Psychotic Organization

as a Metaphoric Frame for the Socio-Analysis of

Organizational and Interorganizational Dynamics

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Abstract

The notion of the <u>pathological organization</u> provides a starting frame for better understanding irrationality and madness in organizations, profit and non-profit organizations alike. It has been used up to now by various psychoanalytic authors in their attempt to gain a better understanding of severe personality disturbances caused by pathological fixation, a splitting of bad and good parts or a liaison of fragments under the dominance of an omnipotent narcissistic personality structure. The concept originally referred to the narrow frame of individual ego-organization, but it is argued that the notion of the <u>psychotic organization</u> provides a useful metaphoric frame for application to social organizations. The attempt is made to apply the metaphor to various organizational and interorganizational contexts: the intraorganizational dynamics of hospitals, the interorganizational relatedness of the hostile takeover of an enterprise, and the increasing dominance of the shareholder value optimization in a global context. The attempt at ignoring and denying psychotic organizational dynamics is vain, resembling the futile efforts to escape a plague which is devastating the country – so lucidly described by Edgar Allan Poe (1980) in his story "The Mask of the Red Death".

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"Psychosis, to which all human beings are prone, is the process whereby humans
defend themselves from understanding the meaning and significance of reality, because
they regard such knowing as painful. To do this, they use aspects of their mental
functioning to destroy, in various degrees, the very process of thinking that would put
them in touch with reality"(Lawrence, 1999, p. 3).

Introduction

For some time, I have been preoccupied with various attempts to grasp at a better
understanding of madness and other seemingly psychotic processes in organizations
(Sievers, 1994, 1995a, 1995b, 1996a, 1996b, 1997, 1998b, 1999). Contrary to more
traditional (and common) concepts of organizational research and theory, madness and
psychosis had, for me, become guiding metaphors with which I felt I could gain a more
meaningful understanding of what I experienced in organizational contexts, both as a
member of organizations and in my various roles as researcher, consultant and,
sometimes, as a manager. In face of the fact that organization literature (and practice)
mainly expatriate the irrationality of organizational reality, I attempt to propagate a more
serious concern for what can be described as the psycho-social dynamics of
organizations.

The following thoughts are the attempt to share some of my insights from a broader work in progress in which I use the notion of the <u>psychotic organization</u> as a metaphoric frame for the study of organizational and interorganizational dynamics. After an introductory elaboration of what is meant by psychotic organization, the notion will be applied to three different organizational contexts, i.e. the internal world of an organization, the interrelatedness and the dynamic between organizations and the more global context in which both institutional investors and corporations seem to be caught in an optimization of their shareholders' value. – In order to avoid a possible misunderstanding, I would like to emphasize that I do not intend to refer to the concept of psychosis in the kind of pathological reduction which it has come to be used in psychiatry. As will be made more clear in the course of my argument, I am referring to an understanding of psychosis as, for example, was introduced by Melitta Schmideberg (1930), Melanie Klein's daughter, in her article "The Role of Psychotic Mechanisms in Cultural Development"; unlike Schmideberg, however, I do not share the assumption that the progress of civilization necessarily goes along with decreasing psychotic anxieties. "The reassurance that we live in an age of moral progress not only evidences presumptuousness, but also historical blindness. It is part of the mythology of modern civilization" (Sofsky, 1996, p. 223). I am certain that Glass (1995) is right in expressing the conviction that "the psychotic narrative (...) in the modern world, is very real; it causes extraordinary damage" (p. 196). „It is becoming more difficult to discriminate between thinking that is psychotic and that which is non-psychotic“ (Lawrence & Armstrong, 1998, p.55).

Elliot Jaques (1995a, 1995b) has explicitly denounced the psychoanalytic approach to understanding organization as dysfunctional, and it might seem to some readers that any further concern for psychotic dimensions in organizations must necessarily appear to be antiquated, and perhaps even futile. The following attempt at a deeper awareness and understanding of anxieties and their dynamics in and among organizations must, according to this view, inescapably seem like a poor scholar's desperate desire (or need) to treat everything as a nail simply because the only tool at his disposal is a hammer. I do, however, not share the belief in the end of organizational psychoanalysis. On the contrary, I am convinced that a concern for psychotic dynamics in and among organizations can help to get beyond the all too apparent notion of normality which more often than not "sustains and perpetuates a 'rational' madness (Lawrence, 1995b), a 'madness in normality' (Hogett, 1992, p. 73), a 'pseudo-normality' (McDougall, 1974, p. 444), 'surface sanity' (LaBier, 1986, p. 62) and a 'pathology of normality' (Gruen, 1987, p. 20)" (Sievers, 1996b, p. 53).

Though the following remarks will appear fairly commonplace to some readers, I would like to emphasize two points: In the course of my argument I am neither concerned with the private inner world of particular individuals, nor do I regard psychosis primarily as a kind of disease which ought to be treated by psychotherapy in some manner or in some kind of institutional setting. What I refer to as <u>organizational psychosis</u> may be circumscribed by the question of whether and to what extent organizational dynamics are influenced or even initiated by unconscious psychotic reactions to the organizational environment. These psychotic reactions as expressions

of underlying anxieties will be perceived as "socially induced rather than a product of the individual" (Lawrence, 1995a, p. 17; cf. Lawrence & Armstrong, 1998).

Psychotic Anxieties

Though Freud, especially in his later writings, "also became convinced of a proclivity for psychosis in us all" (O'Shaugnessy, 1992, p. 89), it is mainly through the work of Melanie Klein that the experience of anxieties of a psychotic nature is regarded as a constituent dimension of the normal development of infants, and equally constitutes a part of our adult world, rooted as it is in this early experience (Klein, 1952a, 1959). To acknowledge psychotic anxieties as a constituent part of the development of infants and of human development – and thus of life in general – doubtlessly contributes towards a depathologization of psychosis and its respective anxieties (Young, 1994, pp. 73; Tarnopolsky, Chesterman & Parshall, 1995). On the other hand, however, the acceptance of a normality of this kind does not in any way diminish the pain and suffering involved in the experience of being persecuted, retaliated and annihilated. The intensity and the extent to which the infant is normally preoccupied with psychotic anxieties and a responding aggressive sadism may often appear to be a fiction, an extreme over-exaggeration which ultimately invites the conclusion that the theory merely expresses the perversity of its author. This would be close to the reaction Klein was in fact confronted with by many of her psychoanalytic contemporaries (Young, 1994, pp. 79; cf. Rose, 1993).

The depathologization of psychosis in the Kleinian approach referred to above occurs more indirectly in so far as Melanie Klein with her preoedipal focus on the

development of the infant indicated at quite an early stage of her writings that sadistic and psychotic tendencies and constellations are typical for the normal development and not primarily a symptom of mentally ill people. As Klein postulates, the psychotic experiences and tendencies become integrated into the ego in the course of normal development and thus balanced with less destructive and libidinal elements. Unlike in a pathological development, in which the integration and stabilization either fails partially or generally, the normal adult is not protected against repeated regression into these primitive psychic conditions and the defenses typical for the psychotic position in order to defend himself against the underlying anxieties and fantasies. Predominant among these defenses are denial, splitting, excessive forms of projection and introjection, identification, omnipotence, aggression and even sadism.

A short sketch of the two psychic positions on which Melanie Klein's conception of the development of the infant is based may help the reader unfamiliar with them: In the first early phase of the development which Klein calls the paranoid-schizoid position, "the leading anxiety is that the persecutory object or objects will get inside the ego and overwhelm and annihilate both the ideal object and the self" (Segal, 1988, p. 26). Among the defenses of this phase, projections and introjections have a predominant significance. The splitting into good and bad objects going along with it is enforced with an increasing idealization of the ideal object, "in order to keep it far apart from the persecutory object and make it impervious to harm. Such extreme idealization is also connected with magic omnipotent denial. When persecution is too intense to be borne, it may be completely denied. Such magical denial is based on a phantasy of the total annihilation of the persecutors" (ibid., p. 27). Since the experience of the infant in the

first two or three months in the paranoid-schizoid position is exclusively determined by persecutory anxieties and the vicious circle of retaliation and revenge, these psychotic anxieties are later, in the course of the normal development of the infant, worked through and integrated with feelings of love, care, guilt, responsibility and the desire for reconciliation typical for the depressive position. "In the depressive position, the object is loved in spite of its bad parts, whereas in the paranoid-schizoid position awareness of the bad parts changes the good object abruptly into a persecutor. Thus love can be sustained in the depressive position, giving the beginnings of stability" (Hinshelwood, 1991, p.141).

However, the early anxieties always remain part of the psyche. As they are somehow coined into the unconscious mind, these anxieties, in a metaphorical sense, remain the predominant currency through which the adult gives value to the reality of the outer world. Though organizations "are quite specifically and exquisitely designed to avoid consciously experiencing psychotic anxiety, (...) psychotic processes are in danger of breaking through from moment to moment" (Young, 1994, p.156).

It has, however, to be emphasized again that the two psychic positions should not be misunderstood as phases of development in the sense that reaching at the depressive position would go along with an overcoming of the paranoid-schizoid one. The two positions remain equally latently present for the adult. Whereas the attaining and increasing stabilization of the depressive position is understood as maturity, regress into the paranoid-schizoid position and the paranoid defense against depressive anxieties is under certain objective or subjective conditions a more or less everyday experience even for the adult. "The attaining of the depressive position is a

developmental step, an uncertain one, and one which is therefore a lifelong task"

(Hinshelwood, 1991, p. 144).

Psychotic Organization

In my attempt to conceptualize psychotic phaenomena in organizations, I have

found the notion of the pathological organization as developed in Kleinian

psychoanalysis to be meaningful. Although this concept originally refers to the narrower

frame of individual ego-organization, its application to social organization provides

further insights which go beyond exclusively sociological attempts at understanding

(Mueller-Lyer, 1914; Dreitzel, 1972; Tuerk, 1976).

Pathological organization as a term has been used by various psychoanalytic

authors in their attempt to gain a better understanding of severe personality

disturbances (Hinshelwood, 1991, pp. 381). It is (among others) based on Klein's

(1952b) early observation that "if persecutory fears are very strong, and for this reason

(...) the infant cannot work through the paranoid-schizoid position, the working through of

the depressive position is in turn impeded. This failure may lead to a regressive

reinforcing of persecutory fears and strengthen the fixation points for severe psychoses"

(p. 294). O'Shaughnessy (1981), for example, with her concept of the defensive

organization, emphasizes this pathological fixation to be observed among children who,

because of a weak ego and the experience of extreme persecution anxieties, fail to

enter the depressive position; their ego-development stagnates in the defensive

mechanisms typical of the paranoid-schizoid position. Such stagnation either leads to an

immature psychic equilibrium between the paranoid-schizoid and the depressive position

or to an extremely narcissistic personality structure organized around omnipotent

defensive mechanisms under the predominance of the death-instinct. Based on Bion's (1957) differentiation of psychotic and non-psychotic parts of the personality and the splitting that goes along with this, Meltzer (1968) and Money-Kyrle (1969) have described the internal quarrel among the healthy and sick parts of the self. More often than not this results in projecting the latter into the outer world of the environment (Segal, 1956). Rather than by a splitting of bad and good parts, Steiner (1979, 1982, 1987, 1990, 1993), on the other hand, emphasizes that pathological organizations are mainly characterized by a kind of liaison of fragments under the dominance of an omnipotent narcissistic personality structure which itself is the result of failed splitting.

As Simmel (1946/1980, p. 288) indicates, it is this dominance of narcissistic self-love and its inherent megalomania which prevent the psychotic from acknowledging any defeat in his or her struggle with reality. The inability to experience and acknowledge guilt is substituted by aggressivity.

Whereas Steiner regards pathological organizations as an expression of destructivity, they represent on the other hand the attempt to bind some of the threats typical for primitive destructiveness. To the extent that a pathological organization defends the individual against feelings of mourning and guilt, it protects against the experience of the depressive position. Above all, it is the negation of the defense against the experience of mourning which both causes and sustains the liaison of fragments which is characteristic for pathological organizations. This liaison, as Hinshelwood (1991) indicates, "creates a complex affair in which healthy parts of the personality are induced into colluding knowingly with purposes that are felt to be destructive, and thus are perversely used to masquerade as health" (p. 385).

As already indicated in the title of this contribution, I am suggesting the psychotic organization as a metaphoric frame for the further socio-analysis of organizations (Bain, 1998). Though I feel a certain uneasiness with this concept - particularly in relation to social phenomena - due to the traditional clinical pathological implications of psychosis (Young, 1994, pp. 76), it is, on the other hand, the notion of psychotic anxiety as the in-between-state of the paranoid-schizoid and the depressive position which challenges me to use the notion of the psychotic organization at least for the time being. I am especially encouraged in this choice by Fornari (1975), an Italian psychoanalyst, who in his "Psychoanalysis of War" anticipated most of the major insights of what some time later was conceptualized as the theory of pathological organization.

Like Bion and the early Jaques (1953, 1955; cf. Menzies Lyth, 1960/1988a), Fornari chooses the important role the defense against psychotic anxieties plays in the formation of society and its institutions as his point of departure. Based on the assumption that the psychotic dimension of group life finds its most glamorous realization in the war phenomenon, Fornari emphasizes the inability to mourn, i.e. the paranoid elaboration of mourning, as the critical dynamic (or factor) of war as a psychotic kind of social organization. In comparison, for example, to Steiner (1979, p. 389, 1990, 1993), whose view is limited to the obstacles to mourning in the pathological organization of the borderline patient, i.e. the individual, Fornari's analysis of the psychotic dimensions of war includes a fundamental relatedness of the individual and the social. Unlike Steiner, who refers to a liaison of fragments under the dominance of an omnipotent narcissistic personality, Fornari's theory is implicitly based on a pathological fixation and stagnation in the paranoid-schizoid position and its defenses

similar to what O'Shaughnessy (1981) some time later conceptualized as the defensive organization.

The fact that I am referring to the psychotic organization as a <u>metaphoric</u> frame is mainly because I would like to avoid entering into a broader epistemological argument as to whether or not and if so to what extent conceptualizations originating from the psychoanalysis of the individual can be transferred or translated to the broader context of social organizations (cf. Elieli, 1994; Eisold, 1997; Erlich, 1998; Lawrence, 1997). I would prefer here to stick to a more pragmatic position in order to find out what insights can be generated if one assumes that social organizations (particularly enterprises) are psychotic organizations (Morgan, 1986).

Similar to the way in which patients with severe personality disturbances often do not appear to be very psychotic, but rather give the impression that they have fixed their disorder on a certain level, social organizations, and profit-oriented organizations in particular, often seem to cover their internal anxiety level with a somehow curious, but nevertheless normal appearance. As an external observer or consultant to large corporations, I often have the impression that these organizations are stuck in the predominant attempt to defend against the apparent threat and persecution emanating from the outer world of markets and competitors which they at the same time tend to dominate and control with a high degree of aggression, sadism and destructivity. In cases like these, it seems to me that the psychic dynamic of the organization is caught in a behavior and a way of thinking which are typical of the paranoid-schizoid position. In face of the on-going struggle for excellence, growth and survival and the attempt to gain greater market shares, there seems to be almost no capacity for the depressive position

and its anxieties. As the concern for good objects of the inner or outer world is missing, the predominant destructiveness and aggression seem to leave no space for the experience of guilt, the desire for love, mourning or reparation typical of the depressive position. The external world and reality thus become shaped and reduced by the inner psychotic anxieties and respective defense mechanisms.

Totalitarian States-of-Mind

On another occasion I attempted to elaborate the extent to which both the foundation myth and the present business policy of a leading German car manufacturer are unconsciously influenced if not determined by war and warfare (Sievers, 1998a). Here, I have chosen another example from the literature to indicate how the internal reality of an organization may be dominated by a psychotic dynamic: Lawrence's (1995a) seminal analysis of how the role holders in British health care systems – and above all their managements – have been drawn into "the seductiveness of totalitarian states-of-mind" (p. 11).

Recent radical changes in the National Health System have put health care under enormous political and economic pressure, and the people working in it have become "subject to stress and anxieties of an unprecedented intensity (...) Managements are pressed into developing management structures which emphasize predictability, certainty and control. [Guided by] the fantasy that a system of tight managerial control emphasizing sureness of boundaries will banish the anxieties and keep environment uncertainty at bay" (ibid., p. 11) they are confirming the predominant hubris of management (Gabriel, 1998).

The more the future survival of a hospital becomes an almost exclusively financial and economic issue, the more management is legitimated, forced to and even supported in its implementation and execution of the standard repertoire of improving profitability by cutting costs and employees, by speeding up health production processes through reductions in the patients' length of stay, thus increasing the amount of accommodation available and the speed of processing. Legitimated by their own professional instrumentality, management ultimately (consciously and unconsciously) identifies with the role of the surgeon, who often has little choice as to whether to manipulate or amputate parts of the body in order to save the patient's health and secure his or her survival. The more management thus feels mobilized and legitimated to set the tone and to determine the choice of appropriate instruments and structures, the more it enforces other role holders collectively to submit to "authoritarian, organizational cultures which generate what I am calling a 'totalitarian state-of-mind' in the participants in the institution" (Lawrence, 1995a, p 11; cf. Stein, 1995, 1997b).

The more the psychotic dynamic of health care systems dominates, the more these organizations are engaged in a liaison similar to that described by Steiner in the case of a pathological organization of the individual: the inherent destructiveness has to be hidden behind the mask of health. For Lawrence (1995a), the corollary of this is as obvious as it is striking:

> Such an organizational culture diminishes the capacity for thinking and feeling and so role holders become less able to reflect on the nature, quality and methods used to execute the task of their institution, its place in its environment, and how the management structures may be distorting their professional values

and beliefs about the work of the institution. The complexities of delivering health

care have been reduced to the commercial concerns of an enterprise culture. This

results in people having a frame of mind which can only encompass the

immediate and the short term. Reality becomes reduced to profit and loss. There

are fears about unemployment and so the psychic preoccupation of role holders

comes to be focused on their individual survival. They, thus, become entrapped in

the inner, political life of the institution and the larger issues of the place of

spirituality in the institution are deemed irrelevant (p. 11).

A health care system serves as a social system of defense against death (Menzies

Lyth, 1988a), and this has obviously been the case in a predominant way for the

National Health System in Britain since 1948. The more the role holders in the NHS

introjected the wishes and hopes of British citizens that they could avoid death, the less

they and the Government were able to provide the financial resources to sustain the

highest standard health system the world has ever known. The solution to the problem in

Britain does not differ fundamentally from the measures most health care institutions in

other industrial countries are expected to take in response to ongoing governmental

health reforms.

[It] came from the belief that if only hospitals etc. were like businesses,

subject to the market economy, there would be no problem. In short, a

contemporary version of a capitalist thought was sought for a solution to a

problem which was essentially social. As part of this solution, the idea of

'management' was introduced. That would save the situation! If only hospitals

could be like biscuit factories or a light engineering company or an abattoir there

would be no problem, it came to be believed (Lawrence, 1995a, pp.12).

What for some may appear as a rather cynical attempt on behalf of the author to

distance himself from an otherwise unbearable reality, is, in this particular case, not

even an over-exaggeration. Lawrence has told me (in private conversation) how

embarrassed he was when, as a consultant to hospital management recruitment he

experienced several applications from former slaughterhouse managers who had been

made redundant as a result of the increasing rationalizations within their industry. These

were only the peak of many other management applicants who confirmed the

increasingly widespread belief that hospital management is primarily about monitoring a

throughput process of patients – getting them out either as convalescents or cadavers.

The organizational reality (and meaning) is reduced to the discourse of strategy (Knights

& Morgan, 1991, p. 260) and accountancy issues: "What cannot be reduced to numbers

cannot be managed and therefore is not worthy of attention" (Bowles, 1997, p. 793).

Survival thus is nothing more than the difference between loss and surplus, and the

decision on the future of a particular hospital can easily be dealt with on a binary code

basis: it "either stays in business or it finishes trading" (Lawrence, 1995a, p. 13).

It definitely would go beyond the frame of this contribution to elaborate in detail how

health care management in the attempt to defend against anxieties of a paranoid-

schizoid kind gets caught in a psychotic dynamic and at the same time perpetuates it in

a vicious circle. As the management of a health system becomes the major and final

representation of organizational health and survival, it becomes the unconscious object

of endless projections about death from the medical and nursing staff, the patients (and

their relatives) as well as from the surrounding community. But since these projections predominantly mirror the psychotic state of the respective role holders and individuals and their split off anxieties about illness, suffering, despair and annihilation, they cannot be contained by a management which either tacitly or expressly denies the existence of these psychotic anxieties in themselves. As such a denial will not serve as a final defense against the fantasy and the experience of being persecuted, management is forced to react from a paranoid-schizoid position. Through splitting, which is a prominent strategy of this state, they are both tempted and seduced into identifying with idealized commercial management, which thus appears as the only solution for both their individual and organizational survival.

It almost seems that once this vicious circle of psychotic reactions and projections has started in a health organization, management has no options other than to resort to means of rigidity, reification and ultimately to the terror of a totalitarian state-of-mind which, as Ewen (1980) indicates, is "the moral economy of war" (p. 81). This is above all the outcome of mutually collusive social processes, "grounded in the social defenses against psychotic anxieties, to make managers more paranoid and schizoid than they would be in another context" (Lawrence, 1995a, pp.17).

That management in health care thus gets caught in the paranoid-schizoid position and represents the psychotic part or subsystem of an organization has further leading consequences. As management both declares itself to be and is regarded by others as the only organizational authority which is believed to make decisions, it comes "to bring into being cultures of dependency. They tend to over-control, to guard against what they see as unnecessary expenditure and, generally, create an organizational climate in

which initiative is frowned upon. The obsessive desire for control – and the wish to keep uncertainty and unpredictability at a distance – results in organizations which become near totalitarian" (ibid., p. 18). "The resultant totalitarian state-of-mind of the organizational culture is subscribed to because it offers relief temporarily from psychotic anxieties" (Lawrence, 1998, p. 64).

To the extent that this kind of political consequence necessarily excludes any transcendence of "the immediacies of accountancy, cost-effectiveness, and efficiency" (Lawrence, 1995a, p. 18), a totalitarian minded management and organization annihilates any need for spirituality in a collective attempt to find meaning for a value which - at least in the past - distinguished health care systems from repair shops and abattoirs.

Interorganizational Psychosis

Psychotic dynamics do not just have a strong influence on the internal world of an organization, its main protagonists and the way in which they convert the primary task into a means of mere survival. The extent to which psychotic anxieties and psycho-social dynamics actually have an impact on the macro level of an increasingly globalized economy recently became obvious to me during the first attempt at an unfriendly takeover among two large German corporations in the early spring of 1997.

After being competitors in the steel industry for more than one hundred years, Krupp, with the help of two major German banks, attempted to buy a critical number of Thyssen shares, thereby in effect taking over its far bigger rival in both the national and international markets. The unfriendly takeover ultimately failed for various reasons, but

the variety and intensity of reactions it gave raise to among entrepreneurs, workers, their union representatives, politicians and in the media were unprecedented in the recent history of German industry and economics. They clearly evidenced the extent to which the attempt at an unfriendly takeover, a phenomenon not known in Germany up to this point, had mobilized unconscious fantasies of annihilation on the side of both employers and employees. It somehow seemed as if - after the end of the Cold War and the mortal threat from the East - one suddenly had to face the enemy from the West in the form of hostile mergers and acquisitions known up to then only from the US. Gerhard Cromme, the Chairman of Krupp's Board and main initiator of the takeover, was publicly attacked as an irresponsible executive who, similar to American raiders of the eighties, pursued the goal of confirming his own power, thereby running the risk of cannibalizing his greatest competitor and transforming the Ruhr district into a German Dallas nightmare in the process.

There is a variety of reasons for the lack of any significant attempts at unfriendly takeovers in Germany up to this point and why this particular Krupp/Thyssen venture ended unsuccessfully. In addition to the dominant role played in the economy by the leading German banks and the intense financial links between companies (Scott, 1997, pp. 4, p. 17; Black, Wright, Badman & Davis, 1998, pp. 206), the fact that the majority of pension savings in Germany have been traditionally managed and provided by a federal agency of the (welfare) state has tended to reduce the amount of floating capital in the hands of pension and investment funds.

On the other hand, this particular German time-lag in relation to the ongoing trend of economic globalization offers a special opportunity to become more aware of the

probably generally underlying psychotic dimensions of unfriendly takeovers. The anxieties - and the defenses going along with these - are not yet covered by the usual business routine of a normality whose underlying madness is referred to as rationality.

In this particular case, both the reactions from Thyssen employees who would have been directly affected, as well as public reactions from politicians and the media made it quite clear that the usually used term of an "unfriendly takeover" really is an euphemism which serves to deceive and mystify the underlying violence, aggression and destructivity (cf. Stein, 1995, 1997a, 1998). This attempt was publicly referred to from the very beginning as a "hostile takeover" and clearly delineated the close relationship to war and warfare, i.e. to the cruel and destructive aggression of the attacker and the fear of the victims that they might be destroyed by their persecutors. Although Gerhard Cromme and Dieter Vogel, the two CEOs involved, had been rivals for some years, it would be too easy to explain the attempted coup primarily in terms of a personal feud. It obviously cannot be understood without a broader reference to the newly emerging global business logic and the installation of ever more illusory business realities, which are increasingly referred to as virtuallity. Important for this episode was also the fact that both protagonists seem to have been unconsciously acting out a history of competition between the two giants which began more than a century before when the companies were first founded by the steel barons Alfred Krupp and August Thyssen in the 19th century. Though neither of the two companies is in family ownership, their histories and development have been very strongly influenced by the ongoing bids made by the original founders and their successors for supremacy in the Ruhr district and the world markets. Alfred Krupp and his successors had a major impact on the industrial revolution

in Germany, soon gaining widespread recognition as one of the leading weapon

producers in Europe, and this remained the case till the end of World War II. August

Thyssen, on the other hand, had developed his dynasty mainly through acquisitions and

buyouts (Pritzkoleit, 1957, pp. 342, pp. 431). This did not, however, prevent the Thyssen

company, full of indignation and apparent innocence, from claiming that recent takeover

attempts were a unique and unprecedented scandal. As a matter of fact, the

phenomenon had been a predominant dynamic of the corporation since its early

beginnings. The history of Thyssen can be interpreted as a history of almost endless

greed with which the founder and his temporary business partner Hugo Stinnes

incorporated countless other firms by means of mergers or hostile takeovers. Stinnes

was known as a "firm hunter" who, through financial shrewdness and manipulation,

owned shares in 4554 companies ("Crash im Revier", 1997, p. 98; Chandler, 1990, p.

509).

Though Krupp enjoyed the better reputation for many decades, Thyssen, especially

after the Second World War, grew faster in terms of size, turnover and profits. Both

companies face serious structural problems due to the decline of demand for steel and

coal products in Germany and rapidly falling world prices, and it has been evident for

some time that of the two companies Krupp would not survive the near future unless it

entered into a partnership or some kind of cooperation with a competitor, such as of the

kind agreed when Hoesch was integrated into the group in 1992.

The fact that Cromme, the Krupp-Hoesch CEO, had been nominated "manager of

the year" in 1992 may well have contributed to the pressure he was expected to cope

with in his managerial role. The mere thought that a man who had taken over the top

management role of a world-renowned company like Krupp with the declared intention of leading it successfully into the next millennium, and who had made such a promising start in this new job would soon have to knock on the door of his greatest rival and beg for admission or that he might even have to declare bankruptcy must have been utterly unbearable for everyone, from Cromme himself and his management colleagues through to Krupp's shopfloor workers and even to the broader public. In face of the mortal threat posed by Krupp's - and his own - predictable future, Cromme appears to have been challenged to act as a national- and indeed as a world-management champion. To prove his eligibility for world championship, his part was to play through the game which global players act out in their rivalry against Thyssen. With the help of the banks, Cromme organized a carefully designed, hidden scenario which - in a kind of <u>fait accomplie</u> - would allow him to inflict a final, lethal blow on Thyssen. This would not only have meant an end to the rivalry between Cromme and Vogel but, even more so, on a metaphorical level, the end of a brotherly quarrel between the two steel barons Alfred Krupp and August Thyssen, with the elder of the two winning out in the end.

The above sketch of the first publicly known attempt at an unfriendly takeover in Germany provides us with adequate evidence for the appearance of psychotic tendencies and dynamics both at Krupp-Hoesch and also at the interorganizational interface between the two rivals. The structural changes of the international coal and steel market over the last decades meant that both companies increasingly struggled for survival. In previous times of prosperity right into the seventies and early eighties, the two companies got along quite well with each other as competitors, each maintaining reasonable market shares. This situation dramatically changed in recent years. As

neither company belonged any longer to the ten major steel producers in the world, they where thrown back on their old roles as rivals. In comparison to Thyssen, Krupp produced only half the amount of steel; it had long since and irrevocably lost its leading position and increasingly faced a thoroughly disastrous situation. Production costs for steel had gone beyond earnings, and Krupp was making substantial losses with steel. Necessary investments had been postponed for far too long. These factors themselves are probably enough to explain the psychotic escalation on Krupp's side, the mortal anxieties and the fear of being swallowed in the near future by Thyssen.

In face of the psychotic anxieties and the inherent typical defenses sketched above the hostile takeover, initiated by Cromme, can be seen as a denial of the apparent threat and the annihilation anxieties going along with it (Moses, 1996) - the safeguarding of Krupp's future as an enterprise is seen exclusively in the annihilation and the devouring of the competitor, who had been experienced as a "persecutor" for many years. The unmistakable elemental threat of being taken over and swallowed by the persecutor caused Krupp to hide the underlying aggressivity, destructivity and sadism behind a strategy of apparently rational business routine. The actual ambivalence of such a strategy, which despite the intended success and profit of the planned solution also has to be understood as the smashing up of a corporation full of tradition and international relevance and the annihilation of countless jobs, had to be denied via splitting. Because the intended strategy was perceived as a panacea whose probable self-destructive implications were ignored, the internal conflict on Krupp's side and the fear of its own decline could be externalized and turned into aggressivity towards the external world. Unlike Thyssen, which appeared as a bad and to-be-annihilated-object the banks

involved in the coup took on the role of good, idealized objects. The attempt towards a hostile takeover and the omnipotence fantasies going along with it might have been accompanied not least by the unconscious desire of taking vengeance via annihilation for the injuries felt in decades of competition. Like psychotic anxieties in general, the inherent anxieties of this takeover attempt can be understood as being derived from the activity of the death instinct (Hinshelwood, 1991, p. 122).

A further factor which contributed to the escalation was that Cromme had repeatedly attempted to find negotiable and agreeable ways for a merger of the two giants, but that these had been continuously rejected. Driven into the corner of foreseeable death, it would seem that Cromme, in his top executive role, saw no other choice other than to fall back on a psychotic solution, i.e. to attack the rival and hope for the latter's definitive defeat. It is not surprising in view of the loss of reality that Cromme and the few people who had been let in on this strategy believed they had found the appropriate means - or the cure - in the model of an unfriendly takeover. The narrowness and the rigidity with which this strategy was pursued are a further expression of psychosis, in which the capacity for intuitive knowledge and thinking are destroyed. And as the loss of reality in psychosis usually goes along with extreme narcissism (Fromm, 1968, p. 66), it can be assumed that the narcissistic investment in the top executive role in Cromme's case colluded with the social dynamic embedded in Krupp's history through its founders and former owners (Baersch, 1983; Calogeras, 1987).

The psychosis hypothesis for the intended takeover is further supported by the degree of destructiveness on which the financial strategy of the coup was based. The acquisition of a share majority in Thyssen would have required some nine billion

deutschmarks, which would have financed itself. Before Cromme's rival even knew what his strategy was, "the victim had already been dissected and eviscerated on the banks' computers" ("Crash im Revier", 1997, p. 95). In addition to the expected savings through the merger of the two steel production operations, the larger portion of earnings was to be realized through the sale of smaller companies, shares and real property previously owned either by Krupp or Thyssen. It strikes me in this context that the language of this strategy, i.e. the slaughter and the abattoir are almost the same as in the management recruitment process for a hospital described above by Lawrence (1995a). The language used also invites associations with Melanie Klein's (1932/1975, p. 31) description of the infantile attacks on the mother's body in early situations of psychotic anxiety. Led by the unconscious fantasy that the mother will persecute it because of its own aggressive impulses to kill her and to steal from her, the infant is driven by an "extreme aggression against the inside of mother's body, with the consequent fear of retaliation by mother and father, whose penis resides within the attacked body of mother and who is also attacked for his residence there" (Hinshelwood, 1991, p. 116). Similarly to the way in which the infant tends to destroy the body of the mother and the inside contents in form of her (future) babies, Cromme's (and his banks') strategy was based on the plan of separating the mother companies from a respective number of "daughters" by selling them or shutting them down, thus leaving them to a very uncertain fate. The unwavering confidence with which this strategy was to be pursued can be interpreted as the idealization of the omnipotent destructive parts of the self (Rosenfeld, 1987, p. 106). All this is usually hidden behind the language of rationality and its supposed evidence: "If growth carrier and 'cash provider' will be optimally combined and peripheral activities are

corrected then the profitability and the shareholder value will increase with lasting effect.
(...) Sacred cows must no longer exist" (Cromme, 1998, p. 25).

The final consequences of the attempted unfriendly takeover demonstrate the inadequacy and disastrous failure of the underlying psychotic strategy. In the end it proved possible, not least through the intervention of the government of the federal state most affected, to merge parts of the firms, the two steel activities, into a newly founded Thyssen-Krupp steel corporation. From what has become publicly known so far (Rieker, 1997), it would seem that the Thyssen steel division had already developed its own strategy for a future merger of the two steel giants long before the failed takeover, and that they have been able to enforce major elements of their strategy against the interest of Krupp. The result has been that Krupp-Hoesch not only has less influence in the new joint venture but, due to its outdated steel production facilities, also has to carry the higher financial risk.

In retrospect it would appear that the hefty public reaction and the extreme attacks on Krupp-Hoesch, and on Gerhard Cromme in particular, must be interpreted as equally psychotic. It is as if the unforeseeable echo from various parts of the German public served to end the psychotic attempt to escape mortal fear by tricking the persecutor. It was the cacophony of judgmental voices and opinions from the outside environment which ultimately proved the cleverly constructed order and the fantasized strategy to be false.

On the other hand, however, it can be assumed that the really critical episode which converted an otherwise common-place business strategy to disaster was the fact that, for whatever reason and through whatever channels, the strategy simply became public

too early. Though the alternative cannot be proven, the possibility that this first attempt at an unfriendly takeover in Germany might have succeeded if it had been successfully concealed until preparation had been finalized cannot be entirely excluded. A takeover strategy which, in the present context, appears to have been driven by immense and unconscious psychotic anxieties, would in the case of its success, have hardly presented itself as anything more than a cacophonic disturbance and reframing of the previously taken-for-granted conviction that the German situation does not allow unfriendly takeovers in the American style.

At first sight, the newly founded Thyssen/Krupp steel corporation appeared to be the final, successful solution of the quarrel which had been initiated by the intended unfriendly takeover during early spring of 1997. Subsequently, however, only half a year later, it seemed more like a prologue to what then turned into a much more extended drama. Considerations for a total merger of the two corporations were first announced by Guenter Vogelsang, the 77 year old Honorary Chairman of Thyssen's Supervisory Board, and Berthold Beitz, 84, the head of the Krupp Foundation which owns 51 % of Krupp-Hoesch shares. What initially was to be accomplished relatively easily and in a short time (because of its apparently overwhelming economic logic) turned into a major adventure. For some time it looked as if it would end in disaster and the abandonment of the planned merger; later final elaboration of the details was to take about a year till the autumn of 1998; this was recently postponed again to the spring of 1999.

Psychosis Unlimited

As already indicated at the beginning, psychotic organizational dynamics are not exclusively limited to the internal world of an organization or its immediate interface with its competitors, suppliers or customers. Psychotic phenomena and dynamics appear increasingly to dominate the broader business world in a more global context. Though this is apparently the case for the international financial markets in general, where unimaginable amounts of money are transferred daily and where the news about booms and dramatic crises come thick and fast, I would like to focus here on the increasing tendency towards shareholder value optimization in which both institutional investors and corporations would seem increasingly and inescapably to be caught.

The more I try to understand the dramatic changes in what social scientists and theorists of organization and management are used to refer to as the environment of business enterprises and its turbulence (cf. Mintzberg 1994, pp. 203), the more I am confronted with my own inadequacy and impotence as far as my knowledge and competence for an appropriate understanding and analysis of these new phenomena are concerned. I also become increasingly scared by the conspicuous brutality and destructiveness through which organizations – and enterprises in particular – are reduced to mere commodities by the international giants of corporate investment and pension funds.

Based on the conviction that a company's profit can no longer be taken as the appropriate measure of the yield a shareholder will receive for money invested, the shareholder value orientation suggests that a company's cash flow, and the free cash flow in particular, has to be regarded as the more adequate measure of profitability (cf.

Rappaport, 1986; Black et al., 1998). Contrary to the conviction prevailing up to now that the value of an enterprise, in addition to its monetary profit, consisted of its contribution to a national economy, the living of its employees, the meaning of its products and a responsible use of resources, the increasing dominance of the shareholder orientation reduces the world economy to a monopoly-like international money game. Whereas some two decades ago the ultimate product of work was still considered to be people (Herbst, 1974; Sievers, 1990), work in the not too far future only seems to serve as a means for the money which can be transferred to the shareholders after all other costs, including the costs for labor, have been deducted.

What strikes me in the present context are the Midas-like implications for a corporation which, touched by its shareholders and the institutional investors, turns into gold – or at least into money. The exclusively monetary orientation of the current predominant 'cult of the share' is based on a staggering loss of reality via reification. In so far as money not only becomes a value in itself, but the ultimate value, which relegates all other values into mere opinions or ideologies, money looses its symbolic quality, "it is treated almost as a thing in itself" (Menzies Lyth, 1988b, p. 210). "The belief in market forces and capitalism has caused managers to think of their institutions as only having the purpose of making or saving money. This primary task has supplanted the idea that any enterprise exists to perform work oriented tasks" (Lawrence, 1998, p. 68). In the context of the shareholder value debate, the reduction of an enterprise's value to a supposedly objective monetary value might appear as a major accomplishment, an ultima ratio, but in a broader frame it has to be perceived as a reduction of a much more complex reality. For shareholders in general, and for shareholder conglomerates such

as the investment and pension funds in particular, any other notion or quality of an enterprise is obsolete. According to the underlying conviction, money is no longer supposed to be increased by buying or selling products or services but just as money in itself. As Fromm (1977; cf. Harsch, 1995, p. 95), however, has indicated, the desire inherent in the Midas myth of turning everything into money can from a psychoanalytic perspective be interpreted as destruction.

The increasing dominance of the shareholder value orientation also leads to major changes in the meaning of management and work. As the new generation of top managers has no choice other than to adapt to the triumphant progress of the share culture, they not only loose the autonomy as entrepreneurs which they, especially in Germany, traditionally had; in confirming their faith in the belief that the most important task of a corporation's top management is to meet shareholders' expectations and direct business strategy towards the achievement of the highest possible value for the enterprise, they are increasingly turned into mere henchmen of the major institutional investors and their managements.

The predominating shareholder value orientation also enforces a high degree of rationalization in the sense that jobs are either made redundant or transferred abroad, where labor costs are cheaper; it tentatively goes along with a high devaluation of work. Because of the fast growing world population and the disappearance of trade barriers, we are increasingly running the risk that a high amount of human work soon will become extremely cheap. "And those who are paid like dirt, will, sooner or later, find themselves in the mire" (Afheldt, as cited in Martens, 1996, p. 21).

Contrary to the most common evaluation of the ongoing globalization of major global players and their high priests, the neoliberal economists, it would seem to me that the increasing tendency towards shareholder value optimization and the predominance of financial markets go along with a globalization of psychotic anxieties which are unconsciously managed, maintained and increased by the various referent systems and their respective role holders.

Instead of regarding money and capital in particular as a per se neutral means or an evaluator, I am convinced that the transfer of money in the context of institutional investors cannot be adequately understood without a deeper awareness and understanding of the transferences which mainly unconsciously go along with it. The hypothesis which I am increasingly concerned about refers to the potentially psychotic undercurrent of the money invested into funds. As individual investors, by the very fact of their investment, project and displace part of their anxieties, greed and fantasies of unlimited prosperity into institutional investors, the managements of these financial corporations not only feel mobilized as trustees - acting on behalf of their investors - but also take over parts of these unconscious fantasies and anxieties via introjection. In legitimizing themselves in their management roles as representatives and advocates of masses of investors, they are not only tempted to oscillate their own anxieties of a psychotic kind, but are additionally mobilized to transfer the introjected fantasies and anxieties together with the money/capital which they as shareholders are investing into other corporations. As the prevalence of psychotic anxieties both on the side of private and institutional investors goes along with psychotic thinking, they unconsciously come to bring into being corporate strategies which predominantly serve the purpose of

keeping the underlying psychotic anxieties at bay. Through favoring a shareholder value optimization in the corporations under their control, they increasingly intensify fantasies of persecution and annihilation and nurture the fear among these corporations' managements and their employees of being at their shareholders' mercy. The rigidity and brutality with which the strategies for cash flow increase are enforced tend to be hidden behind a rationality which is typical for psychotic thinking: It is the <u>thinking</u> of the markets which allows no alternative to paying the necessary tribute to the shareholders (e.g. Black et al., 1998, p. 8).

Though I have to admit that my attempts at understanding the implications of growing globalization for the future of contemporary enterprises and organizations are accompanied more often than not by an experience of inadequacy and despair, I am at the same time convinced that an increasing number of the real actors and players in the world monopoly are lacking any appropriate understanding of the game they are taking part in for the exclusive sake of multiplication of capital and power . It appears to me that Schumpeter's (1943, p. 83) famous dictum that <u>creative destruction</u> is at the core of capitalism not only serves as a license for rational destructiveness, but is becoming more and more perverted into the notion of <u>destructive creativity</u>.

Instead of a Conclusion

What has been stated so far necessarily must appear as a sketch or even a torso. I hope, however, that the thoughts on the psychotic organization and their applications to the three different organizational contexts – intra-, interorganizational and global – has demonstrated both the general usefulness of such a venture and the fact that this way of

thinking will serve as program for my own further reflections and research. A German journalist referring to the broader context of the world's stock markets recently stated that the present turmoil and euphoria "is a case for psychoanalysts rather than for economists" ("Euphorischer Nebel", 1998, p. 88). This has become obvious for me in my work in this area. However, instead of reducing this argument to psychotherapeutic treatment, which in this particular context would be most futile, I would like instead to make a case for the argument that I regard the psychotic dynamics in contemporary organizations and the increasingly global markets as prominent cases for the psychoanalytic study of organizations. And I hope that my contribution may encourage other scholars to embark on the journey into this still unknown territory or even on to newer continents. A journey of this kind into the heart of organizational darkness confronts the researcher with almost the same restrictions as his predecessors, the travelling scientist and explorer of previous centuries: reliable maps are not available and there are not very many equally minded companions who will be prepared to take on the strain of the adventure.

Encouragement for a journey into the darkness is mediated by the awareness of light and twilight and the conviction that there are other dimensions of contemporary organizational reality which are apparently more visible and/or enjoyable to investigate. As the use of the metaphor of the psychotic organization, like the use of metaphor in general, is based on the assumption that every way of seeing is a way of not seeing, the notion of the psychotic organization in addition to other conceptualizations or metaphors may help us to reach a more holistic and as such a more 'real' imagination of what it means to work and live in organizations.

Excluding and neglecting the suggested perspective on organizational reality would equal to me the futile attempt to escape the pestilence which Edgar Allan Poe (1980), so dramatically described more than one hundred and fifty years ago in "The Masque of the Red Death". In this tale, Poe describes the attempt of Prince Prospero who, somewhere in the Middle Ages, together with a thousand friends from among the knights and dames of his court retired to the deep seclusion of one of his castled abbeys in order to escape the plague which was devastating his country. Not caring any more about what was going on in the outer world, they lived in pleasure, luxury and security. Half a year later, however, on the occasion of a masked ball of the most unusual magnificence, the totally unexpected and desperately avoided reality broke in as the great festival collapsed. A new masquerader, an uninvited figure in blood-dabbed grave cloths turned out to be the Red Death itself. And "darkness and decay and the Red Death, [which they had so carefully attempted to expatriate, eventually] held illimitable dominion over all" (ibid., p. 141).

In parts, there is so much congruence between Poe's language in the tale and psychoanalytic conceptualizations of organizational psychosis that the two different texts – despite their entirely different qualities as fiction and as science and their different times of publication – can almost be considered as exchangeable. Written long before psychoanalysis reached the state of a science, Poe's "Masque of the Red Death" appears to me to be a masterpiece of a 'case study' on psychotic organizations. It is the description of how the members of an organization managed their obsessive desire for control and the wish to keep uncertainty, unpredictability and death at bay. By retiring into the castled abbey, they split off the scaring part of reality from which they wanted to

escape. Convinced that "the external world could take care of itself (...) it was folly to grieve, or to think" (ibid., p. 136). Led by their own mortal anxieties and threat, they lacked any further concern for their good objects of the inner and the outer world. Even the destructiveness and aggression often typical for the psychotic state finds an expression in Prince Prospero's attempt to overwhelm and to kill the uninvited intruder who, as the prince falls into his own dagger, finally ends in self-destruction. As they all had escaped those whom they loved and used to care for, the desire to mourn their deaths had become unnecessary, as had the grief for their companions' death because of the sudden deadly climax which effected all of them.

In concluding my thoughts on psychotic organization with Poe's tale, I run the risk of being misunderstood, as if I intended to introduce a mood of black despair. Poe's "Masque of the Red Death" represents for me in the present context a challenge. Only when guided by the conviction that we are individually and collectively able to escape and to survive the threats which are devastating the country do we run the risk of being overtaken by inadequate solutions. The attempt to expatriate the apparent irrationality and psychotic dynamics from our business and economic world would then eventually hold dominion over us all. Prince Prospero and his thousand guests may above all be a lesson for us that an extreme loss of reality, the hatred for thinking and grieving and a neglect for the external environment will not serve to master adequately mortal threat and anxieties.

Although I do feel an enormous despair when it comes to the question of how the predominant psychotic dynamics in many of our contemporary organizations and enterprises will be overcome, I nevertheless hope that the other metaphoric frame, the

depressive position, represents a way out of the contemporary devastation, and is not just an academic's delusion of solace.

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