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Non-receptive organizational contexts and scenario planning interventions: a demonstration of inertia in the strategic decision-making of a CEO, despite strong pressure for a change

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Abstract

This study presents a single-case analysis of an unsuccessful scenario planning intervention within an organization. Our analysis utilises corporate documents produced prior to a scenario-based intervention, pre-scenario-development interviews with members of the top management team, and knowledge of post-intervention events. We conclude that, even in the face of strong, orchestrated pressure for a re-think of a fragile strategy, the aspirations of the CEO were dominant. Our case analysis illustrates that inertia in strategic decision making can be extreme – more extreme than the extant literature has recognised. Critical voices can go unheard. We end with consideration of issues to do with facilitating the early recognition that a strategizing intervention can stall.

1.0 Introduction

Writers on strategic management have argued that for continued survival an organization's strategic decision making must achieve the retention of the organization's alignment with the external environment [1-3]. Failure to achieve this results in strategic drift Johnson [4]. Huff et al. [5] contend that inertia in such (re)alignment, defined as the degree of the level of commitment to the organisation's current strategy, will grow over time as current ways of operating become deeply embedded in an organization, regardless of, and generally without reference to, developments in the environment. Commitment to the status quo will, they argue, escalate in a smooth, undisturbed fashion over time with incremental adjustments to the current strategy and little conscious attention to strategic choice, so long as organizational performance is satisfactory. However, if and when it becomes evident within the organisation that there is no longer an appropriate alignment between its strategy and the requirements of the environment, "pressure for change" will inevitably develop.

Note that the causal mechanisms behind strategic inertia have not been well described or documented in the strategic management literature. Barr and Huff [6] argued that "... strategic change becomes more and more probable as the ... pressure for change ... resulting from various stimuli exceeds the current level of inertia (pressure to maintain the status quo" (p 342) However, as Huff and Huff [7] have argued, "... there is little guidance from the literature ... to suggest when response ... will focus on incremental homeostatic adjustments (to strategy) and when more dramatic ... change in direction traditionally of interest to strategy researchers is likely to occur" (p 84).

In this paper, we document and analyse the strategic views of individual members of a top management team at the time of a scenario planning intervention by the

authors. The agreed aim of the scenario intervention was to evaluate the degree of expansion of production that was necessary in light of plausible changes in the future demand for a key product. However, after the standard pre-intervention interviews had been conducted with the top team, and the results circulated within the team, the scenario process stalled and key members of the team dis-engaged. Why was this? We analyse the content of the pre-intervention interviews using two frameworks: (i) that of Janis and Mann [8] who proposed that decisions with conflicted options provoke stress responses within individual decision makers that are reduced by the unconscious operation of defensive mechanisms - which act to maintain the decision maker's mental equilibrium and (ii) that of Maitis and Lawrence [9] who proposed a general, situational, framework for understanding failures in organizational strategizing. Details of both of these frameworks are given later.

The Janis and Mann framework was previously used by Hodgkinson and Wright [10] in an earlier analysis of a failed scenario intervention. The difference between Hodgkinson and Wright's analysis and the present one is that in the current case analysis, we find that all members of the top management team, apart from the CEO, recognised that the expansion decision was fraught with risk. Additionally, all members of the team recognised that change from this strategy was also hazardous. In the Hodgkinson and Wright study, the whole of the top team sought a resolution to the common perception that both the currently-followed strategy and alternative strategies were fraught with risk but were, nevertheless, unable to find a resolution to this decision dilemma. Also, the defensive mechanisms adopted by the top team were found to be magnified by the dynamics of the CEO's personality which exhibited a strong need for control [11-13]. Hodgkinson and Wright argued that their scenario intervention merely served to undermine the CEO's self-perception of her own self-efficacy to shape the destiny of her company. By contrast, in the present case study, the CEO's strong positive view of the need to expand production was unchanged by

the views of other members of the top management team – when these views were surfaced in the pre-intervention interviews. The detail of the viewpoints of the CEO and the other members of the team are explored and explicated, in detail, later.

In the next sub-section we document the theoretical utility of scenario planning as an intervention that has the ability to challenge business-as-usual thinking. In a subsequent section, we give background to our case analysis. As we shall see, the case organization's degree-of-expansion decision was anchored [14-15] on the demand forecasts of the major customer, such that as these forecasts changed so did the degree-of-expansion decision. After this explication of the case context, we detail our methodological approach to our interview analysis using the two frameworks (i.e., Janis and Mann; Maitlis and Lawrence) and then, finally, we present our analysis and conclusions.

1.1 Overcoming strategic inertia with scenario planning

The process of scenario planning provides, in principle, an apt framework through which the appropriateness of a particular strategy or range of strategic options can be tested for environmental fit and robustness. Additionally, since the essence of scenario thinking is to examine a range of plausible, alternative futures, the process intervention facilitates the expression of dissenting opinion within the organisation as to what the future may hold and challenges potentially inappropriate confidence in terms of both a single-point future and a single, tried-and-trusted strategy. Simple extrapolations of the past and single-point best guesses about the evolving state of the external environment are thus attenuated, and the degree of alignment between strategy and a range of futures becomes the focus of attention [16]. For a fuller account of scenarios and the scenario process, see [3, 16-19]. Wiltbank et al [20] argued that scenario planning enhances adaptability in the organization – such that strategy is less dependent on any one prediction. Further, Hutzschemreuter &

Kleindienst [21] argued that “the long-term success of an organization is increasing based on knowledge, accumulation and sharing... strategy processes that are designed to leverage the potential of human capital accumulated within the organization are the key for competitive advantage.” (p 709). By our analysis, scenario planning has the capability, in principle, to provide such insight and value to the organisation. In fact, in very many applications of the method, we have been successful in producing what we term an “organizational jolt” , leading to a re-think of strategy – see [16, 22-24] for descriptions of our past successes.

It is interesting to note contemporary examples of strategic inertia in the recent world financial crisis. As late as March 16th, 2008, the US Secretary of the Treasury stated “I have great, great, confidence in our capital markets ... (they are) strong ... resilient ... efficient ... flexible”. On July 15th, 2008, the President of the USA stated “ ... we can have confidence in the long-term foundation of our economy ... I think the system is basically sound. I truly do” Yet, on September 23rd 2008, the Secretary of the Treasury said “ The market turmoil that we are experiencing today poses great risks to US taxpayers”. On September 24th 2008, the president said “.. our entire economy is in danger”, as he urged Congress to pass the \$700 billion bailout. See Makridakis, Hogarth, and Gaba for an insightful analysis of these contemporary issues [25]. In our view, adoption of scenario thinking in the US government would have provided a challenge to business-as-usual thinking in the first half of 2008. See Wright and Goodwin [26] for more detail on the use of scenario thinking to enhance preparedness for the occurrence of rare events.

2.0 Background to the case analysis

In January 2005, Alpha-a, a wholly owned subsidiary of Alpha, had established itself as a major player in the specialised-engine management unit business. The “engine management unit” is an electronic component that monitors and adjusts engine

systems to cope efficiently and effectively with varied operating environments. As a consequence of sustained economic growth, especially in Asia, sales of engine management units were growing at 10% (compound annual average growth rate) and the existing manufacturing capacity at Alpha—a was deemed unlikely to meet the demands of the future.

Following a review of the specialised-engine industry and market worldwide, of which engine management units were a major part, Alpha embarked upon a plan to raise in excess of \$34M to expand the production capacity to approximately 100,000 units a year from the existing capacity of approximately 20,000 units per year. This investment represented the largest single investment in the company's thirty-year history.

In May 2005, having failed to raise the necessary funds for the expansion of production from conventional sources of investment, the board took the decision to sell the most profitable division of Alpha (Alpha-b) for approximately \$250M. The raised cash would result in a return to the shareholders, the elimination of debt, and funds for the expansion.

In June 2005 a reappraisal of the assumptions and data used to justify the five-fold expansion suggested that a more modest expansion might be appropriate. As a consequence of these uncertainties the company decided to re-evaluate its position, with three levels of expansion proposed: 55,000 units per year, 75,000 units per year and 100,000 units per year, over a three year period. In repositioning the levels of the expansion and the necessary funds to achieve each target production run, the decision to sell Alpha-b was brought into question.

In August 2005, the scenario intervention took place in order to re-visit the decision to expand capacity.

Since the decision to expand the manufacturing facility had already been taken. The only decision to be taken post August 2005 was, “to what level does the expansion proceed?”. The driving motivation behind the expansion was the demand forecasts of Alpha-a’s major customer. At the end of 2004, Alpha-a’s major customer predicted that the ’06 run-rate would be 5000 units per month, the equivalent of a total capacity of 75,000 units per year (this number includes other customers and contingency planning). However, the major customer had adjusted his forecasts to, variously, 4200, 3000, 3675, and 2700 units/month in the time-period November 2004 to August 2005. As noted, the scenario planning exercise began in August 2005. Figure 1 shows the time-line of the customer’s forecasts - paired with the unfolding of the Alpha-a’s decision making on expansion. Clearly, Alpha-a’s degree-of-expansion decision making was closely tied to the customer’s (changing) forecasts of demand. As such, there is strong evidence for the “anchoring trap” [15] in the forecasts of Alpha-a.

Insert Figure 1 about here

2.1 Analysis of the Investment Prospectus

The Investment Prospectus, produced in January 2005, provides the best source of data to understand the decision to expand manufacturing of engine management units. As we shall document, the Prospectus was a highly optimistic piece of work.

One table contained in the January 2005 Investment prospectus estimated the share of the specialised engine business for Alpha-a's customers. Most noticeably, the type of specialised engine was omitted and the major customer was expected to have 55% of the market share by 2006. By contrast, a recent market survey (in 2006) suggested that the specialised engine business was divided into four categories and only in one type was Alpha-a's "Major Customer" shown to lead; with 42% of the sub-market. In fact, the majority of the data in the Investment Prospectus was provided by the major customer.

Another table in the Investment Prospectus revealed that Alpha-a expected to capture 100% of out-sourced production for all customers. The Prospectus also included estimates of the percentage of engine management units outsourced. The prospectus forecast that Alpha-a would control 87% of the world's specialised-engine, engine management unit market. Intuitively, It would seem highly unlikely that major OEMs in the specialised engine market would allow one company to control this level of the world market from a single facility - the supply-chain risks would be too great.

In estimating that Alpha-a would achieve 100% of the outsourced engine management units for specialised-engines, the Investment Prospectus neglected competitor behaviour. Indeed, recent press (January 2006) releases indicate that competitor manufacturers are now expanding to address the same market. Kahneman and Lovallo [27] document "competitor neglect" as a major cause of unrealistic optimism in strategic decision making.

In fact, Alpha-a had never covered its costs since the initial purchase of the manufacturing capability in 1998. To address this deficit, the strategy adopted in 2004 was to use volume manufacturing to cover its costs and generate profit on high

margin low-volume products that would naturally benefit from the high-volume manufacturing equipment and philosophy.

No matter how detailed the Investment Prospectus had been it could not have dealt with the forecast changes in demand detailed in Figure 1. The major customer changed its demanded run-rate seven times in as many months. The January 2005 Investment Prospectus had attempted to forecast demand and, with hindsight, was seen to fail. This lack of correspondence between forecasts and unfolding events should, logically, have tempered the over-optimistic forecasts of Alpha-a [25] and, to an extent, it did – since the lack of correspondence provided the backdrop to the scenario planning intervention. Perhaps scenario planning could enable the company to create better strategy after evaluating, more comprehensively, the nature of the future. This was the back-drop to the scenario intervention that we describe next. In mid-2005, the company decided to use scenario planning to look in to the future in order to understand the uncertainties of the specialised engine business by examining the external environmental factors that influence demand.

In summary, Alpha-a's forecasts of the likely future demand for engine-management systems was anchored on the (changing) forecasts of its major customer. There was also evidence of unrealistic optimism in the forecasts. Hammond et al [15] provide several recommendations for reducing such bias – focussing on seeking “ ... information and opinions from a variety of people to widen your frame of reference and to push your mind in fresh directions” (page 121). In this way, you can “... uncover errors in thinking before they become errors in judgment” (page 135). As already noted, scenario planning provides, in principle, such a challenge to business-as-usual thinking.

3.0 The Scenario planning Intervention

The scenario planning intervention followed the “Driving Forces” technique [16,26]. The project’s scope was to examine the future external environment against which Alpha-a’s planned facility expansion would be judged. As an ongoing exercise within the company, Alpha-a was, at the time of the scenario planning intervention, examining its competitive position using both SWOT and other strategy analyses.

A scenario planning intervention challenges the status quo and promotes free-thinking. This process necessitates the acceptance that different views and opinions exist concerning the same issues and thus the process encompasses multiple perspectives - often stemming from the different cultural, ideological and disciplinary backgrounds of participants. Scenario thinking enhances the analysis of perceived causal linkages between environmental factors that appear, on the surface, as unrelated.

In stimulating atypical thinking and acting as “agent provocateur”, the scenario planning exercise “*deliberately provokes a high degree of turbulence within the participating group*” [16]. The procedure followed in the scenario planning exercise is that offered by Van der Heijden *et al.* in “The Sixth Sense” [16, Chapter 7]. The reader is directed to this text for a more in-depth treatment with further examples.

The first stage of the scenario planning exercise is to define the problem. Van der Heijden *et al.* [16 p. 192] refer to this, generically, as “*identifying knowledge gaps*”. Within the context of this project this was straightforward: to what capacity level should the expansion rise? Inherent within this is the assumption that the higher level aims – i.e., the strategic direction of the company - had already been set. Thus, at the outset of the scenario planning exercise (August 2005), the objective of the exercise was relatively well defined.

3.1 The Scenario Timeline

The scenario planning exercise had an intended duration of about ten to twelve weeks with fully constructed scenarios expected by December 2005. Figure 2 shows a model scenario project program lasting ten weeks. Figure 3 shows the actual project timeline. It includes key events that tended to temporarily derail the project and ultimately caused it to over-run. The reasons why the project overran will be discussed in subsequent sections.

Insert Figures 2 and 3 about here

3.2 The Scenario Team

The scenario team must have decision authority within the organization and, in our intervention, consisted the board of directors: The chief executive officer (CEO), the managing director (MD), the financial director (FD), the director of strategy (SD), the director of engineering (ED) and the chief technology officer (CTO). One director, the newly appointed operations director, felt he was too busy, since he was new to the industry and organization, to play an active role. The authority of the team appeared to be axiomatic. Their participation seemed to signify the importance of the task and their willingness to be interviewed, in the knowledge that interviews would be recorded on tape, exhibited an openness that gave no indication of the problems that lay ahead.

3.3 Interviews with the Directors of Alpha-a

The second stage of the scenario exercise is “*exploring the scenario context*”. This could have been achieved by simply bringing the team together in a single room and stating the goal of the project. However, this has the deleterious effect of constraining the thinking of the team [16], and therefore a favoured approach is to start the process with a number of private interviews [cf 22,23]. The interviews with the scenario project team members are intended to capture horizons of thinking by allowing each member of the team to voice their views in private and with a guarantee of anonymity. The anonymous nature of the interviews is an important factor since it allows issues that may not be raised in public to be surfaced to the facilitator. These elicited views express how each member of the team sees the company moving forward and how it will interact with the future competitive environment. The six directors were interviewed in private. The interview was initiated with a five-minute introduction to the concept of the scenario planning exercise. The confidential nature of the statements and resultant anonymity was stressed to encourage candour. Each participant was asked seven questions.

These “trigger” questions used to elicit information from those interviewed in Alpha-a case are given in Table 1. These are known, in the scenario literature, as the ‘7 Questions’ [3]. They are generalized questions concerning the future, present and past of the organization - within the context of the external environment. These questions were also utilised in the case analyses presented by Hodgkinson and Wright [10]. The interviews were taped and then transcribed.

Insert Table 1 about here

In addition to the six formal interviews, a number of unstructured conversations were carried out with leading technical and managerial staff about the future external environment. The outcome of the analysis of the formal interview transcripts was a written Report circulated to the scenario team. It allowed an “*all inclusive view of the organization and its environment*” [16]. The interview transcripts included over one-hundred pages of text and the Report grouped quotations from the interviewees on particular issues and concerns where a variety of viewpoints existed. The headings for the groupings were “Organisation” (including sub-groupings of corporate structure, people, leadership, and morale), “Politics” (including UK and worldwide), “Operations” (including the manufacturing facility, efficiency, production versus R&D, customer facing, and supply-chain), “Strategic” (including in-the-past, here-and-now, expansion, and the future), “Stakeholders”, “Technology”, “Economics”, “Environment”, “Marketing”, and “Decisions”. Statements made by individuals were made anonymous and then placed in what, intuitively seemed to be the most appropriate category. The reader of the Report was thus in a position to see the degree of convergence – or divergence – of the views of the interviewees on a particular issue or concept. The written Report was circulated to the team in early October 2005. The Report was twenty-two pages in length and sample page is shown in Figure 4.

Insert Figure 4 about here

As mentioned earlier, the scenario planning exercise was expected to “*provoke turbulence within the participating group*”: this was clearly stated in the introduction to the Interview Report and this is what it did. The Report demonstrated the level of

divergence of opinion, within the board of directors, on how the company should develop in the future. It was after the Report was circulated that the scenario process started to stall.

Much of the literature on scenario interventions gives the impression that the application of a prescriptive process intervention will naturally lead to a successful outcome without recognition of the limitations and problems encountered. There is a distinct lack of literature covering unsuccessful interventions (the only exceptions being Hodgkinson and Wright [10]; Maitlis and Lawrence [9]).

4.0 Why did the process intervention fail to meet its objectives?

We examine this question in light of two conceptual frameworks. The first is the Conflict Theory of Decision Making [8]. The second is that of Maitlis and Lawrence [9], who present a “theoretical framework for understanding failure in processes of organizational strategizing” based on their experiences with a British Symphony orchestra.

4.1 Analysis of the interview data using the Conflict Theory of Decision-Making)

The sheer size of the expansion (especially in terms of investment) may, in our view, have caused high levels of anxiety and stress in members of the top management team. For this reason, the psychology of the directors involved in the process intervention is next analysed using the Conflict Theory of Decision Making [8]. Our methodological approach is identical to that of Hodgkinson and Wright [10] - in that it looks at the only source of primary data; namely the interview transcripts.

Janis and Mann [8] provide a comprehensive account of decision processes that are engendered in response to decision dilemmas, and as such their theory could, potentially, account for the case findings of strategic inertia. The theory describes a number of basic patterns of coping with a challenge, be it a threat or an opportunity. Intense conflicts, Janis and Mann argue, are likely to arise whenever an individual has to make an important decision. Such conflicts become acute as the decision maker becomes aware of the risk of suffering serious losses from whatever course of action is selected. Decisional conflicts in this context refer to simultaneous opposing tendencies within the individual to accept or reject a given course of action. The most prominent symptoms of such conflicts are hesitation, vacillation, feelings of uncertainty and signs of acute emotional stress whenever a decision comes within the focus of attention.

According to Janis and Mann, several types of decisional behavior called 'coping patterns' are the direct result of the conflict. Only one coping pattern, *vigilance*, results in the careful search for and use of information in the face of a challenge. A precondition for vigilance is that the decision makers must have concluded that amongst other things, a better solution(s) does exist and that there is adequate time to debate and search for it - the result of which is a moderate level of stress. *Hypervigilance*, a second coping pattern, results when the decision makers are aware that a better solution probably does exist, but perceive that they have insufficient time to engage in a search for it. *Defensive avoidance* behaviour, a third coping pattern, arises when the perception is that no better solution exists other than the current course of action, and can take one of three forms: *procrastination* which involves postponing the decision; *buck passing* which involves shifting the responsibility of the decision to someone else; and *bolstering* which includes exaggerating the favourable consequences of the current course of action and minimizing the unfavourable consequences. Bolstering, as an observable behavior,

shares characteristics with non-rational escalation of commitment but the mechanisms that are theorised to induce this behavior are separable.

Both *hypervigilance* and *defensive avoidance* are preceded by high stress, since there is recognition that the risks associated with adhering to the current option(s) are serious. *Unconflicted adherence*, a fourth coping pattern, is preceded by low stress, since here the decision maker views the current course of action as unthreatened and the outcomes associated with alternative courses of action as inconsequential. Search for information regarding the consequences of changing a decision is minimal and, since no risks are thought to be associated with it, the current course of action is adhered to. *Unconflicted change*, a fifth coping pattern, is also preceded by low stress since here a threatened current course of action can be replaced by an alternative, unthreatened course of action. Figure 5 details the essential elements of this theoretical model, as related to the current context of strategic decision making.

Insert Figure 5 about here

4.1.2 Interview coding

In order to facilitate analysis and interpretation of the interview transcripts we used an *a priori* scheme comprising 14 categories, which collectively embrace the full range of concepts employed within the Janis and Mann conflict theory of decision making [10]. An additional miscellaneous category was added to the coding scheme 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 2.

Initially, the researchers read through the set of original interview transcripts and highlighted interviewee responses, or 'quotations', that were, plausibly, illustrations of the various aspects of Janis and Mann's theory. The highlighted responses were then allocated to one of the 14+1, a-priori, categories as considered appropriate, any disagreement between the researchers as to category allocation being resolved through discussion.

To the best of our knowledge our analysis of the interview transcripts was exhaustive. However in order to ensure that we had not inadvertently overlooked any material of potential relevance, we explained the Janis and Mann theory to two post-graduate research assistants. They were then given them a copy of the categories shown in Table 2, and instructed to independently:

"... read through each of the 6 interview transcripts and indicate any additional phrases, sentences or paragraphs that you believe could be plausibly allocated to any of the 14 categories (you are not required to actually allocate them, merely to indicate which phrase/sentence/paragraph deals with decisional issues that could be categorised into one or more of the 14 categories)."

Our approach replicates the approach taken in Hodgkinson and Wright [10]. As expected, the research assistants identified very few additional quotations.

The analysis in the Alpha-a case was based on a total of 64 quotations identified through this exercise. In the text of this paper, we selectively allocate the 64 quotations in order to illustrate those aspects of Janis and Mann's theory that we believe are identified within the dataset. Our interpretation is necessarily subjective, However, given that all 64 quotations are documented across the Tables attached to

this paper, readers are in a position to reflect on the extent to which they agree or disagree with our account of the data.

Insert Table 2 about here

4.1.3 Findings

Will Alpha-a be at serious risk if it doesn't change its current strategy?

Five of the interviewed participants presented a view that the short-term strategy being operated – i.e., the in-principle decision to expand production in line with the major customer's view of its future needs - was damaging the long-term future of the company as illustrated by the following remark:

'I don't think we are doing much significant research and I think that even within 5 years the company is jeopardised by that short term view.' (ED)

Only the CEO did not vocalise that the expansion of manufacturing production was risky. The comments of the other directors presented in Table 3. Therefore, the answer to the above question would appear to be “yes”.

Insert Table 3 about here

Will the risks to Alpha-a be serious if it does change its current strategy?

That the organization was dependent on one customer is illustrated in the following quotation,

'... at the moment we are a one trick pony.' (FD)

This situation seems to be further exasperated by the fact that most directors didn't believe all the business activities were up to scratch - consequently making a change in the business model (away from volume manufacturing) difficult and risky - as demonstrated by the comments presented in Table 4.

Insert Table 4 about here

Is it realistic to hope to find a better solution for Alpha-a's current strategic dilemmas?

The answer to this question is not simple. One might argue "yes" and "no". On the one hand, some directors believed there was hope but felt more "influential" directors were ignoring their opinions, thus those who were supportive of an alternative strategy were being marginalised. On the other hand, there was a belief that the major problem was that the operation of the business was running against the "stated" strategy and the "executed" strategy was damaging the longevity of the company. As noted earlier, the stated strategy was to use the volume engine management unit manufacturing business (a low margin product) to maintain the facility/infrastructure (that is, used to pay the bills) with priority given to develop new products (with higher margin) and new revenues.

The executed strategy was to give priority to the major customer whose only interest was the lower-margin engine-management-unit business.

As illustrated by a statement from the ED:

'...if the strategy's how I believe it to be then we need to actually follow it because ... at almost every opportunity of decision making the decisions actually go against the [stated] strategy.' (ED)

From the authors' perspective, it was obvious that a number of directors felt marginalized and thus impotent to direct the company on a more sustainable path. The CEO, who was the sole member of Alpha-a to sit on the executive board of Alpha, could not accept alternatives to the flawed "executed" strategy; although there appears to be a realisation, by the other directors, that the present state of affairs was unacceptable - as presented in Table 5.

Insert Table 5 about here

Shifting Responsibility

The marginalization of a number of directors provided an excuse to blame others for the position the organization found itself in. This shifting of responsibility was also evident in those directors who appeared to have maintained their influence. There was frequent use of the word "we", meaning the directors, when it appeared that this should have been "I". The MD was quite honest about shifting the blame:

'I'm not sure I'm going to be much help, other than to... because I wasn't party to a lot of that. So that was pulled together essentially by the FD and the SD, I'd made input with [the operations manager at the time]'s help in terms of tool cost and things like that. I think what everybody said at the time, and we can blame [the former CEO] for that, because [he's] gone, was that these numbers are just far too big.' (MD))

There were a number of instances where responsibility for the issues was deflected or deferred to others, - shown in Table 6.

Insert Table 6 about here

In some cases this extended to entities outside the company. On a number of occasions participants expressed the opinion that the company's best future lay in the hands of another company - as presented in Table 7.

Insert Table 7 about here

Procrastination

Shifting responsibility is recognized as a defensive avoidance strategy, as is procrastination. There were many references in all interview transcripts to "we have to", or "we need to". The use of the future tense was pervasive in the transcripts - as documented in Table 8.

Insert Table 8 about here

Bolstering

Although there was a general acceptance that elements of the present situation had to change there seemed a reluctance to do so as evidenced in the statements illustrating procrastination. At the same time there was strong support for the current, failing operational strategy – see Table 9.

Insert Table 9 about here

It appears, therefore, that the directors of Alpha-a exhibit all three of the defensive avoidance strategies postulated by Janis and Mann [8]. That these avoidance strategies had a negative impact on “*information search*” and “*contingency planning*” is illustrated in the following Tables - 10 and 11.

Insert Table 10 about here

Insert Table 11 about here

The above analysis demonstrates the operation of elements of the defensive avoidance mechanisms predicted by the Conflict Theory of Janis and Mann [8]. Our findings would also tend to support the assertion that these defensive strategies were engaged as a result of stress induced by an acceptance that the expansion decision was fraught with risk. The timing of the scenario process intervention could not have

been worse. The divestiture of the Alpha-b business was high in the consciences of the directors. The loss of the major part of Alpha's business was going to have a large effect on the form of Alpha-a. This was evidenced by the following statement from the CEO:

'A very large part of the business is going to be sold and we will end up with a new shape of company.' (CEO)

4.2 Analysis of the interview data using the Maitlis and Lawrence framework

Maitlis and Lawrence [9] presented a "theoretical framework for understanding failure in processes of organizational strategizing" based on their experiences with a British Symphony orchestra. We next turn to use their framework to see if it provides additional insights on our interview analysis. We proceed by stating Maitlis and Lawrence's main propositions and then relate these, in turn, to our case materials.

Proposition 1a: An episode of strategizing will be more likely to fail when key actors do not interpret the issue as relevant to their situation and as having the potential to further their own interests.

Whether the background of uncertainty that pervaded the organization during the timing of the process intervention distracted those involved is difficult to say. Certainly there was an undercurrent that the directors had more important things to do than participate in the workshops. As we noted earlier, for the newly-appointed Operations director, getting to know the business was more important than being involved in the scenario intervention process. It may have been that, with the divestiture of the Alpha-b business, the directors saw a management system that was top-heavy; as demonstrated by the following quote,

'I think we actually have too many Chiefs and not enough Indians ... and [we] probably [need] some thinning down.' (ED)

Thus, fearful of redundancy, some participants could have chosen to “look busy” (keep their heads down) rather than participate in a tangential scenario planning exercise. Nevertheless, the CEO, MD, FD, SD, CTO and ED all volunteered to take part.

Proposition 1b: An episode of strategizing will be more likely to fail if the issue is not interpreted and labeled in a way that is legitimate within the existing organizational discourse.

One feature of the interview transcripts was the perceived lack of a coordinated, and unanimous, strategy. A number of the participants took the view that a higher-level strategy for the expansion decision was missing and as such the lower level decision about the degree of expansion – the focal issue of the scenario intervention - was inappropriate, as illustrated by the following statement,

'I think we do have a definite strategy but at almost every opportunity of decision making the decisions actually go against [it].' (ED)

To recap, the stated, higher-level, strategy of Alpha-a was, in fact, to use the volume engine management unit manufacturing business (a low-margin product) to maintain the extant facility/infrastructure in order to give priority to efforts to develop new products and revenue streams.

Proposition 2a: An episode of strategizing will be more likely to fail when the organizational politics preclude agreement on the definition of the concept, and there exists no actor powerful enough to impose a definition.

Within the interview transcripts, there was evidence of fundamentally different views of what was important for the future of the company. In addressing the interview question, “What are the decisions to be made today?”, some directors viewed the “next step” very differently (Table 12).

Insert Table 12 about here

By January 2006 the two directors (the FD and the SD) had left the company and two others (the CTO and ED) were, effectively, demoted.

Proposition 2b: An episode of strategizing will be more likely to fail when the preexisting discursive resources of key actors are highly incompatible.

In line with proposition 2b, there was a heterogeneity in the business backgrounds of the team of directors - see Table 13.

Insert Table 13 about here

Proposition 3a: An episode of strategizing will be more likely to fail when organizational politics do not allow for the assignment of responsibility and accountability in a way that benefits key actors.

The subject of authority and responsibility seemed a common problem; there were signs that authority was not fully clearly defined within the organization (Table 14).

Insert Table 14 about here

Proposition 3b: An episode of strategizing will be more likely to fail when the concept definition is highly complex and internally inconsistent.

It is difficult to argue that the issue of the “next step” for Alpha-a was too complex to be discussed and analysed within the scenario intervention. What was inconsistent were the opinions of the directors on how to move the company forward - see Proposition 2a, above.

Proposition 4: An episode of strategizing will be more likely to fail when the concept has been defined in terms of the organization’s weaknesses rather than its strengths.

Several of the participants thought that the expansion of Alpha-a was poorly conceived since the future success of the decision was founded on a perceived weakness in the organization - namely its operational capability. The expansion was about becoming a major player in the volume business but Alpha-a’s existing success was perceived to lie in clever solutions, not in volume production (Table 15).

Insert Table 15 about here

In summary, application of the Maitis & Lawrence [9] framework to the interview data revealed some support for their propositions about why processes involved in organisational strategising can fail. Specifically, the directors may (1) have been more focussed on keeping their jobs rather than participating in the scenario exercise, (2) the directors did not agree an over-arching strategy and so discussion of the degree of expansion lacked legitimacy, (3) the directors disagreed about the nature of the decision facing them, (4) the directors were heterogeneous in their backgrounds and (5) the nature of authority/responsibility/accountability in Alpha and Alpha-a was moot. In short, there is some evidence that the set of ambient discursive and political factors were in-appropriate for strategising success.

5.0 What, then, can be learned from our analysis of this case intervention?

5.1 implications for theory

The first point is that scenario planning is one, well-utilised, way of exploring differences in perceptions of the business environment with a management team. But, to initiate this, perceptions need to be shared – and it was at the early stage of the sharing of perceptions where this scenario intervention failed. It is worth re-stating that, in the Report containing the clustered interview quotations, each quotation was made anonymous and that thus the directors would not have been able to recognise one another – unless, of course, the degree and nature of individual's dissenting opinions were already salient to the other Directors in the organisation. Given that the range of divergent opinions/views were now salient to each of the directors, four of the directors decided not to continue. Why? Rationally, it would have made sense to continue and make a thorough evaluation of the

decision to expand – given the emergent salience of alternate views on the issue. And, this is the exact remedy recommended [15, 27] to overcome the pitfalls of overconfidence, inappropriate anchoring, and the inappropriate search for confirming evidence for the adequacy of an already-made decision. But the MD, the ED, and the FD dropped out. Even the CEO dropped out. Only the SD and the CTO continued their involvement onto the next workshop. Why were members of the top team unwilling to continue their engagement with the scenario process? It is our belief that the weight of evidence indicates that further continuation was seen by all participants, including the CEO, as likely to lead to a serious questioning of the, already-made, decision to expand production. As such, the whole top-level strategy of the firm, including the sale of Alpha-b would be under intense scrutiny. But this issue could not be faced and so both the CEO and some of those directors with doubts about (1) the viability of the expansion decision and (2) the viability of the continuation of their own jobs decided to lower their heads below the parapet. Nevertheless, the scenario intervention continued with the ongoing involvement of two Directors. The four scenarios that were subsequently developed utilised two, high-impact, low-predictability clusters as the scenario dimensions. These were (i) high economic growth – stalled economic growth, and (ii) legislative support for EU-based high-technology manufacturing – legislative inhibition of EU-based high-technology manufacturing. The scenarios considered (a) civilian and military markets for the engine management systems in Asia, North America and Europe, (b) technology change, and (c) environmental issues. The scenarios that were eventually constructed by a team, including the SD and CTO, showed that the expansion decision was fragile against these scenarios and that other decision options were, in fact, dominant.

In short, our case analysis illustrates that there was strong “pressure for a change” in the currently-followed strategy and this pressure emanated from the Directors of

Alpha-a. This pressure for change was revealed in the interview Report and made salient to all the Directors. As such, the degree of inertia cannot, we posit, be linked to the operation of unconscious processes or, indeed, human cognitive limitations that could be remedied by recommended techniques [15, 25]. The degree of pressure for a change of strategy was obvious and salient to all.

In summary, all of the directors, apart from the CEO, saw the irrationality of expanding production of the engine management units at the time that we conducted interviews to set the scenario intervention process in motion. The pressure for a change in strategy, as evidenced in the interview transcripts, was immense. But the result of this pressure was neither a step change in strategy nor an incremental change in strategy - as predicted by Huff et al [7, 5]. In fact there was no change in strategy at all.

Our case study illustrates that inertia in strategic decision making can be extreme – more extreme than the extant literature has recognised before. Our case analysis does not negate the conclusions of the earlier literature but extends and complements them with an existence demonstration of such an extreme. As such, “increasing pressure for change” may not produce a change in strategy. At the time of the distribution of the Interview Report, the individual directors were, arguably, unaware that the other directors were also not aligned to the executed strategy. Once aware of one-another’s viewpoints, they did not combine to exert a joint, and perhaps multiplicatively strengthened, pressure for a change of strategy. An alternative route was taken to relieve the pressure – they dispersed. Thus, the strategic episode captured in the scenario workshop did not invoke vigilant evaluations of alternative strategy options.

5.1 Implications for intervention practice

Our study provides an existence demonstration of the extent to which a senior management team may persist in a chosen strategy despite the well-orchestrated introduction of countervailing evidence. Strategy workshop practitioners should be sensitive to this demonstration. Critical voices can go unheard – even when these voices are in the majority.

Our process intervention stalled when the results of our preliminary interviews were fed-back in anonymous form to our interviewees. The questions posed in the interviews were, on the face of it, fairly innocuous (see Table 1). As we have noted, this was an exceptional outcome in our prior consultancy experience of successful scenario-based interventions utilising identical methodology. Could we have predicted this unusual response before our intervention?

Recall that the focus of our intervention was to evaluate the degree-of-expansion decision rather than the expansion decision per-se. Our initial analysis of the interview data in terms of Janis & Mann's conflict theory of decision making revealed evidence that all of the directors (with the exception of the CEO) perceived both the initial decision to expand and consequential degree-of-expansion decision as fraught with risk. Additionally, change from this linked strategy was also perceived to be hazardous and any resolution the issues was not seen to be straightforward. As such, as predicted by Janis & Mann model, the directors were found to have engaged psychological coping patterns to defensively avoid the decision dilemma with which they were faced. We found evidence of (i) shifting responsibility for resolving the decision dilemma, (ii) procrastination over resolving the decision dilemma, (iii) and bolstering of the current executed strategy - of keeping close to the major customer and expanding production of engine management units. As predicted by the Conflict Theory, we also found evidence of limited information search and poor contingency planning for future eventualities. These deficiencies and defects in

decision making could not have been forecast a-priori. Additionally, we found evidence that, in agreement with the Maitlis and Lawrence framework, the set of ambient discursive and political factors were in-appropriate for strategising success. Arguably, we also could not have known, a-priori, that our respondents would not be in agreement with the over-arching strategy to expand - such that discussion of the degree of expansion lacked legitimacy. We also could not have known that the nature of authority/responsibility/accountability in Alpha and Alpha-a was moot. All that we could have known, a-priori, was that the directors were heterogeneous in their backgrounds.

However, once we obtained the range of views on the over-arching strategy to expand we could have taken this as a warning that, perhaps, the interview participants would not be prepared to deal with the conflict of viewpoints that we were to surface via our circulation of the anonymous interview quotations. Ronald Heifetz, a psychiatrist, has argued [28] that adaptive work is needed to allow group participants to be open about their individual viewpoints and facilitate change of opinion in stressful situations - such as the one that we encountered. Successful leaders, and perhaps scenario practitioners, need to be able to gauge how far to cognitively and emotionally challenge individuals in the process of enabling vigilant decision making. Clearly, in our case example, the executives were not ready to receive the challenge presented in the summarised interview notes. In hindsight, perhaps we should have diverted from the standard scenario intervention process at this point and not shared the interview notes. Perhaps we should have proceeded directly to the scenario construction process in order to build, gradually, a common mind-set in our participants. Clearly, the yield of the pre-intervention interviews deserves close attention in future scenario interventions with top management teams. And application of the Janis and Mann's conflict theory of decision making demonstrably provides a useful lens with which to analyse the interview material.

Could we have predicted the unusual response to the early stage of our scenario-planning intervention? On reflection, we have no clear answer to this question. As we have noted, at the time of our intervention, the divestiture of the Alpha-b business was high in the consciences of the directors. The loss of the major part of Alpha's business was going to have a large effect on the form of Alpha-a and the directors, themselves, were unsure of their future roles and responsibilities. If our respondents had felt more secure in their roles then, perhaps, the scenario intervention process would have continued with the involvement of all the initially-involved directors. Perhaps, also, the documented weight of the countervailing opinion about the decision to expand production would have made this, already-taken, decision the subject of vigilant decision making within an unfolding scenario process. We conclude that a scenario planning intervention has, in principle, the capability to provide such insight and value to an organisation and, as such, can aid a top management team to overcome pitfalls in decision making. But such benefits can be attenuated by an un-receptive organisational context – as documented in this case study.

Postscript

But what of the CEO? The financial report made by Alpha-a, at the end of the 2006 financial year, included a statement of the CEO's resignation – to be effective from the the date of the next annual general meeting. What caused this resignation? Some events that followed the scenario intervention shed light on this subsequent event. It transpired that shortly after the end of the scenario intervention the major customer refused to give a contractual commitment to Alpha-a for supply of engine management units. In fact, the major customer eventually said that it wanted no more

engine management units from Alpha-a. Subsequently the planned expansion at Alpha-a was halted and about \$7million was lost as deposits on the new equipment that had been sourced for the expansion. At the time of writing, however, the major customer had again placed orders for engine management units – as a result of failures by their other suppliers – and has ordered a limited number of units to be supplied up until February 2007. Alpha-a's production of engine management units is, at September 2006, at the same level, overall, as before the decision to expand. But no orders for units existed beyond February 2007 and, knowing this fact, the complement of engineering staff are seeking and finding jobs elsewhere. It is unlikely, if the trend continues, that there will be sufficient engineers in place to maintain production beyond November 2007. Some production equipment is currently idle.

Figure 1: Facts that influenced the expansion decision

Figure 2: An idealised scenario project programme
(from van der Heijden et al, 2002)

Figure 3: The time-line of the scenario project within Alpha-a

"Modern companies need approachable leaders"

"Leaders need to be in touch with the grass roots organization otherwise they make their decisions in isolation which causes many problems"

"If there were no problems there wouldn't be a need to employ people with big salaries to fix them"

"I think we need belief in ourselves as an organization, not just as a person but with management believing in the person"

"Building bridges across the gaps in the business is a challenge. It requires upper management to take the lead"

"We are lacking the management to do it and the management focus to find out what we need to do for the future"

"The coordination or management of people that's what we are lacking"

Morale

"Morale has been hit during the last six months with continual customer pressure to ship etc"

"We don't have a buzz and unless you have a buzz, you may survive but you ultimately will not be hugely successful"

"A lot of people are de-motivated they need to be recharged"

"The organization can benefit tremendously from getting some good successes"

"When a business expands and grows people suddenly find their freedom diminishes, this is a danger"

"Attributes we have today may be buried due to disappointment or de-motivation but they are still there"

Political

UK

"There are a range of government issues such as, tax, export controls, health and safety legislation that can influence our future"

"UK politics are very stable hence this doesn't tend to disrupt us"

"Our government's policy on energy consumption, energy availability and therefore the price of energy is a concern"

Figure 4: A sample page from the interview report

Figure 5: Janis and Mann's (1977) Conflict Theory of Decision Making as applied to the process intervention

Table 1: The seven “trigger” questions 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

Table 2: The coding schedule used to re-analyse the pre-workshop interview transcripts

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

'We are placing an over reliance on one customer ... we haven't got the protection of a sound commercial agreement with that customer that would (a) allow us to sleep at night and (b) can justify the investment we are just about to make.' (FD)

'If you stand back and look at the organization as a high volume, low margin, all year, unbranded, unknown entity it's not exactly a great business model.' (FD)

'I think there is tunnel vision on where we should be going. I think there is a serious lack of strategy. I think we are getting very, very, hung up with one customer who actually is quite untrustworthy as a customer.' (SD)

'[The] uncertainty is, to me, is if the company is able to invest enough resources and cash into new developments, process and products. This is a big uncertainty because it has a lead-time of 3-5 years.' (CTO)

Clearly, the aspect of the present company, that is in my regard dangerously poor, is the lack of investment in the future. We are simply scrambling to keep up and not only that, to keep up with the present, but we are actually jeopardising the future.' (ED)

'... we are one of the top ten [manufacturing bases for specialised engine management units] in the world but we ain't making a lot of money.' (MD)

'I can't see sustainability in the future unless we do something relatively radical about how to improve efficiency or reduce the cost base.' (SD)

'I think we're poor on [Manufacturing].' (MD)

So we could have a little bit of egg on our faces were we to ramp up to 55k volume ... and then suddenly it isn't required.' (FD)

Table 3: Additional quotations illustrating the fact: the risks are serious if Alpha-a fails to change its current strategy

'At this moment in time we are a relatively small player in some markets, the merchant market, to a certain extent the defence market and we never got into [a new business area] properly - we probably missed the boat there. It's how quickly we can develop other business areas in the next 3 to 5 years that will again determine our future.' (FD)

'We're very, very, one opportunity at the moment and even new opportunities that we could have, that gives us our margin, we've either not got [the stuff] ... or the stuff that we have got is wrong.' (SD)

'We are rather a technology company than a business orientated company. And so, we are lacking, I think, expertise from the business perspective.' (CTO)

'We have good people, we have gaps - we have certainly gaps!' (CTO)

'I think we probably still need to do more work in terms of business development and marketing.' (CEO)

'I certainly think there is a lack of understanding in the markets and possibly a willingness to talk to new customers.' (ED)

Table 4: Quotations illustrating the perception that the risks are serious if Alpha-a changes its current strategy

'So there will be opportunities undoubtedly ... but its our ability to exploit those in the market place for profit, I'd say, is probably our greatest weakness.' (FD)

I wouldn't necessarily say, I would [expand the capacity] as far as where they are now saying they are going to go as well. I would continue to look into new business opportunities.' (SD)

There are a number of opportunities that we could be designing in if any kind of priority was given to that.' (SD)

'... that strategy is kind of either being dropped or just being completely ignored.' (ED)

'There is a distinct lack of vision in the organization, or where there is vision it's being ignored.' (ED)

Table 5: Additional Quotations Illustrating that it may be possible for Alpha-a to find a better solution to its current strategic dilemma. Note that these opinions lie with the marginalized participants (The FD, SD, and ED)

... that's probably a weakness that we don't have certain individuals, class individuals, or indeed the structure.' (FD)

I think what's standing in the way of a good future is [the CEO].' (SD)

It's hard for me because I've only been here 18 months.' (CEO)

'I think you have to be very careful who you choose to fill the higher levels of the organization and we've done poorly in that area recently.' (ED)

'I don't know, I'm rather technically focused.' (ED)

... a view was taken (not mine).' (MD)

Cost us because it's put [the MD of another division] in a very strong position. His business has probably slowed us down in growing the bespoke business'. (MD)

[FD is] a big proponent of hedging ... and the [group finance officer at the time] decided that he wouldn't for whatever reasons.' (MD)

Table 6: Quotations exhibiting responsibility-shifting tendencies

'If, we choose truly to get into bed with [major customer] for the short term then the best outcome would be for them to buy us for the future of the business.' (FD)

'If we can't manage our own future somebody else will.' (ED)

Table 7: Quotations illustrating that the company's destiny may be better off in the hands of someone else

<i>'It's how quickly we can develop other business areas in the next 3 to 5 years that will again determine our future.'</i> (FD)
<i>'I would continue to look into new business opportunities...'</i> (SD)
<i>'I think the one thing we don't do well is we continue flogging a dead horse for a long time.'</i> (SD)
<i>'... we're operating in flux ... [the company] needs to be stabilized.'</i> (CTO)
<i>'I would like to see some changes in the organization going forward.'</i> (CEO)
<i>'... but where the long-term destiny of the company is going is something that we need to work on.'</i> (CEO)
<i>As organizations get bigger it's almost inevitable that management processes get more demanding, so people do more risk assessments, they check things more thoroughly, they go through more management reviews...'</i> (CEO)
<i>... we sort of deliberate for ages about what we're going to do...'</i> (MD)

Table 8: Quotations illustrating procrastination

I would look at it ... in terms of the [specialised engine] market and our relationship with [Major Customer]. On the positive side they look the part and are fully with us. ...' (FD)

I seriously believe we needed that opportunity for us to get into profitability ... I actually think if it wasn't for the [engine management unit] we would be closed by today.' (SD)

I think this resource, this facility, is just one of our enormous strengths right now. And we actually have to exploit that; quite frankly, we've put a lot of money into it so we now have to exploit it.' (CEO)

I would argue that if we hadn't got that business then, ... I'm not sure this [manufacturing base] would have made it ... it's kept us going and we've got the volume ... but we ain't making a lot of money.' (MD)

Table 9: Quotations illustrating the bolstering of commitment to the current failing strategy

I don't think there's enough more volume, higher margin work out there for us to capture to make the [manufacturing base] profitable.' (SD)

... there might be some little lab somewhere which we don't know anything about that pops up with a eureka.' (CEO)

One of the decisions that we have to make is ... where do we actually see the market going.' (CEO)

Understanding the market is something which we are still really trying to do.' (CEO)

I don't think there's anything, particularly at the moment, that ... is disruptive.' (ED)

I certainly think there is a lack of understanding in the markets.' (ED)

It was a guesstimate.' (MD)

Table 10: Quotations illustrating limited information search

But it could easily flip round ... change in the technology in the engine management unit] product ... then all of a sudden all of the [current manufacturers] will start twiddling their thumbs.' (FD)

I actually think we are being a little bit slow in developing other things.' (FD)

All of our strategies ... are ... very short term, and when you start widening the net you then suddenly going to say, well, what is our 5 year strategy, and if you haven't got that in the first instance you don't really know what's going to impact on it.' (FD)

Once there ends up being excess capacity I think that we may be quite exposed.' (SD)

I'm looking at it from the threat of change of technology so in fact it would always be [our current technology base].' (SD)

The biggest risk has to be that somebody just comes up with something which says, we don't need [current technology engine management unit] in 12 or 18 months that would be a big challenge for us. But as you know we don't see that at this time.' (CEO)

There is the general issue of how much money we do set aside for R&D.' (CEO)

If the EU economy took a great turn up or some of the technology parks locally all fired up big time we could loose quite a lot of people and that could cause a problem.' (CEO)

[There is a] lack of investment in the future... if we continue with the present of doing so little for the future then we run the risk of becoming simply a manufacturing arm of another organization.' (ED)

We are lacking is the management will to do it and the management focus on finding out what we need to do for the future.' (ED)

Table 11: Quotations illustrating poor contingency planning

'If, we choose truly to get into bed with [major customer] ... the best outcome would be for them to buy us for the future of the business.' (FD)

I wouldn't necessarily say, I would [expand the capacity] as far as where they are now saying they are going to go ... I don't think there's enough ... volume work out there for us to capture to make [manufacturing] profitable.' (SD)

How do we take [the manufacturing base]] to ... become a profitable contributing part of the business?' (CEO)

Table 12: Quotations illustrating the fact: there was a lack of agreement on the next step for the company

The Financial Director came from an unrelated (non-technical) business whose views were about the need for a “well-rounded” business.

'Alpha-a is being a little bit blinkered in recognising that you need a fully rounded organization.' (FD)

The Director of Strategy was a former operations manager in the (about-to-be) divested business, whose views on the company's future were quite clear,

'I think we are selling off the wrong part of the company.' (SD)

The Chief Technology Officer came from an R&D background, whose former organizations had been egalitarian rather than hierarchical, attributing many of the problems to the bureaucracy of the ... business,

'[Alpha-a] doesn't seem to be a very dynamic place ... it's ... locked into procedures ... and this is something [that] needs to be broken and left behind.' (CTO)

The Chief Executive Officer came from a programme management background, in a large Government contractor characterized by large, heavily financed, long duration programmes. Decision timings in the Government contractor business are different to those in the dynamic engine component business and it was noticeable that speed of decision was not an important factor,

'... teamwork, getting the right blend of individual creativity with the strength in the team to deliver. I think in 5 years that would be nice.' (CEO)

The Director of engineering had spent many years in the USA where investment in the future was part of the ethos,

'Clearly, the aspect of the present company that is in my regard dangerously poor is the lack of investment in the future.' (ED)

The Managing Director had grown up in the British automotive manufacturing industry and although possessed a great breath of knowledge about markets and business tended to see things as the other person's problem, in spite of being MD,

'We sort of deliberate for ages, about what we're going to do.' (MD)

Table 13: The differing organizational cultures within the scenario team

'We're operating in flux at the moment and ... not a stable situation, ... I think [the organizational structure] needs to be stabilized.' (CTO)

'[We need] a clearer line of authority and structure at the higher levels of the organization. A clearer delineation of priorities for things that are not immediate. And really, if the strategy's how I believe it to be then we need to actually follow it because [although we] have a definite strategy ... at almost every opportunity of decision making the decisions actually go against the present strategy.' (ED)

Is Alpha-a a manufacturing business [and] who ... runs it?' (MD)

Table 14: Quotations illustrating the fact: there was a lack of understood responsibility and accountability in the organization

'I'd question (probably) operations ... planning ... that's one of the weaker areas.' (FD)

There [are] far too many people in [manufacturing] ... I think we've got one of the biggest cost bases in the world by virtue of the number of people in there.' (SD)

'Investing into [manufacturing], the size of [our proposed manufacturing plant], on one hand you can view it as a disaster' (CTO)

We seem to be continuously running at a much lower capacity than we say we have in both manpower and machine-power.' (ED)

'I think we're poor on [manufacturing]' (MD)

Table 15: Quotations illustrating the fact: there were operational weaknesses in the organization

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