TRADITIONS OF RENEWAL
How four traditions linking emotion and cognition in different ways allow for strategic renewal ahead of one’s time

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In this paper we address an empirical and theoretical issue which is under researched. Does history, i.e. a company’s organizational traditions, hamper strategic renewal and cause drift, as the management literature suggests? Or can traditions help companies to systematically and successfully renew themselves? To empirically analyse this question we take issue with two empirical selection biases in the strategic management literature: most of the literature on managed strategic change discusses historical inertia and financial stress induced renewal processes. Instead, we argue for a focus on long-lived companies that continuously renewed themselves for a period of twenty years without the trigger of financial stress. We find that the secret of the success of these companies is that more than forty years ago they began to foster 4 traditions of renewal. The four traditions are continuity, anticipation, contestability and mobility. The traditions link different types of emotional action readiness to dominant and alternative logics and coalitions, allowing our sample companies to deal with the non-linearity of strategic renewal processes by being one step ahead of time as it were.

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ABSTRACT
In this paper we address an empirical and theoretical issue which is under researched. Does history, i.e. a company’s organizational traditions, hamper strategic renewal and cause drift, as the management literature suggests? Or can traditions help companies to systematically and successfully renew themselves? To empirically analyse this question we take issue with two empirical selection biases in the strategic management literature: most of the literature on managed strategic change discusses historical inertia and financial stress induced renewal processes. Instead, we argue for a focus on long-lived companies that continuously renewed themselves for a period of twenty years without the trigger of financial stress. We find that the secret of the success of these companies is that more than forty years ago they began to foster 4 traditions of renewal. The four traditions are continuity, anticipation, contestability and mobility. The traditions link different types of emotional action readiness to dominant and alternative logics and coalitions, allowing our sample companies to deal with the non-linearity of strategic renewal processes by being one step ahead of time as it were.
The latest financial crisis has precipitated a return to historical perspective. For all talk of high modernity and a new phase of capitalism, experts returned to the lessons learnt during the financial crisis of the 1930s. When push came to shove, old traditions of sound finance were dug up to solve problems of future direction. The impact of an historical turn has remained limited in strategic management research. Although the last decade has seen renewed interest in for instance Alfred Chandler’s work, many questions have remained unanswered (O’Sullivan and Graham, 2010). One important question is whether managers can develop historical traditions to steer their companies away from potential crises, in a direction facilitating a durable balance between continuity and change. In other words, can historical traditions minimize the occurrence of organizational crises by setting companies on a path of continuous strategic renewal?

The empirical exploration of this question has been hindered by the prevalence of two assumptions about the triggers of strategic renewal: assumptions of historical inertia and financial stress driven renewal. The following oft-invoked narrative summarizes the assumed role of both triggers. Historical founding conditions durably imprint patterns of strategy development (Stinchcombe, 1965). This imprinting leads to the incremental accumulation of core capabilities (Quinn, 1980). While an advantage in an initial stage, incrementalism eventually leads to the emergence of a dominant logic, which severely limits the creativity of strategy making in periods of environmental change (Bettis and Prahalad, 1995; Prahalad and Bettis, 1986). Not able to step out of their historically dominant logic, firms tend to drift towards a situation in which their core capabilities ultimately become core rigidities (Johnson, 1988; Leonard-Barton, 1992; Miller, 1990, 1994). It is only when strategic drift is followed by severe financial stress that managers recognise the need for the fundamental unlearning of core rigidities and major strategic transformation occurs (Cyert and March 1963; Greve, 1998, 2003; Hedberg and Jonasson, 1977; Hedberg et al., 1976; Hedberg, 1981; Johnson, 1988; Starbuck and Hedberg, 1977). Unfortunately, financial underperformance often happens with a considerable time lag, and in an initial stage can even increase rigidity of response (Sitkin and Pablo 1992, Staw et al., 1981). When top management finally realizes its predicament, only radical, discontinuous transformation can save the situation. In sum, renewal generally takes shape according to a pattern of “punctuated equilibrium” (Romanelli and Tushman, 1994), in which long periods of incremental “muddling through” are punctuated by short outbursts of radical change.

Unsurprisingly, emotional stress is noticeably absent in the narrative (Huy, 1999, 2002, 2008). This ties in with the long-standing neglect of emotional issues in the strategic management literature (Hodgkinson and Healey, in press). Nevertheless, a healthy emotional climate (cf. Härtel, 2008; Sekerka and Fredrickson, 2008) is an essential precondition to the learning and unlearning processes that characterize successful strategic renewal (Crossan and Berdrow, 2003). When a firm’s emotional climate becomes too toxic, creativity is hampered (Amabile, 2005) and difficult strategic decisions are avoided (Maitlis and Ozcelik, 2004). This puts in peril managers’ capacity to balance dynamics of continuity and change (Huy, 2002). Furthermore, a competent managing of emotions is
essential to increase employee satisfaction and performance (Wagner and Ilies, 2008), and, ultimately, financial performance (cf. Barney and Kunda, 1992; Huy, 1999). In many ways, unresolved emotional stress may thus be a crucial antecedent to financial stress.

The dominant assumptions of historical inertia and financial stress have reinforced recency and empirical selection biases in strategic renewal research. With a few notable exceptions (Burgelman, 1983, 1989; Child and Smith, 1987; Pettigrew, 1985; Pettigrew and Whipp, 1991; Rosenbloom, 2000), the standard empirical approach has been to study strategic renewal for a period of five to, exceptionally, twenty years. This is odd, given that many of the largest companies have been in existence for fifty, hundred years or more. One reason for this recency bias is the shift in focus of strategy scholars from large manufacturing industries to new high-tech firms and industry dynamics. Another reason is the environmental contingency assumption that underlies research in ambidextrous dynamics of continuity and change. Environmental turbulence was too limited before the 1980s to warrant interest in these decades as a relevant temporal sample for studies of continuous strategic renewal (Brown and Eisenhardt, 1997, 1998; Chakravarty and Doz, 1992; Galunic and Eisenhardt, 2001; Helfat and Eisenhardt, 2004; Sanchez, 1996; Schilling, 2000; Worren, Moore, and Cardona, 2004).

Research on managed strategic renewal, especially the strand involving rapid transformation of firms (Floyd and Lane, 2000), has also suffered from a selection bias. Candidate companies for the study of transformation tend to be selected on the basis of the occurrence of financial stress (Barker and Mone, 1994; Barker and Duhaime, 1997; Barr, Stimpert, and Huff, 1992; Greve, 1998; Huff, Huff, and Thomas, 1992; Ramanujam, 1984; Robbins and Pearce, 1992; Starbuck and Hedberg, 1977; Schendel and Patton, 1976). While the presence of financial stress is considered a primary selection criterion, emotional stress is not. Nevertheless, a balanced emotional climate, devoid of excessive stress, is a critical facilitating condition to maintaining a balance between continuity and change (Huy, 2008). The hypothesis that an exceedingly stressful emotional climate precedes financial stress should therefore be seriously considered.

In this paper, we take issue with the above recency and selection biases. First, as with Chandler (1962, 1977, 1990) and Penrose (1959, 1960) we adopt a more positive outlook on path-dependent dynamics. Rather than the main culprit of inertia, historical traditions may well provide a fruitful basis for continuous renewal and long-term resilience. In particular, we inquire whether there is a path-dependent relation between antecedent traditions and contemporary success. Can firms build traditions which set companies on a path-dependent track of cognitive and emotional renewal? Second, instead of selecting companies on the basis of the antecedent occurrence of financial stress, we argue for the selection of companies in terms of two other variables: long-term financial success coupled with the ability to significantly renew oneself.

In what follows, we first explain why “tradition” is an appropriate unit of analysis to study path-dependent complementarities between cognitive and emotional renewal dynamics. Subsequently,
we highlight how to empirically target the origins and development of traditions in companies. Finally, we discuss our findings on traditions in terms of a set of propositions.

**RESEARCH ON MANAGED STRATEGIC RENEWAL**

Studies of strategic renewal developed from three basic rationales. First, given that competitive environments are increasingly unstable (D’Aveni, 1994; Thomas, 1996; Hamel, 2000), firms’ tendency to ossify as they mature is problematic (Delacroix and Swaminathan, 1991; Miller and Chen, 1994). Second, strategic choice theorists (Child, 1972; Miles and Snow, 1978) opened our eyes to the capacity of firms to change their destiny. Firms not only react to environmental changes. They can reshape their environments too through timely strategic choice. Third, strategic renewal scholars take to heart the main “paradox of administration” in changing environments: the dual tension between “security and flexibility” (Thompson, 1967: 148). The ability to balance exploitation and exploration (Levinthal and March, 1993; March, 1991) is essential to long-term strategic renewal.

Common rationales notwithstanding, the concept of strategic renewal has long remained vague and undefined. Recently, Agarwal and Helfat (2009) brought some closure to the definitional debate. “Strategic” means scholars should only focus on “that which relates to the long-term prospects of the company and has a critical influence on its success or failure” (281). “Renewal”, on the other hand, “involves the refreshment or replacement of attributes of an organization” (282). Put together, strategic renewal involves the refreshment or replacement of organizational attributes that impact the long-term prospects of an organization.

In this study of strategic renewal, we focus on two main organizational attributes over time: cognitive logics and emotions. Furthermore, we study the replacement and refreshment of these attributes over very long stretches of time. Our goal is to investigate whether timely renewal of these attributes fosters firms’ ability to pro-actively steer away from organizational crises. Our emphasis on pro-active renewal across long periods of time seemingly goes against one of the axioms of strategic renewal research: managers are unable to anticipate changes in highly turbulent environments (e.g. D’Aveni, 1994). Instead of investing in futile attempts of anticipation, firms should emphasise the capacity to adapt and move fast (cf. Geroski and Markides, 2005). We join other authors in cautioning that over speeding may be counterproductive. Working with too short a reaction time can lead to overreaction, excessive information searches, and even precipitate organizational death (Dumaine, 1989; Stalk, 1988). Moreover, investing primarily in speed-of-response flies in the face of human nature. Most managers instinctively act prudently and prefer to wait until the impact of external turbulence exceeds a threshold before responding (Ansoff, Eppink and Gomer, 1975). By that time, a downward spiral may have progressed too far already (Hambrick and D’Aveni, 1998). Strategic dynamics are increasingly non-linear, meaning that small changes in the rules of the game can positively feedback into disproportionate renewal demands and organizational crises (cf. Arthur, 1989; Burgelman and Grove, 2007: 965). Given all this, our interest is not primarily in understanding dynamics of fast adaptive change. Rather, we zoom in on those pro-active dynamics of renewal that
can help companies change the rules of the game first. Obviously, such “first mover” dynamics may well increase speed-of-adaptation too, but not in a way that endangers the long-term balance between continuity and change.

**Cognitive renewal**

Arguably the most important cognitive target of renewal is a firm’s dominant logic: the “general management logic” that governs “decision-making processes throughout the firm by producing a particular “mind-set or world view that can be shared across all of its business units” (Lampel and Shamsie, 2000: 593-594). Historically, a cognitive logic becomes dominant when it is embraced by a firm’s dominant coalition - The dominant coalition is a firm’s most established leadership: the “social network of individuals having the greatest influence on the selection of the firm’s goals and strategies” (Pearce, 1995: 1075). It typically is a grouping organised around the CEO, chief executive, chairman or, in UK companies, sometimes the chief financial officer.

The dominance of a logic becomes institutionalized over time, as the founding coalition transfers the logic to successive generations and across all new business units (Prahalad and Bettis, 1986). The advantage of this institutionalization is that it provides the corporate headquarters of firms with the coherence, authority and clarity of identity necessary to build a sustainable competitive position (Child, 1972; Fligstein, 1987; Kogut and Zander, 1992; Lieberson & O’Connor, 1972; Ocasio, 1994; Pfeffer, 1981; Porter, 1980; Selznick, 1957; Swidler, 1979; White, 1994). However, as institutionalization proceeds, the barriers to renewal of the dominant logic may become prohibitively high (Bettis and Prahalad, 1995: 12).

What can firms do keep these barriers sufficiently low? For one, firms should encourage sufficient strategic debate, dissent and “trial-and-error” learning (Burgelman and Grove, 1997). Also, they should focus on the timely unlearning of outmoded management practices; in favour of alternative logics more in tune with emerging environmental changes (cf. Nystrom and Starbuck, 1984). Yet, debating environmental changes and associating them with alternative logics is not a sufficient condition to timely renewal (Crossan and Berdrow, 2003: 1088; Lant, Milliken, and Batra, 1992: 603). Equally important is the ability to actually integrate alternative cognitive interpretations in corporate strategy (Barr, Stimpert and Huff, 1992: 15). In other words, a sufficient condition to renewal is the emergence of an alternative coalition powerful and capable enough to set the “strategic context” for dissenting logics (Burgelman, 1983, 1994; Burgelman and Grove, 2007). The institutionalization of dominant logics, however, hampers precisely this: it creates a authority device that diminishes the legitimacy of alternative logics, reduces an organization’s absorptive capacity, and blocks the reconsideration of existing resource allocation processes (Cohen and Levinthal, 1990; Salancik and Pfeffer, 1977: 18). In sum, avoiding strategic drift of one’s dominant logic requires the satisfaction of two partially contradictory demands. It calls for the institutionalization of a dominant logic in the strategic context and the renewal of the strategic context by alternative leadership coalitions.
How can top managers get out of this conundrum, and satisfy both demands? For one, managers should not take their main cues for action from measures of financial performance. Current financial success may limit any significant challenges to the dominant logic. Instead, managers should broaden their attention to the earliest signs of deterioration of any measure of strategic performance (Bettis and Prahalad, 1995: 12). Strategic performance is the basis of future financial success, not current success. In response to this realization, many firms have started to adopt strategic performance measurement systems, to identify new strategic objectives and align management processes accordingly (e.g., Gates, 1999; Ittner et al., 2003: 715). An important measure that dominant logic and strategic performance scholars generally omit, however, is emotional stress. Nevertheless, emotional stress may be one of the earliest and most significant indicators of the need to cultivate and integrate alternative logics in strategic decision-making processes.

**Emotional renewal**

Organizational stress, in particular the cognitive variety, is not necessarily a bad thing. For one, it is always present, since no strategy is perfect (Huff, Huff and Thomas, 1992: 58). Furthermore, it can induce people to change their behavior and increase their action-readiness when their performance falls short of expectations (Lant and Mezias, 1990: 149; March and Simon, 1958). When stress is badly managed, however, it can lead to a downward spiral of action-readiness and performance. What has remained largely unnoticed in the strategy literature is that a main driver of this downward spiral is emotional stress (Penny and Spector, 2008: 186). It is not cognition but emotion that is associated with action readiness – urges to act in particular ways (Frijda, 1986: 71; Lazarus, 1991). Furthermore, people’s past emotional experiences to a significant extent guide their cognitive decisions about the future (Loewenstein & Schkade, 1999).

Emotion and cognition are two sides of the same coin when it comes to dynamics of strategic renewal: while “emotion is a principal source of motivation”, cognition allows managers to focus “toward particular goals” (Simon, 1945: 91). Starting from this assumption, the challenge for strategic renewal researchers is to find patterns of complementary cognitive logics and emotional action readiness. Particular attention should go to the complementary workings of positive and negative emotions in relation to cognitive learning and unlearning processes (Huy, 2008; Wang and Pratt, 2008). Negative emotions such as fear narrow managers’ thought-action repertoire towards specific actions that serve to promote survival. They also serve to reaffirm organization-wide emotional attachment to established success formula. By contrast, positive emotions such as pride can enlarge managers’ capacity to generate ideas, and increase their alternatives for action (Isen, 1986; Fredrickson and Branigan, 2005). By allowing for a shift of emotional attachment away from past success formula, positive emotions facilitate a timely renewal of the strategic context. Both positive and negative emotions are important to creating organizational commitment for renewal processes and corporate longevity (Brickman, 1987). Yet, when managed competently, positive emotions can have an undoing effect on negative emotions (Fredrickson, 1998, 2000). This is important. Negative
emotions that remain unresolved over a long period can create a toxic and inertia-prone culture (Maitlis and Ozcelik, 2004). Such a climate may involve an “us-versus-them” mind set (Gilmore et al., 1997) and lots of finger-pointing. But it will not encourage concerted endeavour to tackle the underlying causes of problems (Sekerka and Smith, 2003).

Strategic renewal scholars should heed this last message especially. A primary goal of managers should be to create a positive emotional learning climate (Härtel, 2008). Such climates can help create and support renewal in organizations (Sekerka and Fredrickson, 2008: 531). Top managers’ ability to create a positive climate is aided by so-called “emotional contagion” processes (Bono and Barron, 2008: 491). Emotional contagion can aggregate the positive interactions between managers into group emotions (Maitlis and Ozcelik, 2004). The positive emotions of leaders may be especially contagious because they hold positions of authority in the organizational hierarchy (Fredrickson, 2003).

Inducing such positive emotional contagion is not easy, however. For one, negative emotions often have stronger and longer-lasting effects than positive emotions (Baumeister et al., 2001). This means that if negative emotions are not balanced timely with positive counterparts, a downward emotion-cognition spiral may take hold. At some point, this spiral will translate in several financial stress, or even organizational death. In sum, strategy scholars should focus more on the absence of complementary cognition-emotion patterns, as a key historical antecedent to financial stress. Once financial underperformance has set in, the downward spiral may have progressed too far already for timely action to be taken. In other words, it may be necessary for strategic renewal scholars to go further back in time than the occurrence of financial underperformance. Instead, scholars should focus on the earliest occurrences of emotional toxicity as the key historical antecedent of successful or failed strategic renewal endeavours.

All the above points to the need to pay more attention to historical dynamics, in particular the longitudinal co-evolution of particular cognitive logics and emotions.

Beyond history matters: the role of path-dependence

The field of strategy was initially substantially informed by historical perspective (Chandler, 1962). Yet despite notable attempts to retain and explicate the importance of history in understanding strategy development (Pettigrew, 1985) and whilst many theoretical concepts in the strategy field are grounded in assumptions of historicity, the subject has largely become a-historical. For instance, while the idea that history matters is a core part of the management literature on routines and capabilities (Nelson and Winter, 1982), very few management scholars have endeavoured to tease out exactly how and how much. Still, a number of authors have tackled the question why, over time, some firms manage to become successful using their capabilities, while other firms do not (Helfat, 2000; Holbrook et al., 2000; Cockburn et al., 2000; Roosenboom, 2000; Tripsas and Gavetti, 2000; Winter, 2000). More recently, Carmeli and Markman (2010) made a compelling case for historical research. They maintained that century-old strategies and tactics allowed Rome to gain the organizational
resilience necessary to remain on top of the world for so long. Most recently, Burgelman (2011) argued in favour of greater attention to historical methods and lenses in strategic management research.

While the above authors share a common interest in history, their investigations lack a common historical unit of analysis. Such a unit of analysis could lead the field of strategic management research in a more coherent direction, in particular regarding the empirical exploration of path-dependence. More than ten per cent of all articles published in seven top management journals between 2003 and 2007 make a direct reference to path-dependence (Vergne and Durand, 2010: 737). Explanations of path-dependence are mostly deployed to clarify why a certain choice, trajectory or process is becoming increasingly attractive compared to other alternatives (Arrow, 2000; Kay, 2005; Page, 2009). Although mechanisms of path-dependence are broadly assumed in most studies of organizational history, they are rarely clarified (Sydow et al., 2009).

Path-dependence is a more specific type of explanation than “history matters”. The historical “lock-in” that path-dependence effectuates, is most relevant under three particular conditions: contingency, self-reinforcement and non-deterministic initial conditions (Vergne and Durand, 2010: 741-744). Contingent events are unpredictable, non-purposive, and somewhat random (Arthur, 1989; De Rond and Thietart, 2007), yet condition a long-term lock-in effect. If this lock-in leads to sustainable success, contingent effects are often qualified as good fortune or chance – a regular occurrence in case-studies of highly successful companies. Once a path has been contingently selected, various mechanisms can lead to its self-reinforcement: most notably increasing returns in terms of scale, scope or learning effects (Bassanini and Dosi, 2001; Pierson, 2000). By non-deterministic initial conditions, finally, we mean that the stochastic relation between small, initial changes at period \( t \), and the path chosen in periods \( t+1, t+2, t+3 \) etc... is weak.

Often forgotten, is that path-dependence is also liable to strategical reconstruction (Garud et al., 2010). Top managers can cultivate serendipity (Garud et al., 1997) by setting the strategic context for contingencies to arise and gain scale through self-reinforcing behaviour (Burgelman and Groves, 2007: 975). Managers can also play an active role in determining what portions of the past they would like to mobilize in support of their imagined futures (Bartel and Garud, 2009; Mouritsen and Dechow, 2001; Van Lente and Rip, 1998). They can choose the time frames with which to explore their future as well as to exploit what they have learned from the past (Garud et al., 2010: 763; March, 1999). By introducing a strategic context of “temporal flexibility” about initial conditions, contingencies, and self-reinforcing behaviors (Emirbayer and Mische, 1998), managers to some extent can direct dynamics of path-dependence; for instance along a path devoid of organizational crises.

To further the investigation how managers can enable path-dependent processes of strategic renewal, a robust unit of analysis is needed. This unit of analysis should be attuned to studying a neglected object of path-dependent renewal: how to turn the combination of cognitive and emotional renewal processes in a self-reinforcing direction. The question how managers can avoid cognitive
blind spots by influencing path-dependent processes, has been relatively neglected (Sydow et al., 2009). What has been even more neglected is how the avoidance of cognitive blind spots is conditional on overcoming a complementary type of inertia: escalating dynamics of emotional commitment. The lock-in of both types of inertia can set companies on a very stubborn path to strategic drift. What unit of analysis could attend to these complementary cognitive and emotional issues, and set companies on a path of continuous renewal? In what follows, we identify “tradition” as a likely candidate.

Traditions: unit of analysis of path-dependent renewal

Tradition has long received a bad press. Ever since Weber’s writings (1947: 116), the concept has been associated with pre-modern connotations, to denote authority patterns typical of archaic societies. Since the 1980s, our understanding of traditions has been upgraded. Summarizing shortly, traditions are now associated with a number of highly topical cognitive, emotional and path-dependent characteristics, all of which are conducive to our main research question. In table 1, we summarize how the concept of “tradition” provides managers with a valuable resource to strategically create path-dependencies, along promising, rather than rigid and crisis-ridden avenues.

What do we mean by “traditions”? Traditions are patterns of belief or models of conduct that are transferred from the past into the present across at least three generations (Shils, 1981: 187; 1975: 185, 187). They provide continuity of meaning and emotional commitment in a variety of social structures (Molotch et al., 2000; West Turner, 1997), amongst which firms. Continuity notwithstanding, traditions are not literally transferred from the past. That is because traditions are not “fundamentalist”, but processual phenomena. For one, they are as much the product of fact as of invention (Brown, 1990; Hobsbawm, 1983). Although necessarily based in “foundational myths” (Boyer 1990; Giddens 2002; Hobsbawm and Ranger, 1983; Thompson 1990), the exact origins and content of traditions are often murky, and liable to strategic reconstruction. “No tradition is ever taken precisely as it was given”, but always “adapted to a situation” (Gross, 1992: 14). To persist, traditions have to fulfil a very pragmatic criterion: they need to continue to provide a source of authoritative answers to enduring problems (Dobel, 2001; Shils, 1981: 203). This means that traditions have to be reinvented with each generation, and made relevant to new emerging contexts. What is more, it is not enough for traditions to link the present to an interpreted content of the past. To work, traditions have to be useful in imagining future possibilities too - the “imagined content of the future” (Pelikan, 1984). This ties in with the longstanding argument that organizations become rigid over time, and resist changes not only because the future is unknown and feared, but because the past is underappreciated (Albert, 1984).
Other characteristics of traditions also point in a promising direction for the study of strategic renewal. In order to do persist, traditions have to “live” in the communities they are relevant to (Shotter, 1993). Most notably, this requires the on-going creation of a “community of argumentation and participation” with regards to the formulation of solutions to enduring problems (Hibbert and Huxham, 2010: 529; MacIntyre, 1981). Studying the invention of traditions by managers thus could contribute to a key, unresolved issue in strategic renewal studies: how top managers can set the context for effective strategic debate and participation in the renewal of dominant logics.

The study of traditions could also provide insights in the emotional side of strategic renewal process; particularly in the study of how top managers can avoid emotional toxicity and set the context for a positive emotional learning climate. Traditions that “work” function as truths (Giddens 1984; Giddens, 2002; West Turner, 1997). Cognitively, they can provide a stamp of continuity and legitimacy to dominant and alternative logics. Given their interpretative flexibility, however, the truth of traditions lies not so much in their cognitive accuracy or correspondence with historical facts, but in their “emotional truth”. Emotional truth is less malleable than its cognitive counterpart. Two particular “fitness” criteria determine emotional truth: how well an emotion reflects the threats and promises of the world, and how well it reflects specific people’s predispositions (De Sousa, 2010). First, emotional truth conveys the condition that emotions are only warranted if they “get the world right” (Helm, 2004: 64; Goldie, 2004: 99); if the choices induced by elicited emotions are fulfilled in the real world (cf. James, 1889; Salmela, 2005, 2006). The second criterion of emotional truth reflects the importance of not forcing particular emotions on different types of people. Given their seniority in a firm, or their inclination to act along established or alternative ways, certain people are more predisposed to deliver on certain traditions than on others. Practically speaking, members of dominant and alternative coalitions in organizations typically focus on different threats and promises, and display different emotional action readiness. Different traditions may therefore serve one type of organizational members better than others. What applies to all traditions, however, is that they will only work if they help managers solve problems in the real world.

**METHODS**

**Research Design**

This study is part of a three-stage research design, comprising both quantitative and qualitative analyses. The first two stages have been the focus of earlier papers (e.g. Devinney, Johnson and Yip, 2004). The third phase, which follows a qualitative “abduction – induction – deduction” research cycle, is the main focus of this paper. In what follows, we summarise the first two stages, and explain the third stage in more detail. Figure 1 provides an overview of the research design and the timeline followed in the data collection and analysis stages.

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Data Collection and Analysis (Stages 1 & 2)

In a first stage, we made a large scale statistical analysis of the financial performance, over the 20-year period 1983-2003, of 215 of the largest public UK companies in 40 industry sectors in which significant numbers of UK companies participate. Hence our sample was not selected to provide a census of all large British companies, but to capture the most prominent ones. The aim of this analysis was to avoid selection bias of companies based on the occurrence of financial trauma. We used frontier-analysis to identify those businesses that maintained consistently high levels of financial performance throughout the 20-year period in relation to comparable firms in their sector. Frontier analysis has the benefit of allowing the application of multiple measures, over a long period of time, combined with comparison with peers. We chose five ratios to measure our companies on: profit margin (%), return on shareholders’ funds (%), return on total assets (%), return on capital employed (%), and cash flow to operating revenues (%). These five measures offer a robust and exhaustive perspective on what managers at different points in time may consider important indicators of financial stress. The financial analysis identified 28 firms. In effect this represented a population of firms in which management had not faced financial trauma for a period of twenty years. (For a summary of our method of analysis see the attached Appendix A).

In a second stage, we examined these firms to further identify those that, apart from having maintained high performance, also achieved major strategic transformation. We conducted secondary data search to provide 20-year time line event histories and cases studies as a basis for identifying which of these had also undergone a major strategic transformation, by which we mean a wholesale transition from one organizational bundle of complementary activities to another. The identification of these firms was on three bases. First a “debate” was between the researchers and a class of MBA students, groups of whom had taken responsibility for the study of each firm. This debate applied a set of criteria of strategic transformation to each firm to identify which might be regarded as “successful transformers”. The set of criteria included four strategic and four organizational variables (see Appendix b). Second a similar debate was held with an advisory body of academics and senior executives. As a result of these analyses four companies met our definition of successful strategic renewer. (We should note that, since we were not able to fully analyse all British companies and industry sectors, we do not claim that these firms represent the definitive list, but rather a list of UK firms that have achieved successful strategic renewal without financial trauma.)

Data Collection (Stage 3)

Stage 3 of our research was the in depth historical of successful strategic renewers (SSRs) together with comparator firms. This involved both archival studies and in depth interviews with current and past executives. Before engaging in data collection, we further whittled down our list of six potential companies, based on the criterion of antecedent emotional stress. We managed to gain sufficient access to three of the four companies we identified in stage 2. We found comparators (non-SSRs) for each SSR. These were companies operating in the same industry, but who did not effect
major strategic transformation, and whose financial performance had not been maintained consistently in the period 1983-2003 (see appendices 2a, 2b and 2c for a financial comparison). We ended up with three pairs of SSR and non-SSR companies operating in three different industries: Tesco and J. Sainsbury in the retail industry, Smith and Nephew and SSL International in the healthcare industry, and Cadbury Schweppes and Unilever in the beverages, food and consumer products industries. Given our interest in analysing the link between historical antecedents and contemporary success, the six companies were also selected on the basis of their long-living character. Tesco was founded in 1932 and Sainsbury in 1869. Smith & Nephew in 1856, and the constituent companies of SSL International were founded in respectively 1909 (Scholl), 1915 (London International), 1953 (Seton), 1998 (Seton Scholl Healthcare) and 1999 (SSL International). The constituent companies of Cadbury Schweppes (1969) were founded in respectively 1792 (Schweppes) and 1831 (Cadbury), and Unilever was established in 1929 - from the merger of the British company Lever Brothers (1885) and the Dutch company Margarine Unie (1927) – itself a merger of the Dutch companies Jurgens and Van den Bergh (1872).

In this third stage of our research we extended the case studies of the above six companies in time, with the aim of gaining a fuller historical perspective. The aim of “historical perspective” is to deduce general propositions about how relatively invisible historical antecedents impact present outcomes (Lawrence, 1984). Using an historical perspective requires analysing phenomena in a generic form from their earliest inception up to their most recent manifestation. Consequently, this study entailed collecting data about strategic renewal attributes – cognitive logics, emotional action-readiness, and organizational learning climates – from the foundation of each company to the year 2003. We analysed all relevant historical, secondary data available on these companies, including existing business histories, historical archives available in public libraries, annual reports, company magazines and newspaper reports. We specifically searched for the earliest indicators of significant emotional stress, and how top managers in our different firms dealt with it.

Based on these secondary data and the 20-year case studies, we developed our first theoretical inferences (3a in figure 1) about the role of history, i.e. organizational traditions, in the renewal processes of companies that did not experience financial trauma. To come up with these inferences, we followed an abductive approach. Abduction, or “inference to the best explanation”, is a form of pragmatic logic that defies the orthodoxy of formal logical inference. It is not based on a correspondence theory of truth, but on a particular instrumental aim: to provide propositions or theories that, while able to withstand competition among more established explanations, stimulate a better understanding of practice (Powell, 2002: 879; Powell, 2003). Unconventionally, abduction works by “reasoning backwards” in time from consequent to antecedent (Peirce, 1903, 1906). This makes it an interesting complement to historical perspective, which follows the more conventional route of “reasoning forward” from antecedent to consequent. In the case of our project, the process of abduction involved coming up with historical reinterpretations about the causes of for instance Tesco’s
successful transformation since 1994. Popular explanations of Tesco’s renewal generally are in terms of the amazing talents of managers such as Terry Leahy, who came up with a radically different customer value proposition in the mid-1990s. Setting these popular explanations aside we reinterpreted the causes of the success of Tesco by looking for historical antecedents with origins going back much further in time. We applied each reinterpretation we came up with for one company, to the other five companies, to see if we found any commonalities. After a few such comparative cycles, we found one particularly compelling theory, which we selected for further investigation in the next phase of our research design.

During a second, inductive phase (3b in figure 1), we used primary data to confirm, disconfirm or refine our abducted theory. First, we conducted a total of 46 semi-structured interviews with active and retired executives from the six selected companies (see table 2). Managers routinely construct chronological and sequential accounts of events to establish a line of causality that is clear and appealing. They do that to gain social control over otherwise messy and non-linear processes (Putnam, Phillips and Chapman, 1996: 386-7). To counter this tendency to rely on retrospectively rationalised narratives, we continuously pushed our interviewees to frame their thoughts in terms of less linear processes (Floyd and Lane 2000; Shotter and Cunliffe, 2003). Hence, the questions we posed were organized around issues such as: “what was the strategy process like when you started in the company?” “… “Did the process change over time, and why (not)?” “… “Who did or did not want strategic change, and why?” “… “did intentions and consequences match over time in the strategy process?” “… “Did emotions play a role in deciding the direction of change?” We used the aid of historical event timelines to facilitate our task of helping managers to think in terms of non-linear processes rather than neat sequential causalities. Also, we made multiple interviewees explain the same processes, so as to identify contradictions in managers’ retrospective accounts and trigger more fine-grained explanations.

In addition to getting excellent interview access, we were fortunate to be granted access to many private company archives, providing us with an invaluable primary source to counter managers’ retrospective rationalisations. The process of getting access to interviewees and private archives was very time consuming. It required a concerted effort by three researchers over a period of one year and a half to convince the highest managerial levels of each company that helping us interview different generations of leaders and granting us access to private archives was in both our and their best interest. The private company archives included board meeting notes covering the entire post-WWII period, and in the cases of Unilever and Smith & Nephew the entire twentieth century. Researchers only very rarely get full access to board and group management executive minutes of the last twenty years. For instance, we were the first non-commissioned team – and only the second team ever – to get access to
Unilever’s most recent archives. We also received unprecedented access to the most recent group management executive minutes at Smith & Nephew. These latter archives covered in particular the last three decades, and provided a less formal, more detailed description of management discussions at the highest levels. Finally, our visits to retired managers proved doubly useful, in that some of them had organised their own, unclassified company archives of discussions at the board and executive levels going back as far as the 1950s. This proved especially useful for our study of Cadbury Schweppes; while the incumbent management of this company was not keen on providing full access to sensitive archives, the retired generations showed no such reluctance regarding their own, private archives.

Data analysis (Stage 3)

To arrive at patterns from the contextual richness of our data we relied on three analytical strategies. First, we followed a multiple-case, comparative and historical approach. The analysis of multiple cases permits a “replication” logic (Yin, 1994) in which the cases are treated as a series of independent experiments that confirm or disconfirm emerging conceptual insights. The comparative analysis then allows for a clearer determination of causal effects, in that it relies on both the principle of agreement, which induces replicability and the principle of difference, which allows for “rich” findings typical of ethnographic research (Ragin, 2000; Ragin, 1987). Finally, we went back and forth between the studies of developing historical processes and consolidated contemporary phenomena. As noted by Pettigrew (1985), when researchers focus on present-day events, they tend to identify change. And the longer researchers stay with an emergent process and the further back they go to disentangle its origin the more likely they are to identify continuities. Going back and forth between the past and the present therefore is the best way to avoid either bias. Another advantage of this research strategy is that it serves to frame a set of patterns of cause and effect which is both specific enough to be relevant to contemporary questions, and general enough to be relevant across different historical episodes.

In practical terms we started by framing comparative research questions about the presence or absence of strategic renewal processes in each of the three pairs of SSRs and non-SSRs in the contemporary period of 1983 to 2003. We used these contemporary questions to get a first feel for the capabilities and processes that differentiated SSRs from non-SSRs. Subsequently, we hypothesised that these renewal processes were institutionalized phenomena, the origins of which lay way back in time. By going back and forth between contemporary and historical findings, we were able to gradually open the black box of institutionalized phenomena and find a uniform theme applicable to both past and present episodes of strategic transformation.

A second analytical strategy employed in this paper was to triangulate as many types of data as possible. The triangulation of secondary archival data and primary data – interviews and private company archives, substantially increased the dependability of our findings (Diesing, 1971; Denzin & Lincoln, 2000), and allowed for the identification of a uniform theme across the six studied companies. Also, to increase the richness of perspectives, we were very careful in the selection of our
interviewees, following three criteria in our selection process. First, we targeted as many generations of living executives as possible. In practice, this meant that we were able to interview four generations of managers in Cadbury Schweppes and Smith & Nephew, and three generations in the other companies. Second, we targeted people with a minimum tenure of ten years, although we made exceptions for the fourth generation of managers. Third, to get a minimum level of triangulation in the interview method, we targeted active and retired members of both dominant and alternative coalitions. Several governance researchers have conceptualized the dominant coalition as consisting of the CEO, prominent Top Management Team and Board of Director members, as well as influential individuals outside these formal boundaries that control access to resources and information essential to the firm’s performance and survival (Fincham, 1992; Finkelstein, 1992; Pearce, 1995; Pfeffer, 1981; Thompson, 1967). Less attention has been given to the composition of alternative coalitions. While some authors assume that alternative coalitions consist of non-members of the dominant coalition, most notably from middle (or lower) management (e.g. Burgelman, 1983, 1989), this is not necessarily so, especially if we take into account that change agents typically are boundary-spanners who identify with different memberships, formal or informal, in different coalitions. For analytical reasons, we thus remained open-minded about the membership(s) of potential change agents, and focused as much on informal as on formal allegiances. This of course demands a level of research access to primary data which is hard to obtain (Pettigrew, 1992a,b). We were, however, fortunate enough to obtain such access in this project.

With regards to the interview process, we started by interviewing those likely to be most wedded to the dominant, authoritative narrative about successful or failed transformation in each company. We then proceeded by identifying other executives who potentially, but not necessarily, espoused alternative narratives. To identify active and retired members of both dominant and alternative coalitions, we relied on information from both company insiders and outside observers with inside knowledge about the companies.

Third, identifying the role of emotions retrospectively is not an easy feat. Emotions are often considered short-lived phenomena. Yet, we were looking for enduring dispositions embedded in traditions. To facilitate our search we relied on a specific rule that encapsulates the following logic. To hone their present and future emotional action readiness, people often reflect on past experiences. When doing so, people tend to consider extended affective episodes, not just a single moment. Multiple specific factors can influence people’s constructions and recollections of past experiences, all of which interviewers have to take into account. Interviewees can experience different current moods (Blaney, 1986; Parkinson, Briner, Reynolds, & Totterdell, 1995), have different emotional personality traits (Barrett, 1997; Rusting, 1998), display a different facility to use historical counterfactuals (Kahneman & Miller, 1986; Medvec, Madey, & Gilovich, 1995), etc… Of great help to researchers, however, is that interviewees’ constructions and recollections very often draw on the “peak-and-end” rule (Fredrickson, 2000: 588-589). According to this rule, two moments play a privileged role in
guiding people’s choices about which past experiences they would avoid, and which they would repeat, or recommend to others. One privileged moment refers to the most intensely experienced emotion; the other to the emotion that concluded the experience. As such, we used the peak-and-end rule as a powerful heuristic for determining the existence of emotional predispositions towards enduring problems of strategic renewal in the six firms.

**FINDINGS AND PROPOSITIONS**

In what follows, we describe our findings and present propositions about how four traditions of strategic renewal developed in our SSRs since the 1950s. We also describe how our non-SSRs only partially developed the first tradition, and did not develop the three other traditions (see table 3). We describe the differential development of traditions in terms of industry changes, logics and coalitions in tables 4 (SSR firms) and 5 (non-SSR firms). A main difference is that our SSR firms allowed for small unintentional changes in personal and dissent – alternative logics and coalitions – to become self-reinforcing dynamics in the strategy renewal process. Our non-SSR firms did not; turning their traditions into increasingly stale, fundamentalist truths. As we shall describe in tables 6 and 7, finally, the ability to develop a positive learning climate anchored in emotional truth explains the differential path-dependent success of SSR and non-SSR firms.

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**Tradition of continuity**

A majority of managers we interviewed at all six companies demonstrated significant historical perspective on their company’s strategic fortunes. Amongst members of dominant coalitions, this translated foremost in a recognition of the strategic importance of a “stick to your knitting” approach. All top managers heeded the message that it is important to bring a sense of continuity with successes of the past (e.g. Bendix, 1967; Shils, 1981). Remarkably, we found that since the 1960s, four successive generations of dominant coalitions in our six focal companies focused on reinventing a variation on their company’s historical success logic. For instance, the central thread through Tesco’s history can be traced back to founder Jack Cohen’s original “pile it high, sell it cheap” formula and his willingness to experiment in the name of customer satisfaction. This logic was reinvented first as “lower prices at a good quality” and then “customer value first”. Sainsbury’s brand name throughout its history has been associated with “quality first”. All of Sainsbury’s executive teams since WWII have dutifully reinterpreted this mantra – often stretching the boundaries of historical accuracy in favour of interpretive resonance and future potential.

Although a much younger company, SSL International also had a dominant logic, derived from the history of its main constituent element, Seton Healthcare. From the earliest stages Seton’s founder, Norman Stoller, focused on achieving earnings/cost ratios greater than those of competitors.
Stoller’s successors’ dominant logic was similar during the 1990s, when the company was listed on the London Stock Exchange, although here it was the earnings/share price ratio that became the focus. This leads us to our first proposition:

**Proposition 1a:** A company has a tradition of continuity when successive generations of a company’s dominant coalition focus on inventing a timely variation on their company’s historical success logic.

In terms of emotional renewal, we found that the dominant coalitions of all six companies were driven by “pride” about their company’s distinctive track record of success. Under uncertainty, a track record is a good predictor of the future. By demonstrating pride, top managers remind themselves that they succeeded in the past and could do so again in the future (Ben-Ze’ev, 2000). The particular emotions top managers elicit can be highly contagious (Fredrickson, 2003). Visible pride can spur other organizational members to identify more with their firm, take more credit for its achievements, and adjust their personal ambition upwards in the process (Weiner, 1985; Lewis, 2000).

Contrary to their non-SSR counterparts, dominant coalitions of our SSRs demonstrated continuous sensitivity to another emotion too: the role-taking emotion of fear. Fear is elicited by evaluation of an unpleasant future situation (Huy, 2008: 552; Lerner and Keltner, 2001). In our SSR firms, fear manifested itself principally in the desire “not to make the same mistakes as our predecessors” – Jack Cohen (Tesco), Harold Watkinson (Cadbury Schweppes), and George Leavy (Smith & Nephew). Following the peak-and-end rule we found that while pride was the end emotion associated with the making of a company’s historical success logic, fear was the peak emotion.

Regarding fear, our interviewees were adamant they did not want to fall back into their pioneering predecessors’ “overbearing ambition”, or tendency to “think too big”: “Watkinson’s ministerial habit of thinking in world terms” (Cadbury), “Cohen’s desire to shine in the media headlines” (Tesco), and “Leavy’s ‘Churchillean’ love for big ideas” (Smith & Nephew). Why did dominant coalitions in our SSRs demonstrate more fear than their non-SSR counterparts? Arguably, the mentioned pioneers of the tradition of continuity in our SSRs were more adventurous, risk-taking characters; rendering their mistakes more visible and sizeable, and fear on the part of their successors more relevant. From the 1970s onwards, at least two, and sometimes three, generations of top managers periodically gathered “to remind themselves of the lessons of the past”. Since the 1990s, Tesco’s management goes even further. During their annual conferences, a chairman confided, we “expressly remind everyone present, retired or active, of the excesses we’ve fallen into in the past”.

The presence of contrasting emotions of pride and fear in our SSRs ties in with the following hypothesis in the literature. Contrasting emotions of pride and fear prevent people from becoming excessively optimistic or complacent, elicit humility and moderation, and thus enable sustainable growth (Parrott, 1993; Parrott & Spackman, 2000). For instance Terry Leahy, former CEO of Tesco, has often been praised for his “understated manner” and lack of “airs and graces”. That is, the overwhelming growth and financial success of his company notwithstanding. We find that rather than
Leahy influencing the organizational culture with his humility and moderation, the pervasiveness of a much older tradition of continuity accounted for turning Tesco’s successive top managers into “down-to-earth, humble” leaders. Arguably, the contagious examples of some of Leahy’s predecessors – respectively Leslie Porter, MacLaurin and David Malpas – contributed to distributing and imprinting this now common trait in Tesco. Hence, our second proposition:

**Proposition 1b:** A tradition of continuity contributes to the renewal of a company’s dominant logic by triggering pride about one’s distinctive history and fear about the risks of overbearing ambition.

**Tradition of anticipation**

We found systematic evidence of the presence of a “shadow leadership” in our SSRs. Time and again we saw the formation of a loosely connected group of executives who fret that the dominant team is failing to anticipate industry changes and who gradually build a behind-the-scenes platform for transformation. This loosely connected group is more than the alternative coalition of middle managers that Burgelman described in Intel. It is an alternative dominant coalition in that the group comprises members of top management – in some instances even a chairman, but never the CEO – all of which have considerable power to change the strategic context.

For example, at Tesco an alternative family coalition formed as early as the 1960s, based on the view that the “pile it high, sell it cheap” retail model was outdated. Autocrat as he was, Cohen gradually ceded enough space for the upstarts to put in place a corporate model of financial control. This alternative grouping was also able to launch new logistical and location ideas which laid the basis of the transformation of the company in the next decades. During the 1970s, the shadow leaders came to include more and more non-family members, such as Ian Maclaurin. These people were ready to take over from the old leadership once the latter’s obsolescence had become evident – resulting in the swift launch of “Operation Breakthrough” when Cohen and those around him had stepped down at the end of the 1970s. This was in stark contrast with competitor Sainsbury’s. The chairman “blocked a lot of initiatives of change” – for instance by Peter Davis – and put a lot of effort in “halting the progress” of alternative leaders.

The dominant coalition of Smith & Nephew, for its part, continued to focus on textiles into the late 1970s. From the late 1950s, however, onwards chief scientist Don Seymour and his supporters doggedly defended the central importance of R&D and a new focus on advanced healthcare against all comers. Eventually, the efforts of this alternative coalition supplied the company with a new corporate model of in-house R&D and a geographical focus on the North American market for advanced healthcare products. These provided the basis for S&N’s transformational successes in the 1980s and afterwards, as discussed below.

The development of a tradition of anticipation arguably produced some of the most astounding results, pioneering management practices ahead of the industry curve and management fashion. For

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1 [http://www.retail-week.com/careers/power-list-2010/sir-terry-leahy/5013963.article](http://www.retail-week.com/careers/power-list-2010/sir-terry-leahy/5013963.article)
instance, Dominic Cadbury pioneered the drive away from diversification to a focus on core businesses and competences as early as the 1970s – doing in practice what the management gurus Prahalad and Hamel in 1990 would popularise in theory. Similarly, CEO John Sunderland proselytised a focus on “Managing for Value” years before competitors and management gurus. Hence, we propose:

Proposition 2a: A company has a tradition of anticipation when it institutionalises a role for an alternative dominant coalition in the strategy process, to anticipate a different future and prepare a “behind the scenes” platform for renewal.

The tradition of anticipation we found is all the more remarkable for its apparent contravention of the long observed “rule of anticipated reactions”. According to this rule, organizational members continuously ask “how would my superior wish me to behave under these circumstances?” (Friedrich, 1940: 16; Simon, 1945: 182). Under normal circumstances, this role-taking anticipation of expectations is a force for conformity. Indeed, we found in our non-SSR firms that organizational members not pertaining to dominant coalitions continuously asked themselves “what would [the CEO] expect from me in this situation”. By contrast, in our SSR firms the rule of anticipated reaction was transformed into a force for non-conformity. Instead of asking oneself what the CEO would do, alternative leaders emerged that were comfortable to think and act for themselves. Cognitively, management researchers have long advocated the use of “discrediting’ mechanisms” (Weick, 1979) that serve to sense new trends and to challenge entrenched beliefs (Garud, Kumaraswamy and Sambamurthy, 2006). Yet, what emotional predispositions explain the reversal of this rule in our SSRs? We find two emotional dispositions, vicariously transferred across several generations of managers: embarrassment (on the part of members of the dominant coalition) and anger (on the part of members of the alternative dominant coalition). As pride, embarrassment is a reflexive or “role-taking emotion” (Shott, 1979). Such emotions motivate self-control and social empathy (Denzin, 1984). What is interesting about embarrassment is that, when people feel this emotion, they tend to behave more altruistically to restore pride or self-esteem (Thoits, 1989: 328). Embarrassment thus provides an indirect route to the positive emotion of pride. Similarly, the goal of restoring pride or self-esteem motivates anger. Anger is a high-arousal negative affect that is triggered by an event that is “demeaning” or “frustrating” to oneself or one’s organization (Lazarus, 1991). Frustration about suboptimal work or superiors’ actions and expectations can result in anger. Anger may sometimes be beneficial. It can function as an energizing force (Pekrun & Frese, 1992; Rank and Frese, 2008: 109). Also, anger induces perceived certainty and a feeling of control over the outcomes of behaviors and decisions (Follingstad, Bradley, Helff and Laughlin, 2002; Ashton-James and Ashkanasy, 2008: 10). This may stimulate more risk-seeking behavior on the part of the discontented (Harmon-Jones, 2003; Lerner and Keltner, 2001).

How do the emotions of embarrassment and anger impact our SSRs’ strategic renewal processes? Let us start with an observation. Remarkably, all CEO’s in our SSRs during the period
1970-2008 were first members of an alternative dominant coalition in their company. This first observation hints at the relevance of role-taking emotions between members of the dominant and alternative dominant coalitions. Being able to anticipate how the others would feel if certain events took place can help decision-makers make unconventional or difficult choices (Damasio, 1994). Of course, pioneering members of the alternative dominant coalition had to do all the hard work; they were not so lucky to enjoy role-taking empathy on the part of the dominant coalition. Instead, the likes of Leslie Porter and Ian MacLaurin (Tesco), Adrian Cadbury, and Don Seymour (Smith & Nephew) felt anger about the blind spots and suboptimal work of the dominant coalition. MacLaurin: “At some point, I was so angry, that I threatened with my resignation unless they took action” on the strategic problem he had identified. Anger prompted these pioneers to make the risky decision to start anticipating a different future for their companies behind the scenes. Years after, these pioneers would become the core of the dominant coalition of their company. At that point, they swore “not to bring the same embarrassment on ourselves” by remaining blind to glaring opportunities like their predecessors did. Also, successors such as Eric Kinder at Smith & Nephew, wanted to “change” the old CEO style of “management by fear, be as rude as you can to score points”. The corollary of this reflexive or role-taking embarrassment was that, as CEO’s, these former pioneers showed greater empathy and self-control to dissenting colleagues. As argued by such a dissenter, David Malpas (Tesco), once Porter took over, “he did not use his power [as member of the founding family] to stop sensible initiatives” – most notably Malpas’ push to close down Home’n’Wear, Porter’s very own crown jewel. Porter was “embarrassed about the family squabbling that characterised the prior generation”, and “wanted to rise above it”. In each SSR, members of the alternative dominant coalition were able to side-track the dominant coalition’s crown jewels – textiles in S&N, Home’n’Wear in Tesco, and CCSB in Cadbury Schweppes – in favour of a more future-oriented orientation. With each generation, members of the dominant coalition “were prepared to think wider”. Remembering their own dissenting past, CEOs felt they “would not be proud” to fall back in the errors of the past in which “everyone defended his own turf”. Hence, we propose:

Proposition 2b: A tradition of anticipation contributes to the renewal of a company’s dominant logic by triggering embarrassment about potential blind spots on the part of the dominant coalition, and anger about a suboptimal dominant logic on the part of an alternative dominant coalition

Tradition of contestability

The dominant logic of a company defines the relation between the corporate and business levels of an organization. We find that the SSRs developed a tradition of contestation, that worked to renew the dominant logic at different temporal and locational levels of the strategic process. In particular, we noticed that the informal blueprint of strategic organization in our SSRs changed from the mid-1970s onwards reflected the co-existence of three relatively self-contained leadership subgroups, typically members of three different generations. The incumbent dominant coalition operates at corporate level, and focuses on short-term strategic renewal (1 to 2 years). The alternative
dominant coalition mediates between the corporate and business levels and focuses on medium-term strategic renewal (2 to 5 years). Champions of alternative industry logics, finally, work at the business level and are deal with long-term strategic renewal (scope of 5 to 10 years).

How did this informal blueprint of strategic organization come about? As with other traditions, contestability should not be thought of as the outcome of specific managerial decisions but rather as an emergent phenomenon over time. We found that the origins of contestability in the SSR firms could typically be traced back several decades and over that period takes different forms. Contestation appears to develop as the result of at least one of two historical events: either the merger of two different cultures or strong personal rivalries. Disagreements here escalate from cognitive into emotional conflict. However, such emotional conflict comes to be associated with a failing dominant coalition whereas the association with cognitive conflict becomes associated with more successful alternative management coalitions. In a kind of Darwinian process of rewarding success, in time, as these alternative coalitions gain power, a tolerance for cognitive conflict comes to be not only accepted by subsequent generations of leaders but also, ultimately, associated with success, when it takes on its mature form of respectful difference.

Cadbury Schweppes is a good example of contestation emerging from the merger of two cultures. Cadbury’s leaders had long been keen to foster a corporate culture and image in which “candour, freedom of speech…a spirit of toleration and liberty…are the dominant notes”.2 While this cultural precursor was certainly valuable, the 1969 merger of the “teetotal Quakers” with the “gin-and-tonic swigging Londoners” was a corporate clash of civilizations. After the merger, under archetypical Schweppes man and ex-politician Harold Watkinson, emotions ran high for a time, generating a backlash from an alternative coalition of Cadbury managers who were critical of the short-termism that had come to dominate the company and advocated a return to core competences. While staying in the background, board members such as Adrian Cadbury gave their support to champions of the new logic such as Dominic Cadbury and Mike Gifford, both of whom eventually rose to positions or authority. This division of labour between a dominant coalition, an alternative dominant coalition and champions of new industry logics became institutionalized in Cadbury Schweppes by the 1980s.

By contrast, in Unilever the contestability that might have arisen from the founding merger in 1929 was formalized away in the balancing arrangements that governed relations between the Dutch and British holding companies. As a former director put it: “From the merger in 1929 our strategy has suffered from the need to control the balance between the Dutch and English sides of the business”. This was combined with a legacy of doing almost anything anywhere in the world and a consequent growing disconnect between the corporate and business levels. Contestability and innovation across corporate and business levels were hampered by the corporate imposition of equalization agreements and silo-creating resource allocation decisions – most notably about product and geographical

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2 The quote continues: “one may think like an Anarchist so long as one does one’s job like a decent citizen” (Pearce, 1928: 29).
responsibilities, but also with regard to acquisitions. For example, the Best Foods acquisition as late as 1999 could convincingly be read as a political face-saver for the Dutch foods side. It also gave out mixed signals about the intention of doing away with low-performing brands and investing in more promising categories and geographies. The lack of contestability was even more pronounced at Sainsbury’s. The firm was “deliberately set up to remind everyone ‘nobody rocks this boat’ …my way is the way you do it”. All this leads to the following proposition:

**Proposition 3a:** A company has a tradition of contestability when it institutionalises a division of labour in the strategy process, between three generations of leaders, focused on respectively short-, medium- and long-term renewal issues.

What renewal processes allowed for this division of labour in our SSR firms? The emotional stress and conflict we identified in these firms from the 1960s onwards became so acrimonious that more and more people expressed their support for the alternative dominant coalition. The latter coalition was in favour of an informal “truce” between different leadership strands and generations. When respected by a sizeable majority, a truce can be a very effective means to reduce the costs of bargaining and diminish open political conflict in organizations (Nelson and Winter, 1982: 107-112). When a truce leads to increasingly successful engagement with renewal processes, it can facilitate lasting accommodations and quasi-resolutions of conflict among the divergent interests in an organization (Cyert and March, 1963). That is, more and more people will support the truce for its association with success – even though many of these people did not experience the emotional acrimony that motivated the truce.

This points to a link between emotional truce and emotional truth. Emotional truth in common use retains references to “truce”, connoting ideas of trust, loyalty, and authenticity (De Sousa, 2010). In our SSR firms, we found that the increasing “truth” of the truce – its success in engaging with enduring problems – provided an emotional basis for two long-term dispositions: confidence and trust. As argued by Barbalet (1996: 7), “confidence is the emotional basis for action” and “trust is the emotional basis of cooperation”. Trust is “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the truster, irrespective of the ability to monitor or control that other party” (Mayer et al., 1995: 712). As such, trust “can enable effective communication and encourage participation in people” (Carson and Griffeth, 1990; Antonioni, 1994). The truce provided different generations of leaders with the “psychological safety” and the ”shared interpretative framework” everyone could be confident to rely upon when interpreting and responding to affective events (cf. Härtel, 2008: 583). That is exactly what we witnessed in the SSR firms from the late 1970s onwards; increasing trust in each other and confidence in oneself – “respectful difference”.

The affective events we referred to above were emerging industry changes (see table 4) that triggered feelings of dissatisfaction with the status quo on the part of new generation champions – working at the business level. Negative emotions can be necessary “to break down old expectations
and paradigms” (Higgins et al., 1992: 122). Feelings of dissatisfaction, in particular, may be needed for creative problem-solving (Madjar et al., 2002). Indeed, such emotions can “act as a trigger for innovation” (Anderson et al., 2005: 166; Fay & Sonnentag, 2002; George & Zhou, 2002), even when experienced by only a minority of champions (de Dreu & West, 2001). That is, on condition a positive learning climate has been installed (see proposition 5). Hence, we propose:

**Proposition 3b:** A tradition of contestability contributes to the renewal of a company’s dominant logic by building on an historical truce between three different generations of leaders, operating from different time and locational horizons. This truce provides each with the confidence to take creative action on elements of dissatisfaction, and the trust to cooperate in a spirit of respectful difference.

**Tradition of Mobility**

We found a fourth tradition of renewal in our SSRs, which developed since the late 1950s and matured in the late 1970s – the start of the prolonged period of financial success. This tradition refers to informal rules of mobility – recruitment, promotion and exit – that took a hold in Tesco, Cadbury Schweppes and Smith & Nephew. These rules do not correspond to the routine HR procedures in place at the company for the great majority of employees. Instead, these rules applied to a very small minority of recruitments, promotions and exits. This very small number, however, had a very large effect on the company’s renewal process. For one, the informal rules made sure the renewal processes in the firms would be continuously revitalized, and remain “home-grown”. Hence, we propose:

**Proposition 4a:** A company has a tradition of mobility when it institutionalises rules of recruitment, promotion and exit that are informal tests of ability rather than formal HR procedures.

In particular, we found that the three SSR firms developed a tradition of mobility with four informal “rules”.

**An “Alternative Logic” Rule**

Skilled people with intrapreneurial potential, promising skills or a “maverick” attitude are recruited and given the space not only to comply with their formal job specification, but also to experiment with and/or refine their knowledge of alternative industry models. So this pursuit of an alternative logic works in tandem with a tradition of continuity. For instance, Tesco systematically hired mavericks and gave them the latitude to experiment with new industry logics. Those able to “solve problems that no one else has before” were earmarked for possible subsequent promotion. For instance, in Smith & Nephew “people were always allowed to try things…it has always been an entrepreneurial culture”.

Why did this rule emerge and persist? By and large, it goes back to Board members’ pride of their own dissenting past. People such as Leslie Porter, David Malpas, Terry Leahy (Tesco), Don Seymour, Eric Kinder, John Robinson (Smith & Nephew), Adrian Cadbury, Derek Williams, or Todd Stitzer (Cadbury Schweppes), eagerly took on the role of “unconventionals”, “leaders against all odds”, or “pioneers”. The role-taking emotion of pride stimulated these leaders to occasionally recruit
what essentially were their new-generation alter egos: people with promising or unconventional skills, abilities, or attitudes. Hence, we propose:

**Proposition 4b:** A tradition of mobility contributes to the renewal of a company’s dominant logic by associating top managers’ pride of their own intrapreneurial past with an “alternative logic rule” of recruitment

An **“Alternative Dominant Coalition” Rule**

Intrapreneurs who were flexible enough to both juggle alternative models and initiate changes alongside members of the dominant coalition, were systematically promoted to the corporate level to form part of the alternative leadership grouping. For instance, again in Tesco, those marked out as potential champions were not automatically promoted to corporate-level responsibilities. They only made it to the top if they allied problem-solving with the ability to do so in cooperation with people at the corporate level who more embedded in the company’s culture.

From an emotional viewpoint, intrapreneurs who made it into the alternative dominant coalition had very different characteristics, ranging from “kept to himself” (Tesco’s Terry Leahy), to “a colourful maverick” (Cadbury Schweppes’ Derek Williams). But they all shared one important characteristic, in particular when championing “uncomfortable knowledge” in change initiatives. They were all seen as “authentic” and “a-political”: the “completely independent-minded” Peter Gregory and the “self-made man” Michael Gifford (Cadbury Schweppes), the “consistent” Hyman Kreitman and “inconspicuous, yet effective” Terry Leahy (Tesco), the “thoroughly American, but straight” Jack Blair and the change champion Chris O’Donnell with the “unique capacity to be onside with everybody” (Smith & Nephew). The common reaction to bearers of uncomfortable knowledge is defensiveness, prompted by fear of decline, or anxiety about competitive threats (Howell and Shea, 2008: 107). Generally speaking, organizational members will instinctively try to “de-emotionalise” uncomfortable knowledge, by rationalizing it into the safety of established logics (Fineman, 1993; Vince, 2001). Yet, because the above intrapreneurs had a reputation for being authentic in their emotional predispositions—fear of decline, frustration about suboptimal work, and demonstrated action readiness only in response to problems they could solve, they became iconic bearers of “emotional truths”. For instance, Cadbury’s Derek Williams’ reputation for emotional truth helped him minimize defensive reactions and push through a productivity-enhancing programme with shop stewards during the 1970s – which at the time had a reputation for going berserk in other companies. Hence, we propose:

**Proposition 4c:** A tradition of mobility contributes to the renewal of a company’s dominant logic by associating intrapreneurs’ reputation as bearers of emotional truth with an “alternative dominant coalition rule” of promotion

A **“Dominant Coalition” Rule**

Intrapreneurs who successfully completed at least one of the two prior tests of transformative ability and demonstrated sufficient affinity with the historical character of the company, were often
granted a central role in the new dominant coalition. In effect this test reflects the principle that the most visible change agents often are not the most appropriate CEOs or chairmen. For instance, at Cadbury Mike Gifford was considered the principal change agent in the 1970s. Confronted with the choice between Gifford and Dominic Cadbury as his successor, however, then CEO Basil Collins chose the latter. He echoed the widespread fear that Gifford would push his change logic too far and disrupt the safety of the company’s historical character. Something similar would happen later with John Brock and Todd Stitzer.

In sum, candidates for promotion to the dominant coalition, had to be seen as guardians of pride in the company’s distinctive past, and fear of “overbearing ambition”, i.e. the emotional dispositions underlying the tradition of continuity. Hence, we propose:

**Proposition 4d:** A tradition of mobility contributes to the renewal of a company’s dominant logic by associating alternative leaders’ pride in the company’s distinctive past and fear of overbearing ambition, with a “dominant coalition rule” of promotion.

**An “Exit” Rule**

Finally, individuals who either fail (one of) the two first tests of transformative ability or outlive their usefulness at the dominant coalition level are protected from political ostracism and loss of face. At the same time, they are expected either to substantially let go of ambitions incompatible with the new organizational course or to leave the company amicably as part of the “extended family”. For instance, at Cadbury Schweppes, over the three decades of the 1970s, 1980s and 1990s Gifford, Dominic Cadbury and John Sunderland worked hard to exit “barons” who had settled into entrenched ways of doing things at either the corporate or local business level. Our interviewees suggest that the exit criterion of cold performance ratios was never pursued to an obtrusive extent. Rather, it was used as a focal point for self-regulating sense making and change. Indeed, the institutionalization of such a self-regulating spirit from the mid-1990s onwards provided the new CEO John Sunderland and his successor Todd Stitzer with a platform to urge remaining “barons” to voluntarily adjust their aims or move on in the interest of the company.

The above patterns suggest an extended role for the truce that underlies the tradition of contestability. The truce was largely responsible for the substitution of a culture of “respectful difference” for the old “blame culture” – that persisted into the 2000s in the non-SSR firms. The institutionalization of a culture of respectful difference, greatly reduced the effects of emotions of anger in response to suboptimal or failing individuals. In sum, the truce buffered increasingly less functional people from the innate action tendency in anger: to attack whoever is held to be blameworthy for defaulting feelings of pride in oneself and one’s company (Averill, 1980, 1983). While the protection offered by the truce greatly decreased the possibility of ostracism or loss of face, it entailed a substantial quid pro quo. Those protected from blame were expected to embrace two emotional dispositions: embarrassment of outstaying one’s welcome, and fear of a resurgence of emotional acrimony. For instance, David Malpas to the surprise of most media and business
commentators relinquished the Chairman role he had been promised in Tesco, in favour of the newer generation Terry Leahy. He did that because “we had seen [the founder] Cohen go on till he was seventy-nine, we had seen the family go on as life presidents and all that stuff, and we thought ‘this is wrong’”. Terry Leahy did the same thing in 2011. Regarding the second negative emotion, fear of acrimony, a former CEO of Smith & Nephew stated: “I’ve never ever got rid of a senior executive on acrimonious terms”. For instance, when Mike Gifford and John Brock did not get the CEO position in Cadbury Schweppes in respectively 1983 and 2003, they left the company in a spirit of respectful difference – “without making too much of a fuss”. The respectful difference was reciprocal: no-one at the companies disputed their qualities. Gifford and Brock went on to pursue a successful career at respectively Rank and Interbrew (now AB-Inbev). Hence, we propose:

**Proposition 4e:** A tradition of mobility contributes to the renewal of a company’s dominant logic by associating adherence to a truce with an exit rule.

**Democratization and a climate of emotional truth**

The development of traditions of renewal since the 1960s has greatly impacted the style and context of strategic decision-making in our SSR firms. While the non-SSR firms remained mired in a stale emotional learning climate of political correctness, hierarchical management layers and risk-averse behaviour, our SSR firms became increasingly adept at a fast, informal, and egalitarian style of decision-making – epitomised by a much lesser number of management layers, much greater contestability and consensual support “once a decision was made”. Summarized quickly, the strategic renewal style that our SSR firms developed corresponds to what some students in the history of emotion regulation have coined “controlled decontrolling” (Elias, 1989; Mastenbroek, 1999; Wouters, 1986): a gradual democratization of emotions that is accompanied by increasing levels of emotion self-regulation (Gross, 2006; Wouters, 1995). Students of the history of emotions have proposed that different communities develop different ways of regulating emotions over time (e.g. Bagozzi et al., 2003; Stearns and Stearns, 1985; Stearns, 2010), with an eye on maintaining growth and success (Coté et al., 2008; Gross, 1999). One pattern is common across communities that enjoy continued historical success. Although some members always enjoy greater emotional range given their roles and positions and power (Gross, 2006: 4), these communities are pioneers in doing away with rigidly hierarchical codes, in a direction of greater informality and emotional self-control (De Swaan, 1981; Gerhards, 1989; Wouters, 1991). Such decontrolled controlling of emotions allows for not only greater participation, but also greater anchoring of renewal processes in emotional truth.

The same applies to firms: decontrolled controlling allows for the maintenance of a climate of emotional truth in organizations. It induces people to act in accordance to their own predispositions, and to take responsibility for the promises and threats their organization is facing. By contrast, the suppression of negative emotions can play a negative role in organizational development and change processes (Gross, 2002). Repeated, long-term suppression of negative emotions in response to organizational events can induce a toxic emotional climate (Lawrence, 2008), to the detriment of
learning and renewal processes. That is exactly what happened in our non-SSR firms (Sainsbury, SSL International and Unilever). An unrelenting focus on political correctness, and an unwillingness to democratize emotions beyond the dominant coalition, rendered the learning climate at for instance Sainsbury’s increasingly dysfunctional and toxic. The only way for top management to keep a lid on negative emotions, was through “implacable leadership”, or – as some called it – “dictatorship”. Over time, a lack of anchoring in emotional truth led to an untenable strategic renewal context: “The correctness was that there was nothing wrong… You couldn’t question even the most obvious things that were going wrong…” As soon as financial crisis erupted at the non-SSRs, top management could not keep a lid on negative emotions anymore: “it was as if managers were saying we have become dinosaurs, and the only way for us to change this fast is to become really rude and despise old traditions”. By default of a history of decontrolled controlling that translated in traditions of renewal, this led to a “horrible climate”, which was equally dysfunctional as the prior one. Still, “everyone was looking at each other trying to second guess what would be most politically correct”. And new generation-CEOs seemed to be “stuck in time, adopting a leadership style more appropriate to Sainsbury’s in the 1970s”. Hence, we propose:

**Proposition 5:** Early democratization of emotions, accompanied by increasing self-regulation of emotional excesses, allows for the maintenance of a climate of emotional truth, and the development of traditions of renewal.

In line with the path-dependent evolution of traditions described in tables 4 and 5, we describe how the democratization of emotions impacted the emotional learning climates in our six companies from the 1960s to the 2000s (tables 6 and 7). As argued above, our SSR firms were able to develop a renewal climate anchored in emotional truth. We observed four phases of development. In a first phase, dominant coalitions accepted that, to remain successful, not all renewal efforts could fall within the remit of the current dominant logic and coalition. So, they engaged in a merger with a very different company (Cadbury), bought an unconventional research unit (Smith & Nephew), and called in the help of cousins engaged in non-food (Tesco). In a second phase, a new generation of Cadburyists, a new generation of marketing & research-oriented people at Smith & Nephew, and a new generation of food & non-food people at Tesco became increasingly angry at their overly ambitious, yet poorly performing dominant coalition. The lack of emotional truth of the latter’s actions in the eyes of dissenters translated in a very acrimonious climate at Board level. In response, an alternative dominant coalition emerged that pushed for an alternative learning climate anchored more in emotional truth. This coalition also set out to shelter a new generation of intrapreneurs from the emotional excesses of the old dominant coalition. Because the renewal decisions made in this alternative climate corresponded much better to actual industry changes, it attracted an increasing amount of new and old generation managers. Finally, from the 1980s, this alternative renewal climate went mainstream, to issue a new “can do” renewal climate from the 1990s onwards.
The climate that developed in our non-SSR firms very much was the opposite. Refusal to accept the limits of the dominant logic, led these companies on a self-reinforcing path of greater hierarchical control by the dominant coalition, and suppression of the negative emotions of people with alternative ideas. An unrelenting focus on traditions of control and continuity issued a toxic learning climate in Sainsbury, SSL International and Unilever. Renewal projects became more and more outmoded, and devoid of a basis in emotional truth – that is, except in the eyes of an increasingly fundamentalist dominant coalition. In order to prolong a semblance of emotional truth, managers opted for non-painful choices, causing further deterioration of the learning climate. Finally, when financial stress levels reached an all-time high in the 1990s, the absence of a climate of emotional truth became painfully clear, precipitating a vicious cycle of emotional and financial stress that hasn’t been conclusively resolved up to this day.

**FURTHER RESEARCH**

In this paper we addressed an empirical and theoretical issue which is has remained under researched. Does history, i.e. a company’s organizational traditions, hamper strategic renewal and cause drift, as the management literature suggests? Or can traditions help companies to systematically and successfully renew themselves? We found positive evidence of the latter hypothesis. Four traditions of renewal, developed during an antecedent period of more than twenty years, helped the three companies we identified as Successful Strategic Renewers to combine long-term financial success with continuous renewals. The four traditions are continuity, anticipation, contestability and mobility. These traditions allowed our sample companies to deal with the non-linearity of strategic renewal processes by being one step ahead of time as it were. Our three comparator companies, by contrast, failed to develop traditions of anticipation, contestability and mobility. This was largely due to their inability to deal with issues of emotional truth, and build a positive learning climate across different generations of leaders. The cases of our comparator companies thus substantiate a common hypothesis in strategic management research: over-emphasis on a tradition of continuity can produce increasing stale, fundamentalist mind-sets.

Our multiple, comparative and historical empirical approach warrants some degrees of confidence in the replicability of our findings. Still, further research is needed to test whether the four traditions of renewal we found are both necessary and sufficient conditions to continuous renewal processes. Are all four traditions necessary? Conversely, did we miss some necessary traditions? Similarly, the four phases of development of a positive learning climate we identified may not be the only road to follow by companies. Researchers may want study whether alternative or shorter paths are available to companies.
Further research is also needed into the relations between the four traditions. In this study, the traditions are presented as discrete phenomena. Yet, the traditions most likely developed in a co-evolutionary way. For instance, the emotions of embarrassment and fear that underlie the tradition of anticipation, are both geared at restoring pride in oneself and the organization. Pride of course is one of the main emotions underlying the tradition of continuity. Similarly, fear of overbearing ambition underlies both the tradition of continuity and the “dominant coalition rule” of promotion (tradition of mobility). Also, respectful difference provides the basis for both the tradition of contestability and the exit rule (tradition of mobility). And the motivation to minimise potential embarrassment, provides a foundation to both the tradition of anticipation and the exit rule (tradition of mobility).

Our study also gives weight to the hypothesis that managers should not unduly suppress emotions. We find this hypothesis applies all the more in strategic contexts of continuous renewal. More specifically, we find that the timely democratization of emotions, combined with increasing self-regulation of emotional excesses, is a key contributor to continuous renewal. While the latter option contributed to the continuing success of our SSR firms, the repeated suppression of emotions, and their confinement to the dominant coalition, hampered renewal in our non-SSR firms. Allowing for the democratization of emotions and increasing emotion self-regulation is a daunting perspective for managers. In our SSR firms, these dynamics developed largely unintentionally. To be a viable recommendation to managers, however, further research is needed in how such dynamics can be intentionally managed. Only then will managers heed the call to refrain from de-emotionalizing uncomfortable situations.

Finally, this study has gone some way in corroborating the hypothesis that unresolved emotional stress is an important antecedent to financial stress. More importantly, the antecedent resolution of emotional stress facilitates processes of strategic renewal, and long-term financial success. Further research in other industries and countries should clarify whether our findings are representative beyond our sample of companies. We propose to replicate our study to other populations of companies operating in other industries, and headquartered in other companies. Such further research should adopt a staged approach to three uncommon selection criteria. We argue in favour of a first empirical selection of companies in terms of continued financial success during the last decades. Long-term financial success in fast-moving industries – covering a period of about 20 years – is a viable proxy for capacities of continuous renewal. A second empirical selection on the basis of 20-year case-studies should ascertain the selected companies significantly renewed themselves during this period. And thirdly, we advocate a focus on those companies that managed to durably resolve issues of emotional stress prior to enjoying continued financial success. The empirical question then becomes whether the selected firms’ financial success has been facilitated by the durable resolution of issues of emotional stress in organizational traditions.
REFERENCES


Figure 1: Research Design

01/2004       06/04       12/04       06/2005       12/05       08/07

Stage 1:
Frontier
analysis

Stage 2:
20 year
case-studies

Stage 3a:
Secondary data (abduction):
first development of theory on traditions

Stage 3b:
Interviews and primary archival data
(induction):
(dis)confirm & refine theory

Stage 3:
Historical perspective (deduction):
Go back & forth between contemporary phenomena and historical
processes

First selection of companies:
What public UK companies
demonstrated a consistently high
level of financial performance in
the period 1983-2003?

Second selection of companies:
From the first selection of 28 companies,
which ones are Successful Strategic
Renewers (SSRs)?
Which non-Successful Strategic Renewers
(non-SSRs) make good comparators?

Comparative analysis of 3 SSRs and 3 non-SSRs:
How do historical processes (not) account for the
differential success of the six selected companies?
Table 1: Promising characteristics of “tradition” as unit of analysis of strategic renewal

<table>
<thead>
<tr>
<th>How can traditions help managers set the right strategic context for continuous renewal processes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cognitive renewal</strong></td>
</tr>
<tr>
<td>- The invention of traditions increases the “strategic agility” of a dominant logic, by linking interpreted content of the past with imagined content of the future</td>
</tr>
<tr>
<td>- Traditions that work help create and maintain a living “community of argumentation and participation”</td>
</tr>
<tr>
<td>- As a cognitive truth, tradition potentially provides authority to both dominant and alternative logics</td>
</tr>
<tr>
<td><strong>Emotional renewal</strong></td>
</tr>
<tr>
<td>- Traditions only work when they embody emotional truths. A focus on emotional truth directs managers to real threats and promises in the environment, diminishing the danger of blind spots</td>
</tr>
<tr>
<td>- The condition of emotional truth urges managers to allow for a naturally emerging fit between personal dispositions and types of action readiness. As such, traditions help foster the emergence of not only dominant but also alternative coalitions and logics</td>
</tr>
<tr>
<td><strong>Path-dependent renewal</strong></td>
</tr>
<tr>
<td>- The temporal flexibility of traditions allows for a reconstruction of path-dependence (initial conditions, contingencies, self-reinforcing dynamics) in a direction less prone to inertia and financial stress</td>
</tr>
<tr>
<td>- Traditions that work are conducive to self-reinforcing dynamics of participation and commitment</td>
</tr>
</tbody>
</table>
Table 2: List of interviewees from the six selected companies

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Function(s) interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td>26-Jan-06</td>
<td>Cadbury-Schweppes</td>
<td>ex-Company Secretary</td>
</tr>
<tr>
<td>22-Feb-06</td>
<td>Unilever</td>
<td>ex-Chairman</td>
</tr>
<tr>
<td>07-Mar-06</td>
<td>Cadbury-Schweppes</td>
<td>Chairman</td>
</tr>
<tr>
<td>17-Mar-06</td>
<td>Smith and Nephew</td>
<td>CEO</td>
</tr>
<tr>
<td>20-Mar-06</td>
<td>Cadbury-Schweppes</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>04-Apr-06</td>
<td>Unilever</td>
<td>ex-Chairman</td>
</tr>
<tr>
<td>04-Apr-06</td>
<td>Cadbury-Schweppes</td>
<td>ex-MD Beverages</td>
</tr>
<tr>
<td>04-Apr-06</td>
<td>Cadbury-Schweppes</td>
<td>ex-Chairman &amp; CE</td>
</tr>
<tr>
<td>05-Apr-06</td>
<td>Unilever</td>
<td>ex-Chairman</td>
</tr>
<tr>
<td>05-Apr-06</td>
<td>Cadbury-Schweppes</td>
<td>ex-CFO</td>
</tr>
<tr>
<td>19-Apr-06</td>
<td>Tesco</td>
<td>ex-Chairman</td>
</tr>
<tr>
<td>19-Apr-06</td>
<td>Sainsbury</td>
<td>ex-Marketing Exec</td>
</tr>
<tr>
<td>05-May-06</td>
<td>Cadbury-Schweppes</td>
<td>ex-CFO</td>
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<td>09-May-06</td>
<td>Cadbury-Schweppes</td>
<td>ex-Head Consultant</td>
</tr>
<tr>
<td>10-May-06</td>
<td>Smith &amp; Nephew</td>
<td>ex-CEO, ex-Chair</td>
</tr>
<tr>
<td>10-May-06</td>
<td>Smith &amp; Nephew</td>
<td>ex-Chairman</td>
</tr>
<tr>
<td>10-May-06</td>
<td>Unilever</td>
<td>Company Secretary</td>
</tr>
<tr>
<td>25 May 2006</td>
<td>Unilever</td>
<td>Ex-Director Corp. Development</td>
</tr>
<tr>
<td>07-Jun-06</td>
<td>Tesco</td>
<td>ex-Deputy Chair</td>
</tr>
<tr>
<td>07-Jun-06</td>
<td>Tesco</td>
<td>ex-Site Research Manager</td>
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<tr>
<td>12-Jun-06</td>
<td>Tesco</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>14-Jun-06</td>
<td>Unilever</td>
<td>ex-CEO, ex-Chair</td>
</tr>
<tr>
<td>15-Jun-06</td>
<td>Tesco</td>
<td>ex-CEO</td>
</tr>
<tr>
<td>16-Jun-06</td>
<td>Smith&amp;Nephew</td>
<td>CEO</td>
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<td>23-Jun-06</td>
<td>Cadbury-Schweppes</td>
<td>ex-Chairman &amp; CE</td>
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<td>26-Jun-06</td>
<td>Cadbury-Schweppes</td>
<td>Chief Human Res Officer</td>
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<td>27-Jun-06</td>
<td>Cadbury-Schweppes</td>
<td>ex-MD</td>
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<tr>
<td>04-Jul-06</td>
<td>Smith &amp; Nephew</td>
<td>ex-Deputy Chief Ex</td>
</tr>
<tr>
<td>05-Jul-06</td>
<td>Smith &amp; Nephew</td>
<td>Pres Wound Man Inc.</td>
</tr>
<tr>
<td>16-Jul-06</td>
<td>Smith &amp; Nephew</td>
<td>Pres. S&amp;N Inc.</td>
</tr>
<tr>
<td>17-Jul-06</td>
<td>Smith &amp; Nephew</td>
<td>ex-Pres Endoscopy Inc.</td>
</tr>
<tr>
<td>02-Aug-06</td>
<td>Tesco</td>
<td>Chairman</td>
</tr>
<tr>
<td>01-Sep-06</td>
<td>Smith&amp;Nephew</td>
<td>ex-Group Tech Dir</td>
</tr>
<tr>
<td>28-Sep-06</td>
<td>Cadbury Schweppes</td>
<td>ex-Chairman</td>
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<tr>
<td>03-Oct-06</td>
<td>Sainsbury</td>
<td>Res Mgr Property</td>
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<td>12-Oct-06</td>
<td>SSSL International</td>
<td>ex-Director</td>
</tr>
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<td>18-Oct-06</td>
<td>Sainsbury</td>
<td>ex-Director</td>
</tr>
<tr>
<td>19-Oct-06</td>
<td>Sainsbury</td>
<td>ex-Financial Control Mgr</td>
</tr>
<tr>
<td>24-Oct-06</td>
<td>Smith &amp; Nephew</td>
<td>ex-Dep Chief Ex</td>
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<tr>
<td>02-Nov-06</td>
<td>Cadbury Schweppes</td>
<td>ex-Cadbury Ltd.</td>
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<td>07-Nov-06</td>
<td>Cadbury Schweppes</td>
<td>ex-Schweppes (IT)</td>
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<td>09-Nov-06</td>
<td>Sainsbury</td>
<td>ex-CEO</td>
</tr>
<tr>
<td>28-Nov-06</td>
<td>Unilever</td>
<td>ex-Chairman</td>
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<td>16-Nov-06</td>
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<td>ex-group MD</td>
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<td>07-Dec-06</td>
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<td>ex-Marketing Director</td>
</tr>
<tr>
<td>13-Aug-07</td>
<td>Tesco</td>
<td>ex-Customer Service Mgr</td>
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Table 3: Extent of Traditions in the Six Companies

<table>
<thead>
<tr>
<th></th>
<th>Tradition of continuity</th>
<th>Tradition of anticipation</th>
<th>Tradition of mobility</th>
<th>Tradition of contestation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tesco</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Sainsbury</td>
<td>(X)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cadbury</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Schweppes</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Unilever</td>
<td>(X)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smith &amp; Nephew</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>SSL International</td>
<td>(X)</td>
<td></td>
<td></td>
<td></td>
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</table>
Table 4: The Interaction of Industry changes, Logics and Coalitions in the SSR firms (Tesco, Cadbury Schweppes and Smith & Nephew)

<table>
<thead>
<tr>
<th></th>
<th>Tesco</th>
<th>Cadbury Schweppes</th>
<th>Smith &amp; Nephew</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UNINTENTIONAL ORIGIN TRADITIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dominant industry logic</td>
<td>Multiples relying on resale price maintenance</td>
<td>- Vertically integrated multinationals - National oligopolies</td>
<td>Retail pharmacists integrated backwards to production, focusing on marketing and the licensing in of external R&amp;D</td>
</tr>
<tr>
<td>Emerging industry changes</td>
<td>- Self-service supermarkets (US) - Out-of-town shopping (Carrefour hypermarkets in France – from 1959)</td>
<td>- Mass, regional branding (Coca Cola) - Diversified FMCG organization -&gt; supported by functional integration: marketing &amp; research (Procter &amp; Gamble), logistics &amp; manufacturing (Mars)</td>
<td>Burroughs Wellcome model: pharmaceutical company committed to internal R&amp;D In-house R&amp;D</td>
</tr>
<tr>
<td>Dominant logic / coalition</td>
<td>- “Pile it high, sell it cheap” - Founder Jack Cohen and e.g. Arthur Carpenter</td>
<td>- “Enterprising, fair and family-oriented” (Cadbury &amp; Fry families) - “Expand through shareholder focus” (Schweppes mgt)</td>
<td>- focus on marketing products; license in latest technology from leading healthcare market - H.N Smith / Ernest Buckley / George Leavey</td>
</tr>
<tr>
<td>Unintentional space for emergence alternative logics / champions</td>
<td>- Tesco needs more financial control (Thomas Freake and Edgar Collar) and investment planning (Hyman Kreitman: supermarkets) - Non-food and one-stop shopping (Leslie Porter)</td>
<td>- Adrian Cadbury: need to diversify and professionalize (bring in McKinsey) - Renewed marketing and overseas focus (Hooper and Whitehead)</td>
<td>- In-house R&amp;D; functional integration with marketing - Don Seymour (brought in as a result of acquisition of Herts Pharmaceuticals)</td>
</tr>
<tr>
<td><strong>INTENTIONAL DEVELOPMENT TRADITIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drifting dominant logic / coalition</td>
<td>- One-stop, self-service supermarkets (south) - Low-price hypermarkets (north)</td>
<td>- Mass, regional/global) brand marketing - Diversify into a FMCG organization (supported by functional integration)</td>
<td>- Marketing and in-house R&amp;D integration - portfolio consolidation (OTC and research-intensive specialist products)</td>
</tr>
<tr>
<td>Alternative dominant logic/coalition</td>
<td>- Food-quality and profit margin problems / Tesco is “good property deal”-driven rather than “quality retail space” driven - Green Shield stamps hide strategic problem - Cohen, Grundy, Bronstein…</td>
<td>- Schweppes has “cowboy-approach” and is “under-fat” internationally - Cadbury’s is “over-fat”; its people are “well-meaning amateurs” - Lord Watkinson &amp; his people on Board</td>
<td>- S&amp;N is a „textile-based industrial entity“ (Kenneth Bradshaw) - versus S&amp;N is a chemical research company (Don Seymour) - versus S&amp;N is a profit-oriented conglomerate</td>
</tr>
<tr>
<td>- Financial and logistical control / good communication with business unit managers and local authorities / own brands - Thrush, Porter, MacLaurin &amp; new store mgs.</td>
<td>- Corporate model of financial control and core capabilities - Mike Gifford (finance exec) &amp; growing influence of “Cadbury people”</td>
<td>- move away from licensing technology to building critical mass of in-house R&amp;D (polymer science applied to wound healing in OpSite)</td>
<td>- Eric Kinder, John Robinson, Alan Fryer</td>
</tr>
</tbody>
</table>

40
<table>
<thead>
<tr>
<th>MATURING TRADITIONS</th>
<th>Tesco</th>
<th>Cadbury Schweppes</th>
<th>Smith &amp; Nephew</th>
</tr>
</thead>
<tbody>
<tr>
<td>- “Bigger, better stores” and “Getting the goods in”</td>
<td>- “Managing by objectives” (‘Operation Fundamental Change’)</td>
<td>- marketing and R&amp;D integration (based on portfolio focus on medical instruments and geographical focus on US)</td>
<td></td>
</tr>
<tr>
<td>- Ian MacLaurin / Porter</td>
<td>- core geographical focus (US, UK and Europe) and core product focus (confectionary &amp; drinks)</td>
<td>- Eric Kinder (CEO/Chairman 1982, John Robinson, Alan Fryer, Jack Blair (1987))</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Alternative dominant logic</th>
<th>Geographical planning (out of town) / non-food services / international expansion</th>
<th>“Core competence” focus (e.g. Cadbury Schweppes)</th>
<th>Portfolio switch to home care &amp; high-margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Geographical, shareholder value &amp; “core competence” focus</td>
<td>Regional/global, market research driven branding (e.g. L’Oreal)</td>
<td>- Geographical focus</td>
<td></td>
</tr>
<tr>
<td>- “Decent quality at low price” / Customized non-food services / geographical diversity (town centres) / international scale</td>
<td>- Combination of high-margin &amp; OTC cash-cow portfolio</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Potential long-term industry changes</th>
<th>“Decent quality at low price” / Customized non-food services / geographical diversity (town centres) / international scale</th>
<th>Focus on US-style shareholder value</th>
<th>portfolio focus on high-margin products</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Become customer service champion (Tesco is “poor second”, Sainsbury imitator)</td>
<td>- Influx of no-nonsense US-style people (e.g. John Sunderland, Mike Clark, Todd Stitzer,)</td>
<td>- marketing and R&amp;D integration focused on US (Alan Suggett, C.O’ Donnell, Jim Dick, Ron Sparks etc…)</td>
<td></td>
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</tbody>
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<thead>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industry changes</strong></td>
<td>“Decent quality at low price” / Customized non-food services / geographical diversity (town centres) / international scale</td>
<td>Geographical, shareholder value &amp; “core competence” focus</td>
<td>Combination of high-margin &amp; OTC cash-cow portfolio</td>
</tr>
<tr>
<td>- Porter leaves, MacLaurin Chairman, David Malpas (MD), David Reid (finance director)</td>
<td>- David Wellings (CEO)</td>
<td>- Geographical, marketing and R&amp;D integration</td>
<td></td>
</tr>
<tr>
<td>- Dominic Cadbury (Chairman)</td>
<td>Kinder (chairman), John Robinson (CEO), Alan Fryer, Jack Blair</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adapted dominant coalition</th>
<th>- Terry Leahy (Marketing Director 1986, CEO 1997), Tim Mason (Mark Dir 1995)</th>
<th>- John Sunderland (CEO 1996), John Brock, David Kappler up and coming US-execs such as Todd Stitzer (CEO 2003), Bob Stack, bus mgrs...</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Other new school managers such as John Browett (Tesco.Com CEO 1997), John Gardiner (Chairman 1997)</td>
<td>- C.O’ Donnell, Alan Suggett, Ron Sparks, Jim Dick</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Alternative dominant coalition</th>
<th>- “Every little helps”</th>
<th>- “Managing for value”</th>
<th>Focus portfolio on high-margin products (orthopaedics, advanced wound management, endoscopy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- “Customer comes first”</td>
<td>- Key global brands (low capital intensive) and key functional focus (high capital intensive)</td>
<td>- Use consumer division as cash-cow</td>
<td></td>
</tr>
<tr>
<td>- “Putting bricks in the wall”</td>
<td>-</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 5: The Interaction of Industry changes, Logics and Coalitions in the non-SSR firms (J.Sainsbury, Unilever and SSL International)

<table>
<thead>
<tr>
<th>NO UNINTENTIONALITY ALLOWED</th>
<th>J Sainsbury</th>
<th>Unilever</th>
<th>SSL International</th>
</tr>
</thead>
<tbody>
<tr>
<td>WWII-1964</td>
<td>WWII-1964</td>
<td>WW-II-1961</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry Changes</th>
<th>Multiple relying on resale price maintenance</th>
<th>- National product oligopolies</th>
<th>Retail pharmacists integrated backwards to production, focusing on marketing and the licensing in of external R&amp;D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominant logic / coalition</td>
<td>“Quality perfect, prices lower”</td>
<td>“product expansion, geographical expansion, market leadership expansion”</td>
<td>“Specialize in one successful product” and “license external R&amp;D if needed”</td>
</tr>
<tr>
<td></td>
<td>- Implacable, family leadership</td>
<td>- settle rivalries by equalizing interests and profits</td>
<td>- Manufacturing of footwear (Scholl family)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- dominant coalition = Special Committee</td>
<td>- Tubular bandage production (Stoller family)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Durex (London Rubber Co. top management)</td>
</tr>
<tr>
<td>Potential alternative dominant logic</td>
<td>Self-service supermarkets (US)</td>
<td>- Mass, regional branding (Coca Cola)</td>
<td>- In-house R&amp;D (Burroughs Wellcome model)</td>
</tr>
<tr>
<td></td>
<td>Out-of-town shopping (Carrefour hypermarkets in France – from 1959)</td>
<td>- Diversified FMCG organization -&gt; supported by functional integration:</td>
<td>- Integration retail marketing and other functions</td>
</tr>
<tr>
<td>Industry changes interpreted as fitting in dominant logic</td>
<td>- First self-service in Croydon (1950), biggest Eur. supermarket (Lewisham ’55)</td>
<td>- further diversification and some efforts at functional integration of marketing &amp; research</td>
<td>“Follow the flag” (geographical expansion) and limited product diversification</td>
</tr>
<tr>
<td>Emerging industry changes</td>
<td>- One-stop, self-service superstores (south)</td>
<td>- Mass, regional/global) brand marketing</td>
<td>- Marketing and in-house R&amp;D integration</td>
</tr>
<tr>
<td></td>
<td>- Low-price hypermarkets (north)</td>
<td>- Diversification supported by functional integration</td>
<td>- portfolio consolidation (OTC and high-research products) (pharmaceutical industry)</td>
</tr>
<tr>
<td>Adapted dominant logic/coalition</td>
<td>&quot;Good food costs less at Sainsbury”</td>
<td>- More functional integration and corporate centralization is needed to cope with diversification</td>
<td>Limited product diversification and in-house R&amp;D, but still predominantly “specialize in one successful product” and “license external R&amp;D if needed”</td>
</tr>
<tr>
<td></td>
<td>- Discount ’78</td>
<td>- Special Committee (Woodroohe and Hartog)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Family reshuffle: most notably, John (Chairman), David (MBA, Finance Dir.)</td>
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<tr>
<td></td>
<td>- Public Limited Company (1973)</td>
<td></td>
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</tr>
<tr>
<td>Drifting dominant logic</td>
<td>- Not enough self-service, supermarkets not big enough</td>
<td>- Unilever is “fleet of ships”</td>
<td>“Follow the flag” and limited product diversification (especially Scholl and Stoller families)</td>
</tr>
<tr>
<td></td>
<td>- Non-food? One-stop shopping?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRADITION</td>
<td>J Sainsbury</td>
<td>Unilever</td>
<td>SSL International</td>
</tr>
<tr>
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<td>-------------</td>
<td>-----------</td>
<td>--------------------</td>
</tr>
<tr>
<td>Readapted dominant logic/coalition</td>
<td>- Renew upmarket image with own labels - Roy Griffiths deputy chairman, John Sainsbury reinforces autocratic style (Marketing Director Peter Davis leaves); from John’s autocratic to David Sainsbury’s consensual chairman style from 1992 onwards</td>
<td>- bring in line US subsidiary, focus on core businesses (most notably personal products) - Special Committee members Angus, Maljers and Durham are more innovative people than usual for Unilever</td>
<td>- Some in-house R&amp;D; sell non-core products and geographical divisions - New generation of Scholl and Stoller families</td>
</tr>
<tr>
<td>Industry changes interpreted as fitting in dominant logic</td>
<td>Geographical planning (out of town) / non-food services / international expansion</td>
<td>Regional/global, “market research driven” branding (e.g. L’Oreal) - “Core competence” focus (Cadbury Schweppes, Procter &amp; Gamble)</td>
<td>Portfolio switch to home care &amp; high-margin - Geographical focus</td>
</tr>
</tbody>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Industry changes</td>
<td>“Decent quality at low price” / Geographical (town centres), brand and services (food and non-food) customisation / international scale</td>
<td>Geographical and “core competence” focus</td>
<td>Combination of high-margin &amp; OTC cash-cow portfolio - Geographical, marketing and R&amp;D integration</td>
</tr>
<tr>
<td>Readapted Dominant coalition: Traumatic changes and/or retreat?</td>
<td>- Sainsbury’s upmarket image in tatters - Trauma: o Already in the period 1992-98 there was family acrimony -&gt; John Sainsbury publicly argued that “David is a bad retailer”3 o From 1999 no more family on Board, and several consecutive cycles of top management change -&gt; Peter Davis, Justin King</td>
<td>- Unilever implements numerous structural and strategy changes, without any tangible result - Unilever has become a follower, always second-best at best - Marketing disaster with the Authority fabric detergent - Trauma finds climax with personal acrimony between the “revolutionary” chairman of Plc, Fitzgerald, and the “status quo” chairman of NV, Burgmans</td>
<td>- Look for complementary merger partners to overcome shortcomings - Rationale of merger was to create critical mass of in-house R&amp;D and integrate with marketing and geographical focus…BUT SSL has had to sell off its R&amp;D intensive divisions and products and retreat to an almost purely OTC consumer product portfolio - Traumatic changes: litigation leads to resignation of executive team, and consecutive cycles of top management change</td>
</tr>
</tbody>
</table>

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3 Cfr. Seth and Randall, 1999: 63-64. Two of our interviewees spontaneously reported the same story.
<table>
<thead>
<tr>
<th>Phase</th>
<th>Description of development</th>
<th>Interview and archival quotes</th>
</tr>
</thead>
</table>
| Phase 1 | *Control, but with consciousness that not all renewal efforts fall within the remit of the dominant logic and dominant coalition (late 1950s-1960s)* | **e.g. Cadbury Schweppes:** “We needed to expand…find a complementary merger company… even at the risk of diluting family control”  
**e.g. Smith & Nephew:** “[Chairman Leavey:] In strictly commercial terms, [research’s] rewards are rarely commensurate with the cost, time and effort that goes into production, but we feel we should be failing in our duty not to continue to make the effort”  
**[The first R&D leader who championed in-house R&D:]** I was just a boffin, really, for the chairman and his people. Still, I was left lots of freedom to do what I deemed best”  
**e.g. Tesco:** “To convince his reluctant sons-in-laws [who had an independent mind and a different, non-food background] to join the company, Jack Cohen started a non-food business” |
| Phase 2 | *Lack of emotional truth in actions dominant coalition leads to anger, acrimonious conflict and search for alternative learning climate (late 1960s-1970s)* | **e.g. Cadbury Schweppes:** “Cadbury’s were overly long-term…Schweppes were still into short-term politics…they had a cowboy approach”  
**e.g. Smith & Nephew:** “we were an industrial conglomerate…with no clear strategy vision”  
“The culture on the board was to be as rude as you can… It was managing by argument…While the board was pretty dysfunctional, the culture below that level was very entrepreneurial”  
**e.g. Tesco:** “there were two swords hanging in the board room and at one point in the discussions Cohen took one and Porter took the other and they attacked each other” |
| Phase 3 | *Greater emotional truth of alternative learning climate becomes accepted (late 1970s-1980s)* | **e.g. Cadbury Schweppes:** “by then … we had a collegial framework … without any of the politics of the past …but with strong leadership…”  
**e.g. Smith & Nephew:** “we were trying to get them to talk to each other again…under Kinder did not really happen yet…but with Robinson and the coming in of a new generation the culture gradually changed”  
**e.g. Tesco:** “Tesco developed a very good sense of a team, and it’s an eclectic sense” |
| Phase 4 | *“Can do” learning climate becomes dominant (1990s-2000s)* | **e.g. Cadbury Schweppes:** “Cadbury’s a ‘can do’ place, it’s a place where if you reached a conclusion on why we needed to change…the attitude is…we’re going to try and we’ll take it one step at a time”  
“By the mid-90s, we had gained the confidence necessary to take on the likes of Coca-Cola”  
**e.g. Smith & Nephew:** “we want to get more products to market quicker than anybody else and be better at it, that’s much more of a Smith and Nephew than other companies’ culture”  
**e.g. Tesco:** “Tesco’s full of young people that have an ambition, that want to achieve. Tesco’s exciting, against the odds, right the way through” |
Table 7 Path-dependent evolution of emotional renewal climate in the non-SSR firms (Sainsbury, SSL International and Unilever)

<table>
<thead>
<tr>
<th>Episode</th>
<th>Description of development</th>
<th>Interview and archival quotes</th>
</tr>
</thead>
</table>
| Episode 1| Control with no consciousness of limits of dominant logic and dominant coalition (Sainsbury and SSL International) or Too much control and chaos (Unilever) | e.g. Sainsbury: “It was implacable leadership by the family”  
e.g. SSL International: “the family controlled everything”  
e.g. Unilever: “From the merger in 1929 our strategy has suffered from the need to control the balance between the Dutch and English sides of the business” |
| Episode 2| Lack of emotional truth leads to corporate urge for more control (Sainsbury, SSL and Unilever)                  | e.g. Sainsbury: “Our leadership style was one of autocratic control”  
e.g. SSL (Seton Healthcare constituent): “we were a patriarchic company, and the family management style remained even after we went public”  
e.g. Unilever: “Unilever has a problem…make it more than the sum of the parts”  

Episode 3 | Balance management fear with non-painful choices (causing further deterioration of emotional truth) (Sainsbury, SSL and Unilever) | e.g. Sainsbury: “The family managed by fear… the culture of the company was all about political correctness, trying to second guess what the leader would like”… “It was implacable leadership”  
e.g. SSL: “The achilles heel of the company was that it consistently pushed for low-hanging fruit, because that was the easiest way to improve the earnings/share price ratios”  
e.g. Unilever: “Unilever was very slow in making the changes that it should. A major reason …was the need to keep the Dutch and British sides in balance…Unilever should have sold many more brands but had to keep an eye on keeping a balance between food [Dutch territory] and non-food [British territory]” |
| Episode 4 | Absence of climate of emotional truth leads to financial trauma and vicious cycle of emotional stress | e.g. Sainsbury: “Before the political correctness was in terms of deference; now it is in terms of being rude”  
SSL: The litigation brought against key members of SSL’s executive team and Board in 2001, led to Norman Stoller “disowning” the chief executive that “he once considered his son” (the entire executive team resigned as it had to stand trial)  
e.g. Unilever: “the City supported my appointment [as a proponent of radical change]…But I was being used as a sacrificial lamb”  
“The relation between the two chief executives [representing the Dutch and English sides] was dour and very difficult…This contributed to the coming apart of the company in recent years” |

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4 Memorandum of the Special Committee to Senior Management, Rotterdam Conference, November 1970.
APPENDIX A: The Use of Frontier Analysis in Stage 1

We used Data Envelope Analysis (DEA) to create sample of ‘frontier’ performers. DEA was chosen because it allows us to make use of multiple measures of performance and impose a more stringent set of criteria that requires firms to be extreme on more than one dimension of performance. This is critical in our case not only because the exceptional firm needs to be exceptional on more than one dimension but also because our reliance on DEA and secondary data means that we could make errors in selection if we use a limited number of performance criteria. The output of interest to us is the performance efficiency of a firm where performance efficiency is measured across multiple criteria and based on a comparison with a global industry peer set. Figure A shows an example of how such a performance measure is calculated for a situation with two output measures (space precludes us from going into much greater detail). The maximum efficiency measure is 1 and numbers below can be roughly interpreted as percentage deviations from the frontier. Empirically, efficiency is measured as a radial projection from the origin to the nearest point on a plane in the space defined by the dimensions of performance. Frontier analysis puts heavy requirements on the quality and comparability of data. Hence, we estimate the frontiers on an industry-by-industry basis using comparable measures of performance (e.g., excluding taxation, depreciation and other factors that would be distorted by different accounting standards across countries). More is said about the data below.

Stage 1 Analysis

Our focus was on UK firms only; hence stage 1’s goal was to create a sample of UK firms for further analysis. The approach used was as follows:

Step 1: Performance of DEA analysis on an industry by industry basis using as our sample the top 50 largest firms by assets. Firms were selected from the Osiris database available from Bureau van
Dijk. This database contains data on 36,000+ firms from around the globe for up to 20 years. Industry categorizations were based on the Dow Jones Global Segmentation Industry Classification scheme. This was found to be more robust and consistent than using SIC codes and represents the benchmark groupings used by financial analysts. The output of this analysis was a performance efficiency measure for each firm for each year. Two sets of performance criteria were used. The first analysis was based on 5 measures. A second analysis to be completed by the time of the conference is based on a wider set of 13 measures. These are listed in Table A.

Table A: Criteria Used to Estimate the Performance Frontier

<table>
<thead>
<tr>
<th>Initial Criteria</th>
<th>Criteria Added in Second Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Margin (%)</td>
<td>Return on Sales (%)</td>
</tr>
<tr>
<td>Return on Shareholders Funds (%)</td>
<td>Growth in Sales (%)</td>
</tr>
<tr>
<td>Return on Total Assets (%)</td>
<td>Earnings per Share ($–Industry Adjusted)</td>
</tr>
<tr>
<td>Return on Capital Employed (%)</td>
<td>Growth in Earnings per Share (%)</td>
</tr>
<tr>
<td>Cash Flow/Operating Revenue (%)</td>
<td>Change in Market Capitalization (%)</td>
</tr>
<tr>
<td></td>
<td>Economic Value Added (Scaled)</td>
</tr>
<tr>
<td></td>
<td>Tobin’s Q (Scaled)</td>
</tr>
<tr>
<td></td>
<td>Total Shareholder Return (%)</td>
</tr>
</tbody>
</table>

**Step 2:** The selection of “exceptional UK” firms was based on the following criteria:

a. The firm had to be in existence for over 20 years. This was done to ensure we had “long-term” performers.

b. The firm had to be in the top 1/3rd of the efficiency distribution. An efficiency distribution was calculated for each industry.

c. The firm could suffer no more than two years of decline in performance efficiency greater than 1 standard deviation from the frontier.

d. The firm could not have two or more years of decline in performance one of which was greater than 1 standard deviation from the frontier.
Appendix B: Financial Performance of the Six Companies

Heights of bars show performance relative to annual international industry frontier.

1.0 = the frontier performance that year

The average values differ across the three sectors because of the performance of international competitors. Tesco’s and Sainsbury’s scores are relatively low because in their sector, supermarkets, Japan’s 7-11 had outstanding performance nearly every year, defining the frontier at a very high level.