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The Failure of Strategic Initiatives:

Perceptions of Leaders, Managers & Employees

Peter McKiernan and David MacKay, University of Strathclyde

Abstract:

Strategic initiatives fail for many reasons. We examine such failure in a major UK-based single site case. We discover the influence of differing perceptions of the strategic initiatives across hierarchical levels, from leaders on the executive board to operational managers and frontline staff, on an organization's dynamic capability. Adopting an issue management perspective, we present data from a single case study in which differing views between leaders triggering the strategic initiatives and those close to operationalizing them, resulted in a lack of dynamic capability. This is explained by an absence of procedural rationality – a concept reflecting the extent to which a decision-making process and its results are perceived as sensible and relevant. We argue that procedural rationality, enabled by social interaction between hierarchical levels, is vital to building employee commitment to purposeful change and organizational dynamic capability.

Keywords: Dynamic Capability, Issue Management, Procedural Rationality, Communication, Commitment

“There are truths this side of the Pyrenees, which are falsehoods on the other” Blaise Pascal

When strategic initiatives by the leaders on an executive board consistently fail, what does that tell us about communication and commitment within the wider organization? Employing an issue management perspective and concepts of dynamic capability and procedural rationality, this paper attempts to address

this question through analysis of empirical data from a UK-based site of a FTSE listed engineering services firm experiencing serial strategic initiative failure.

Clear, symmetrical communication and consistent commitment require the alignment of actor cognition and emotion with strategic initiatives. Simon (1976) argues that this is best achieved through the psychologist's notion of procedural rationality; and this might be made more effective by balancing it with the lawyer's notion of procedural justice (Thibault and Walker, 1975). Here, actors acknowledge that the strategic decision-making process and its initiatives are sensible and explainable and enacted within the accepted 'rules of the game'. Hence, each can articulate what the decisions are and why they have been made, whether they agree with them or not (Eden & Ackermann, 2001). Thus, an intelligent process minimises the possibility that any decision and initiative will fail (Nutt, 2002) and helps build dynamic capabilities by supporting organisations to "create, extend or modify the resource base" (Helfat et alia, 2007). According to the formative mantra of the resource-based view of the firm, excellent dynamic capabilities support superior performance through non-imitability, *ceteris paribus*.

In this paper, we ask why such processes and initiatives *and* their underlying capability building can fail in organisations. We adopt an issues management perspective¹ to examine a major UK organisational site, where an apparent lack of dynamic capability building led to the direct failure of eight of the executive leadership's² strategic initiatives. Following Dutton et alia (2001), we evaluate qualitatively the emerging patterns within a total of 1327 issues that were nominated in the course of 14 strategy workshops, conducted across several hierarchical levels of the case organization. From our analysis of the issues nominated, we identify an apparent dichotomy in the profile of strategic change needs suggested at different hierarchical levels within the site. We find that the EL (2% of the organizational population), whose continuing knowledge of the operation at the case site was based nearly exclusively on

¹ Where issues are "the intuitions, frustrations and claims [an organisational participant] makes about what needs to be done to ensure success or failure (Ackermann & Eden, 2011, p40)

² We use the term executive leadership (EL) to refer to the directors and heads of department comprising the extended executive board for the site

management information reporting, align behind an issue profile that emphasises extensive sense-giving activities and activities that deal with perceived problems. In contrast, those organizational actors with direct involvement in operations at the site (the operational managers (OM) and employees (E) representing 98% of the organization's staffing numbers), align behind an issue profile that emphasises a need to take actions to reconfigure existing assets and better exploit existing opportunities.

Considering further qualitative data about the introduction and focus of strategic initiatives, we find that the common factor in the failed initiatives was a lack of operational manager (OM) and employee (E) commitment. By this, we mean that through 'omission and commission' (Clegg, Carter, Kornberger & Schweitzer, 2011), the majority of organizational actors brought about the failure of the initiatives, despite otherwise having the understanding and available resources to operationalize them effectively. Further, we find that the strategic initiatives instigated by the EL, who were removed mainly from direct operations, lacked a sense of procedural rationality for the vast majority of the organization.

From our empirical analysis, we propose implications for our understanding of how to work with such leader-generated initiatives. Specifically, our findings suggest that direct contact with the managers at the operational level has a profound impact on what makes sense as *purposeful change* in an organization. Furthermore, when seeking to 'deploy' dynamic capability through strategic initiatives, we are mindful of Mintzberg's (1994) observation that "calculated strategies have no value in and of themselves ... Strategies take on value only as committed people infuse them with energy".

Finally, we assert that dynamic capability cannot be considered a timeless potential for action that can be directed by leaders towards any end - for dynamic capability to be available to those leading an organization, the purposeful change must resonate with those required to enact it. Proposed initiatives must make sense to those beyond the EL team and, therefore, attending to procedural rationality considerations may play a useful role in building commitment between hierarchical levels to formal strategy activities (Vilà & Canales, 2008).

We propose that the usefulness of dynamic capability as a managerial decision making aid may be enhanced by considering it as a situated phenomenon, tied to the specific context of an intended change initiative. This leads us to suggest that to work with dynamic capability in practice will require a situated, multi-perspective evaluation and explanation of purposeful change options each and every time a deployment is mooted.

The remainder of the paper deals with the pertinent literature, the chosen method, the discussion and conclusion.

Literature Background

This section defines the key concepts underpinning our study and outlines the existing theory which we seek to extend. First, we adopt an ‘issue management perspective’ (IMP) in attempting to understand how perceptions of strategic initiatives differ between actors at different levels i.e. what each articulate as sensible and relevant activities that are to be prioritised in future work. In this context, issues are practitioner perceptions of “events, developments, and trends that have implications for organizational performance” (Dutton & Ashford, 1993, p397). Dutton et al. (2001, p716) note that “organizations are a cacophony of complementary and competing change attempts, with managers at all levels joining the fray and pushing for issues of particular importance to themselves”. In this bustling organizational context, issue management relates to activities intended to resolve the “intuitions, frustrations and claims” made by practitioners as to how current resources might be best utilised to either address troublesome/threatening matters or better grasp extant opportunities (Ackermann and Eden, 2011, p40). These suggestions might be to continue to execute existing activities either to *solve problems* or *exploit favourable circumstances*.

Second, we examine how this impacts upon the building of dynamic capability. Dynamic capability can be understood as an organizational level capability – or potential for action (Kay, 2010) - that may change organizational resources or operational capabilities (Winter, 2003; Regner, 2008). Dynamic capability is

argued to emerge from organizational processes (Teece, Pisano & Shuen., 1997; Helfat & Peteraf, 2009) which, in turn, are a product of organizational structures and systems and the routines and actions of organizational actors (Leiblein, 2011; McKelvie & Davidsson, 2009; Pentland, Feldman, Becker & Liu, 2012; Teece, 2012).

Activities associated with the deployment of dynamic capability include the *addition* of resources from outside the organization (e.g. through procurement activities), the *creation* of new resources internally (typically knowledge-based resources created through learning or entrepreneurial activities), resource *reconfiguration* (changing the way resources are used in combination in order to change their realised impact) and resource *deletion* (e.g. through divestment activities) (Teece et al, 1997; Eisenhardt & Martin, 2000; Helfat & Peteraf, 2003; Zahra, Sapienza & Davidsson, 2006; Helfat et al, 2007; Teece, 2007). Where issues expressed by organizational participants relate to purposeful change through the addition, creation, reconfiguration or deletion of resources, we understand those issues as a call to build dynamic capability.

The final categories of issues we consider are those recommending *sensemaking* or *sensegiving* activities. Sensemaking involves communication and perception and occurs when we receive information which contradicts our established way of thinking about the world (our schemata) and, through introspection and reflection as an individual or through dialogue with others, we seek to redefine our schemata in light of the new information (Weick, 1995, 2001). Sensemaking is important to dynamic capability by reducing uncertainty for managers seeking to initiative strategic change (Pandza & Thorpe, 2009) and by providing leaders with a crucial role in determining the type of dynamic capability in their organization (Zahra et al., 2006; Teece, 2007; Hodgkinson & Healey, 2011). Finally, sensemaking is important for the acceptance of a ‘need to change’ for all employees, regardless of level (Balogun & Johnson; 2004, 2005), as part of escaping the inertial “grooves” of habitual organizational activity that can diminish the building of dynamic capability (Eisenhardt and Martin, 2000, p1113).

Sensegiving is an activity through which an individual expresses their views to others in an attempt to influence the sensemaking of those others towards sharing their own schemata (Weick, 1995; 2001; Rouleau, 2005). In terms of dynamic capability, sensegiving activities are part of a deployment and communications process in which the decisions of a set of agents, such as a leadership team, are promoted to a larger network of organizational actors capable of implementing the change (Pandza & Thorpe, 2009). Through sensegiving activities, those making strategic decisions can attempt to “garner loyalty and commitment and achieve adherence” to their purposeful initiatives (Teece, 2007, p1334). Arguably, the greater the effort to commitment building, the greater the likelihood of strategic initiatives being realised and dynamic capability being built successfully (Hodgkinson & Healey, 2011).

In the application of an issue management perspective, we seek to draw on the concepts summarised in Table 1 to examine how differing perceptions of strategic issues across hierarchical levels might impact on the building of dynamic capability.

[Insert “Table 1 – Organizing concepts” Here]

This paper responds to a call for research that, in contrast to rationalist, economically-grounded views, addresses the impact on dynamic capability of the perceptions and limitations of EL, OM and E-level staff as cognate, social beings within an organizational system (McGuinness & Morgan, 2000; Helfat et al, 2007; Augier & Teece, 2008; Hodgkinson & Healey, 2011). This matters practically as well as theoretically for, as Helfat et al (2007, p48) observe, dynamic capability is subject to “forces of inertia and change that operate almost independently of the everyday actions and inactions of executives.” Dynamic capability is determined, in part, by how individuals communicate and exchange ideas, information and influence between hierarchical levels (Adner & Helfat, 2003; Blyler & Coff, 2003; Kay, 2010). So, in developing an understanding of its building blocks, it has been argued that researchers should look beyond the leadership team and consider all agents involved in the strategic initiative, and the relationships between those operating at different organizational levels (Bruni and Verona, 2009; Pavlou

and El Sawy, 2011). The ways in which interactions between organizational levels affect dynamic capability remains under-investigated and, in exploring our research question, we will provide some insights.

Methods and Fieldwork

Our study is informed by qualitative empirical data gathered from a single organizational site of a division of a multi-national engineering (MNE) services provider to the UK government's Ministry of Defence. Located in the West of Scotland, UK, the organizational unit employed approximately 1200 full time staff across fifteen different functions (split between technical and administrative directives). These directives provided facilities management, logistical support and operating services for a military base that was deemed, by the UK government, as a central asset in the UK's military response-readiness capacity. The organizational unit examined has been in existence for approximately a century, although it only came under control of the MNE organization a decade ago after an outsourcing move by the UK government (a department of which previously ran the unit).

The authors have an established relationship with the organization, having worked with managers and staff on a range of technical and management engagements over the past eight years. The data informing this paper was gathered as part of a collaborative research programme on strategic management, initiated early in 2011. We engage in case study research, where we seek to interpret specific detail in depth from a single site as a means to build theory and improve understanding of social phenomena (Eisenhardt, 1989; Costello, 2000; Stake, 2000). Data was collected from the organization between May 2011 and October 2011- as dictated by the operational demands of staff, and focussed upon the strategic initiatives over the period 2009-2011.

The forum for raw data collection was a series of 14 causal mapping workshops, each lasting 2-3 hours, where actors were asked about their views of what constitutes matters of importance for the future for the organization and specifically: "At this site, what should we do in the next 5 years?" Participation was

entirely voluntary and 112 actors (c. 10% of the workforce at the site) opted to attend one of the 14 sessions. At the request of the organization, workshops were scheduled for homogeneity of level of actor within three broad hierarchical groupings –executive leadership (EL), operational management (OM) and employees (E). This workshop structure and number of attendees is represented in Table 2.

[Insert “Table 2 – Participant Workshop Overview” Here]

Causal maps are an effective way of collecting ideas about the strategic future (Ambrosini and Bowman, 2005). We constructed causal maps in a software program - *Decision Explorer* (Shaw et al, 2003; Eden and Ackermann, 2004). Each issue suggested by participants was captured as a discrete **concept** (boxes) written in a short phrase format starting with a verb (achieving this format was a key aim of the facilitated process). Also captured was any statement of perceived influence between issues, as determined by participants, represented with causal linkages (arrows). Figure 1, below, shows a sample extract from a workshop causal map containing 21 concepts and 26 links.

[Insert “Figure 1-Sample Extract from Workshop Causal Map” here]

Once a map was developed, both workshop facilitators and participants reviewed its content to ensure that the form of the map was an accurate representation of the points raised. Particular emphasis was placed on checking that the verb captured in each concept correctly reflected participant views of which actions should be undertaken. In total, through the 14 workshop sessions, 1327 concepts and 2415 linkages were identified, distributed across hierarchical levels as indicated in Table 3.

[Insert “Table 3 – Summary Characteristics Of Hierarchical Level Workshop Causal Maps” here]

Then, the nominated issues from the workshops were manually coded against the schema and concepts described in the literature review and summarised in Table 1. Following the lead of Dutton et al (2001), the coded data set was then summarised using simple counts and percentages to qualitatively characterise the issues prioritised at each hierarchical level as a means of addressing our initial research question. The

results of this coding and analytical process are shown in Table 4 and Figures 2 and 3, below. This analysis was then used to identify points for discussion relating to the strategic views and perceptions surfaced at, and between, hierarchical levels in our specific case in relation to dynamic capability.

[Insert “Table 4 – Counts issue categories and concepts at each hierarchical level”]

[Insert “Figure 2 – Comparing Categories of Issues at Each Hierarchical Level”]

[Insert “Figure 3 – Comparing Issue Concepts Identified at Each Hierarchical Level”]

In responding to the question “At this site, what should we do in the next 5 years?” at the category level of response, the profile of nominated issues of those outside of the EL group emphasises the undertaking of purposeful change activities and de-emphasises actions relating to deciding and influencing, particularly within the E grouping. In comparison, the EL group, advocated a more balanced mix of categories of activity. At an organizing concept level, the issue profile amongst non-EL groups shows a strong emphasis on activities to reconfigure resources and the better exploiting of opportunities, whereas the EL group emphasises activities in sensegiving, handling issues and to a lesser extent, sensemaking.

Overall, the issue management profile of the E and OM levels - two organizational groupings with high exposure to operational activity- appeared to align in terms of the order of categories and concepts prioritised. The EL group did not share this profile. In the following section, we discuss the implications of these different issue management profiles across hierarchical levels in terms of their impact on dynamic capability.

Discussion

Through the course of the workshop sessions, actors at all levels named the eight major strategic initiatives for the site from the past two years which had been started but had not been followed through

or had failed to deliver their original objectives³. Evidence suggests that analogous initiatives in the previous five years had succeeded. For example, a strategic initiative to introduce a lean manufacturing approach in the service operations area had been abandoned quietly after about a year's efforts, whereas an initiative, of similar scope and involving most of the same personnel, to install a TQM approach had been successfully executed five years before. In the terms of this paper, we suggest that during our period of enquiry the organization was lacking the building blocks of dynamic capability.

Why were there differing issue profiles at the different hierarchical levels, and do they help explain the lack of dynamic capability? Non-EL levels appeared to draw extensively on insights gained from their daily experiences of managing/delivering the operation when nominating issues. The emphasis that these hierarchical levels placed on change-oriented action generally, and reconfiguration action specifically, at a sub-category level aligns with many specific examples espoused in the individual workshops of currently underperforming resources/ capabilities perceived as needing modified by those practitioners that use them or engage with them on a daily basis.

In contrast, evidence from the workshop conversations suggested that executive leaders did not use direct experience or engagement of the organization's operation widely when nominating strategic activities. This is not to say that they didn't draw on daily experiences when suggesting issues. For example, in the EL workshop discussions, daily experience of dealing with clients (both external customers and internal 'corporate' customers) was referred to regularly in explanation of issue nomination. Much of this daily experience related to organizational politics and the management of perceptions and influence. However, there was clearly a lacuna in the experiential understanding of the daily operation for most EL participants. During the workshops, the EL community discussed the extensive use of internal reporting mechanisms as the key source of information about the operation underpinning their strategic management activity and initiative planning.

³ During the period of study (2009-2011), eight non-compliance strategic initiatives failed. There is some evidence that the one compliance issue (health and safety) could succeed-as it had to be completed for legal reasons.

One might have expected OM perceptions to be a hybrid of EL and employee level views but, they were skewed mainly towards the E level views. In the OM workshop sessions, there was a palpable sense of frustration at the lack of EL recognition/attention of local matters, which might have major significance for the organization (and also the operational results of managers). For example, one manager described in detail how the technical operation in the area that he managed was able to offer a range of services for which demand exceeded supply nationally (and thus revenue generating potential was high) but, he could not get the EL to listen to his ideas as to how to exploit this commercial opportunity. Instead, all he was permitted to do was participate in a portfolio of strategic initiatives in which he could see no explainable link to the local needs of his area of the business. This example is representative of the views expressed extensively by participants across non-EL levels i.e. that they did not need to be told what to do in their own areas, as they already knew what to do from hard experience!

A commonly expressed opinion in workshop conversations was that the strategic initiatives launched by EL simply didn't make sense and there was a consistent lack of articulation of justification of initiatives as relevant to the future needs of the site. Across the vast majority of the organization, the quality of reasoning behind strategic decision making was constantly called into question, as the EL team failed continually to offer convincing explanations.

Procedural rationality is a concept that refers to the degree to which participants can cognitively commit to outcomes agreed through a decision making process because they perceive the process and outcomes to be a product of publicly- stated reasoning. Perceptions of procedural rationality are likely to follow when “the procedures used for strategy making make sense in themselves – they are coherent, follow a series of steps each step is itself understood (not opaque) and relates to the prior and future steps” (Eden & Ackermann, 1998, p55). In terms of building employee commitment, procedural rationality is a key component of garnering support for the implementation of strategic initiatives. In our case, there was a dearth of procedural rationality relating to the instigation of strategic initiatives which, given the schism in issue profiling between EL and non-EL levels, was damaging to the organization's capacity to build

dynamic capability. Whilst the leadership team were able to generate a strategy ‘on paper’ through their own deliberations, their failure to explain how their decisions were made harmed the credibility of the strategic initiatives and commitment of the remaining 98% of the organization required to deliver the changes.

In relation to explaining poor perceptions of procedural rationality, a recurring theme was the lack of EL ‘physical’ presence around the site highlighted by E and OM levels. This would seem to have denied senior managers informal opportunities to communicate with those engaged with the organization. Non-EL participants expressed the consistent view that increasing the level of social interaction, particularly informal and ‘without agenda’, between EL and OM and E levels beyond the annual strategy dissemination, would have enabled opportunities for better understanding as to why strategic change was necessary and why the nominated initiatives were being taken forward. Furthermore, such interactions would have enabled those in EL to gain an increased experiential understanding of the direct operation as an input to future strategy making work.

By moving to a more balanced form of strategizing, drawing on both inductive and deductive modes of strategy making in the leadership team (Regner, 2003), the dynamic capability of the organization might have been enhanced. Indeed, by increasing the degree of interaction between leadership and the rest of the organization, communication of strategic reasoning and associated increased perceived levels of rationality could have delivered improved commitment to strategy implementation efforts across hierarchical levels. In other words, dynamic capability could have been fostered by “integrating and reconciling the interests” of EL and non-EL levels, building commitment to strategic initiatives through open, compelling argument making and dialogue (Vilà & Canales, 2008, p285).

Conclusion

Our study carries the well accepted caveat that use of a single case study limits generalizability. However, having examined data using an organizing framework compiled from several bodies of

literature, we believe that there is a case for analytical generalizability (Yin, 2003) that would be strengthened by replication studies in alternative case organizations and by a comparison with the previous era in this case site, when strategy initiatives were successful. Our study suggests that: a) differing views of what matters strategically between hierarchical levels can inhibit commitment to strategic change efforts and that, b) this limits the building of dynamic capability, particularly when there is a perceived lack of procedural rationality in the proposed initiatives and, c) that where executive leadership teams espouse mostly sense-making with some sense-giving, the novel notion of effective *'sense-receiving'* amongst operational actors at lower levels should be considered. Sense receiving concepts and processes are absent in the 'sense' literatures (e.g., Weick, 1995; 2001; McKiernan et al, 2013) in strategic management and our results suggest that further theoretical and empirical research on the 'receiving' element is called for that combines the strategy, psychology and communications domains. Developing our theoretical understanding of effective strategic communication and sense-receiving is important practically, as the serial failure of strategic initiatives will jeopardise not just executive leadership reputations, but the dynamic capability – and thus adaptation potential and survival prospects – of a whole organization.

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Category of Action	Organizing concepts
Purposeful Change	Add (from external)
	Create (new from internal)
	Reconfigure (modify existing resource set-up)
	Remove (existing resources)
Deciding and Influencing	Sensemake (develop new understanding of situation)
	Sensegive (shape the interpretation of others)
Use Existing	Exploit opportunities (deliver better results with existing set-up)
	Handle Problems (resolve potential problems with existing set-up)

Level	Comprising	Number of participants	Number of sessions
Executive Leadership (EL)	Directors Heads of Department	20	3
Operational Management (OM)	Managers Team Leaders	41	5
Employee (E)	Employees	51	6

Please note, the order of the entries in the second column (titled “Comprising”) reflects the hierarchical reporting structure in the organization (e.g multiple employees report to a team leader; multiple team leaders report to a manager; multiple managers report to a Head of Department etc.)

Table 1 – Summary of Organizing Concepts

Table 2 – Participant Workshop Overview

Level	Concepts	Linkages
Executive Leadership	442	743
Operational Management	443	947
Employee	442	725
Total	1327	2415

Table 3 – Summary Characteristics Of Hierarchical Level Workshop Causal Maps

Category	Organizing Concept	Employee (E)	Operational Management (OM)	Executive Leadership (EL)
Purposeful Change	Add	23	17	12
	Create	45	49	50
	Reconfigure	101	112	60
	Remove	47	44	32
Deciding and Influencing	Sensemake	39	53	66
	Sensegive	48	50	91
Use Existing	Exploit	83	73	54
	Handle Problems	56	45	77
	Totals	442	443	442

Table 4 – Counts issue categories and concepts at each hierarchical level

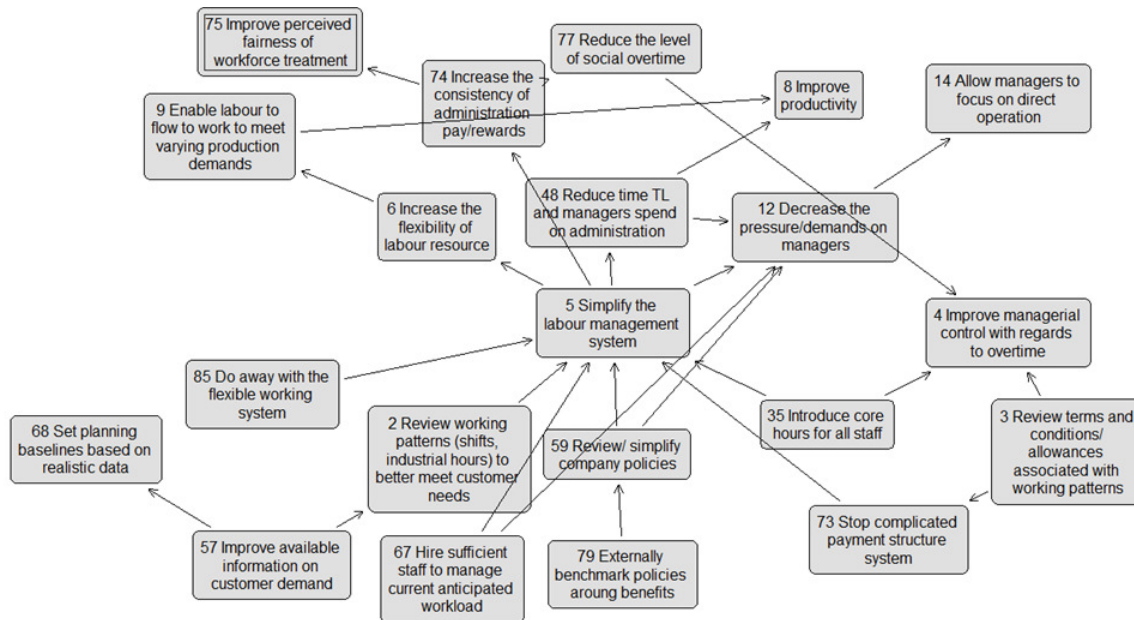


Figure 1 – Sample Extract from Workshop Causal Map

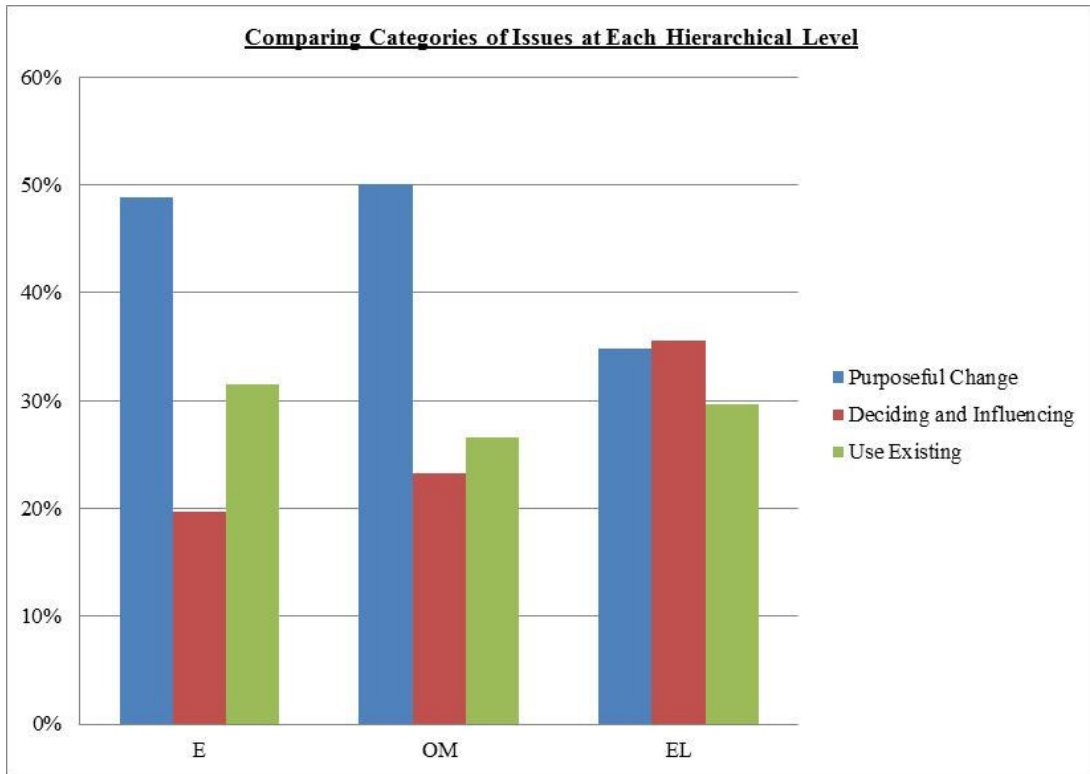


Figure 2 – Comparing Categories of Issues at Each Hierarchical Level

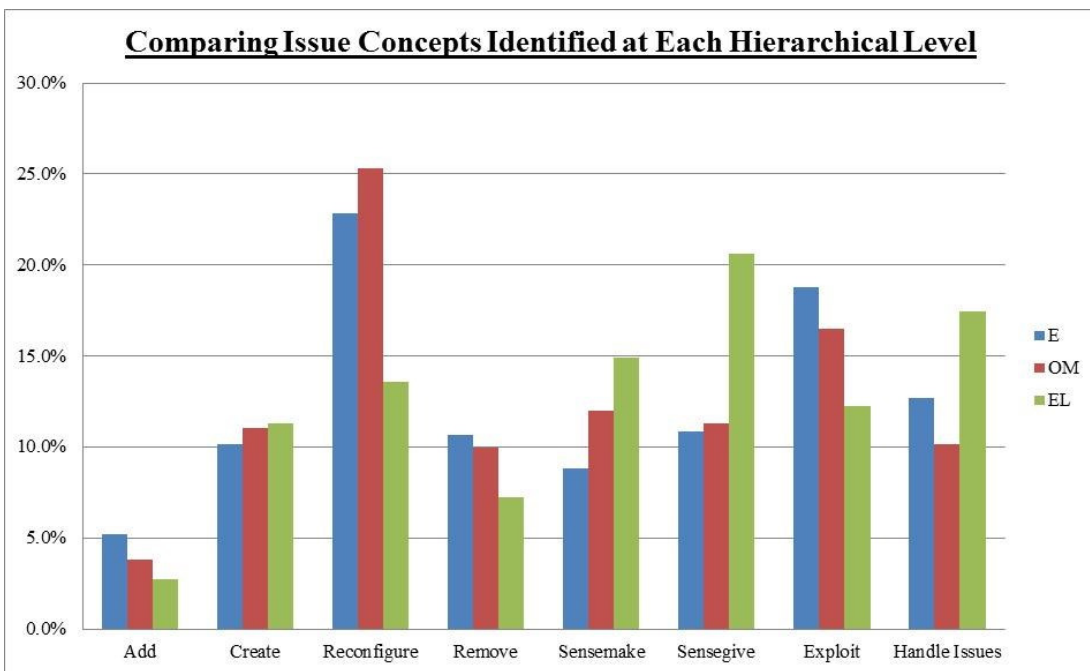


Figure 3– Comparing Issue Concepts Identified at Each Hierarchical Level