Strategy workshops and strategic change:

Toward a theory of endogenous strategic change

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Strategy workshops and the repression and elevation of organizational inconsistencies:

Toward a theory of endogenous strategic change

Abstract:
Despite the attention that strategic change as a topic of research has received, there remain considerable difficulties in conceptualizing the actual sources of strategic change. Using the concept of strategic episodes, this paper develops an endogenous theory of change, where the sources of change are located in the organization itself. We argue that processes of organizational reproduction lead to inconsistencies which manifest themselves as conflicting demands on those working in the organization. Such inconsistencies have the potential to place considerable strain upon the actors experiencing them but we argue that organizations possess suppression mechanisms which prevent the organization from openly dealing with the tensions that these inconsistencies would introduce. Hence, these suppression mechanisms are not a deficiency of the organization but are in fact, crucial for its very functioning. The paper examines strategy workshops as episodes which suspend these organizational suppression mechanisms so that previously experienced inconsistencies can be voiced. We therefore build an explanation of strategic change where inconsistencies are not so much solved by bringing in new principles, rules or schemas from outside, but by the novel rearrangement or recombination of existing or previous aspects of the organization. We examine three case studies of strategy workshops and observe that the process of strategic change typically involves several consecutive workshops before significant changes are carried beyond the workshop environment and into ongoing organizational process.
Introduction

Despite the attention that strategic change has received within the strategy research community, there remain significant difficulties in conceptualising the actual sources of change. A lot is known about conditions commonly associated with change, e.g. crises citation or organizational slack citation, yet we know very little about its actual sources. In other words, the literature does not offer much by way of conceptualising the emergence of radical novelty. Strategic change is often traced back to external inputs such as changes in the composition of the top management team (e.g. Clark/Starkey 1988; Grinyer/Spender 1979b; Grinyer et.al. 1988; Johnson 1992; Child/Smith 1987; Grinyer/McKiernan 1990; Lant et al. 1992) or to the involvement of external consultants (e.g. Mezias et al. 2001; Pettigrew 1985), which bring with them new strategic practices and cognitive frames to replace the existing ones. Often strategic change is also explained as (more or less) a direct consequence of institutional changes in the organization’s environment (e.g. Child 1997).

Where the input to strategic change cannot be attributed to external sources it is usually associated with some higher-level reflexive discourses, in which the non-reflexive organizational processes are viewed and acted upon from “above” (i.e. from the vantage-point of an external objective observer).

In such cases, the phenomenon of strategic change thus posits activity of some sort beyond the organization’s boundary (since it requires a detached observer who might make critical interventions) and therefore cannot be covered by a theory of organization itself – in the same way as in the Philosophy of Science, where a change of paradigm is itself not a scientific phenomenon and cannot be explained on the basis of the sciences (Kuhn 1968).
From the perspective of organization theory this would mean that strategic change itself cannot be treated as an organizational phenomenon. This stands in contrast to discourses of strategy and the definition of strategists as those operating within the organization who are not only concerned with the reproduction of the existing organizational practices but, to a large extent, also with the changes to those practices (i.e. with strategic change). We believe this indicates something of a theoretical inconsistency.

Both practitioners and academics regard strategic management as being concerned with the future and how this future might be different from the present; that is to say, with what might or should be rather than what is. There is now a view that we should take strategists and their work practices seriously. An increasing number of strategy scholars (e.g. Hendry 2000; Whittington 1996; 2001; 2003; Whittington et al. 2003; Johnson et al. 2003; Hendry/Seidl 2003; Jarzabkowski 2004) are arguing that we need to develop theories that treat change as an endogenous phenomenon, where change is understood as a result of the organizational (strategic) practices.

One recent contribution (Hendry and Seidl, 2003) offered an explanation of change as an internal phenomenon arising in connection with so-called ‘strategic episodes’. Strategic episodes are sequences of action in which the organizational structures and routines are (partly) suspended allowing new practices to arise alongside existing ones. Thus, strategic episode might serve as a location in which new strategies might arise. Our central argument is that such strategic episodes offer a compelling, endogenous explanation of strategic change which merits at least equal consideration to the more externally focused ways in which change is often conceptualized. We build this argument through an inductive process of re-examining three examples of strategic change.
The remainder of the paper is structured into four sections. We begin with an examination of the existing literature on strategic change and an explanation of the concept of ‘strategic episodes’. We then offer a description of three examples of strategic change. In the third section these three cases are analysed using the concept of the strategic episode and provide the basis for an inductively developed theory of strategic change in the fourth section. We conclude with a brief summary of the paper and some critical reflections on the limitations of the study.

1. Strategic episodes and strategic change

The literature on strategic change usually distinguishes between two types of change which have variously been described as first-order vs. second order change (e.g. Watzlawick et al. 1974; Bartunek 1984), evolutionary/incremental vs. revolutionary/transformational/radical change (e.g. Grinyer/Spender 1979a; Meyer, Brooks & Goes, 1990; Yetton et al 1994; Webb/Dawson 1991); in terms of changes to organizational repertoires of embedded competences (Prahalad and Hamel 1990, Bogner, Thomas and McGee 1999), routines (Nelson and Winter 1982, Miner 1994) capabilities (Leonard-Barton 1992, Helfat 2000) and/or changes to their roles in both distinguishing and configuring strategic behaviour. Alternatively, strategic changes cast in more socio-psychological, inter-subjective terms such as dominant logics (Bettis and Prahalad 1995), shared strategic intent (Hamel and Prahalad 1989), paradigm (Johnson 1988) industry recipes (Spender 1989) and such like or again in more anthropological and social terms, drawing on notions of culture (Hofstede 1980, Schein 1985, Johnson 1988) and institutional fields (Scott 1985, Greenwood et al 2002). More recently, the phenomenon has been approached in terms of basic processes of identity formation – 'changes which accord with the institutional identity of an organization – i.e. its basic values, interests and opinions' vs. changes of the institutional identity itself (Brunsson and...
Olsen 1993: 5; see also Seidl 2005). A similar conceptualisation can be found in the closely related literature on organizational learning with its distinction of single-loop vs. double-loop learning (Argyris 1976, Argyris and Schön 1978) or proto-learning vs. deuterolearning (Bateson 1972), adaptive vs. generative learning (Senge 1990), or adjustment learning vs. turnover/turnaround learning (Hedberg 1981). This is the same distinction that has been made familiar through the work of Kuhn (1970) with his distinction between normal vs. paradigmatic change.

Implicitly or explicitly underlying all of these distinctions is the cyberneticians’ multilevel model of change (Ashby 1952). According to this model one can have change either within the logic of the system or change of the system’s logic itself. In the first case the system’s logic serves as orientation for the change, the change can more or less be ‘deduced’ form the logic of the system, in the second case the system’s logic cannot serve as point of reference for changing the system’s logic. This has led many to argue that on logical grounds the source of strategic change will not be found within the organization; strategic change must originate in some way or other outside the organization.

As Spender and Grinyer (1996: 31) write about this line of reasoning: “The source for these interpretive systems [i.e. the logic of the system] cannot be… the organization itself. It must come from some other level because, as it enters this period of critical change, the organization loses identity and its ability to make sense of the world.”

In accordance with this line of reasoning Spender (1989) and Grinyer/Spender (1979a) for example see the industry in which the organization is embedded as the principal source of new interpretive systems (or ‘recipes’ as they call it). Others again might rather speak of the
individual members as bringing new cognitive frames into the organization (Clark/Starkey 1988; Grinyer/Spender 1979b; Grinyer et.al. 1988; Johnson 1992).

With their theoretical framework of strategic episodes Hendry and Seidl (2003; see also Seidl 2005) provide an alternative solution to the problem of how organizations can change the very logic on the basis of which they are operating. Drawing on Luhmann’s (1990; 1995) concept of episodes as suspension of a system’s structures within a system, Hendry and Seidl tried to explain how an organization can routinely create opportunities for reflective discourses to be pursued within the organization without necessarily disrupting the practices and routines by which the organization is maintained. Episodes are conceptualised as sequences of discourses or actions that are marked by a clear beginning and ending. While any sequence starts at some point and ends at another the important characteristic of an episode is that the distinction of beginning and ending is not used by an external observer to observe the sequence, but serves as a structure to the actions within the sequence. That is to say, the people within the episode are aware of the sequence being pre-structured in terms of beginning and ending and thus behave accordingly.

There are two forms of finalisation of an episode: time limitation and goal-orientation. The episode is goal-oriented if the processes within the episode are focused on the achievement of a specified goal. Meeting the goal in this sense serves as the envisioned ending to the episode. Independently of any goal-orientation there can be a time limit to the actions within the episode. The end of the episode in this case is simply marked by the arrival of a particular time or date.

The beginning and ending of the episode are the two crucial points of the episode. These are points of structural change. At the beginning established organizational structures or routines
are suspended and replaced by different ones and at the end the original ones are reinstated. Hendry and Seidl (2003: 183) in this sense write: “The basic function of the episode is simply to make it possible to suspend and replace structure for a certain time period.” Depending on the degree of coupling between the structures outside and inside the episode Hendry and Seidl distinguish between operative or strategic episodes. If the structures of the episode are determined from outside the episode, i.e. if the wider organization determines what structures are to be suspended and by what other structures they are to be replaced, the episodic processes will be relatively tightly integrated with the external processes (an operative episode). If on the other hand the episode is left to select its own structures – that is to say if the episodic processes are self-organising – the episode and the wider organization are only loosely coupled (strategic episode).

These strategic episodes are of particular interest in connection with strategic practice as they allow those within the organization to step out the established organizational routines (established mindsets, discursive templates) and in this way provide a platform for reflexive strategic discourse (Doz and Prahalad 1987: 75).

Implicitly underlying this line of argument is a particular concept of organization as the routinisation of behaviour. This concept of organization is reflected in much of the organizational literature – even though it is often not made explicit. Karl Weick (1979), for example, describes the essence of organising as the ‘reduction of equivocality’: in the process of organising the multitude of possible meanings of organizational events or phenomena is reduced to a limited number of meanings that can then be legitimately used throughout the organization. Organising is the creation of order in the face of a disordered and changing environment. As Weick and Westley (1996: 440) poignantly observe: “To organize is to forget and reduce variety.” Similarly, Niklas Luhmann (2000; 2005), drawing on the classical
organization theories, captures the very logic of organising as ‘uncertainty absorption’: Every organizational decision reduces uncertainty (i.e. ambiguity, variation) by creating fixed points of reference within the flow of ensuing decisions. Tsoukas and Chia argue that organizations must be conceived of simultaneously as quasi-stable structures and sites of human action where “organization emerges” (2002: 580). Organization in this sense means creation and preservation of stability and order and the elimination of instability and variety. Or as Robert Cooper (1986: 328) puts it: “In its most fundamental sense, organization is the appropriation of order out of disorder.” This order is then protected by a host of ‘defensive routines’ (Argyris 1985; 1990; similarly Menzies 1960).¹

To account explicitly for this concept of organization we might better refer to strategic episodes as mechanisms for creating temporary islands of disorganization or disorder within the organization. In this way order and disorder can be presented alongside each other without endangering the process of organising (i.e. the organization). This ‘juxtaposition of order and disorder’ (Weick/Westley 1996; Cooper 1986) is what many theorists have seen as a precondition for organizational change or organizational learning to take place. Yet, in order to develop a model of strategic change we need to better understand the ways in which disorder and order, or strategic episodes and their wider organizations, interact.

If we are to move beyond the inability of existing theory to account for endogenous change and radical novelty, our theorising should be built from accounts of change that proceed from

¹ We accept that there is a dualism here of organisation/disorder that locates the paper in a particular but not uncontestable theoretical tradition – one might contest for example our conceptualisation of creativity/change as an organisational process and argue that it is precisely not that (e.g. Chia 1999, Tsoukas and Chia 2002).
“within” and which connect directly with the experiences of those in organizations undergoing change. For this purpose we will present three case studies of firms that have underwent strategic change in connection with what we would describe as strategic episodes.

**What Goes Around Comes Around: three cases of strategic change:**

In each of the three cases presented here, change was an outcome of a series of strategy workshops. In each case, two of the authors from this paper were actively involved as researchers. These three cases seemed particularly relevant to our argument for several reasons. First, the cases were completed and written up well before the concept of strategic episodes was developed. We hope that this lowers the risk of biased perceptions in line the framework we are subsequently proposing here. Second, all three cases are well documented – e.g. in the form of journal papers (MacIntosh and MacLean 1999; Houchin and MacLean 2005; MacLean and MacIntosh 2002). Third, these three cases were drawn from a larger set of studies on strategic change; each seemed representative of this broader set and each had a clear episodic quality. In this sense the findings of this examination of three cases are at least generalisable across the broader set of twenty-one cases from which they were drawn and therefore provide a rich basis for inductive theory-building more generally on the part of the authors (Eisenhardt, 1989).

**METHODS**

**Research Setting**

The research was part of a broader programme conducted across a network of twenty-one organizations from the public and private sectors in the UK. The network had been formed specifically to explore the implications for strategic management of complexity theory (see
MacLean/MacIntosh, 2002 for a more detailed account of the network’s formation and operation).

It is worth noting that the authors were working with a “rules-based” conception of complexity theory (Cilliers 1999) based on the work of Nobel laureate Ilya Prigogine on dissipative structures. As such strategy was conceptualized as an emergent phenomenon governed by the operation of deep rules, levels of fluidity and the balance of positive and negative feedback in organizations. Exploration and development of an approach to management of strategic change termed “conditioned emergence” (MacIntosh and MacLean, 1999), involving reconfiguration of deep rules, the introduction of instability and the management of feedback was the primary concern of the research programme. The research was conducted at a time when others were studying rules-based approaches to strategy (e.g. Eisenhardt and Sull, 2001)

The practitioners involved were attracted to the research partly because of novelty of the theory involved and partly because of the promise such approaches held in the face of a sizeable literature on implementation failure (Pettigrew 1992, Mintzberg 1994).

Each organization in the network was represented by a senior manager, with network members meeting every six to eight weeks over a five-year period. Throughout the duration of the network, members came forward and volunteered their own organization for periods of more detailed enquiry described below. This occurred when a particular conceptual theme being discussed in the network coincided with the current circumstances and experiences of the organization in question.

Research Design
In recent years the management research community has been engaged in a debate about the relative merits of different research designs. A number of scholars have called for greater use “mode 2” research in the management field (see Tranfield and Starkey, 1998; Pettigrew, 2001). We elected to adopt a research design which drew insights from both mode 1 and mode 2 forms of knowledge production as argued by Huff (2000) and by Huff and Huff (2001).

In terms of mode 1 research, we followed a research design akin to the multiple case method used by Brown and Eisenhardt (1997) and which had been developed from Yin’s work on case study research (1984). The organizations in the network were treated independently and a narrative account (Tsoukas and Hatch, 2001) was prepared for each describing the most recent (or in some cases, on-going) organizational change experience(s). These accounts were shared within the network (subject to the use of confidentiality agreements to deal with any commercial or other sensitivities). The construction of these narratives will be discussed after we have described the other main feature of our enquiry.

Given that our aim was to move beyond superficial and metaphorical usage of concepts from complexity theory, we chose to augment this mode 1 style of research with a more highly-engaged, mode 2 form of research. In part this decision was influenced by Boje’s (1991) observation that context is essential for interpreting narratives that occur in organizational settings and that without participating in the organization that contextualizes a narrative, meaning is difficult if not impossible to grasp. We were keen to conduct our research in a manner which was consistent with the basic concepts of complexity theory and we were also sympathetic to Hill et al.’s call for increased usage of forms of research where “closeness to, even involvement with, the objects of study is required.” (1999: 144)
In these mode 2 studies we were active contributors to the change process as action researchers (as pioneered by Lewin 1952 and described in some detail for organisational studies by Reason and Bradbury, 2001 and Eden and Huxham, 1996). A more detailed exposition of our methodological stance for these mode 2 studies is available elsewhere (see MacLean and MacIntosh 2002).

**Data Collection**

The narrative accounts were developed from our own experience of involvement in the change process gained over regular one or two day workshops – augmented by data collected from semi-structured interviews, observations and secondary sources (e.g. company reports, minutes of company meetings, etc).

Our direct involvement in the research process in these organizations afforded us the opportunity to collect primary and secondary data, attend key management meetings, contribute opinions and suggestions, conduct interviews and hold both on-site and off-site workshops with staff from the organization.

**Data Analysis & Theory Building**

Given the longitudinal nature of the research, data analysis did not take place in a single burst. Rather, the data analysis was an on-going activity led by the academic researchers but involving the practitioners in the network at every stage. The process followed was consistent with that set out by Eisenhardt (1989) in that the construction of the individual narrative accounts initiated the within-case analysis process. The focus of this within-case analysis was to examine ways in which the change process described in the account fitted with theories of strategic change. This was done by translating the narrative account into the terminology of strategic change theory adopted by the network members during at the outset of the process.
As these narrative accounts became available for circulation amongst network members, the cross-case analysis began and engaged all network members. Pairing of cases and refinement of insights happened in a temporally distributed fashion, as new narratives became available. Each new narrative was dissected and compared to other similar and dissimilar cases already in circulation. The focus of the cross-case analysis was to establish what, if any, managerial practices and experiences appeared to underpin the different patterns of change observed from the within-case analysis. The presence of managers from each of the organizations during this process was invaluable since it offered richness, depth and new insight during the theory building process. In many ways this was far more helpful than the introduction of other researchers to cross-check, triangulate or validate findings to date. Key constructs emerged from the cross-case analysis as well as refinements to the concepts and definitions used in the study.

The process of enfolding the literature (Eisenhardt, 1989) involved both the academics and the practitioners and led to a number of key insights and findings from the research. The following sections contain narrative accounts of three cases which were generated during the research.

a. Strategic change at the Scottish Health Advisory Service

The first case study is the strategic change of the Scottish Health Advisory Service (SHAS). SHAS was a governmental agency that audits the provision of healthcare in particular care groups in Scotland (mental health, the elderly, and learning disabilities). The organization consisted of a small core team and a large reviewer network. Any given audit was led by an advisor from the SHAS core team and a group of six to eight volunteers drawn from a wider
reviewer network. For each audit, there was an orientation day for the team, followed by a visit to a particular unit for a one-week period. Given the changing compositions of the audit teams, every audit project was conducted differently – requiring the participants to negotiate at the beginning the distribution of duties and responsibilities. At the end of the week-long visit the review team prepared a written report that was fed back to the relevant health board or NHS trust and the team would disperse again.

A few years earlier SHAS had started to run into some challenging issues. Whilst the SHAS audits themselves were generally perceived to be highly successful, a burgeoning workload, environmental turbulence and increasing opportunities to engage in new areas was stretching the somewhat informal and idiosyncratic management processes within SHAS to the limit. There was a unanimous feeling within the organization that it needed to transform its working practices in order to capitalise on opportunities to grow and extend influence.

At the request of the CEO, two of the authors became involved as researchers and facilitators in a transformation project in order to help improve the way the organization was working. This change project was concerned with the strategic transformation of SHAS both internally in terms of its management processes, and externally in terms of its desire to leverage core capabilities, and to enter new areas and increase the breadth and depth of its service delivery. In research terms, the project was conducted as a “mode 2” enquiry (see MacLean, Macintosh and Grant 2002 for a more detailed account) into the phenomena of strategic change.

The project was loosely designed as a year-long series of monthly strategy workshops – partly because this was the only way of getting the staff together in a single location to concentrate on “strategic issues” away from the daily activities and venues of the organization’s business. Each strategy workshop lasted for one to two full days and were held at a remote site in the
Scottish Highlands. The workshops deliberately adopted an informal format. This informality was underlined by an informal dress code and by a completely open schedule which allowed e.g. for spontaneous conceptual discussion on particular issues, reflections on particular patterns, problems, issues and practices, impromptu breaks to take a walk in the countryside, etc. At the beginning of each new strategy workshop the participants would reflect on the way that the previous workshop had gone and its effects on organizational practice.

The first workshop started with some physical and mental exercises and processes designed by the two facilitators to create and sustain a relaxed and informal atmosphere on the basis of prior experience of similar occasions. The facilitators encouraged all participants to ‘speak their mind’ and work with the emerging dynamic rather than any perceptions of “scripted practice”; simultaneously the participants (including the facilitators) reassured each other that they would not be offended if they were to be criticised and that critique and close examination were to be expected in a genuinely exploratory engagement.

Following these introductions the participants started by reflecting on the way SHAS had been operating to that point. The discussions initially centred largely on relatively minor, operational issues which could be resolved there and then. The facilitators, however, tried to move the focus towards more strategic issues such as how they felt the organization was responding to the demands placed upon it – how it was perceived and what the experience of daily life in SHAS was like.

At this point the atmosphere of the room moved on to a more emotionally expressive footing. There was an (initially) undefined frustration with the way SHAS was operating. At its core the SHAS members were uncomfortable with the centralised, bureaucratic decision making structure. Connected to that was a recurring and perplexing pattern that occupied much of the
discussions in the first workshop: Whenever key decisions were about to be made, progress was inevitably suspended by the intervention of some emergency or other. This emergency inevitably would take the chief executive away from the rest of the core team and progress was effectively paralysed by her absence, leaving the team feeling frustrated and unable to proceed.

Coincidentally – and significantly – as the discussion of this issue unfolded, just such an emergency arose. An institution of national importance had been the subject of an unfavourable SHAS report, some which had been leaked. Press interest was mounting and the involvement of senior politicians was imminent. There was debate as to whether or not the meeting could be taken any further. Indeed the survival or otherwise of the whole project was raised during the somewhat panic-stricken and fraught exchanges. However, the group recognised the co-incidences at play and decided to use the opportunity to deal with the recurrent pattern there and then.

The chief executive left momentarily to field phone calls related to the crisis and the remaining members of the team embarked on a somewhat nervy series of exchanges. A variety of views were exchanged. These ranged from distress and frustration at having got so close to dealing with an important issue, only to see it railroaded by the issue “in the flesh”, through to enthusiastic exhortations to “grasp the nettle” and sort out a key strategic issue once and for all. The atmosphere became highly emotionally charged. Different views were put forward on how to deal with this issue ranging from minor changes to a complete transformation of the decision-making processes. Over a period of twenty minutes participants managed to engage with the issue and proceed in a somewhat hesitant but constructive manner. A proposal evolved to carry on with the retreat in the envisaged absence
of the CEO subject to getting her mandate and a clear commitment to act on the joint commitments made during her absence.

Having committed themselves to carrying on with the retreat, the group began to reflect on the way it had arrived at the decision. There was general agreement that although the style of communication and discussion had flipped into the usual defensive mode at the outset of the crisis, it had been transformed into something productively different from the normal mode. At the suggestion of the researcher-facilitators, members attempted to translate possible lessons learned during this episode by articulating some ‘principles’ which reflected the more constructive mode of interaction in between team members the heat of this particular “crisis” as opposed to the established patterns of interaction normally expressed on such occasions. A key concern was to develop principles that allowed those present to respond in the knowledge that they would have the support of those who were absent.

There was general agreement that the set of “principles” which corresponded to how team members thought they should interact was made meaningful by the crisis; during the remainder of the project, they were frequently referred to and “invoked” by participants (as the Cromlix principles – after the name of the venue) when progress during meetings seemed laborious or reminiscent of the organizational practices with which they were familiar and which they thought were tied up with a strategic position which they wished to alter.

Co-incidentally, the crisis which had precipitated the agreement of these principles subsided and was dealt with effectively by telephone. A general response to the pattern was negotiated and agreed. The Cromlix principles became the consensually agreed “charter” for the remainder of the research project and in essence represented a means by which any participant
could remind others when they enacted a tendency to return to habitual ways of interacting – without necessarily making the issue a personal attack on the basis of individual style.

In subsequent retreats the team addressed familiar strategic concerns such as resources and capabilities, strategic development initiatives, reputation, image etc. Many of these retreats were emotionally charged to a much higher degree than was normally the case in day to day interactions. Initially the participants would always look to the CEO to structure the discussions and to propose solutions to any problems. Such discussions however often got stuck with the participants feeling very frustrated. The frequency with which the facilitators had actively to remind the team about the Cromlix principles, reduced over time and the team usually managed to come to some negotiated agreement that satisfied a critical mass of the participants and elicited assertions of acceptance from objectors.

Apart from using the principles in the strategy workshops themselves, the participants decided also to try to apply them in their everyday work practices. The first attempts at this were made after the first retreat. In the subsequent workshop a month later the participants discussed their experiences with the new principles. Hardly any participant, however, had really applied the principles. Mostly it was reported that the principles had not seemed appropriate for the specific situations and it was also admitted that time pressure had required people to stick with the established rules rather than experimenting with the new ones. Some participants also reported that they had not been sure about the legitimacy of the new rules and thus, whether their actions would have been accepted by the other members of the organization if they had based them on the new rules.

It was also noted that the use of the new rules was sometimes prevented by other members sticking to the old ones. This had created conflict in the organization which was mostly
resolved by everyone reverting to the old rules. This raised a heated debate whether the new rules were really workable. As facilitators of the workshop we encouraged the participants to analyse the described situations and to discuss to what extent the new rules could have been applied. After a heated exchange of views participants speculated that the new rules may have served them well and could even have speeded up action. The participants thenceforth encouraged each other to try using the new principles consistently throughout their work practices. The old rules or modes of behaviour were simultaneously ‘outlawed’ and explicitly labelled ‘illegitimate’ and “defensive”. As time progressed, the retreats were conducted with less explicit reference to the Cromlix principles and less tendency on the part of the group to switch back to pre-Cromlix modes of engagement. It appeared that the principles had begun to be internalised.

As time progressed the members of SHAS became increasingly more confident in expressing the new rules in their daily activities. In the initial reflections at the start of each workshop there were fewer and fewer cases reported in which participants had reverted to old behaviours. Every single one of these cases was explicitly discussed and it was mostly concluded that the new rules could have been applied very well. In some cases, however, the participants realised that the rules needed some revisions or extensions. On the whole the participants felt increasingly comfortable with the new rules and the atmosphere in the workshops became less concerned with expressing frustration and more confident about the emergence of a “new SHAS”, new qualities of interpersonal relating, and new work practices.

In the later stages of the project, another significant incident happened. SHAS members arrived for one of the retreats somewhat panicked and forlorn. The reason for this was a letter received from a senior civil servant in the Scottish Executive containing recommendations about how SHAS should change its mode of operation. The core team’s initial reading of the
letter was one in which the message was taken as a thinly veiled threat to SHAS’s continued operation, trying to manoeuvre it into an unattractive and untenable position. The letter was seen as the herald of a forthcoming crisis and the response of the SHAS team closely resembled the pre-Cromlix pattern.

A reflection session focused on SHAS’s interpretation of the letter, the team interaction associated with that interpretation and possible alternative (more distanced) readings of the situation. This culminated in general agreement that the letter was asking SHAS to enact changes which were entirely in accordance with the Cromlix principles that SHAS was in the process of applying anyway. Whether this was a mere coincidence or whether these new rules had been informally signalled to the civil servant in question remained unclear. The letter was thus transformed from a perceived threat to a perceived endorsement. As a result of the discussions the participants decided to send a reply to the civil servant explaining that SHAS was already in the process of changing in the required direction. In addition to that it was agreed to actively promote a new image compatible with its new rules: rather than a bureaucratic governmental agency SHAS wanted to present itself as flexible, team-based organization with a more proactive approach to liaising with the media.

This second incident played a very important role in stabilising the new rules. The SHAS members took this as a confirmation of its new organizational form. The incident also marked a clear switch in the legitimacy of the rules. While previously the old rules were still considered somewhat legitimate and there had still been some incidences where there had been a conflict between the old and the new rules, there was from then on clear consensus that it was “wrong” to refer to the old rules and that SHAS now had to live up to – internally and externally its new identity and image.
Toward the end of the series of workshops, during another reflection session, different members of the group volunteered that patterns of behaviour and relating to each other had significantly changed since the start of the project. According to those within the organization, SHAS now had a clearer identity, work requests from outside were addressed to SHAS rather than the individual members and internal preoccupations had moved away from interpersonal relationships and toward how the organization as a whole related to its environment.

Those inside the organisation agreed that SHAS had emerged as a new organization. There was growing coherence apparent in the activities of SHAS, many of which were initiating in new areas of work. SHAS appeared to have changed from a hierarchical, bureaucratic governmental agency into a more flexible team-based service agency. This change pertained to all aspects of the organization. Not only had SHAS’s structures been transformed but also its self-image (Dutton and Dukerich 1991), i.e. the way the members perceived their organization, and its external image.

In one of the last workshops the participants made a discovery which appeared to take them by surprise: while reflecting on the way that the change of rules had affected the different parts of the organization, the participants came to discuss the way they were conducting their audits. There was agreement that the audits had always been run very much in accordance with the new rules, because of which there had not been a necessity for any changes to this core aspect of the organisation’s work. Initially this fact did not draw much attention to itself, and the discussions were already moving on to another subject, when one of the participants argued that the Cromilx principles weren’t really new rules, they were the rules that had always been in place in their audit practice. Thus, rather than introducing new rules SHAS had just applied the audit rules from one area of its activity to every aspect of the organisation.
b. Strategic change at FoodCo

The second case study involves FoodCo (company disguised), a well established food manufacturing company located in the west of Scotland. Founded in the early part of the last century, the company is now run by the third generation of owner-managers and employs approximately 250 people. The company operates in mature markets, with demand for many of its traditional products experiencing declining demand. Although buoyant for much of its existence, recent years had brought a downturn in company performance. Organised along traditional command-and-control lines, management processes and structures had remained largely unchanged for several decades and the organization had struggled to respond to a worsening competitive climate which had seen a number of its major competitors disappear in the past 3 years.

One of the company’s most significant problems had been its failure to introduce new products in recent years. Consequently, business orders had been secured on the basis of price or historical relationships and margins had shrunk to the point where long-term viability was in question.

This was the point at which the management of FoodCo became involved in the research network. They hoped for some help in addressing some of the problems outlined above but there also seemed to be a less defined sense of frustration amongst the employees with the way the company was operating. The directors of the company were firmly of the view that they did not want a “quick-fix,” consultancy-driven approach, preferring lower key, process-oriented help that would encourage individual and collective initiatives and leave the company able to sustain its own continued development. Our involvement with the change
process again took the form of a series of off-site (and on-site) strategy workshops together with some intermittent site visits; these took place over a period of about eighteen months.

Like the previous case, the project was started with a two-day retreat in the Scottish countryside. In order to promote a relaxed and informal atmosphere, and to respond to the directors’ desire to encourage individual reflection on personal conduct, the intervention again made extensive use of experiential outdoor exercises throughout the project. As a preparation for the change process the participants were encouraged to articulate their assumptions about the existing “rules” of operation and interaction in the company. In order to facilitate these discussions fairly standard brainstorming techniques were used along with reflection sessions that focussed on identifying differing practices in everyday work-life and the outdoor exercises.

While the participants would immediately agree on some of the rules other ones were highly debated. Gradually the participants argued a list of rules that everyone was in broad agreement on as the rules currently in operation. Discussions were again often highly animated and emotionally charged – both positively and negatively.

In order to take the discussions a step forward the facilitators split the participants up into smaller groups in a second strategy workshop. These groups were then separated from each other in order to allow for smaller group discussions. Each group was asked to reflect briefly once more on the existing rules of FoodCo, to discuss problems with these rules and to come up with suggestions for changes. The discussions in the different groups were highly controversial and frank to the point of being confrontational on occasion.
An issue raised many times was the identity of the organization with some participants complaining that their role in the organization was not clearly defined. At several points the discussions seemed to get locked into seemingly irresolvable conflicts over assumed positions on organisational purpose – e.g. whether it provided a job or a way of life for the directors; whether, as a family business, family issues should take a “back-seat” to business logic; whether the firm should stay faithful to its roots as a bakery or expand into other areas of activity. At key points the facilitators would intervene to raise awareness of the apparent “stuckness” of the conversation and draw attention to the unspoken assumptions which may be at play. This also produced an agreed list of ‘defensive routines’ (Argyris, 1990). The group agreed principles for substituting novel behaviours deemed as more appropriate by participants for those problematic routines. Outdoor simulations were used to allow the participants to experience the operation of the defensive routines which they had identified through using unfamiliar situations. This list of defensive routines was then outlawed by consensus.

Having experienced these defensive routines in simulations, discussions became easier but not less controversial. In the end sub-groups came up with a desired set of new rules for the organization. Sub-groups were brought together to discuss their results. An iterative process of comparing responses led to the development of a “corporate view” of the organization’s current rules, a shared view of what the firm might become and the kind of behaviours and attitudes would be required to get it there. This process, which ran over several months, amounted to the construction of a new set of generative principles for the organisation and the visualisation of an alternative organizational future and form.

Interestingly, the initial design of the intervention included a harmonisation process intended to develop a single set of new rules from those produced by the various sub-groups involved.
In practice this proved unnecessary as the rules produced by different teams were broadly similar and easily produced a single set. This came as something of a surprise to both the facilitators and the participants.

As in the SHAS case the new rules were applied only during interactions in the workshops themselves. Participants had difficulty sticking to the new rules and often had to be reminded of them. One tactic was to attach posters containing the rules to meeting rooms and factory floor walls, and on occasions, by allocating an individual participant the explicit role of observer to comment on adherence to the rules.

Some rules appeared not to work immediately. Whenever a situation arose in which the new rules had not been used or did not seem to apply, participants discussed whether there was a need for revisions of the rules. This led to some revisions and refinements of the set of rules. Over time, at the core however, the initially established rules seemed satisfactory in crystallizing in some detail an espoused desire to act differently with each other, and the participants after a while appeared comfortable working with them.

Soon the company also decided to experiment with the new rules in their daily activities. Again the transfer of new rules from a workshop back into the company proved somewhat problematic. It was recognised that operationalizing these rules business would be challenging since the rigours of continued business operations tended to lock the organization into existing practices. For example, one of the old rules which had been identified, was that machine breakdowns which interrupted production were resolved by director level intervention. It had been agreed that this should be outlawed. The corresponding new rule was that the management team would resolve such problems without the assistance of directors. Despite this agreement delivery deadlines resulted in pressure to enact the old rule and solve
immediate problems. Any feedback which encouraged the usage of the old rule set to solve immediate problems automatically resulted in decreased usage of the new rules.

In a series of workshops these problems were discussed extensively and the participants came to the conclusion that the only solution would be to use the new rules consistently throughout the organization. The simultaneous use of old and new rules tended to result in deadlocks which were typically resolved by reverting to the old rules. While the participants agreed at the workshops that the old rules should be outlawed, in practice people still tended to revert to the old rules whenever they encountered a serious problem. This only changed significantly when the members started to take soundings from a range of associates in financial and business spheres, which created a sense that decisive action and radical change was overdue. An air of impending crisis began to emerge and this was discussed at one of the strategy workshops. The association of the old with the potential failure of the company finally began to challenge their legitimacy, and the new rules started to be perceived as a must.

Those involved decided to refocus their efforts to promote the new rules. The example of resolving production problems, quoted above, illustrates one feedback mechanism which was used to encourage the new rules and discourage reverting to the old archetype. The managing director, who would historically intervene to resolve most production problems, was encouraged to display the organization’s new rules on the overalls he wore when on the shop floor. These rules clearly stated that he should not intervene in such matters when on the shop floor and encouraged colleagues to remind him of his commitment not to interfere.

The symbolic effect of this more public endorsement of the new rules tilted any disputes about practice in favour of enacting the new rules. Conflicts between old and new rules were now more systematically resolved by adhering to the new set. In a session with the firm it was
noted that the more the organization moved towards the new rules, in specific instances, the higher the likelihood of using the new rules elsewhere. In other words the organization appeared to lock into a virtuous cycle of self-reinforcing usage of the new rules.

As time progressed the new rules became internalised in the organization, though on occasion the physical removal or alteration of space associated with the enactment of old rules was necessary to disable routines embodied in particular configurations of equipment or reporting processes within the factory.

Toward the end of the research process participants spent a number of sessions reflecting on the changes that had taken place in the organization. There was agreement that the organization had undergone a fundamental transformation, from being structured around an authoritative command-and-control model in traditional functional terms, the organization had moved its focus toward one based around key business processes. This had led to a reversal of the dominant perspective: rather than thinking top-down, from general organizational goals (e.g. financial or market goals) to the manufacturing and operations; the organization started to think much more bottom up, from the manufacturing competences to the organizational goals. This was accompanied by greater appreciation of the manufacturing skills (in particular the high level of bakery skills) of the employees.

The organization created task-based groups on different baking product types and these operated fairly autonomously. While discussing their recent transformation some older members commented matter-of-factly, that the so-called new rules had taken the organization back to a craft-style of organization that characterised its origins as a bakery before it scaled up to mass manufacturing of food products, and that it felt much more like it used to (in the “good old days”)

c. Strategic change at SteamTec

The third case concerns SteamTec (company disguised), which was established in 1867 as a manufacturer of turbine engines. The company expanded its product range to include making air compressors, steam turbines and gas compressors. The firm has maintained essentially the same product range ever since. Around 240 people are employed at the company’s only site located in England and the vast majority of production is exported. However, during the last thirty years the organization had been through 18 rounds of redundancies, in a process which also saw the erosion of turnover, profits and morale. The firm had become part of a larger group and in June 1997 the American parent company appointed a new managing director who quickly formed the opinion that the organization needed to undergo rapid and radical changes.

Again two of the authors of this paper were invited to become involved in the change process on the understanding that they would broaden perspectives, challenge apparent orthodoxies and explore their own research questions as the transformation processes took place. Like the other two cases, this project was organised through a series of retreats. The process began with a major launch event in the Scottish Highlands during which the directors were challenged as a means of galvanising processes of learning and reflection that the managing director deemed important to the turnaround process.

A two-day outdoor project was designed and delivered with the help of the Scottish Sports Council during which directors were exposed to a range of unfamiliar and challenging experiences to elicit views on helpful and unhelpful behaviours. The atmosphere was initially charged with some feelings and expressions of contempt, apprehension and cynicism.
alongside a somewhat more courteous resignation that participants may as well enter into the spirit of the initiative if only on a nothing ventured-nothing gained basis.

Most of the senior team had worked with the organisation over a long period of time and most of them were extremely unhappy about the way the organization had developed. The view that the company had a very unclear identity was raised repeatedly with no clear sense of what they were part of any longer. The engineers in particular complained that they were given very little say in the organization and were expected to do things which did not seem reasonable to them.

Again, the retreat culminated in the production of a set of rules for future work on the project and for the organization as a whole. Subsequent meetings were held on a bi-monthly basis on the company’s premises. During these, progress against strategic development aims was given equal consideration as reflections on behavioural patterns and the extent to which new forms of behaviour appeared to be emerging in the organization.

The new rules were initially applied intermittently and selectively. When trying to operationalise the new rules team members were often met with resistance. Understandably, the old and new rules often came into conflict and staff would revert to the old rules. Staff members realised the new rules needed to be actively promoted in order to have any chance of becoming embedded. Over time, however, staff did start to get used to the new rules. At first this occurred primarily in the strategy workshops; later however, they were also used more consistently beyond these settings. The vicious cycle in which use of the old rules prevented the use of the new rules, had switched to a virtuous cycle where more widespread use of the new rules encouraged others to use them as well.
About half way through the series of workshops, staff agreed that the organization had started to undergo radical transformation. The organization seemed to be changing into a new form which was initially summarised as aspiring to be “better, faster, cheaper”. This meant a particular focus on the ‘design’ of individual processes. The new organizational form was likened to a smooth running machine. Partly as a consequence of this realisation, the engineers became more centrally involved. On the whole the entire workforce seemed more comfortable with this emerging organisational form and stated their explicit if guarded commitment to the change project. After this the remaining workshops were dedicated to refining the new rules. When we left the company after eighteen months the new rules were in fairly consistent use throughout the organization.

Although it was not explicitly stated during the workshops themselves, later reflections on the change project seemed to convey a similar pattern to the other two cases. The so-called new rules were actually reflecting practices that had previously been in place and could still be found in some parts of the organization (e.g. some areas of the product design function). The change project appeared to have taken the organization back to its engineering roots with a clear focus in organization on the issues of design, efficiency and competitiveness that characterised its history as a mechanical engineering firm.

**Analysis of the case studies**

We now proceed to analyse the three cases based on the theoretical framework presented in the opening section of the paper, using the empirical material to advance our theoretical understanding of strategic change.

In comparing the three cases a number of issues struck us as potential foci in our analysis. First, all three cases featured away-days in the countryside, which meant a particular distance
from the ongoing routines and processes of organisational life. Second, in all of the cases a series of strategy workshops surfaced latent problems in the organization. Third, the discussion of these problems resulted in the formulation of new behavioural rules both for the workshop itself and, subsequently, for the organization as a whole. Fourth, in all three cases the participants had to overcome initial resistance in order to be able to use the new rules. This resistance was typically stronger outside the workshop settings than inside. Initially the new rules would only be used in the workshops but gradually they came to be used beyond these settings. In two of the cases it was explicitly noted that in order to be able to use the new rules, the entire organization had to switch to the new rules. Fifth, in all three cases the new rules reflected behaviours that either already existed in parts of organization, or that had existed in earlier periods of the organization’s history.

The first point raised above, captures the core idea of the concept of strategy episodes as the temporary suspension of existing organizational structures. In three cases the workshops were clearly breaking existing routines. They were typically held outside the organization’s own premises which may have indicated to the participants the suspension of established rules and behaviours, whilst also minimizing the relevance of hierarchical, departmental, divisional or functional differences (cf. Hendry/Seidl 2003: 184-185; Mezias et al. 2001: 85). In addition, and perhaps as a consequence, the atmosphere at meetings remained informal. The use of physical and mental exercises supported this decoupling. In the terms used by Hendry and Seidl (2003: 190), the facilitators helped participants to keep normal operating routines in suspension for the duration of the strategy workshops. The facilitators also served as a sort of ‘energizer’ (Roos/Von Krogh 1996: 79) to discussion, keeping them focussed on critical issues and preventing them from locking into unhelpful patterns.
The strategy workshops also had clear end points, marked in most cases by leaving the countryside and going back to the office.

These breaks with established structures and routines allowed new structures of communication to take place. Each of the three cases describes a self-organising process taking place in the workshops. Also in each case the first part of the workshops was concerned with the structuring of the strategy workshop itself.

This suspension of existing structures explains the second common point in the three cases. Because the participants stepped out of their established modes of behaviour and patterns of communication they were able to reflect on these established modes. This is in line with Doz and Prahalad’s observation that such transformative reflection ‘usually requires [a] stepping out of the existing management process – since these processes are to sustain the ‘old’ cognitive perspective’” (1987: 75; emphasis added). The participants seemed to be able to discuss problems of the organization that either they had not been able to address before, or which had only been partially addressed at that point. It seemed that the strategy workshops provided a forum where latent conflicts could erupt where they would otherwise be suppressed. The strategy episodes in this sense appeared to suspend defensive routines (Argyris 1985; 1990) which usually prevent members of an organisation from openly discussing conflicts or problems. This process of suspending existing structures seemed to help participants experiment with new perspectives on existing problems. In the SHAS case, for example, the participants discussed the problem of the dependence on the CEO in great detail – a problem that had been noted before but never seriously dealt with. The presence of facilitators also seemed to play a crucial role in keeping these discussions alive. Apart from serving as ‘energisers’ in this way, the facilitators also offered substitutive orientation in the strategy workshops (cf. Seidl 2005: 137). Whenever participants were unsure of how to
continue their communications, typically, due to the removal of established structures, they turned to the facilitators for guidance. Thus it remained possible to continue communicating even without particular structures in place.

Suspending existing structures also contributes to an explanation of the third point: the formation of new rules of behaviour. In Lewin’s terms (1952) the workshops could be regarded as ‘unfreezing’ one stabilised order within the organization. As a consequence, all organizational rules were up for discussion and conflicts or inconsistencies between, for example, organizational structures and processes in this way could be fully addressed. Where ‘elements’ of the existing organizational structure no longer seemed to fit it was possible to remove or adjust them. In the SHAS case, for example, the hierarchical structure adopted within the management team seemed at odds with both the services the organization was providing and the way in which those services were organised. The open nature of the strategy workshops meant that new rules could be created and adopted.

As noted above, attempts to ‘implement’ new rules typically met with considerable initial resistance, even though the participants had decided to switch to the new rules. Three related reasons were voiced by participants when quizzed on this issue. First, the participants were so used to the established rules and routines that they would occasionally revert back to them unwittingly. Where key problems had to be dealt with, it was often also perceived as easier, or perhaps more comfortable, to use the old rules. Second, the old rules were initially perceived as holding some legitimacy in practice, whilst the new rules lacked the credibility which comes from past success. Third, the continued partial existence of the old rules seemed, in some circumstances, to lock out the use of the new rules. This was described as a vicious cycle in the change process. There seemed to be a critical point at which this lock out effect switched to a lock-in effect, where any use of the new rules stimulated further application of
them. Notably, the switch to the new rules was, in all three cases, first accomplished in the workshops themselves.

Differentiating the change process into two stages in this way, accords with the notion that strategy episodes provide a key platform for experimentation (Hendry/Seidl 2003; cf. Rüegg-Stürm 1998; Buschor 1996), where new rules can be developed and tested before the wider organization is exposed to them. Hence, in these three cases, participants in the strategy episodes had the opportunity to experiment with potential new rule sets before deciding that they should be applied to the organization. This two-stage application of the new rules first to the workshop and then to the organization as a whole operates, at least partially, as a precautionary measure. Potential concerns for risk management aside, the application of new rules also seemed easier inside the episode than outside. The differing reasons given by participants for this come down ultimately to the differing situations inside and outside the episode.

Each of the strategy workshops constituted a relatively confined context; participants had only to deal with a limited number of issues, there was no real time pressure and communication patterns were simplified because they were both face to face and took place within a new context. This made it easier to come up with binding decisions and it was therefore much easier to accomplish a concerted switch to the new rules at least for the duration of the episode. The facilitators provided some support for the new rules. If someone appeared to be reverting back to the old rules, a facilitator was more easily able to highlight this happening and offer support or encouragement regarding the new rules. If this became problematic, e.g. if the group could see no way of moving forward through using the new rules, the facilitator’s lack of association with the old rules would often make it easier to suggest alternate ways of
proceeding. The two incidents in the SHAS case indicate the importance of both the episode and the role played by facilitators.

The wider organization outside the strategy workshops, in contrast, provided a more complex context for action, marked by time pressure, greater diversity of situations and the inherent difficulties of being unable to communicate about issues directly with everyone physically present. These challenges, and perhaps the act of re-entering a broader network of habitual interactions which may extend well beyond the organization itself, meant that participants faced greater temptations to revert back to old, established rules. In each of the three cases, a concerted switch to the new rules was not possible initially. In the first two cases, the switch was accomplished only after some critical incident occurred which created a shared sense of urgency and by association, refocused attention on the new rules. In these two cases, this was the process by which the new rules eventually gained legitimacy and participants then started to use the new rules consistently throughout the organization, which in turn made it more difficult for individual members to revert back to the old rules.

Once switching had occurred outside the workshops, it was noticeable that the new rules started to become more fixed and earlier processes of amending, editing and updating the rules, which happened in the workshops, stopped. This stabilization would in Lewinian terms be regarded as a form of ‘re-freezing,’ and meant that with the passage of time, these new rules might become so fixed that they were applied unquestioningly in much the same way that the defensive routines which they replaced had.

Finally, we turn to perhaps the most interesting aspect of the three cases. In each case, the new rules that the organizations created were consistent with behaviours which already occurred in shape or form in at least some part of the organization. In the SHAS case the new
organizational rules mirrored those which were used in the practice of conducting audits, in the FoodCo case the new rules pointed back to core identity of the firm as master bakers and and in the SteamTec case the new rules resonated with the firm’s history as an engineering-led organization. The workshops in all three cases had presented participants with the opportunity to think radical thoughts and in each case, the discussion was free ranging and included discussion of dramatic departures from existing customers, markets, processes and practices. However, rather than coming up with completely new rules, those involved produced new rules which both suggested dramatic changes yet, perhaps subconsciously, represented some form of continuity. In taking these new rules beyond the workshops and into the entire organisation, difficulties were encountered, suggesting that significant change was occurring. During this transition period participants had no difficulties in articulating the old and the new rules and delineating between them. Yet, subsequently there was recognition of the paradoxical sense of change through continuity. This focus on existing behaviours or processes is consistent with Weick’s (1995) observation that strategy is more to do with hindsight than with foresight. Interestingly, we are also suggesting that strategic change may amount to no more than a re-enabling of repressed modes of expression and the workshops are characterised more by therapy than by true novelty.

The latent conflicts and inconsistencies which erupted during the strategy workshops seemed connected to those behaviours and identities which were being described in the ‘new’ rules. Modes of behaviour consistent with the new rules were often identified as being in conflict with the ‘dominant’ behavioural patterns. In the SHAS case, for example, the practices associated with running the audits seemed to be in conflict with the mode of organizing used in the broader organisation. In surfacing such conflicts, partial modes of behaviour were elevated and became the new organization-wide model with other structures being aligned
accordingly. In readjusting to embed the ‘new’ rules, the three organizations re-emerged as new, more consistent wholes.

**Toward a theory of endogenous strategic change**

As indicated in the introduction to this paper, we have used the three cases to further develop our theory of strategic change in an inductive process. These cases confirmed many aspects of our thinking on strategic episodes, yet they also brought up several additional insights about the way in which strategic change processes unfold. We now seek to relate the points raised in the previous section to each other in order to craft a more consistent theory of transformation.

In the first section of this paper we described organization as routinization and stabilisation of behaviour. Organizations thus tend to preserve order and also tend to prevent novelty. With regard to the three case studies we can extend this conceptualization of organization. Part of the process of preservation is actually the *suppression of conflicts* between different organizational routines or stabilised patterns of behaviour. In their daily activities, members of an organization cannot openly question and discuss overall behavioural patterns within the firm. This constitutes a form of defensive routine.

Such suppression of conflict in organizations also has some psychodynamic basis. As several authors have noted (e.g. Houchin/MacLean 2005; Menzies 1960; Argyris 1992; Janis/Mann 1977) change causes anxiety which people try to avoid. There is a natural tendency for individuals to avoid conflict. Where conflicts between different organizational structures or routines are directly experienced they are usually handled locally in a manner which allows those involved to continue with their activities. This localized process often appears as if it
has provided a solution to the problem but the underlying conflict between the structures often persists though, from an organizational point of view, the conflicts may remain latent.

If our concept of organization as the suppression of open conflicts is accepted, strategy episodes then might best be described as concentrated periods during which there is some suspension of the suppression of conflicts. In other words, strategic episodes act as a second order form of suppression and inhibit or suppress natural tendencies to avoid or eradicate conflict. Hence, during these strategy episodes, latent conflicts tend to erupt or at least there is the potential for them to erupt if triggered since the episode makes latent conflict manifest, if only within the confines of the episode itself. Psychologically this leads to anxiety and can therefore result in people trying to revert back to the established order as a means of escaping the conflict. This can be seen in the three case studies where the atmosphere was initially highly charged. This points to the crucial role played by external facilitators who are less affected by the conflicts and who can therefore seek to maintain the suspension of defensive routines and any other suppression mechanisms.

However, in contrast to Hendry and Seidl’s conceptualisation (2003), here the strategy episode does not appear to open up the possibility for entirely new behaviour. Rather, in the three case studies described above the strategy episode allowed for a switching between different modes of behaviour which already existed in different parts of the organization. The participants in these three strategy episodes did not come up with completely new modes of behaviour but articulated new modes of behaviour which were both different yet not completely unfamiliar. We believe that this may be true in many cases where the organization and at least some of the participants have a long enough history, but perhaps not true in new starts or young organisations. In our cases, when the organizations were confronted with change but prevented from enacting existing defensive routines, they simply reached further
back into their repertoire to dormant routines that might be fruitfully reactivated or even lifted from a state of repression and given the opportunity to reassert themselves. To some extent then, perhaps all change is defensive and intimately locked into the past. The source of novelty here though, is that earlier modes of behaviour are now applied to new situations which had become problematic through the repeated application of rules which were no longer appropriate. In the case of a strategic change, the movement between different modes of behaviour ultimately results in the selection of one of these modes of behaviour. In the SHAS case, for example, this was the mode of behaviour that typified audit practices.

Once one of the existing modes of behaviour has been selected, members of the organization must become accustomed to them. This might mean – as in the three case studies – that the modes of behaviour are first tested in the ‘protected’ environment of the strategy episode before being carried over into the organization at large. The facilitators might play a coaching role in this process supporting the members in their early attempts at using particular modes of behaviour in novel circumstances.

To the extent that strategy episodes allow latent organizational conflicts to surface and to be dealt with, they also serve as some sort of organizational hygiene. These strategy episodes provide a complementary mode of operation to the organization. Where the organization preserves order and suppresses conflicts, the strategy episode creates disorder and permits conflict. We believe that it is this separation and co-existence of the episode and the organization, of order and disorder, which allows the organization to continue to function without being torn apart by inconsistencies and conflicts.

In this section we have so far dealt with change in general. The three cases considered here, however, were originally conducted as investigations into strategic change or organizational
transformation. Above we defined strategic change as second order change, or change of the logic of the organization. Against the background of the three case studies we might want to try making clearer how to conceptualise this ‘logic’. Several authors have pointed out that the different parts of an organization usually are adjusted to each other in such a way as to form a more or less consistent whole. Miller and Friesen (1984), for example, write that organizations tend to correspond to particular ‘design archetypes’; similarly Greenwood and Hinings (1998; see also 1993) propose that organizations use ‘interpretive schemes’ as the means by which parts of the organization are designed and adjusted to each other. Strategic change in this sense means the change of one ‘interpretive scheme’ or ‘design archetype’ for another (MacIntosh and MacLean, 1999).

SHAS, for example, changed from a bureaucratic, hierarchical form to a heterarchical team-based one. In this case, the set of new rules (which they described as the Cromlix principles) served as template for structuring and aligning different parts of the organization to each other.

This process of configuring the organization in relation to itself and as part of a more consistent whole, also has some psychodynamic foundation. As already stated, individuals members of the organization will tend to prefer some sense of order and stability in order that they can orient both themselves and their daily activities (Houchin and MacLean 2005). This preference for consistency comes from the bottom up since it is generated through the interactions of individuals within the organization, all trying to make sense of the organisation and their roles, activities and practices. Inconsistencies, if experienced, cause anxiety and organizational members therefore require at least the illusion of the organization forming a coherent whole in order to be able to carry out their daily businesses effectively.
In contrast to the characterisation by Miller and Friesen, and Greenwood and Hinings we do not think that there is *always* an automatic drift towards particular archetypes. Rather, what we find in the three cases is that despite the existence of a particular organizational template there existed also other modes of behaviour which seemed to be in conflict with this. The whole organization did not automatically drift towards a particular design type and instead we saw evidence of some parts of the organisation drifting away from the template. Adjustments to local needs might accumulate over time to the point where modes of behaviours in different part of the organization no longer fit together. For example, in the SHAS case we might speculate that the particular audit practices – with their reliance on teams which were regularly and routinely constituted and reconstituted – might have developed over time due to local necessities. Such local drifts are most likely to take place in parts of an organization that are not tightly coupled to the rest of the organization (cf. Spender/Grinyer 1996). Where parts of the organization are tightly coupled local drifts tend to be prevented by the interlocking of the parts. Such local drifting challenges the consistency of the organization. This then is the source of potential or latent conflicts which might erupt in a future strategy episode.

In such cases there are two solutions to the conflict. Either the parts that have drifted apart are readjusted to the overall template, in which case the existing design archetype is confirmed. Alternatively the evolving new behaviour of some smaller part of the organization is taken as a point of reference according to which the overall template is adjusted, in which case there may be a change of the design archetype.

Our proposed explanation of strategic change takes a middle position in the debate between punctuated equilibrium models (e.g. Hedberg/Johnsson 1977; Grinyer/Spender 1979b; Tushman/Romanelli) and models of emergent change (e.g. Spender/Grinyer 1996). For us, different parts of the organization are constantly drifting – sometimes towards the archetype
sometimes away from it. In this sense there is always scope for emergent changes. These changes are, however, limited by the interlocking behaviour of different parts of the organization. When conflicts between the emergent changes and the established interpretative scheme becomes manifest (for example, during a strategy episode) the organization is likely to either realign the organization according to the established template or to switch to the new, emergent template. The important point in this switch, however, is that the new order does not come from outside but from within and is the organization’s own product – i.e. the result of its drift.

**Conclusion**

In this paper we have developed a new conceptualisation of strategic change as an endogenous phenomenon resulting from the interplay between organization and strategic episodes. We have argued that strategic episodes complement the organization with a contrasting mode of operation. While the organization tends to preserve the existing order and to suppress any conflicts between different elements of this order, strategic episodes suspend this suppression mechanism and allow for the questioning of the existing order. As a result of that, strategic episodes have the potential of refocusing the organization around different parts of the existing order.

In order to develop our theory we have combined deductive and inductive approaches. We drew, on the one hand, on the literature on strategic change, in particular the concept of strategic episodes. On the other hand, our theory development was also clearly informed by the three case studies that we have presented in some detail above. Whilst potentially useful, this combination of deductive and inductive theorising also carries some limitations that merit discussion. First, there is a danger of circularity between the application of the theory, and the development of the theory on the basis of this application. In this paper we used a particular
theoretical approach in order to interpret the three case studies; on the basis of this theoretically informed interpretation we then developed the theory further. It therefore remains unclear to what extent the theory itself or the empirical cases drove the theory development. Whilst we believe our work to have made a useful contribution, we would not want to create a false impression of the degree of empirical grounding of the theory since the three cases may only have informed and illustrated our thinking. Yet, it is also true that in order to avoid a purely theoretical engagement with the topic of strategic change, we chose explicitly case studies that were already conducted and written up before the main theoretical concepts had been developed in the literature. We believe that this helps limit the risk of a bias towards the chosen theoretical perspective.

There are also the usual limitations with regard to the representativeness of the three case studies chosen. While the three cases seemed representative of the transformation processes that the authors of this paper had been involved in, they might nevertheless share only a limited resemblance to other transformation processes. The particular way that the strategy workshops were facilitated might have influenced how the processes unfolded. In particular the authors’ interest in complexity theory with its focus on emergent phenomena may have biased the way the workshops were conducted. On the whole, however, the description of the case studies does not seem incompatible with other accounts of strategy workshop that can be found in the empirical literature and we are therefore satisfied that the three accounts chosen do merit some consideration of a view of strategic change as driven from within and enabled by the particular relationship between strategic episodes and broader organisational life.
References


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