17, 14:15 - 15:45
Power and influence

March 24, 14:15 - 15:45
Critical issues and place leadership

March 31
No class - good time to read and think

April 7, 14:15 - 15:45
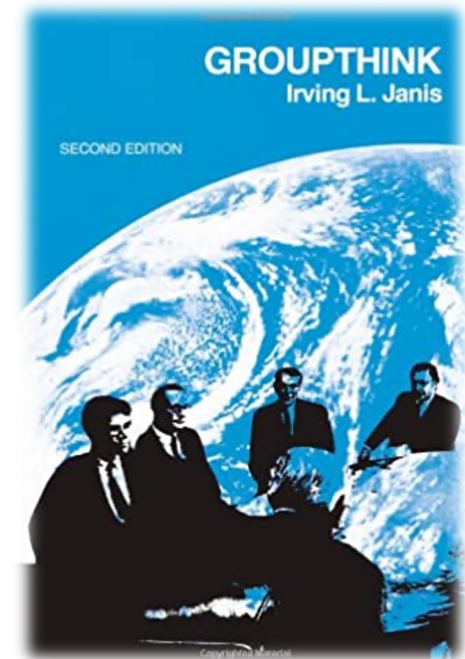Visioning and capabilities

April 14, 14:15 - 15:45
Generative leadership

Please note

Group think

Photo by Andrea Lightfoot on Unsplash

Groupthink

- *Groupthink* is the desire to avoid dissent from the group's position so as to maintain a consensus of the group.
- Generally, groupthink occurs when a very important decision is made in a stressful situation and when the stakes are potentially very high.

GROUPTHINK
Irving L. Janis
SECOND EDITION

Tampere University

(Hugher 2020)
http://info.melissahughes.rocks/neuronu
gget/groupthink-is-it-killing-your-team-0

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The Bay of Pigs

In 1961, 1,400 Cuban exiles launched what became a botched invasion at the Bay of Pigs on the south coast of Cuba.

Aim: To replace Castro regime.

- The CIA set up training camps in Guatemala to train a small army for an assault landing and guerrilla warfare
- Fighting lasted only three days
- The core group protected great leader
  - No evidence of potential uprising in Cuba, contrary to expectations
  - Training of a small army reported in the newspapers
  - No place to retreat if the assault landing fails
  - etc.

Cia-report

- The CIA exceeded its capabilities in developing the project from guerrilla support to overt armed action
- Failure to realistically assess risks and to adequately communicate information and decisions internally and with other government principals
- Insufficient involvement of leaders of the exiles
- Failure to sufficiently organize internal resistance in Cuba
- Failure to competently collect and analyse intelligence about Cuban forces
- Poor internal management of communications and staff.
- Insufficient employment of high-quality staff
- Insufficient Spanish-speakers, training facilities, and material resources
- Lack of stable policies and/or contingency plans

https://youtu.be/glUUmsBb_58?si=rQoa-xNQwt34Mfe7

Group think

- Illusion of invulnerability

- Belief in inherent morality of the group

- Collective rationalization

- Out-group stereotypes

- Self-Censorship

- Illusion of unanimity

- Direct pressure on dissenters

- Self-appointed mindguards

"How could we have been so stupid?"
John F. Kennedy

Stupidity is not the explanation
Irving L. Janis

Antecedent conditions

A. Decision makers constitute a cohesive group

+

B1. Structural faults

- Insulation of the group
- Lack of tradition of impartial leadersship
- Lack of norms requiring methodological procedures
- Homogeinity of members social background and ideology

+

B2. Provocative situational context

- Hight stress from external threaths with low hope of bettet solution than the leaders'
- Temporally low self-esteem:
  o Recent failures
  o Excessive difficulties in decision-making
  o Moral dilemmas (apparent lack of alternatices except ones violating ethical standards)

=

Concurrence-seeking (groupthink) tendency

Observable consequences

Symptoms of group think

Type I – overestimation of the group
- Illusion of vulnerability
- Belief of inherent morality of the group

Type II – closed-mindedness
- Collective rationalisations
- Stereotypes of the others

Type III – presures toward uniformity
- Self-censorship
- Illusion of unanimity
- Direct pressure on dissenters
- Self-apponted mindguards

Symptoms of defective decision-making
- Incomplete survey of alternatives
- Incomplete survey of objectives
- Failure to examine risks of preferred choice
- Failure to reappraise initially rejected alternatives
- Poor information search
- Selective bias in processinf information at hand
- Failure to work out contingency plans

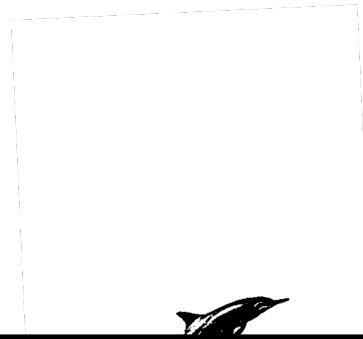## Low probability of a successful outcome
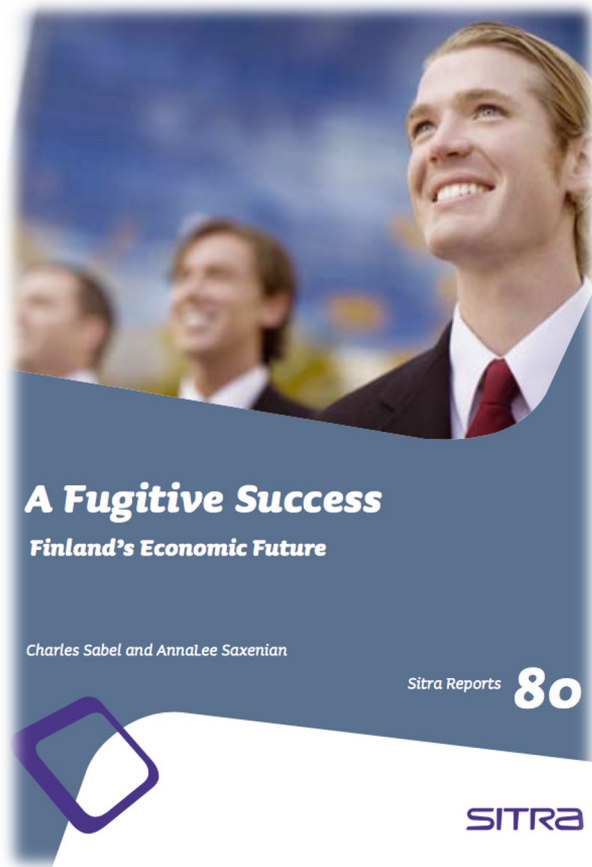
Sabel and Saxenian

"Finland is at risk of becoming
a victim of its economic success"

"The core products of both industries
- pulp, paper and packaging for the one, cell phones
for the other— have become commodities in the
fast growing markets in the rapidly expanding
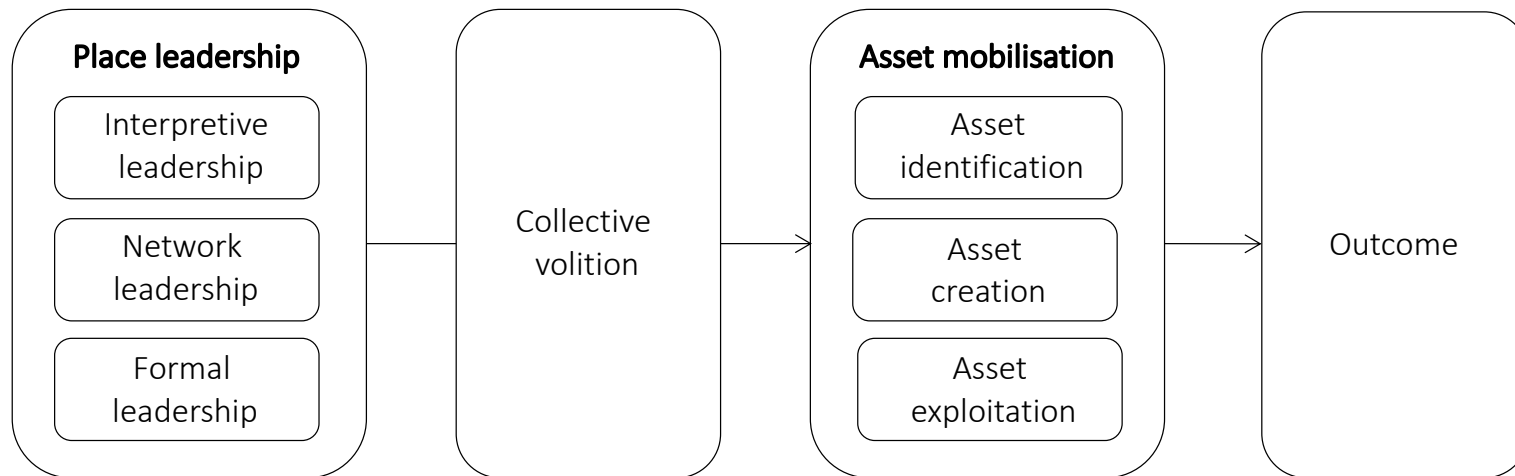economies of the developing world"

"…prospects of longer term growth in Finland will
require rethinking … . [The system] that fuelled
successful innovation … appears to have become
self-limiting in the global environment of the 2000s"

A Fugitive Success

Finland's Economic Future

Charles Sabel and AnnaLee Saxenian

Sitra Reports **80**

SITRA

Place leadership in Salo and Zaozhuang

Place leadership as mobilisation of assets

Mobilisation

- 'the action of organising and encouraging a group of people to take collective action in pursuit of a particular objective'

- 'the action of bringing resources into use for a particular purpose'

(Oxford Dictionary of English 2010)

Volition

- refers to the faculty or power of using one's will

- collective volition is about a series of **aligned decisions** of many agents regarding whether to act, what actions to perform and when to perform them

(applying Haggard, 2008)

Asset: a useful or valuable thing, person, or quality

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Power

Location

Universities

Social capital

Human capital

Financial capital

Infrastructure

Darkness

History
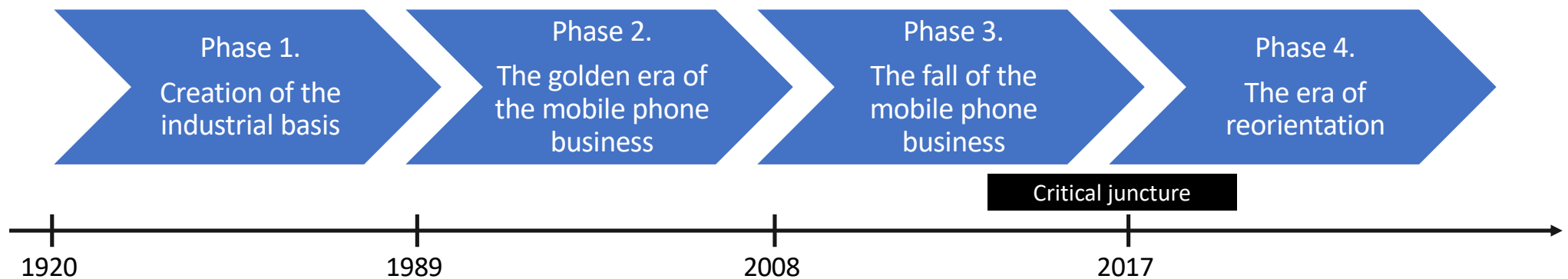
Stories

etc.

Use your imagination

The analysis of asset mobilisation

o asset availability or construction of assets

o the practices of exercising assets

o capacity of exploiting assets

o responses to the exercising of assets by contending parties

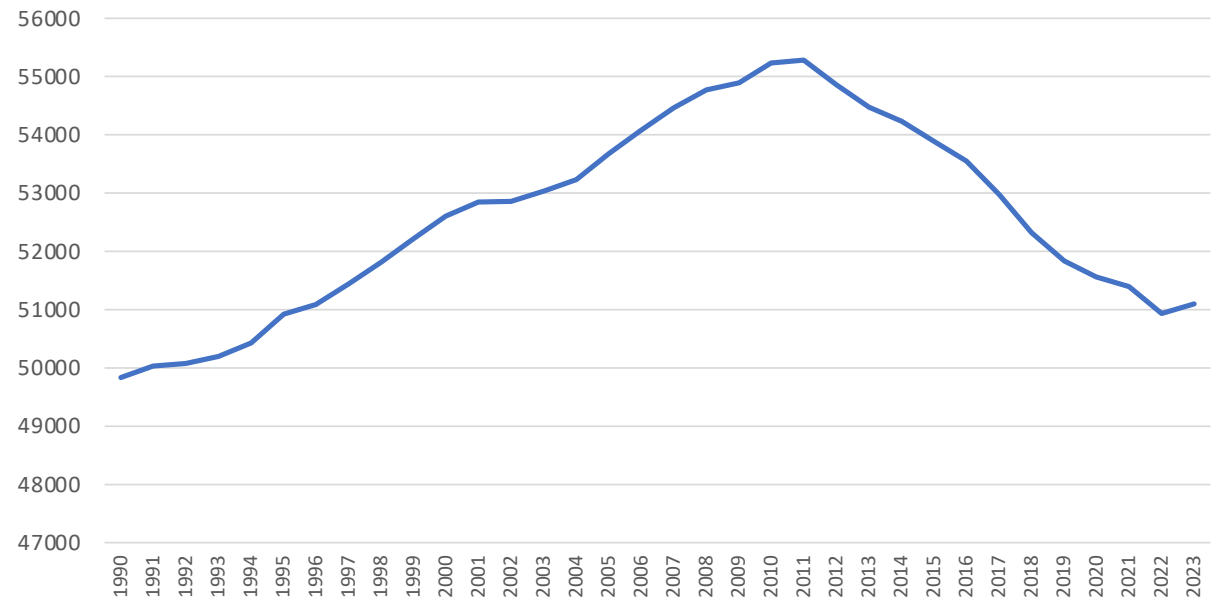o key actors and processes for mobilisation
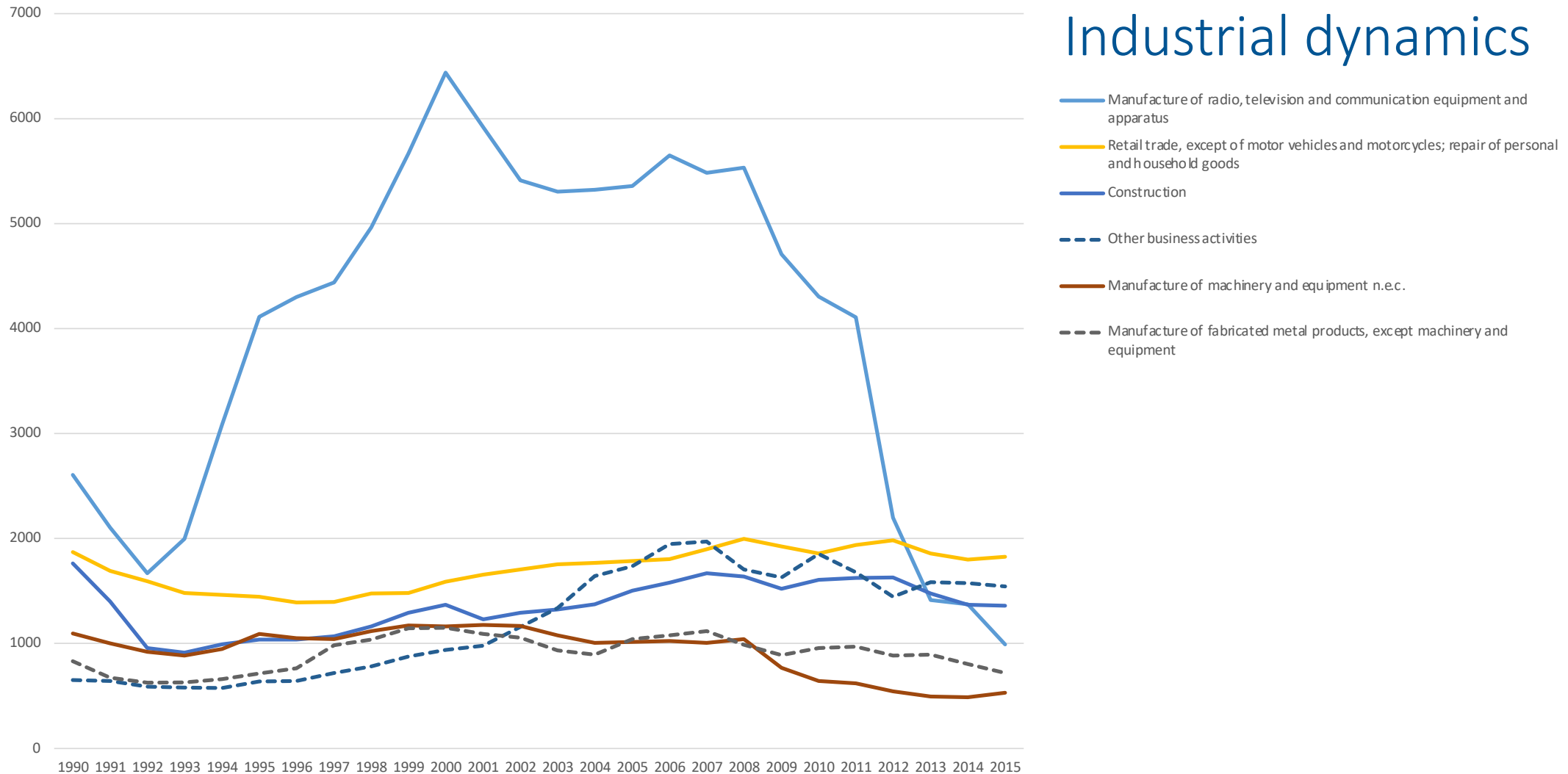
(Faulconbridge, 2012)

Salo

Development trajectory in Salo / the main phases

Phase 1.
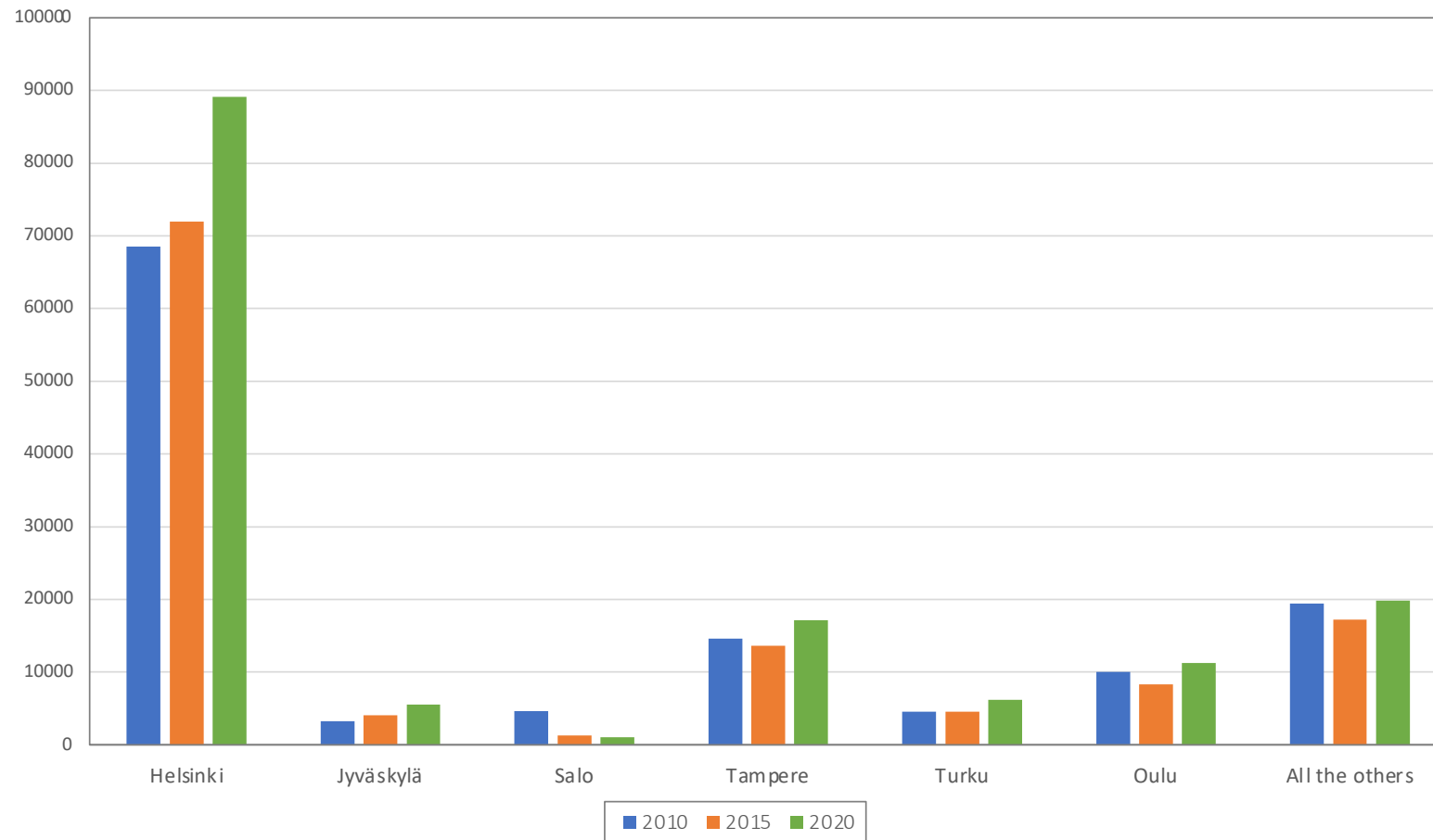Creation of the industrial basis

Phase 2.
The golden era of the mobile phone business

Phase 3.
The fall of the mobile phone business

Phase 4.
The era of reorientation

Critical juncture

1920 — 1989 — 2008 — 2017

Population change in Salo

Industrial dynamics

Manufacture of radio, television and communication equipment and apparatus

Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods

Construction

Other business activities

Manufacture of machinery and equipment n.e.c.

Manufacture of fabricated metal products, except machinery and equipment
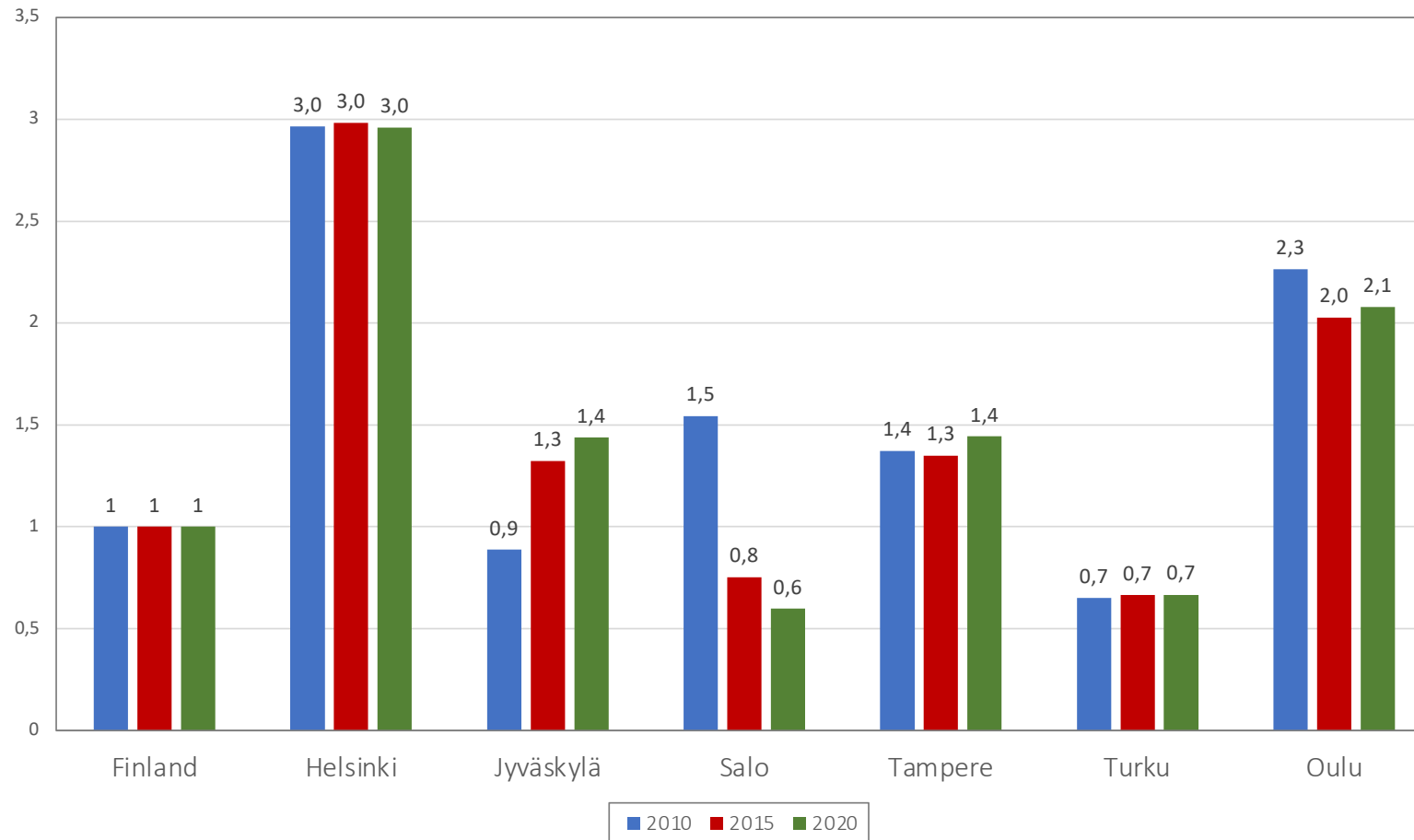
The most ICT specialised sub-regions in Finland, employment

The most ICT specialised sub-regions in Finland (Location Quotients)

$$LQ = \frac{e_i/e}{E_i/E}$$

Where:

e_i = Local employment in industry i

e = Total local employment

E_i = Reference area employment in industry i

E = Total reference area employment

It is assumed that the base year is identical in all of the above variables.

Tampere University

The collapse of Nokia's subcontracting cluster
The closure of Nokia's mobile phone factory in 2012

- In 2007, Nokia and its subcontractors employed approximately 7,000 – 10,000 people in Salo

- The share of high-tech manufacturing of all employment was as high as 25%

- Nokia: 80% of local corporation taxes

- In the early 2000s, Salo's relative position in the 'Nokia cluster' began to weaken
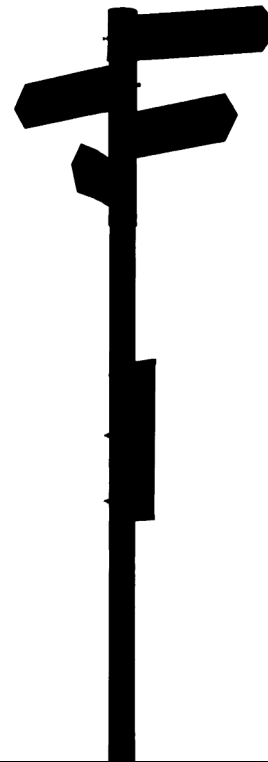
- One by one, Nokia's subcontractors started to bankrupt or move away from Salo (-2000 jobs)

- In late 2009, the Ministry designated the Salo sub-region as an abrupt structural change region (ÄRM-policy)

"We can quietly prepare here when we see that
we may hit the iceberg. We can begin to
create something, but carefully.

We cannot do it publicly because of what
might ensue. People would stop shopping; the
supermarket enlargement would not happen.

We cannot do that. We would cause the
disaster by ourselves"

During the golden era, Salo had become a
self-sufficient and inward-looking small town
in the shadow of a corporate giant

>>>

Identity crisis

The closure of Microsoft's product development unit in 2015

- In September 2013, Microsoft acquired the mobile phone business division from Nokia

- In July 2015, Microsoft closed the product development in Salo (1,000 jobs)
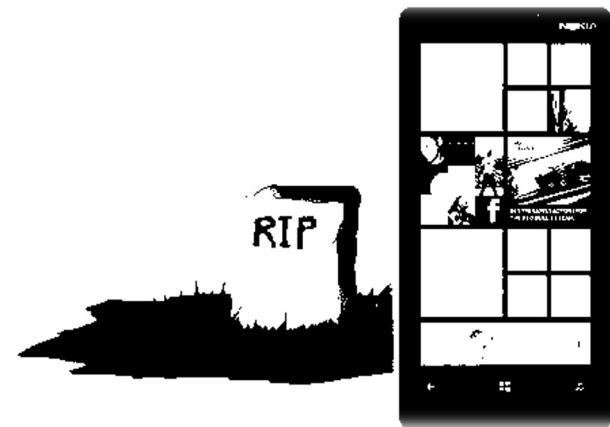
The place leaders adopted a double-pointed strategy

- They worked to ease the transition of people from Nokia/Microsoft to other firms (crisis management)

- They worked to attract firms and investments, explore local firms' growth potential, and support start-ups (place leadership for the future)

- Appr. 80 start-up companies were established in Salo

- Former Nokia/Microsoft employees mobilised themselves and established a Smartsalo Association

- International marketing
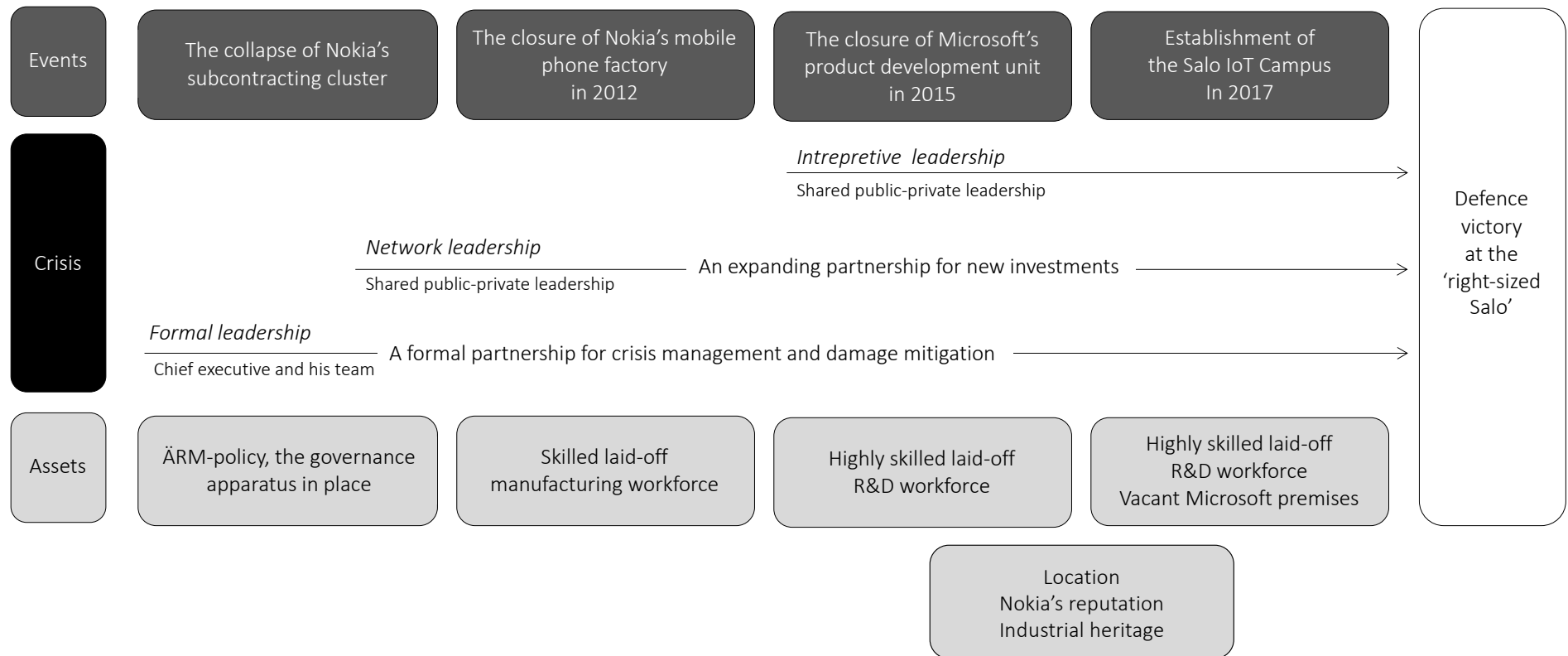
The establishment of the Salo IoT Campus

"We took the Town Board there - look, these are the premises that we are buying.

The Board members were stunned about the main square, like in New York or Silicon Valley or anywhere.

We did not know that we had something like that here."

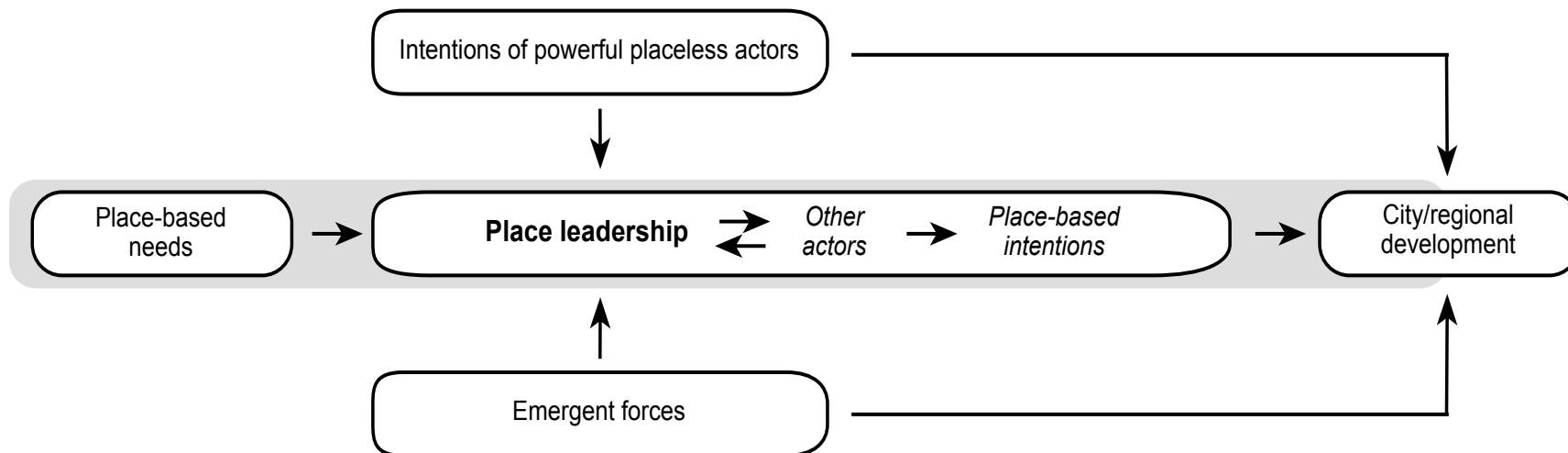Appr. 83,600 square meters of vacant space

Pre-crisis and post-crisis opportunity spaces in Salo

	Pre-crisis opportunity space	Post-crisis opportunity space
Region specificity	Embedded, long-evolved local expertise in electronics	Weakened as local expertise disseminated
Agency specificity	Rapidly expanding opportunities relying on Nokia	Relying on individuals' and small groups' expertise in IoT-related technologies
Time specificity	Expanding global markets in mobile phones	Introduction of iPhones and Android closed the former window of locational opportunities; IoT potentially opening new windows

The place leadership questions	Answers – Salo
Who exercised place leadership through formal authority (position)	The Chief Executive of the Town Council with the core group's capacity to mobilise public resources to mitigate the damage
Who exercised place leadership through informal authority (person)?	Ex Nokia/Microsoft employees mobilised themselves and set up a SmartSalo Association to utilise their professional networks and their capabilities to generate novel business activities in Salo.
What kind of place leadership style was adopted and what influence strategies were used (process)	First formal leadership, which quickly evolved to network leadership, and finally to search for a vision and new identity (interpretive leadership)
Where did place leadership take place (place and institutional context)?	A small sub-region in Finland, with a unitary governance system, strong central government accompanied with municipalities. Fairly good location in Southern Finland.
Why was place leadership exercised (purpose)?	To save Salo, to mitigate a severe crisis, and to construct a vision and strategies for the future.
What was achieved by place leadership (outcome)?	A defensive victory, a right-sized town.

Salo - conclusions

- The governance system is necessary but not sufficient for coping with a crisis

- Formal and assigned leadership is dependent on tapping into powers and capabilities beyond the reach of its sphere of action;

  o The capacity to create a vision, source knowledge, and mobilise assets being in the hands of other actors.

- We should be open to effective place leadership assuming varied forms in different places

Intentions of powerful placeless actors

Place-based needs → **Place leadership** ⇄ *Other actors* → *Place-based intentions* → City/regional development

Emergent forces

Zaozhuang

Place leadership with Chinese characteristics? A case study of the Zaozhuang coal-mining region in transition

Xiaohui Hu & Robert Hassink

Published in 2017 - Regional Studies' special issue on leadership in city and regional development (eds. Sotarauta, Beer & Gibney)

Please note: China may have changed after 2016
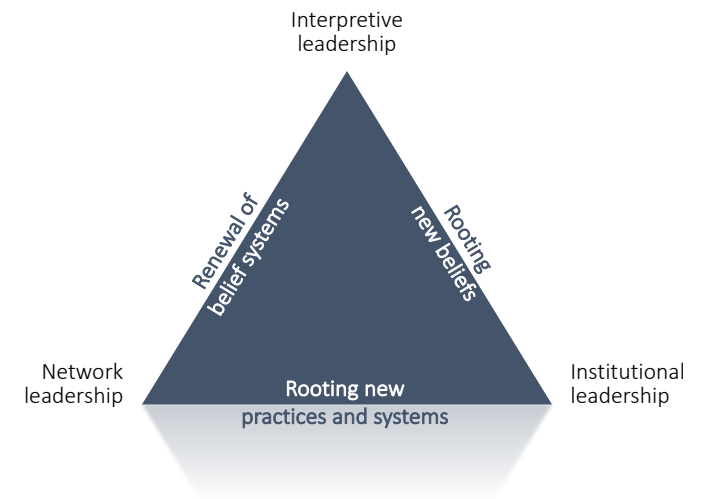
The institutional foundations of local state leadership in China

- Sub-national leaders have emerged as key promoters of regional economic change
    - ‘Officials with personality’ (gexing guanyuan)
    - The ‘princelings’ enjoying wide inherited political capital from their ‘red’ families
    - Grass-rooted cadres also shown powerful capabilities in local bureaucratic reforms and economic experimentations
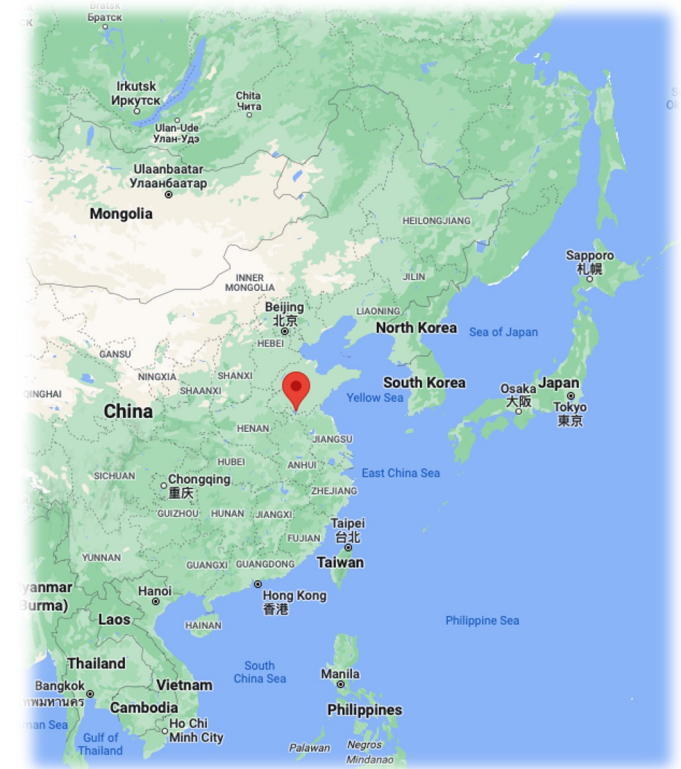
The institutional foundations of local state leadership

- In a democratic context, local formal leaders generally consist of elected mayors, chief executives and leading politicians, representing heterogeneous interests
  - Diversified objectives, ranging from political and social advancement to economic and environmental issues

- In China local state leadership is strongly (economically) task oriented, with little concern about political reform and civic well-being.

- In the West, place leadership is expected to be open, shared and collective
  - Chinese argue this may cause less effective leadership, potentially resulting in slow decision-making processes
  - In China a less-structured institutional framework allows leaders to adopt a mixture of formal and informal power so that target-oriented leadership can be effectively achieved

The two institutional fundamentals of place leadership

- Chinese-style federalism ensures that each sub-national state is autonomous in its own sphere of authority

- Authority is limited to the economic growth

- The Chinese decentralization = a combination of economic decentralization and political centralization of cadre control
  - The cadre evaluation system (CES) under the Chinese Communist Party (CCP)
  - Endows local officials with actual power to govern economic affairs but also mobilizes them to be economic 'innovators' and 'reformists'

- The system of trans-regional cadre rotation generates a particular cadre community - 'airborne cadres'
  - Expected and incentivized to perform better than their immediate predecessors in a fixed tenure (often five years)

The situation in Zaozhuang

- Located in the south of Shandong province (popul. 102 mil.), with a population of appr. 4.2 million

- Famous for its long history (over a century) of being a coal-based economy

- Also widely known as a 'Hero City' of China
  - The site of 'the Battle of Taierzhuang' - where China won the first major victory against Japan in the 2nd Sino-Japanese War.

- Due to the single-industry structure, and the depletion of local coal resources since 2000, Zaozhuang's economy was confronted with many difficulties
  - Ranked at the bottom of growth rates in Shandong during the past decades

- Since 2006, the region has exhibited a strong industrial revitalization in two pathways, namely the path creation of coal–chemical sectors and the rise of the tourism industry.

… the situation

- Given the long-term over-specialization on the coal industry -> difficulties and resistance against new industry formation in Zaozhuang

- No visions nor motives to break the existing industrial structure

> "Unlike other airborne cadres who might just give a fuzzy vision or direct orders, Chen offered a sound vision with understandable and reciprocal concerns."

The new Mayor (Party Secretary) – Mr. Chen Wei

Interpretive leadership

- Rejected major housing investments as short-term – tensions followed

- Engaged local officials with an in-depth investigation (2 yrs) to explore what unique assets the region has (historical legacies)
  - Found latent, uncommitted and place-specific assets for economic use

- He visited nearly every town and interviewed about a hundred firms

One Target, Three Pathways

- How the local industrial system can be transformed through three interrelated pathways:
    1. Improve urban infrastructures
    2. Promote coal–chemical industries
    3. Cultivate tourism

"The first way answers why investors come here; the second resolves how to increase local government revenues (by investment) and, the last guides where people (laid-off workers) can be reemployed. These pathways bear a reciprocal relationship that will generate a positive step-by-step mechanism leading to industrial change." (interview with the Secretary of Mayor)

Chen's leadership was based on his ability to read, analyse and translate the local context.

Formal leadership: reshaping governmental institutions by power and authority

- The main obstacle: lack of tourism facilities, competences and institutions

- A special government agency for tourism was established, followed by a reallocation of governmental resources and incentive systems

- New criteria were incorporated into Zaozhuang's cadre evaluation system – a step towards a socio-economic 'green' transition

- Chen exercised coercive power to give local state agencies compulsory tasks related to a new vision

Network leadership: creating a broader facilitative environment

- The tourism pathway was initiated by formal leadership but the state-sponsored model was not sustainable due to overload put on local state

- Taierzhuang is the place where the Kuomintang (the ruling party in Taiwan at that time) army triumphed over the Japanese in 1938 – supported local states to link with the Taiwanese

- Huge national media visibility allowed linking and bonding internally and externally

- Chen took advantage of multi-scalar contexts to support the growth of a new industry

Conclusions

- Local economic development in an authoritarian context is, in contrast to what would be expected, not solely driven by formal leadership but also by interpretive and network leadership.

- Despite the authoritarian context, interpretive leadership is critically needed for those leaders who are not locally embedded.
  - Interpretive leadership provided a sound basis for the highly efficient exercise of formal leadership (in Salo it was vice versa)

(Hu & Hassink, 2017)