Confronting Strategic Inertia in a Top Management Team: Learning from Failure

Gerard P. Hodgkinson, George Wright

Abstract

Gerard P. Hodgkinson[1]
Leeds University Business School
The University of Leeds, UK

George Wright
Strathclyde Graduate Business School
University of Strathclyde, Glasgow, UK

Recently there has been a growing interest in the use of scenario-planning techniques and related procedures such as cognitive mapping as a basis for facilitating organizational learning and strategic renewal. The overwhelming impression conveyed within the popular management literature is that the application of these techniques invariably leads to successful outcomes. To the extent that this is not the case, the absence of documented accounts of instances where these techniques have failed may mislead would-be users into embarking on inappropriate courses of action, unaware of their fundamental limitations. In keeping with a number of recent calls to make organizational research and management theory more relevant to the world of practice, we present a reflective account of our own (largely unsuccessful) attempt to apply these potentially powerful methods of intervention in the context of a private sector organization. Drawing on the rich seam of qualitative data gathered over the course of our work with the senior management team of the organization concerned, we explore the reasons why our attempts to utilize these methods did not yield the benefits anticipated. The data are analyzed using Janis and Mann's (1977) Conflict Theory of Decision Making. It is argued that the primary reason why our process intervention failed is that the participants adopted a series of defensive avoidance strategies, amplified by a series of psychodynamic processes initiated by the Chief Executive Officer (CEO). We contend that these defensive avoidance strategies served as a means of coping with the unacceptably high levels of decisional stress, which arose as a result of having to confront a variety of alternatives, each with potentially threatening consequences for the long-term well-being of the organization.

Descriptors: cognitive inertia, decisional stress, organizational development and change, organizational learning, psychodynamic theory, scenario planning

Introduction

Organization Studies
2002, 23/6
949–977
© 2002 EGOS
0170–8406/02
0023–0039 $3.00

One of the most important concepts to have emerged from the burgeoning literature on strategic cognition in recent years is the notion of 'cognitive inertia'. Once established, there is a danger that actors may become overly dependent on their mental models of strategic phenomena, to the extent that they fail to notice changes in the material conditions of their business environments until these changes have become so widespread, or signifi-

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

from the SAGE Social Science Collections. All Rights Reserved.

cant in other ways, that their organization's capacity for successful adaptation has been seriously undermined. (For empirical demonstrations of this phenomenon, see Barr and Huff 1997; Barr et al. 1992; Hodgkinson 1997; Reger and Palmer 1996.) To the extent that this concept is valid, it has important normative/prescriptive implications, namely, that strategists should periodically engage in processes of reflection and dialogue, in order to challenge their otherwise taken-for-granted beliefs and assumptions regarding the strategic imperatives confronting their organizations, with a view to broadening their perceptions. The aim of such an exercise is to attain the requisite variety in mental models necessary in order to anticipate the future and develop a strategically responsive organization, thus mediating the potentially deleterious impact of cognition on action (cf. Baden-Fuller and Stopford 1992; Mitroff 1988; Morecroft 1994; Senge 1990).

In this paper, we confront theory with practice. We reflect critically on our own attempts to implement this prescriptive advice in the course of a recently completed scenario-planning assignment which we undertook as paid consultants in a business organization operating within the global publishing industry (broadly conceived).[2] The model underpinning our intervention was one of 'process consultation':

> '[Process consultation] is a set of activities on the part of the consultant that help the client to perceive, understand, and act upon the process events that occur in the client's environment in order to improve the situation as defined by the client.' (Schein 1988: 11)

In adopting this approach, the primary purpose of the consultant is to ensure that the client is sufficiently equipped to identify the nature of the problem and arrive at his or her own solutions. Hence, the underlying ethos of process consultation is to vest ownership of the entire process (including problem definition and the identification and implementation of the proposed solution/solutions) with the client, as opposed to the 'expert' consultant. Facilitation skills are thus paramount throughout the whole intervention. (For further discussion of the underlying aims and philosophy of process consultation, see Schein 1987, 1988.)

The organization in question is facing a highly uncertain future, with a very real possibility that its current offerings, and those of its clients, might be displaced by foreseeable changes in the practices of firms in the wider industry in which it operates. Mindful of the rapid pace with which innovations are taking place, we were hired as external consultants by the chief executive officer (CEO), with the expressed intention that we should facilitate a 'strategy process workshop', the explicit purpose of which was to surface managerial understandings of the company's current strategy and competitive position, with a view to fostering a debate within the senior management team regarding its medium-to-long-term strategic priorities and direction.

On the basis of our initial understanding of the organization's problems, based on a series of preliminary interactions with the CEO and several of her colleagues, we expected that scenario-planning techniques would have

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

proven especially effective in this context. The aim of these techniques is to reveal potential weaknesses in organizations' current strategies, by closely examining the extent to which the strategy is sufficiently robust to withstand various major changes that might plausibly occur at some future point in time. Scenario techniques assist with this endeavour through a process akin to the use of wind tunnels in the fields aerospace and automotive engineering (van der Heijden 1996). Various 'plausible futures' are identified which, were they to unfold, might pose a major threat to the organization. The objective is to ensure that the extant strategy is able to withstand this buffeting process, much as an engineer might examine airframe structures for potential damage following a period of exposure to severe turbulence under laboratory conditions. In the event that the strategy is found wanting, the scenario team reconsiders its options. Hence, in this context, the strategic options are analogous to aeroplane designs and the scenarios are analogous to wind tunnel conditions. An appropriately crafted strategy should perform well — or least be sufficiently robust — to withstand the 'environmental stressors' embedded in the various scenarios. In this way, the salience of potential threats to the organization is heightened — since the nature of the future is put into sharp focus by the process of critical reflection that is fostered by scenario-planning techniques. For this reason, scenario planning has been advocated as a means of overcoming 'strategic inertia' — defined as the habitual reliance on a (previously successful) organizational 'recipe' or success formula (Wright 2001; Wright and Goodwin 1999).

In so far as our efforts to facilitate this process of organizational learning and strategic renewal by confronting strategic inertia did not result in the development of a viable course of action for dealing with the medium-to-long-term uncertainties facing the organization concerned, ultimately, this project might be described as having 'failed'. It is our reflections upon the processes underpinning this apparent failure, which form the subject matter of the present paper, with a view to imparting the lessons to be learnt for managers and consultants.

In essence, our attempted intervention and subsequent reflections comprise an exercise in 'scholarly consulting', the purpose of which is to develop propositions that are valid and actionable, generalizable and applicable to the specific case (Argyris 1999: Chapt. 19). Notwithstanding the fact that these propositions are generated in the context of solving particular organizational problems, the fact that outcomes other than those intended are both possible and tested for, means that falsification, the bedrock of scientific method (Popper 1963), is central throughout (see also, Anderson et al. 2001; Hodgkinson and Herriot 2002; Hodgkinson et al. 2001).

In sum, the purpose of this paper is to report the case analysis of a critical incident, the critical incident being an attempted intervention in the strategic management process of an organization which failed to turn out as expected. In this sense, our paper represents a contribution to a process of scientific discovery, the purpose of which is to help ascertain boundary conditions for the effectiveness of scenario interventions.

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

The paper is organized in six main sections. Following this introduction, we discuss the technique of scenario planning as a potentially powerful process intervention tool for overcoming cognitive inertia in organizational settings. Next, we provide background details of the case itself, showing how we attempted to implement this technique in practice, and briefly describe the difficulties we encountered during the course of implementation. In the fourth section, we reflect on our experiences and seek to account for the limitations of scenario planning, as encountered in the context of the present case. Drawing on the Conflict Theory of Decision Making (Janis and Mann 1977), we argue that the scenario process acted as a trigger, invoking a variety of dysfunctional coping mechanisms among the senior managers who participated in the exercise. These mechanisms served to reduce the stress arising from the decision dilemmas with which the managers were confronted. Our methodological approach, detailed later, involved a content analysis of our interview transcripts compiled over the course of our intervention. This content analysis enabled us to identify the 'coping patterns' employed by the senior managers in order to reduce the cognitive stress generated by their inability to develop an alternative strategy to the one that was currently failing. In the final sections, we discuss and summarize our main arguments and draw together our principal conclusions.

Scenario Planning: A Comprehensive Method for Overcoming Cognitive Inertia?

As noted in the previous section, the practical implications arising from the notion of cognitive inertia are that strategists should engage in processes of reflection and dialogue in order to 'surface' their taken-for-granted assumptions and beliefs, with a view to fostering critical debate within the organization. It is hoped that this process of confronting actors' individual and collective cognitions will sufficiently challenge the mental models that have come to prevail within the organization. The primary aim is to sensitize strategists to those weak, but nonetheless highly significant, stimuli that signal important changes afoot in the external environment, thereby enhancing the adaptive capabilities of the organization, to prevent (or at least 'correct') what Johnson (1987: 244–247) terms 'strategic drift'. This concept refers to situations in which the environment changes gradually, but the organization's strategy fails to keep in line with it. Ultimately, if left unchecked, the long-term consequence of cognitive inertia and strategic drift is business failure. It is imperative, therefore, that, from time to time, strategists question the appropriateness of their organization's business strategy, and conduct a resources audit, in order to ensure that the organization remains in a position to meet the demands imposed by the environment in which it operates.

One technique in particular which has been popularized in the practitioner-oriented literature as a potential means for achieving this objective is the

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

method of scenario planning (e.g. Fahay and Randall 1998; Goodwin and Wright 1998, 2001; van der Heijden 1996; van der Heijden et al. 2002; Mobasheri et al. 1989; Schoemaker 1995; Wack 1985a, 1985b; Wright and Goodwin 1999). While there are a variety of approaches in the literature that may be grouped under the umbrella of 'scenarios', nevertheless, there are several discernible key features common to each, which, in general, render this technique potentially useful as a means for facilitating organizational learning and strategic renewal. Scenario planning:

- is a systematic, yet highly flexible approach.
- is a highly participative, involving extensive data gathering and reflection, both at an individual and collective level.
- forces strategists to confront explicitly the changing world and consider its implications for the current strategy.
- does not attempt to predict the future. Rather, scenario-planning techniques use speculation and human judgement in an attempt to gain fresh insights that help to 'bound' future uncertainties.

In contrast to traditional strategic-planning techniques, which seek to forecast the future in probabilistic terms, in an attempt to plan for a predetermined future, scenario-planning techniques seek to develop a series of stylized portraits of the future which capture what may or may not happen, thereby providing a basis for developing a strategy for dealing with the various contingencies so identified, thus directly incorporating uncertainty within the analysis (van der Heijden 1994). According to van der Heijden (1996: 41), the benefits which stem from the application of a scenario-planning approach are two-fold: (1) in the shorter term, by observing the business environment more skilfully, the adaptability of the organization is increased; (2) in the longer term, a more robust organizational system can be developed, one that is better able to withstand the unexpected shocks that will come its way.

Wack (1995a, 1985b), a pioneer of scenario planning, contends that, for scenarios to be effective, four essential elements need to be incorporated: *driving forces*, such as the well-known competitive forces identified by Michael Porter (1980), which help to shape the future; *prime movers*, powerful individuals and organizations capable of altering the course of history by virtue of their relative strength; *pre-determined elements*, factors and/or events which are highly likely to occur in the future by virtue of developments known to be already in the pipeline; and *uncertainties*, factors and/or events that could change the future, but which may or may not occur. To reiterate, in scenario planning, uncertainties, by virtue of their unpredictable nature, are postulated rather than forecast.

This separation of future states into predeterminds (predictable elements) and uncertainties (unpredictable elements) is fundamental to enhancing the adaptive capabilities of the organization. Within a given set of scenarios, in order to capture the range of plausible future states, the predeterminds should remain constant while the uncertainties vary from one scenario to another, thus providing the basis for developing a strategy which is sufficiently

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

comprehensive to deal with the various contingencies so identified. In summary, the fundamental proposition that lies at the heart of scenario-planning techniques is that it is the stretching of extant mental models that leads to important strategic discoveries, thereby ultimately fostering the long-term survival capabilities of the organization.

Scenario planning is not without its critics, however. Two problems, in particular, have been highlighted, which the would-be user of scenarios would be well advised to consider. First, as Hodgkinson (2001) and Hodgkinson and Sparrow (2002) have observed, the technique is a practitioner-derived method with very little supporting evidence, other than basic anecdotal evidence, for its efficacy (though, for a notable exception in this respect, see Schoemaker 1993.) Second, accounts of the use of scenarios in the (limited) extant literature are restricted to 'success stories', such as Pierre Wack's highly acclaimed account of scenario planning in the Royal Dutch Shell organization (Wack 1985a, 1985b), which enabled the company to anticipate the shift in the world market for petroleum that occurred in 1973. However, as noted by Mintzberg, these accounts may be untypical of practitioners' experiences more generally:

> 'The Wack account does not point out how commonly such exercises fail, either in the scenarios built or the behaviors avoided. On the one hand, few groups seem to be as adept as Wack and his colleagues at hitting things so right, especially in such a complex set of circumstances. ...
>
> On the other hand, there are the groups who do it well in the conditions where it can be done, like that of Wack, but then fail because they cannot influence the necessary behavior, namely to convince management to agree with the prediction and act accordingly.' (Mintzberg 1994: 250)

Mintzberg speculates that perhaps it is because the Royal Dutch Shell case is so unusual that Wack's article came to be chosen for publication in the *Harvard Business Review* in the first place, and why, subsequently, it has become so well-known. To the extent that Mintzberg's analysis of the literature is correct, a key danger facing the would-be user of scenario-planning techniques is that they may embark on inappropriate courses of action, misled by the absence of documented evidence regarding the limitations of these techniques. What follows, therefore, is a reflective account of our own (largely unsuccessful) attempts to apply this potentially powerful method in an effort to facilitate organizational learning and strategic renewal in the aforementioned organization.

In earlier writing, Staw et al. (1981) argued that there may be a general tendency for individuals, groups and organizations to behave *rigidly* in threatening situations, such that previously learnt, i.e. habitual, rather than adaptive, behaviours are repeated. Ginsberg (1988) developed a similar line of reasoning, arguing that changes in an organization's external environment (e.g. shifts in demand for particular products and services) and/or its internal environment (e.g. shifts in the skill base of the management team), together with feedback concerning the success or otherwise of the current strategy, may create pressures for change, but extreme pressure may induce

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

resistance to change. Our account bears out these observations. Too much stress can de-rail any strategic-planning process and, as we shall document, scenario techniques may actually invoke such dysfunctional stress levels, because they highlight potential dangers that key actors may, hitherto, have been unable, or unwilling, to acknowledge: mismatches between plausible futures and current, or contemplated, strategies.

Problems in Practice: The Case of Beta Co.

Background

As explained earlier, the organization in question, which, in order to preserve commercial confidentiality and protect its true identity, we shall refer to hereinafter as 'Beta Co' is a business operating in the global publishing industry (broadly conceived). While the company's short-term future is reasonably secure, in the longer-term it is highly uncertain, as is the future of many of its client organizations. Rapid advances in the industry look set to displace the company's current main offering, but what is not clear is precisely over what time-scale and which of the many innovations currently in the pipeline (i.e. the predeterminds) will ultimately be adopted on a mass-scale. What is certain, however, is that the way in which business is presently transacted, and the nature and identity of the major players within the industry concerned, will change beyond recognition over the coming years. Amidst the many changes taking place in this industry, it is the emergence of a new electronic infrastructure that is perhaps the biggest single development in the pipeline which looks set to change its fundamental character forever. While presently there are potential security problems with the widespread adoption of this new technology, the development of suitable encryption devices and other methods for dealing with these problems is well underway. Within the foreseeable future, this technology could render current industry and market structures, to say nothing of conventional channels of delivery, completely obsolete.

It is against the backdrop of these emerging developments that we were called in to assist the CEO in facilitating a 'strategy process workshop'. Mindful of the dangers of 'cognitive inertia' and 'strategic drift' (these terms had been introduced to the CEO and the other members of her senior management team in an in-house seminar held several months prior to our engagement), the CEO explicitly instructed us to help her team confront the implications of the various changes taking place in the markets served by the company, i.e. to question the medium-term viability of its business strategy, with a view to ensuring the continued relevance of its current offerings and/or that the company would be in a position to adapt to the many changes taking place within the industry.

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

The Strategy Consultation Process

The consultation process was conducted on an intermittent basis over a period of several months during the summer of a single year. In total, nine individuals took part in the exercise, namely, the CEO, the founder of the company, together with six other members of the senior management team, each responsible for one or more specialist technical/functional areas within the organization (effectively 'the top-management team'), plus two members of staff from the middle levels of the organization with specialist technical knowledge of an operational nature. The six senior management team members reported directly to the CEO.

The scenario-planning approach employed in this assignment necessitated the gathering of highly detailed information through the use of a variety of methods, including pre-workshop interviews, individual- and group-level SWOT analyses, and a competitive position analysis, based on group discussions centred on Porter's (1980) five-forces framework. Our ultimate purpose in gathering these data through such a rich variety of techniques was to help the participants systematically identify the organization's current strategy, or, in van der Heijden's (1996) terms, 'the business idea', and develop various scenarios against which the adequacy, or robustness, of this strategy could be evaluated. In essence, the business idea is the collective understanding, or 'shared mental model', of the members of the organization concerning the company's strategic intent, encapsulated in the form of an influence diagram that systematically depicts the inter-relationships among its perceived distinctive competences, on the basis of causal reasoning. As noted earlier, the *reason d' etre* of a scenario-planning exercise is to provide 'wind-tunnel conditions' in which to buffet the current business idea. If the business idea withstands the potential impact of the events depicted in the various scenarios, all is well and good, if not, the insights gained from this exercise can be used as a basis for fostering strategic change.

Basic details of the interview schedule used to elicit information from the individual participants, prior to the group meetings, are presented in Table 1. For further information, including the detailed rationale underpinning the individual questions and overall structure of the interview procedure, see van der Heijden (1996: Chapt. 7).

In total, the individual interviews took between 1.5 and 2 hours each to

Table 1 The Basic Interview Schedule Used to Elicit Information from the Various Participants Prior to the Group Meetings (adapted from van der Heijden 1996: 145–149).

1. The participant's background and current role in the organization
2. Three key issues confronting the organization over the coming decade on which information is much sought
3. Developments relating to these issues under a good scenario
4. Developments relating to these issues under a bad scenario
5. Key/landmark events in the history of the organization
6. Major decisions ahead
7. The participant's epitaph

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

complete. Invariably, both authors were present throughout, in order to facilitate comprehensive note taking and ensure that the issues raised were probed in detail.

During the course of these interviews, we gathered extensive data from each of the participants regarding their personal views of the historical antecedents giving rise to the organization's current strategy, what that strategy is, the nature of the organization's distinctive capabilities, or 'competences', the changing nature of the industry in question and the markets served by the organization within this industry. In short, the interviews yielded a rich seam of qualitative data, which, in turn, served as the starting point for the group work. As we shall see in the next section, subsequent analysis of these data also enabled us to understand more fully why the eventual outcome of our consultancy intervention was unsuccessful.

Following the interviews, the notes were transcribed and subjected to a thematic content analysis in order to identify the salient strategic issues of concern to the participants. The results of this analysis were fed back to the participants in the form of a set of anonymized written quotations, grouped under the key thematic headings identified through the content analysis, in order to convey the extent to which members of the team were in basic agreement, or otherwise, regarding the issues raised.

In keeping with other recent work which has approached the strategy process from a cognitive perspective (e.g. Bowman and Johnson 1992; Hodgkinson and Johnson 1994; Johnson et al. 1998), our interviews revealed marked differences in interpretation among the participating managers concerning the nature and role of their organization and its current strategic priorities and competitive position, together with conflicting assessments regarding its core competences and future prospects.

As noted above, our intention was that these data should serve as the basic starting point for debating the current strategy of the organization. The fundamental aim of the various group meetings, convened informally over a period of several weeks, was to develop a consensus regarding the nature of the business idea, following which a series of scenarios would be developed, each depicting alternative plausible futures that would collectively bound the medium-to-long-term uncertainties identified in the interviews, thereby enabling the management team to actively explore the extent to which the organization's current strategy was sufficiently robust to withstand 'the winds of change', should the events depicted in the various scenarios unfold. It is at this juncture, however, that the project began to run into difficulty.

Problems and Difficulties

As the project progressed, the climate gradually changed from what we might term 'cautious optimism' to 'open scepticism', culminating in the CEO declaring publicly at the start of the second of the group meetings, in which the business idea generated at the previous meeting was to be debated further with a view to refinement, that she would not be attending

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

the remainder of the workshop, except for the final session, since she did not believe the process was capable of generating any new insights whatsoever into the nature of the problems confronting her business and how these might be resolved. At this point, she physically left the room and, true to her word, did not return until the final session, in which the participants presented the scenarios they had developed.

As might have been expected, the 'withdrawal' of the CEO led to the increasing disengagement of the other participants from the process. Over the course of the remaining sessions, key individuals variously absented themselves at crucial stages, for example during the process of debating the nature of the business idea, while the differing scenarios were being developed, and during the process of exposing the business idea to the scenarios so identified. Further details of the approximate sequence of events and problems encountered are summarized in Table 2.

Table 2
Summary Table Showing the Approximate Sequence of Events over the Time Period Associated with Our Consulting Intervention at Beta Co.

Approximate Date	Description
Early March	Following a personal approach from the CEO, GPH leads a lunch-time seminar on his research into the nature and significance of cognitive mapping and related techniques for understanding and intervening in the strategy process. The seminar generates a lively and enthusiastic discussion about the relevance of cognitive bias and inertia to Beta Co., especially in relation to its medium-to-longer-term future. On the basis of this seminar, GPH is invited to assist the CEO and her colleagues with the task of deliberating further on the issues raised in the seminar, with a view to minimizing the risks of inertia by challenging the 'soundness' of Beta Co.'s strategy.
April	A follow-up meeting is held at the CEO's office at which GPH and GW are briefed on the background to the current situation. It is clear that a number of changes are taking place within the industry which are set to threaten the viability of the organization, should it continue with its primary offering per se. Various diversification strategies have been considered in the recent past, but largely on an informal basis, with no real commitment. However, given the rapid pace of change, the CEO explains the time has come to look more seriously at various options. The CEO also intimates that several of the larger management consultancy/ accountancy firms have previously rendered assistance along the way, but our involvement, via the recent seminar, has already achieved more positive benefits to her company than the efforts of these other consultancy firms combined. GPH and GW explain that a possible way forward involves the use of a scenarios approach in order to facilitate in-depth, critical reflection both on a personal basis and through a variety of collective processes. The ultimate aims are two-fold: 1. To question systematically the adequacy of the extant strategic vision of the company over the medium-to-long term, through the generation of alternative scenarios. 2. Should it prove necessary, to generate new strategic alternatives that will ensure the longer-term viability of the company, by building on the existing 'core competency base' of the organization.

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

Table 2 — contd

Approximate Date	Description
	GPH and GW explain that, in order to enable the participants to be entirely honest (and thus for the process to be of real benefit) the information gathered during the individual interview sessions must remain highly confidential, but will be revealed in anonymized form during the latter stages of the intervention. The CEO is urged to reflect carefully on the matter as to who should and should not be involved directly in the process. The CEO is very clear as to who should be involved and agrees that we should proceed along the lines indicated above.
Late May/ Early June	Personal interviews are held with each of the participants in order to gather the relevant background material for the group meetings (for details, see Tables 1 and 3–11 and the accompanying text in the main body of this paper). The interviews are not tape recorded, but extensive notes are taken throughout the meetings in order to ensure that comments are documented as accurately as possible.
Mid-June	The individual interview transcripts are typed up and subjected to a thematic content analysis. Quotations are organized under several emergent, dominant themes concerning the present situation, the external environment, and the future of the industry in general and the client organization in particular. As soon as the content analysis is complete, the results are fed back to the participants, anonymously, in the form of a printed booklet.
Late June	A half-day meeting of all the participants is convened in order to conduct a collective SWOT analysis and articulate the 'business idea'. The results of the content-analyzed interview transcripts are central to this process. At this meeting, the CEO is visibly uncomfortable with the proceedings and actively intervenes (see text for details). Following this meeting, the CEO writes to GPH explaining that she considers that the remaining two full-day sessions (scheduled to run between 09.00am and 6.30pm) are, in her view, unnecessarily long and, therefore, counterproductive. Accordingly, she reschedules 'both days to start at 09.30 and finish not later than 4.30pm, so that the staff involved can pick up and deal with other items at the beginning and end of the days'.
Early July	The final two days of the workshop go ahead, subject to the revised timetable, as outlined above. At the first of these meetings, the CEO openly challenges the value of the entire exercise and proposes that we should terminate our involvement. GW calls for time to reflect, stressing that whilst we recognize that the CEO is clearly the most senior member of staff present, it may well be the case that her views are out of line with those of the other participants. Following an open discussion, all other participants unanimously agree that they are finding the exercise valuable and wish to continue. At this juncture, the CEO agrees that the exercise should be completed as planned, but also announces that she will absent herself until the very final stages. The remainder of the workshop is then completed without further input from the CEO.

In the next section, we critically reflect on the reasons why the CEO and other participants reacted in this way. Drawing on the highly rich seam of qualitative data gathered over the course of the project, we seek to demonstrate that confronting the social psychological reality of a cognitively

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

disparate team faced with a highly uncertain future proved too stressful to bear for the CEO and other key participants engaged in the consultation process, giving rise to a variety of dysfunctional coping strategies, which undermined our best efforts to assist them in their deliberations.

Reflections on Practice: A Process Analysis

Looking back on the project, overall, there were several clear warning signs that the venture was set to become problematic from the outset. First, during the introductory seminar in which the fundamental concepts of 'cognitive inertia' and 'strategic drift' were introduced, it became apparent that, prior to our engagement, the senior management team had been questioning the medium-to-long-term viability of the current strategy over a considerable period of time. Indeed, to our personal knowledge, at least three other external consultants had been hired on separate occasions (including a top five UK accountancy cum management consultancy firm), with limited success. It subsequently transpired that many, if not all, of the issues identified and explored over the course of our process intervention had been raised in one form or another on previous occasions, a fact which, as events took a downward-turn, we were to be frequently reminded of during the closing stages of the project.

Second, during our initial briefing by the CEO, it was obvious that she was very nervous about which of the various key individuals and stakeholder groups within the organization should be included or excluded from the exercise. Indeed, she openly stated that it was her strong belief and preference that certain individuals and groups (at the most senior levels) should have the minimum of intellectual insight and involvement in the strategy-making processes of the organization, for a variety of reasons that would become apparent as the project unfolded. During another meeting held early on in the process, we began to sense directly that the CEO's involvement in the project might ultimately prove unhelpful. The following quotation, summarizing the views of one of the participants, taken directly from our notes of that meeting, encapsulates what was the essence of our concern:

> 'I sometimes feel that [her] position in [Beta Co.] is too dominant. [She] created [Beta Co.] and none of the current managers have the ability to effectively stand up to her strong personality. None has the capacity to replace [her] as the next CEO. One individual in the organization has the capability, but I have doubts as to whether his personality is right for the job. Also I may not be able to hang on to him for long enough.' (briefing meeting/interview notes 23 May).[3]

With hindsight, perhaps this was the clearest warning of all that we would encounter problems and difficulties throughout the duration of the project. As the project unfolded, the CEO frequently intervened in ways that suggest she was attempting to control from the outset, both the underlying processes and outcomes of the exercise. For example:

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

Prior to the commencement of our work:

- She drew attention to two very large mirrors in her office, which she explained she used on occasions to control meetings by positioning herself in such a way that she could re-engage eye contact with dissenting colleagues who sought to avoid her gaze.

During a data-gathering interview:

- She arrived at the meeting with a soft sponge object, which she proceeded to squash repeatedly with a vice-like grip (ostensibly as part of her daily routine to relieve stress) while answering our questions.

During the group meetings:

- She publicly ridiculed us when re-arranging the furniture into a more open configuration, prior to the start of several of the meetings.
- She sat physically remote from the other team members (towards the extreme left-hand side of the room), such that she was able to command sole attention whenever she made a contribution.
- She physically seized control during a facilitated debate concerning the nature of the business idea, re-arranging key elements of the diagram under construction by the facilitator on the white board at the front of the room.

She also cut short the number of group activity sessions and their timing, which she presented in the form of a written *fait accompli*. Following these episodes, as noted above, she finally declared openly that she no longer believed the process we were engaged in was capable of generating any new insights whatsoever into the nature of the problems confronting her business and how these might be resolved.

It is highly noteworthy, in our view, that in the meeting immediately prior to the session in which the CEO announced her departure, several of the participants had openly praised us for the way in which we had managed to steer so skilfully a consensus decision regarding the nature and form of 'the business idea', i.e. what the distinctive competences of the organization are and how these are inter-related in a mutually reinforcing system. As this meeting progressed, however, it was noticeable that the CEO became increasingly agitated, to the point where she began pacing up and down the room! It was towards the close of this particular meeting, that she walked up to the whiteboard at the front of the room, where we had been recording the emerging business-idea diagram. She then physically seized control of the marker pen, insisting that several of the elements in the diagram had been misplaced, and re-arranged the figure to her personal satisfaction. At this point, the other eight members of the client group looked down at the carpet, but raised no verbal objections to the CEO's actions.

It is also important to note at this juncture that the rich and highly diverse views, elicited through the personal interviews conducted prior to the group sessions, visibly shocked the various participants, especially the CEO. One of the participants went so far as to say that the effect on the CEO had

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

been 'the psychological equivalent of thrusting a medicine ball into her stomach', and that the results of our exercise, thus far, had greatly unsettled the rest of the group.

In essence, each of the actions recounted above are *highly understandable* 'intimidation rituals' (O' Day 1974), designed to bring about centralized control and conformity, a response to the considerable stresses created by the surfacing of divergent opinions (in the face of serious external threats) regarding a variety of issues fundamental to the long-term survival and well-being of the organization. In this sense, the CEO's actions were highly rational, the product of a systematic attempt to ensure coherence and continuity in the face of significant cognitive diversity and uncertainty (cf. Argyris 1999: Chapt. 10; Hodgkinson and Johnson 1994: 545–547).

In psychodynamic terms, the CEO's behaviour exhibited a strong need for control, not uncommon for individuals in her position (see, e.g., Kets de Vries 1980; Kets de Vries and Miller 1984; Millon with Davis et al. 1996). Arguably, given this high need for control, our intervention merely served to undermine her self-perception of her own efficacy to shape the destiny of her company. As we shall see, as our scenario-planning intervention proceeded it became increasingly clear that an alternative to the current, failing, strategy could not be identified by the client group. As such, our method of intervention failed to restore the longer-term control of Beta Co.'s future to the CEO. Furthermore, the fact that all of her immediate subordinates were also involved in the strategy consultation process meant that her projected image, as one who was in control of the longer-term destiny of the organization, was severely threatened by the continuation of our process intervention.

Janis and Mann's Conflict Theory of Decision Making

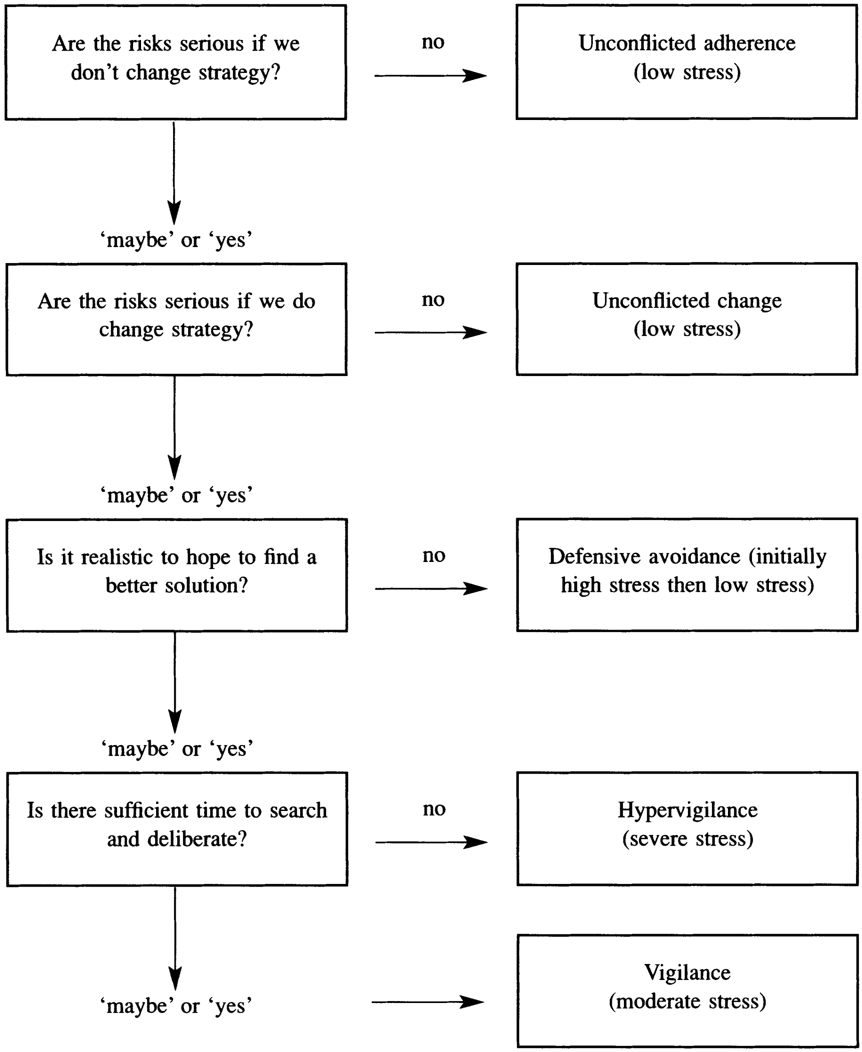
One plausible explanation as to why our process intervention ultimately failed is to be found in the 'conflict theory of decision making', proposed by Irving Janis and Leon Mann (Janis and Mann 1977) some 25 years ago (see also Janis 1989; Mann et al. 1997). The essential elements of this theoretical model, as related to the current context, are presented diagrammatically in Figure 1.

This theory asserts that the stress arising from decisional conflict is a major determinant of the failure to achieve high quality decision making. According to Janis and Mann (1977), stress arises from concerns about the severe personal, material and social losses that might be incurred following a decision, irrespective of the chosen alternative. Several coping patterns for dealing with decisional conflict and stress are postulated, namely: (1) *unconflicted adherence*, i.e. the complacent continuation of the current strategy; (2) *unconflicted change*, i.e. the uncritical adoption of a new strategy; (3) *defensive avoidance*, i.e. an attempt to escape from decisional conflict through a variety of means; (4) *hyper-vigilance*, i.e. panic; and (5) *vigilance*, i.e. sound and rational decision making.

The Conflict Theory of Decision Making asserts that, when faced with unacceptably high levels of decisional conflict and stress, information process-

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

Figure 1
Janis and Mann's (1977) Conflict Theory of Decision Making, as Applied to the Processes of Strategy Making at Beta Co.



ing can be impaired in one of two ways: hypervigilance, and defensive avoidance. It is the second of these dysfunctional coping patterns for dealing with decisional stress and conflict, defensive avoidance, which is of particular interest in the present context. In essence, the Janis and Mann conflict theory is a *descriptive* theory of decision making. This descriptive emphasis contrasts with the *prescriptive* approach of scenario planning, described earlier. The purpose of the latter approach is to improve, rather than describe, the decision process. It is important to note that the current study is, to our knowledge, the first attempt to evaluate the generality of Janis and Mann's conflict theory in the field, as opposed to laboratory settings.

Janis and Mann have identified three strategies that decision makers typically adopt in order to defensively avoid having to make decisions characterized

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

by unacceptably high levels of stress and conflict, i.e. decisions in which the various alternatives are potentially equally problematic and likely to lead to severe personal, material and social losses. The first of these strategies, *procrastination*, entails delaying the decision, for example waiting for a long time before thinking about the problem in question. The second strategy, *shifting responsibility*, by contrast, entails 'buck-passing', i.e. attributing ultimate responsibility for the decision to other individuals or groups, while the third strategy, *bolstering*, entails a wishful rationalization of the least objectionable alternative. Regardless of which of these defensive avoidance strategies are adopted, either singly or in combination, the theory predicts two common outcomes will ensue, namely, incomplete (and often biased) information processing, and poor contingency planning.

Our interviews with the nine participants enabled us to gather twenty-seven pages of contemporaneous notes — roughly three pages of single-spaced A4 typescript (10 point) per interviewee. As noted in the previous section, our original intention was to use these notes solely to identify strategic issues of concern to the participants. However, our subsequent reflections on our 'failed' consultancy intervention led us to consider the possibility that these interview notes might also provide a suitable basis for exploring our intuitions, using Janis and Mann's Conflict Theory as a guiding framework.

A possible explanation as to why our attempts to facilitate organizational learning and strategic renewal at Beta Co. ultimately "failed" is that our process intervention raised the levels of decisional stress and conflict within the organization to unacceptably high levels, which in turn gave rise to the adoption of various individual and collective defensive avoidance strategies. To the extent that this theorizing represents an accurate portrayal of the processes and events we encountered at Beta Co., we would expect to find systematic evidence in our interview transcripts of the following:

- that the risks to Beta Co. will be serious, if the organization doesn't change its current strategy.
- that the risks to Beta Co. will also be serious, even if the organization changes its current strategy.
- that it is unrealistic to hope to find a better solution for Beta Co.'s current strategic dilemmas.

Under this particular combination of circumstances, Janis and Mann's decisional conflict theory predicts that the organization members would adopt the various defensive avoidance strategies discussed above as a means of coping with the unacceptably high levels of stress and conflict induced by our process intervention, following which, low stress and conflict levels would be expected to ensue. It is our failure to sanction these coping strategies, we contend, that led ultimately to the breakdown of the project. Consequently, we would also expect to find evidence of the following:

- 'Bolstering' commitment to the current failing strategy, in an effort to avoid the need to countenance alternative courses of action.
- 'Procrastination', in order to delay having to select a particular alternative course of action for implementation.

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

- 'Shifting the responsibility' for continuing to adhere to the current strategy to other key stakeholder groups, in order to avoid being held accountable for failing to select a particular alternative course of action for implementation.
- Limited information search and poor contingency planning, due to the deployment of the above defensive-avoidance strategies.

In the remainder of this section, we consider the extent to which there is indeed evidence to support our use of this theoretical model as an explanation for the problems and difficulties we encountered, taking each of these propositions in turn.

Methodological Approach

In order to facilitate our analysis and interpretation of the interview transcripts we derived *a priori* a coding scheme comprising 14 categories, which collectively embrace the full range of concepts employed within the Conflict Theory of Decision Making. An additional, miscellaneous category was added to the coding scheme in order to allow for the possibility that none of the categories derived from this theory were applicable. The coding scheme is presented in full in Table 3.

Initially, the two authors of this paper read through the interview notes and highlighted quotations that were, plausibly, illustrations of the various aspects of Janis and Mann's theory. On the basis of the our in-depth knowledge of the organization, acquired through our participation in the consultation process, including our involvement in the pre-workshop interviews, we allocated these quotations to various of the categories as considered appropriate, any discrepancies being resolved through discussion.

To the best of our knowledge, our analysis of the transcripts was exhaustive. However, in order to ensure that we had not inadvertently overlooked any additional material of potential relevance, we explained Janis and Mann's theory to two post-graduate research assistants and, having given them a copy of the categories shown in Table 3, asked them to independently read through the interview transcripts (suitably anonymized). On the transcripts, we had previously highlighted the quotations that *we* thought could plausibly fit the 14 categories pertaining to Janis and Mann's theory. Our instructions to the research assistants were as follows:

> '.... read through each of the nine interview transcripts and indicate any *additional* phrases, sentences or paragraphs that you believe could be plausibly allocated to any of the fourteen categories (you don't have to actually allocate them — just indicate which phrase/sentence/paragraph deals with decisional issues that *could* be categorized into one or more of the fourteen categories.'

As expected, our research assistants identified very few additional quotations. In total, seven additional quotations were identified as potentially relevant exemplars of the Janis and Mann theory.

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

Table 3
The Coding Scheme Used to Re-analyze the Pre-workshop Interview Transcripts

Category No.	Description
1	The individual believes the risks *are* serious if the organization *keeps* to its current strategy.
2	The individual believes the risks *are* serious if the organization *changes* its current strategy.
3	The individual believes the risks are *not* serious if the organization *keeps* to its current strategy.
4	The individual believes the risks are *not* serious if the organization *changes* its current strategy.
5	The individual believes there is *insufficient* time to search for (and fully consider) a new strategy to *replace* the current strategy.
6	The individual believes there is *sufficient* time to search for (and fully consider) a new strategy to *replace* the current strategy.
7	The individual believes that it is *realistic* to hope to find a better strategy to *replace* the one currently being followed.
8	The individual believes that it is *unrealistic* to hope to find a better strategy to *replace* the one currently being followed.
9	The individual (or wider organization) is *delaying* (or putting off) making a strategic choice.
10	The individual (or wider organization) is *shifting the responsibility* for making a strategic choice to another individual or group of individuals.
11	The individual (or wider organization) is engaged in *exaggerating the positive* consequences (or minimizing the negative consequences) of the *current* strategy.
12	The quotation indicates either (a) *limited evaluation* of available information or (b) *limited planning* for events that could happen.
13	The quotation indicates *high quality* strategic decision making.
14	The quotation indicates *panic*.
15	The quotation *does not fit* any of the other categories.

The following analysis is based on the *total population* of 56 quotations identified through this exercise. We have selectively allocated the quotations in order to illustrate those aspects of Janis and Mann's theory that we believe are identifiable within the dataset.

Our interpretation is necessarily subjective, i.e. based on our personal, in-depth knowledge of the organization. However, given that the total population of relevant quotations is fully documented in this paper, readers are in a position to reflect on the extent to which they agree or disagree with our account of the data.

Findings

Will Beta Co. be at serious risk, if it doesn't change its current strategy?
The answer to this question must be a resounding 'yes', as illustrated by the following remark:

'There is a perception round here that [Beta Co.] has very much got all its eggs in one basket. If one of [Beta Co.'s major customers] pulled out ... At a personal level, I am very much concerned that we have job security.' (Participant 5).

Further comments, from five other participants, supporting this conclusion are detailed in Table 4.

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

Table 4
Additional Quotations Illustrating the Fact That the Risks are Serious if Beta Co. Fails to Change its Current Strategy

'The business needs more income streams.... therefore, diversification is crucial now to build other significant income streams. ...' (Participant 1)
'A key danger is that there is too much emphasis on our core business activity. .... New technology could result in the death of [Beta Co.'s main offering] by 2005, 2010, 2015. Who knows when? ... We need to move to new areas that will result in new revenue streams. .... The failure of [Beta Co.] to develop alternative revenue streams would be another bad scenario.' (Participant 2)
'If we go on as we are, in 10 years from now we won't be here.' (Participant 3)
'The major, major decision we face is whether we continue being [main offering focused] ... [Beta Co.] must evolve...' (Participant 6)
'... the ultimate impact of [technological innovations] ... Will there be [client organizations of the sort served by Beta Co.] in 10 years time?' (Participant 8)

Will the risks to Beta Co. be serious if it does change its current strategy? Again, the answer to this question has to be strongly affirmative, as evidenced by the fact that the participants were unable to agree on a suitable alternative strategy, characterized by unconflicted change. The organization was very much a one-product business at the time of our involvement, as borne out by the above quotation from participant 5, concerning the 'all our eggs in one basket' syndrome.

One of the major consequences of this state of affairs is that the company does not possess the pre-requisite skills to enable it to diversify into other activities and markets, without a considerable investment in new resources — a highly risky strategy in the absence of appropriate experience. Table 5 documents the relevant quotations supporting this conclusion.

Table 5
Quotations Illustrating the Fact that the Risks Are Serious if Beta Co. Changes Its Current Strategy.

'[Beta Co.'s latest experimental venture] is crucial ... it has no customers at present.' (Participant 2)
'We are a group of talented amateurs rather than experienced in areas of potential diversification.' (Participant 4)
'[Beta Co.'s latest experimental venture] has been a protracted and salutary experience. There are very few short-term gains to be made...' (Participant 6)
'We are lacking key skills in the areas of personnel, marketing, costing and planning. These are new skills needed now.' (Participant 7)
'We are naive on the business side. [Beta Co.'s latest experimental venture] is necessary for our future, but we have had a slightly unrealistic view of how easy or difficult it would be to break into an existing market in which potential customers have settled relationships and [Beta Co.] has no track record.' (Participant 7)

These statements indicate something of the extent to which the company is ill-prepared to embark on new ventures without significant investment, if these ventures are to develop beyond the status of minor pilot projects, thereby securing the longer-term viability of the organization. In the absence of significant prior experience, however, the large-scale development of such ventures would be highly hazardous, to say the least.

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

Is it realistic to hope to find a better solution for Beta Co.'s current strategic dilemmas?

This question lies at the heart of the problems we encountered, as viewed from our own perspective, as potential agents of change. It became apparent relatively early on in the project that a potential major stumbling block to achieving radical change within the organization was the current governance arrangements for sanctioning major capital investments and expenditure, including the recruitment and deployment of the necessary human resources. Throughout the senior management team, there was a negative perception that the current governance arrangements have rendered the wider organization strategically impotent. This is illustrated by the comments in Table 6.

Table 6
Quotations Illustrating the Fact that it May Not Be Realistic for Beta Co. to Find a Better Solution to its Current Strategic Dilemmas

'Our major constraint is human resources. The Board has constrained our personnel budget.' (Participant 1)
'All-in-all there are considerable pressures for new products to be profitable from day one.' (Participant 2)
'[Beta Co.'s main offering] may not be needed, but I am not sure there is a great deal we can do about that at present.' (Participant 2)
'We are hamstrung by the Board.' (Participant 2)
'The Board is a nightmare, an absolute inhibitor of the company.' (Participant 3)
'The Board has imposed limitations on our ability to procure manpower.' (Participant 5)
'The Board is restricting R & D.' (Participant 7)
'We are not the masters of our own destiny at present.' (Participant 8)

To the extent that this perception was correct, it would have been pointless from the outset to have engaged our services as change management consultants. It is our strong contention, however, that this was not the case.

Ultimately, should the organization wish to press ahead with an alternative strategy, it is free to do so, with or without the backing of its current directors, although under the latter scenario the risks would be considerably greater, since this would probably necessitate the formation of a new corporate entity. Yet this is clearly not beyond the realms of possibility; after all, the current CEO was also the founder of the existing company, Beta Co., and has all requisite skills to raise the necessary capital to finance such a venture, should she and her fellow colleagues choose to do so.

Shifting Responsibility

An alternative interpretation of these data is that the senior management team was attempting to shift the responsibility for its adherence to the current, failing strategy to another group of key stakeholders within the organization, namely, its board of directors, in an effort to defensively avoid having to press ahead with the development of a new corporate venture. That this interpretation provides a more realistic account of the objective reality confronting the senior management team is borne out by various additional comments relayed to us during the course of our interviews:

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

'One director is on the record as having said that [Beta Co.] should make no attempt to adapt to changing market conditions.' (Participant 1).

'The board faces a key decision, not us. They need to take a keen interest in terms of what shape [Beta Co.] should take in the future.' (Participant 3).

And

'We have to try and resolve the control issue one way or the other, but I am not sure that this is a decision we can take.' (Participant 7).

However, there was also a fundamental recognition among several of the participants that, ultimately, the board issue may well be a red herring and that, in the final analysis, responsibility for strategy development should rest with the senior management team itself, as illustrated by the comments in Table 7. These comments strongly suggest that the board issue was being used by the senior management team as a means of avoiding responsibility for having to initiate wholesale corporate and strategic change.

Table 7
Quotations Illustrating Recognition of the Fact that the Senior Management Team Itself is Ultimately Responsible for Its Own Destiny

'We need a new strategy supported by the Board. At the end of the day the Board has to sanction strategies, but new strategy development is not driven by the board.' (Participant 4)
'We should be more proactive.' (Participant 5)
'With regard to R & D, at the end of the day the Board problem may be largely an internal perceptual one.' (Participant 6)
'I am not sure to what extent it is a perception or reality that the Board is thwarting our aims. Stuff has been looked at by us that has never got to board level, e.g. XXXX and YYYY.' (Participant 7)
'Our self image of a shackled tiger may be unrealistic... Our past problems with the Board may be nothing more than a false perception, while in the future the Board may well seek to block good opportunities for [Beta Co.].' (Participant 7)
'The only major constraints are ourselves in terms of our time and ideas.' (Participant 9)

Procrastination

As with the defensive avoidance strategy of shifting responsibility, there is also considerable evidence, documented in Table 8, to suggest that, prior to our involvement in the strategy process, the senior management team

Table 8
Quotations Illustrating Procrastination

'We have no firm time horizon for solving the board relationship problem. The key is never allowing them to say "no". This requires patience, e.g. We might wait 2-3 years for what we judge to be the right moment before raising a key issue.' (Participant 1)
'Internally, there is some questioning of issues which can act as a brake, i.e. ideas don't go unchallenged.' (Participant 2)
'In the last five years nothing has changed significantly at the level of implementation... we are doing nothing now radically different.' (Participant 5)
'In the past we have had a civil service culture, i.e. we do what we do because we are proud of it. We have not been driven by money in the past.' (Participant 7)
'The failure to diversify would probably mean the business would still be OK in 10 years from now, but after 15 years it would be starting to decline.' (Participant 1)
'There is still mileage in [Beta Co.'s main offering] for the next 10 years.' (Participant 5)
'Things will be slower than most people think. ... We are 20 years away from complete change, i.e. our business will still be serviceable in 20 years time.' (Participant 6)
'There is no real rush to adapt. ... Five to ten years away there will still be a healthy market for [Beta Co.'s main offering].' (Participant 7)

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

Table 9
Quotations Illustrating the Bolstering of Commitment to the Current, Failing Strategy

'The slow pace of change in our industry is of benefit to us... if [Beta Co.] becomes the only [provider of its current main offering] there will be less pressure on us to develop other products... [Beta Co.'s.] current performance and historical record are its key strengths.' (Participant 2)
'One of the problems we face in respect of new products is customer inertia.... Customers are generally conservative because they don't want the hassle of changing [suppliers]. These same forces are potentially prolonging the life of [Beta Co.'s current main offering].' (Participant 2)
'Ultimately, I was brought in [to Beta Co.] to play a key role in enabling the organization to diversify and/or add to its core business — though diversification may not be needed if [Beta Co.] becomes [the major player within the market of its current main offering] within the next two to three years.' (Participant 2)
'The fact that there are still no customers signed up for [Beta Co.'s. latest experimental product] has been taken in some quarters as *prima facie* evidence to confirm the core business view.' [i.e. that Beta Co. should 'stick to its knitting'] (Participant 4)
'The problem is that [other key institutions] don't yet know what they will be doing in terms of these developments and [Beta Co.] should not be second guessing these developments.' (Participant 6).
'I believe the collective view within [Beta Co.] is that [its current main offering] is here forever.' (Participant 9)

had been procrastinating over a relatively long period of time, and that optimistic time horizons were being set for devising and implementing new strategies for ensuring the long-term viability of the organization.

Bolstering

Similarly, there is also evidence, documented in Table 9, to suggest that the senior management team were attempting to bolster the current, failing strategy.

Having ascertained that there is evidence that all three of the defensive avoidance strategies postulated by Janis and Mann were being deployed within the senior management team, it remains to be seen to what extent, if at all, these strategies have had a deleterious effect on information search and contingency planning within the organization.

Limited information search? Entirely as predicted by Janis and Mann's theory, there is also evidence within our interview transcripts to suggest that Beta Co. is beset by problems associated with limited information search. The relevant quotations are reproduced in Table 10.

Table 10
Quotations Illustrating Limited Information Search

'I believe you can always buy the skills you need. You may have to pay a bit more or wait a bit.' (Participant 1)
'We don't know enough about the real strategic aims of [Beta Co.'s main customers].' (Participant 4)
'We lack understanding of real customer requirements. ... We know even less about potential customers.' (Participant 4)
'I have no idea of the specific opportunities [Beta Co.] could grasp but I am sure they are out there.' (Participant 5)
'There is a learning process we need to go through, but I am sure we can do it and beat the competition.' (Participant 5)
'We lack the ability to talk to the right people in [key alternative sectors]. Are we heavy weight enough? ... Our main sources on the [XXXX] side tend to be conferences, suppliers or reading the press.' (Participant 7)

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

Poor contingency planning? Not surprisingly, in view of our previous observations, there is also evidence that Beta Co. is beset by problems arising from poor contingency planning. The relevant quotations are documented in Table 11.

The overall pattern of results emerging from our analysis provides very strong evidence indeed to suggest that Beta Co. is an organization whose longer term adaptive capabilities are limited. Notwithstanding its success to date, unless this organization closely monitors the rapidly changing market conditions in which it is operating, its longer-term future must surely be open to question.

Table 11
Quotations Illustrating Poor Contingency Planning

'Currently the business is cash rich but not investing' (Participant 1).
'Another key requirement is for investment in R & D to secure the organization's future through the creation of new revenue streams, but how should this be done?' (Participant 2).
'We need to ask what are [Beta Co.'s] core competences? How can we deploy them?' (Participant 3).
'We don't have all the skills in house that will enable us to diversify' (Participant 4).
'I guess we ought to be doing other things to protect ourselves' (Participant 5).
'Unfortunately, all too often we take quick-fire, short-term, reactive decisions, rather than strategic decisions' (Participant 5).
'Lessons still have to be learnt, i.e. 5 year up front R & D margins set up with modest investment are necessary' (Participant 6).
'We would be sunk tomorrow if all the ships came in at once. ... If we take-off we will be swamped' (Participant 7).
'How do we diversify and into what?' (Participant 9).

Discussion

Current interpretive models of the strategic change process, such as those described in Barr and Huff (1997) and Huff et al. (1992, 2000), conceptualize increased stress levels as a major precursor to change, leading key organizational actors to question the 'schematic frameworks', or 'mental models', and organizational routines that have come to prevail. Our experiences at Beta Co., however, suggest that, when viewed from the standpoint of the reflective practitioner, such theoretical models are inadequate (see also Kisfalvi 2000).

The scenario-planning process puts the nature of the future into sharp focus. Consequently, if an appropriate strategy cannot be devised, i.e. a strategy that is sufficiently robust to withstand the rigours imposed by the various plausible alternative futures identified through this process, unconflicted change is not possible. (In the present case, several technological changes — which were seen by our participants as being predeterminds rather than critical uncertainties — would, after an (uncertain) period of time, replace Beta Co.'s main offering; and none of the strategic alternatives that the participants were able to devise were robust against the range of futures that were constructed in the scenarios.) Under these circumstances, as predicted by Janis and Mann's (1977) Conflict Theory of Decision Making, stress

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

levels rise to unacceptable levels and, accordingly, a range of psychological defense mechanisms come into effect (cf. Argyris 1999: Chapt. 10; Ginsberg 1988; Kisfalvi 2000; Staw et al. 1981).

In seeking to account for our experience at Beta Co. we are mindful of the possibility that this particular organization may be an extreme case. A prerequisite for the successful application of strategy development techniques is *open* dialogue. However, looking back on the project as a whole, we infer that the organizational culture at Beta Co provided a hostile climate for such dialogue to occur. In this respect, our experience bears out the observations of Pettigrew and his colleagues concerning the importance of 'receptive and non-receptive contexts for change' (Pettigrew et al. 1992: 267–299). While our intervention highlighted the fact that there were a number of key external drivers for change, with the benefit of hindsight, it is clear that the exercise was undertaken in an organization whose inner-context was non-receptive: the psychodynamic basis of the behaviour of the CEO and her relationship to her team of senior managers militated against our best efforts.

Paradoxically, the outer context in which this particular organization was embedded at the time of our intervention may also have militated against our best efforts to implement scenario-planning procedures. Arguably, so strong were the wider institutional forces (DiMaggio and Powell 1983; Meyer and Rowan 1977) impinging on Beta Co. at the time of our intervention that our participants were unable to reap the benefits of scenario planning. Notwithstanding the many developments currently taking place in the particular sub-sector in which this organization competes, organizations in the industry as a whole have ranked amongst the most conservative of institutions, highly risk averse in their decision making. Accordingly, throughout the entire industry, incremental change has been very much the order of the day.

In this respect, the historical situation facing Beta Co. closely accords with the conditions described by the punctuated equilibrium model of change (e.g. Romanelli and Tushman 1994; Tushman and Anderson 1986) — i.e. long periods of small, incremental change, interrupted by much shorter periods of discontinuous, radical change. Had we been dealing with an organization embedded in a 'high velocity environment' of the sort identified by Brown and Eisenhardt (1997, 1998), perhaps a very different outcome might have ensued. In the latter circumstances, *successful* organizations are well used to fundamentally questioning their core beliefs and operating assumptions as and when required. They do not allow their awareness of the need for transition to become dimmed, so the skilful management of transition is part and parcel of their daily routines. Arguably, the wider industry of our client organization, at the time of our intervention, was in the initial stages of transition, moving away from an environment characterized by punctuated equilibrium, towards one of high velocity. Hence, our intervention, using scenario-planing techniques, may well have been premature.

Until further case analyses of the failure (as well as the success) of scenario-planning techniques have been systematically documented, our ability to

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

make specific predictions in particular organizational contexts concerning the appropriateness or otherwise of these techniques as a method of intervention will remain limited. Our analysis indicates that individuals who have a strong need for control are likely to search for information that will enable them to control their place in the future. Scenario planning may be seen as highly attractive because its 'wind-tunnelling' approach to strategic development and evaluation seems to offer this promise. Recall, also, that three other consultancy firms had been drafted in, prior to our involvement. Viewed from a control perspective, it is clear that, in each case, none of the firms concerned had been able to deliver viable options that would enable an unconflicted — in Janis and Mann's terms — change of strategy. Unfortunately, we have no knowledge of how these previous engagements had progressed or ended. Certainly, during our own process intervention, we acquired no evidence that they had generated any meaningful insights into resolving the predicament of Beta Co.

Nevertheless, a number of practical implications arise from the present study. These are that change agents should be mindful of the fact that, during the process of seeking to develop a viable alternative to the *status quo*, stress levels may be inadvertently elevated to unacceptably high levels — for example, as we have illustrated, when an conflicted change of strategy is highlighted as unfeasible. In these circumstances, key players may defensively seek to avoid the decision dilemma in an effort to reduce the decisional stress to comfortable levels.

Our experience, however, was perhaps untypical, in that the adoption of defensive coping patterns by Beta C.o.'s management team was *magnified* by the dynamics of the CEO's personality. As noted earlier, the CEO exhibited a strong need for control. When it seemed likely that our scenario-planning intervention would not deliver a replacement for the current failing strategy, the CEO acted politically by temporarily withdrawing herself from the process to avert defensively the focus of the management/consultant team on her inability to control the longer-term destiny of her company.

Clearly, the success of a scenario-planning intervention is contingent upon the outcomes of the process. If an unconflicted change of strategy is not obvious, then this outcome may be resolved by the operation of Janis and Mann's coping behaviours. However, 'failure' of the process to identify an alternative strategy will also impact on the psychodynamics of the various inter-relationships between members of the client grouping. In our case, failure could not be handled by diffusion of responsibility within the client group; one individual held herself to be accountable for the irresolvable dilemma.

Consider now the possibility that the outcome of our process intervention had resulted in an unconflicted change of strategy. In such an instance, even though the inner-organizational context was atypical, it would have been superficially easy to categorize it as 'receptive'. Our case analysis of our 'failed' intervention thus provides an initial basis for the longer-term development of a contingency theory of scenario planning.

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

Summary and Conclusions

In keeping with a number of recent calls to make organizational research and management theory more relevant to the world of practice (e.g. Anderson et al. 2001; Hodgkinson and Herriot 2002; Hodgkinson et al. 2001; Huff 2000; Huff and Huff 2001; Starkey and Madan 2001; Tranfield and Starkey 1998), this paper has systematically documented our attempts to utilize scenario-planning techniques as a basis for confronting strategic inertia in a senior management team. In contrast to the picture presented in the popular management literature regarding the efficacy of these techniques (e.g. Wack 1985a, 1985b; Schoemaker 1995; van der Heijden 1996), our experience has been rather less heartening.

Drawing on the laboratory-based work of Janis and his associates (Janis and Mann 1977; Janis 1989; Mann et al. 1997), we have argued that confronting the social psychological reality of a cognitively disparate team faced with an uncertain future proved too stressful for the team members and their leader to bear and gave rise to a variety of coping strategies, including 'bolstering' commitment to the current, failing strategy, 'procrastination' and 'shifting responsibility' for the continuing adherence to the current strategy to another key stakeholder group within the organization. We contend that the adoption of these patterns of coping as a means of dealing with decisional stress — coupled with the psychodynamic processes at work among the client group members — ultimately led to the 'failure' of our process intervention. In the final analysis, the overall conclusion to be drawn from our experience is that change agents must remain ever conscious of the fact that interventions in organizations provoke a complex inter-play involving: (1) a range of individual and collective psychological defense mechanisms, (2) organizational politics and (3) power. As such, our analysis adds much-needed empirical case material — as called for recently by Brown and Starkey (2000) — to enrich further our understanding of the psychodynamic barriers to organizational learning and change.

Notes

1. The authorship of this article is strictly alphabetical, reflecting the fact that it is the product of a joint and equal contribution.
2. Key features of the case study upon which this article is based have been omitted and others altered to protect the identity of the individuals and organization concerned.
3. Subsequently, the individual concerned left the organization in order to take up a more senior appointment elsewhere, thus confirming the fears of this participant.

References

Anderson, Neil, Peter Herriot, and Gerard P. Hodgkinson
2001 'The practitioner–researcher divide in industrial, work and organizational psychology: where are we now and where do we go from here?' *Journal of Occupational and Organizational Psychology* 74: 391–401.

Argyris, Chris
1999 *On organizational learning*, 2nd, Ed. Oxford: Blackwell.

Baden-Fuller, Charles, and John M. Stopford
1992 *Rejuvenating the mature business*. London: Routledge.

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

Barr, Pamela S., and Anne S. Huff
1997 'Seeing isn't believing: understanding diversity in the timing of strategic response'. *Journal of Management Studies* 34: 337–370.

Barr, Pamela S., J. L. Stimpert, and Anne S. Huff
1992 'Cognitive change, strategic action, and organizational renewal'. *Strategic Management Journal* 13: 15–36.

Bowman, Cliff, and Gerry Johnson
1992 'Surfacing competitive strategies'. *European Management Journal* 10: 210–219.

Brown, Andrew D., and Ken Starkey
2000 'Organizational identity and learning: a psychodynamic perspective'. *Academy of Management Review* 25: 102–120.

Brown, Shona, L. and Kathleen M. Eisenhardt
1997 'The art of continuous change: linking complexity theory and time-paced evolution in relentlessly shifting organizations'. *Administrative Science Quarterly* 42: 1–34.

Brown, Shona, L., and Kathleen M. Eisenhardt
1998 *Competing on the edge: strategy as structured chaos*. Boston, MA: Harvard Business School Press.

DiMaggio, Paul J., and Walter W. Powell
1983 'The iron cage revisited: institutional isomorphism and collective rationality in organizational fields'. *American Sociological Review* 48: 147–160.

Fahay, Liam, and Robert M. Randall, *editors*
1998 *Learning from the future: competitive foresight scenarios*. New York: Wiley.

Ginsberg, Ari
1988 'Measuring and modelling changes in strategy: theoretical foundations and empirical directions'. *Strategic Management Journal* 9: 559–575.

Goodwin, Paul, and George Wright
1998 *Decision analysis for management judgment*, 2nd, Ed. Chichester: Wiley.

Goodwin, Paul, and George Wright
2001 'Enhancing strategy evaluation in scenario planning: a role for decision analysis'. *Journal of Management Studies* 38: 1–16.

van der Heijden, Kees
1994 'Probabilistic planning and scenario planning' in *Subjective probability*. George Wright and Peter Ayton (eds.), 549–572. Chichester: Wiley.

van der Heijden, Kees
1996 *Scenarios: the art of strategic conversation*. Chichester: Wiley.

van der Heijden, Kees, Ron Bradfield, George Burt, George Cairns, and George Wright
2002 *The sixth sense: accelerating organizational learning with scenarios*. Chichester: Wiley.

Hodgkinson, Gerard P.
1997 'Cognitive inertia in a turbulent market: the case of UK residential estate agents'. *Journal of Management Studies* 34: 921–945.

Hodgkinson, Gerard P.
2001 'The psychology of strategic management: diversity and cognition revisited' in *International review of industrial and organizational psychology*, Vol. 16. Cary L. Cooper and Ivan T. Robertson (eds.), 65–119. Chichester: Wiley.

Hodgkinson, Gerard P., and Peter Herriot
2002 'The role of psychologists in enhancing organizational effectiveness' in *Organizational effectiveness: the role of psychology*. Ivan T. Robertson, Militza Callinan and Dave Bartram (eds.), 45–60. Chichester: Wiley.

Hodgkinson, Gerard P., Peter Herriot, and Neil Anderson
2001 'Re-aligning the stakeholders in management research: lessons from industrial, work and organizational psychology'. *British Journal of Management* 12: S41–S48.

Hodgkinson, Gerard P., and Gerry Johnson
1994 'Exploring the mental models of competitive strategists: the case for a processual approach'. *Journal of Management Studies* 31: 525–551.

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

Hodgkinson, Gerard P., and Paul R. Sparrow
2002 *The competent organization: a psychological analysis of the strategic management process*. Buckingham: Open University Press.

Huff, Anne, S.
2000 'Changes in organizational knowledge production'. *Academy of Management Review* 25: 288–293.

Huff, Anne. S., and James O. Huff
2001 'Re-focussing the business school agenda'. *British Journal of Management* 12: S49–S54.

Huff, Anne. S, and James O. Huff, with Pamela S. Barr
2000 *When firms change direction*. Oxford: Oxford University Press.

Huff, James O., Anne S. Huff, and Howard Thomas
1992 'Strategic renewal and the interaction of cumulative stress and inertia'. *Strategic Management Journal* 13: 55–75.

Janis, Irving L.
1989 *Crucial decisions*. New York: Free Press.

Janis, Irving L., and Leon Mann
1977 *Decision making: a psychological analysis of conflict, choice and commitment*. New York: Free Press.

Johnson, Gerry
1987 *Strategic change and the management process*. Oxford: Blackwell.

Johnson, Phyllis, Kevin Daniels, and Rachel Asch.
1998 'Mental models of competition' in *Managerial and organizational cognition: theory, methods and research*. Colin Eden and J. -C. Spender (eds.), 130–146. London: Sage.

Kets de Vries, Manfred. F.R.
1980 *Organizational paradoxes: clinical approaches to management*. London: Tavistock.

Kets de Vries, Manfred. F. R., and Danny Miller
1984 *The neurotic organization: diagnosing and challenging counterproductive styles of management*. San Francisco: Jossey-Bass.

Kisfalvi, Veronika
2000 'The threat of failure, the perils of success and CEO character: sources of strategic persistence'. *Organization Studies* 21/3: 611–639.

Mann, Leon, Paul Burnett, Mark Radford, and Steve Ford
1997 'The Melbourne decision making questionnaire: an instrument for measuring patterns of coping with decisional conflict'. *Journal of Behavioral Decision Making* 10: 1–19.

Meyer, John W., and Brian Rowan
1977 'Institutionalized organizations: formal structure as myth and ceremony'. *American Journal of Sociology* 83: 340–363.

Millon, Theodore, with Roger Davis, et al.
1996 *Disorders of personality: DSM-IV and beyond*. New York: Wiley.

Mintzberg, Henry
1994 *The rise and fall of strategic planning*. London: Prentice Hall.

Mitroff, Ian
1988 *Break-away thinking: how to challenge your business assumptions (and why you should)*. Chichester: Wiley.

Mobasheri, Fred, Lowell H. Orren, and Fereidoon P. Sioshansi
1989 'Scenario planning at Southern California Edison'. *Interfaces* 19/5: 31–44.

Morecroft, John D. W.
1994 'Executive knowledge, models and learning' in *Modelling for learning organizations*. John D. W. Morecroft and John D. Sterman (eds.), 3–28. Portland, OR: Productivity Press.

O'Day, R.
1974 'Intimidation rituals: reactions to reform'. *Journal of Applied Behavioral Science* 10: 373–386.

Pettigrew, Andrew, Ewan Ferlie, and Lorna McKee
1992 *Shaping strategic change*. London: Sage.

Popper, Karl. R.
1963 *Conjectures and refutations: the growth of scientific knowledge*. London: Routledge and Keegan Paul.

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012

Porter, Michael E.
1980 *Competitive strategy: techniques for analyzing industries and competitors*. New York: Free Press.

Reger, Rhonda K., and Timothy B. Palmer
1996 'Managerial categorization of competitors: using old maps to navigate new environments'. *Organization Science* 7: 22–39.

Romanelli, Elaine, and Michael L. Tushman
1994 'Organizational transformation as punctuated equilibrium: an empirical test'. *Academy of Management Journal* 5: 1141–1166.

Schein, Edgar H.
1987 *Process consultation: Volume II – lessons for managers and consultants*. Reading, MA: Addison-Wesley.

Schein, Edgar H.
1988 *Process consultation: Volume I – its role in organization development*, 2nd. Ed. Reading, MA: Addison-Wesley.

Schoemaker, Paul J. H.
1993 'Multiple scenario development: its conceptual and behavioral foundation'. *Strategic Management Journal* 14: 193–213.

Schoemaker, Paul J. H.
1995 'Scenario planning: a tool for strategic thinking'. *Sloan Management Review* (Winter): 25–40.

Senge, Peter
1990 *The fifth discipline: the art and practice of the learning organization*. New York: Doubleday.

Starkey, Ken, and Paula Madan
2001 'Bridging the relevance gap: aligning stakeholders in the future of management research'. *British Journal of Management* 12: S3–S26.

Staw, Barry M., L. E. Sandelands, and Jane E. Dutton
1981 'Threat-rigidity effects in organizational behavior: a multilevel analysis'. *Administrative Science Quarterly* 26: 501–524.

Tranfield, David, and Ken Starkey
1998 'The nature, social organization and promotion of management research: towards policy'. *British Journal of Management* 9: 341–353.

Tushman, Michael L., and Philip Anderson
1986 'Technological discontinuities and organizational environments'. *Administrative Science Quarterly* 31: 439–465.

Wack, Pierre
1985a 'Scenarios: uncharted waters ahead'. *Harvard Business Review* (Sept.–Oct.): 73–90.

Wack, Pierre
1985b 'Scenarios: shooting the rapids'. *Harvard Business Review* (Nov.–Dec.): 131–142.

Wright, George
2001 *Strategic decision making*. Chichester: Wiley.

Wright, George, and Paul Goodwin
1999 'Future-focused thinking: combining decision analysis and scenario planning'. *Journal of Multicriteria Decision Analysis* 8: 311–321.

Downloaded from oss.sagepub.com at SAGE Publications on December 7, 2012