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Department of Management and Organization

Master´s Thesis (30 ECTS)

A Thesis in Decline

Understanding Company Internal Reactions

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ABSTRACT

The present thesis aims to further the understanding of company internal reactions to decline. More specifically, the authors make two explorative case studies, looking into three areas that have been described as particularly problematic during decline by previous literature and by practitioners. The areas comprise detection of decline, decision to act, and dysfunctional behaviours that may arise as reactions to decline.

Theoretically, in the thesis, decline is looked at as an instance of organizational change and the punctuated equilibrium paradigm is used to understand differences between revolutionary and non-revolutionary responses to decline.

Results suggest that detection of decline can be stalled by organizational slack and that departments with customer contact can detect decline long before top management is aware of what is happening, implying that formal metrics and better information flows can enable organizations to tackle decline proactively rather than reactively. Furthermore, findings indicate that top management's reactions to decline might be more influenced by personal inertia than rationality, which is important to be aware of for any executive facing decline. Finally, the dysfunctional behaviours of lacking top management communication as well as increased rumour spreading seem to be exacerbated if management chooses to introduce revolutionary change as a response to decline, whereas neglect of long-term planning seems unlikely if management makes the conscious decision of responding with revolutionary change, although centralization tendencies during decline still compete for management attention.

Keywords: Case study; decline; detection; dysfunctional behaviour; interpretation; punctuated equilibrium model.

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Last, but not least, we would like to apologize to all our fellow students whose parties, champagne tastings, get-togethers, and general festivities we have missed due to our preoccupation with this thesis.

CONTENTS

1. INTRODUCTION

This section provides the reader with the background of the chosen research topic and explains why the chosen research topic is interesting, the raison d'être of the thesis if you will. Furthermore, it provides the reader with the focus and research question, as well as definitions and delimitations.

1.1. Background of the Thesis

> [W]e continue to be surprised by the discomfort that the topics of organizational decline and death evoke among some of our colleagues. Some colleagues have confided that they could never study such a depressing topic. Other colleagues have suggested that we "work on something optimistic for a change". (Cameron, Sutton & Whetten, 1988:14)

As a student of economics in general, and of management of organizations in particular, you are isolated from the phenomena you study. This is bliss as we never need to fear for our employment, but it is also a curse as we seldom are exposed to the practical nature of our subject; the academic carries with it an inherent buffer to the messy reality by portraying it in neat two-by-twos.

Nevertheless, students enjoy working with *real* companies and *real* problems. We, the authors, firmly believe that it is relishing to apply our skills to reality because it gives us purpose in what we do. It is intrinsically rewarding to use our painstakingly acquired abilities to help.

Of late, it has seemed that there are more companies in need of help than usual. In fact, we dare say that it appears that the past three years have been more enjoyable for the student of organizations than it has been for the organizations themselves. The global financial crisis that rocked the world in 2008-09 left no one unaffected and even well-managed companies suffered.

The financial crisis provoked thoughts and discussions regarding the *decline* of organizations and when we began work on our thesis it seemed evident to us that no subject could be more relevant and contemporary than the decline of organizations.

Furthermore, we feel that decline is a subject that has received very little attention during our studies. Despite the world-wide decline, we are not taught what happens in a decline. Of course, we have read the mandatory Harvard Business School cases where the decline of company X is reversed through the actions of the person Y, but the reactions, both on an organizational level and on an individual level, to the decline are hardly ever touched. When we began to study the topic of organizational decline we found that this, our previous experience of the topic's absence in our studies, should come as no surprise. Cameron et. al (1988:14) have written that "[t]he stigma of decline may also explain why organizational decline is not taught widely in management classes."

Rather, focus is on the *turnaround* and how to resume *growth*. But how can one begin the turnaround without understanding what dynamics are already in force? Any proposition for turnaround which does not rest on a solid understanding regarding what factors are already in place in the organization, will inevitably be lacking in some respects. Particularly as there are ample findings on the *negative* behaviours that can be the result of the decline, ranging from neglect of long-term needs (Cameron, Kim & Whetten, 1987) to internal conflicts (Krantz, 1985; Whetten, 1980).

Imagine the master builder who commences to select what materials and techniques to use in building the foundation for a new house without investigating how the ground on which he is to build the house is composed. Whilst this hypothetical situation might seem silly it is, in effect, what turnaround recommendations without the knowledge of decline dynamics are.

Whilst research within the field of organizational decline has grown greatly over the past three decades since Whetten (1980) issued his rallying cry for the field, a review of existent literature shows that it is sprawling woefully in each and every direction. This has been recognized, and Mellahi and Wilkinson (2004), in their thorough evaluation of the field, warns that it is in danger of falling into the fragmentation trap. That is, students and teachers will be faced with a multitude of different, sometimes conflicting, findings without coherence; to these categories of users of the knowledge we would like to add the practitioners who wants to use the theories to further their understanding. Because of this danger, they call for research into theories that can act as structure for the findings that already exist.

With this in mind, we have attempted here to connect change theories with findings on organizational decline in order to advance the theoretical knowledge of the dynamics that come into effect as a result of decline. The aim of the thesis is to provide a picture that incorporates several important perspectives on decline, rather than just one.

The aim of the thesis is to provide something that is useful, not only academically, but also for the practitioner who finds herself in the middle of an organization in decline, if only by providing an intermediary step for future research.

1.2. Purpose and Research Question

As we have stated above, we have found the teachings on organizational decline to be woefully lacking during our studies and we have found the fragmented field of organizational decline research to be a disappointment. After all, as we've written above, a field that is fragmented is difficult for practitioners to access and use.

Furthermore, there is an agreement in the academic literature that the field is very important for managers that are faced with decline. Cameron et. al (1988:16-17) have said that:

> Finally, we hope that scholars will be moved to conduct research on declining organizations because both American and foreign managers need such information badly. […] We believe

> that they would be rewarded both intrinsically and extrinsically if, as they chose topics for the empirical study of declining and dying organizations, they focused on research questions that can ultimately guide managerial practices.

Against the background of this quote, it should come as no surprise that research we drew upon during a different course – 1310 - Change Management Live, where we were actually working alongside practitioners on a real organizational issue – was hardly even related to the literature we reviewed for this project. With this in mind we have deducted the purpose of our thesis. The result is that the thesis should attempt to explain how the people in an organization react when it experiences organizational decline and paint a picture relevant for practitioners. At the same time, we want to make a theoretical contribution by explaining the dynamics of decline. The thesis should:

I. explain how employees who hold management positions react when facing decline, and
II. explain how employees who do not hold management positions react when facing decline.

The research question therefore is:

> How do organizational members react when the organization they belong to experiences decline?

1.3. Definitions and Delimitations

There are four areas that need to be delimited and defined in order for us to be able to answer our research question. We will define: reactions, decline, decline's relationship to change, and managers and non-managers.

1.3.1. What Reactions Will Be Covered?

First of all, it should be recognized that we do not expect to be able to provide an exhaustive account of *all* reactions that are possible, both because of limitations to our time, but most importantly because we cannot expect that all possible reactions are present in only two case companies. This raises the question of what reactions we have actually studied. Through reviews of problem areas suggested in decline literature and during early interviews for the case studies we have settled on studying the detection, decision to act, and three dysfunctional behaviours (conflicts, neglect of long-term planning, and insufficient communication) associated with decline.

Second, we are only interested in studying reactions to decline. In practice, this for example implies looking at if and how daily work is affected if rumours about lay-offs start to spread, while not continuing into reactions to lay-offs themselves, if they are executed. This does however not put any formal time restriction on us; instead we can be guided by how long reactions are present in the case companies. Either way, we will need to know when to stop adding data.

A general guideline will therefore be that if and when turnaround strategies are effected, we will not continue, since we then would be studying reactions to turnarounds rather than reactions to decline. For the case that no turnaround strategies are applied, resumed growth, a *normalization*[1] of decline, or death of the company will be considered natural points at which to stop.

1.3.2. Decline

> ***De·cline*** /dɪˈklaɪn/ *v* ***1*** *[IØ]* fml or lit *to slope or move downwards:* About 2 miles east, the land begins to decline towards the river ***2*** *[IØ] to move from a better position to a worse position [...]*[2]

The word decline does, as with so many other words, hold a multitude of meanings and can be used to express rather different things by just substituting the context in which it appears (as can be seen from the above quote). For any scientific endeavour this is unsatisfactory. Scientific research entails a requirement of specificity. Therefore it falls upon us to begin with presenting the definition that we give to *decline* within this thesis. This definition has, as will be explained in chapter 2, been used in finding appropriate case companies.

1.3.2.1. Delimitating decline

First of all, we want a definition that is neutral to the outcomes of organizational decline; in the definition we are interested in what decline is and not what the *outcome* of decline is. This is important as we otherwise would not be able to say that our definition is free from temporary societal influences. That is, bankruptcy may very well be a more likely outcome of decline in certain industries and during certain times, than they are during others, when a government or the like may attempt to save the company that is in decline. We want a definition that is free from these effects as we otherwise, to use Plato's allegory of the cave, would engage in studying the world by looking at the shadows that it casts.[3]

As stated above, this means that we are using a definition of decline that is not related to the concept of organizational bankruptcy. Hence, we are not interested in the relationship between decline and bankruptcy that several authors within the field of accounting and financing have –

[1] By normalization we mean that decline becomes so normal for the organization that it does not provoke any particular reactions. Circumstances in such an organization are of course also interesting, but beyond the scope of this thesis.

[2] Longman Dictionary of Contemporary English (1978), p. 285.

[3] The allegory of the cave is a metaphor used by Plato to explain the difference between knowledge of the ideas (behind material things) and knowledge of material things. In the allegory there are people that are chained facing the back of a cave. Behind the people there is a wall and behind the wall there is a fire. Between the fire and the wall there are people who are holding up objects over the wall. These objects are projected unto the back of the cave by the fire allowing the chained people to see them. The difference between the shadows that the objects cast, that can be seen by the people, and the objects themselves is the same as the difference between knowledge of material things and knowledge of the ideas. (www.wikipedia.org/wiki/Allegory_of_the_cave, accessed: 5/16/2011)

with varying degrees of success – attempted to find (Altman, 1968; Ohlson, 1980; Skogsvik, 1987).

Additionally, it is equally important for us to find a definition of decline that is not dependent on the reasons for the decline. The reason for this is perhaps more straightforward than the reason for why we want our definition to be consequence-independent: We are not looking for behaviour that causes decline, but behaviour that *is caused by* decline. Hence, recommendations regarding what behaviour to avoid in order to prevent decline before it happens (Olson, van Bever and Verry, 2008) is not of interest to us. However the definition of decline that those authors propose might very well be, but they will be revisited below if that is the case.

1.3.2.2. What Is Decline and How Do We Measure It?

Having decided what decline is not, it could be expected to be easy enough to provide a definition of what decline actually is. However, this is unfortunately not the case. There are several definitions of decline that are used by a multitude of authors, many of whom add their own interpretations to a concept that is already multi-faceted. Whetten (1987:344) has eloquently captured the problem we are facing:

> Authors typically focus on decreases in the number of employees or financial resources. However, some combinations of organizational size, performance, and resource levels are extremely difficult to categorize. For example, if a professional football team's win-loss record drops, but its revenues increase (possibly due to the employment of a star quarterback with broad fan appeal), is the organisation declining? And what about a liberal arts college that reduces its enrolment, culls its course offerings, and fires several of its faculty, in the process of becoming a more prestigious, higher priced institution?

Albeit we recognize Whetten's arguments as valid and called for they are arguments that are drawn to the extreme by exemplifying an organization that, in many respects is subject to different stakeholder pressures than an average company might be. They are not immediately applicable for us for one main reason.

The scope of this thesis is to investigate how *companies* react to decline. As such we will not go into pro bono organizations, sports teams or other organizations where performance is more difficult than usual to measure. We are therefore only interested in the reactions that might occur in for-profit organizations due to decline and this, thankfully, provides us with a shortcut in our search for what decline is.

Friedman (1970) explains the difficulties that come in trying to enforce several, ethical, performance objectives on companies. His arguments run from the practical to the principal in his article, where he tells us that the work of management in a company must first, and only, be to satisfy the owners' will. This does of course not mean that the will of the owners is always for the company to only make money – it is entirely plausible for a group of people to join together and form a company with an altruistic purpose – but it is up to the owners to decide what the purpose of the company is.

We believe that Friedman's argument has merit in itself, but it is also supported by other sources. For example, according to the Swedish Companies Act, the general principle is that the purpose of a company is to make money for its owners (Aktiebolagslagen 2005:551).

We will therefore focus on decline as a concept that entails a worsening position for the owners in an area that is important for them. Deviations from a company's core purpose must be considered as the most important aspects of decline in our opinion. But the question still remains, even after we have delimited it for example to financial aspects: what is decline?

The reader might be tempted to immediately say: "But since we know that the purpose of the organization is to make money for its owners, then surely decline must mean that the *net income* of the organization has decreased?"

It is indeed a conclusion that offers much, as it is simple, intuitive and often right there, ready to be used. Furthermore, it is a definition that has been advocated in research. Hamel and Välkangas (2003), for example, use it in their call to companies to become more resilient.

In addition to this, the accounting-based forecasting models mentioned above, all include net income as an important factor (Altman, 1968; Ohlson, 1980; Skogsvik, 1987), lending further credibility to the claim that it could be used as a definition of decline.

However, although the definition has some very good merits, we feel that it is necessary to look into some other aspects of what might constitute decline.

1.3.2.3. Decline as Absence of or Negative Growth

It might seem strange to discuss the relationship between growth and decline. They easily seem to be opposing concepts. This is not the case however. Imagine the following: A company is constantly growing with 5 % per year. This might be good but we cannot be sure. If every other company is growing by 6 % per year, it is definitely not good as the company eventually will be infinitely smaller than its competitors. It is therefore called for to conduct a review of what the common perceptions of growth related to decline are, in order for us to understand the relationship.

In his classic piece, Whetten (1980) terms these *decline-as-stagnation* and *decline-as-cutback* respectively. The first one he states is more likely to occur in times of abundance and relate to the organization becoming bureaucratic and stagnant. The second one is more likely to occur in times of scarcity and is a result of either a "decreased competitive advantage or decreased organizational munificence" (both of which can be more or less the management's fault).

Olson, van Bever and Verry (2008) lean towards the *decline-as-stagnation* definitions in their work on *growth stalls*. Being their conception of a decline, the authors define a stall as a period of zero, or near-zero, growth following several successful years.

Other authors who have leaned towards stagnation in growth as a measure of decline are Probst and Raisch (2005), who discuss stagnating growth when they write about companies that suffocate because of constantly decreasing growth rates. They define stagnating growth as a growth level that is below the *Sustainable Growth Rate*[4] and market growth rate. This stagnating growth can in the long run, if coupled with tentative change and left unchecked, lead to organizational death.

Decline-as-cutback as a concept has also received attention throughout the years. Cyert (1978:345) writes that "[t]he nature of a market economy makes growth a measure of success."

He explains that the market logic is so ingrained in us that we automatically believe that an organization that is producing goods that satisfy consumer needs will tend to grow. Hence, organizations that do not grow must be failing to fulfill consumer needs.

Hamel and Välkangas (2003), who we discussed above under section 1.3.2.2, use negative growth in net income as a definition of decline.

Cameron et. al (1987:224) define decline as "[a] condition in which a substantial, absolute decrease in an organization's resource base occurs over a specified amount of time."

Finally, Whetten (1987:344) once again returns to the subject and defines decline as a "decrease in size and/or budget". He chooses this definition after, as the authors of this thesis, being baffled by the myriad of potential definitions of decline that can be used (see his quote above under section 1.3.2.2).

Having considered all these choices for what growth rate to use when identifying a decline, we believe that, for our purposes, a negative growth rate will be most appropriate. The first reason for this is that we will be studying two companies from different industries and therefore a stagnating growth rate will not be as easy to distinguish as a decline, because of a lack of peers. The second reason is that a declining growth rate should be associated with a decrease in resources for the following time period in the company, something that we, based on the literature review above, believe is desirable for our thesis given its purpose.

1.3.2.4. Conclusion and Definition of Decline

As the reader will have seen, the potential definitions are many and potentially conflicting. We have attempted to give an insight into this problem and also guide the reader to what we consider to be the best definition for our purposes.

As we stated above, in section 1.3.2.2, we will use *net income* as our performance measurement of decline. When it comes to the *growth rate* in net income that will indicate a decline, we have decided that all negative growth rates in net income signify decline in an organization.

1.3.3. The Relationship between Decline and Change

Given our definition of decline it follows naturally to relate the concept of decline to the concept of change. It has been stated that decline, just as growth or revitalization, should be considered as organizational change (Beer & Walton, 1987). Our interpretation of this is that the concept of decline is a part of the greater concept of change as we suggest in Figure 1. In other words,

[4] The growth rate a firms financial position allows (Probst & Raisch, 2005).

whereas decline will always entail a change (incremental or radical), based on our above definition, change will not always entail a decline, according to Beer and Walton.

This means that when we in the thesis use the word decline, that includes a change, but when we discuss change, we do not always imply a decline. If we do, it will be clearly stated.

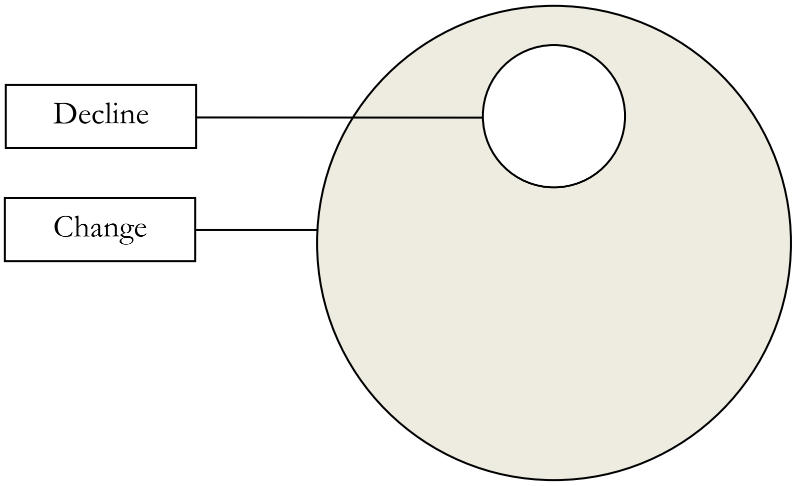

Figure 1. Decline interpreted as a subfield of change.

1.3.4. The Definitions of Managers and Non-Managers

Given that we, between purposes I and II, have distinguished between the roles that personnel hold in organizations, it is necessary for us to explain what we mean by employees who hold management positions and employees who do not hold management positions respectively.

Mintzberg (1979) distinguishes between five different functions in organizations: *strategic apex*, *operating core*, *middle line, technotructure*, and *supporting staff*. He illustrates the differences between organizations by proposing five generic structures which organizations will adhere to.

For our purposes, where we will be looking for a clear distinction between managers and non-managers, we will use Mintzberg's definition of the strategic apex to classify managers and then classify non-managers negatively in relation to the former. This means that for our purposes, a manager is a person who belongs to the strategic apex in a company – for example a member of the top management team. Conversely, anyone who is not part of the strategic apex will be classified as a non-manager for the purposes of this thesis.

The reader should note that we will be using the words *executive*, *director*, *manager, officer* and *top manager* interchangeably throughout the thesis.

1.4. Structure of the Thesis

Whereas it would be pleasing to be able to say that we are innovative, we must admit that this thesis follows what can be considered the conventional structure for such a project.

We will begin (in the second section of the thesis!) with providing the reader with an overview of the methodology and method that we have reviewed and used. The aim of the section is to give a feeling of the considerations we have gone through. Following the methodology section, we will present the theoretical framework which we will be using in the thesis.

After the framework has been presented, we will present the empirical findings from our two case study companies. The empirics will be presented in the form of organizational dramas.

The fifth section of the thesis contains the analysis, in which we will attempt to dazzle the reader by applying our theoretical framework to the empirical findings and systematically analyze the result.

We will conclude the thesis by providing the reader with our conclusions, the implications for practitioners that can be derived from our study, a criticism of our study, and what we consider to be important fields for future research.

2. METHODOLOGY

We begin this section by explaining the need for management research to become more focused on providing knowledge that is usable for practitioners. After this we expound on the theories of science and their relationship with our thesis. Then our research procedure, including choice of research design, data collection methods, and analytical considerations, is presented and dissected. The section concludes with a discussion on the reliability and validity of our findings.

2.1. We Aim to Produce Usable Knowledge

Knowledge is a wonderful thing – some even considered it to be an end in itself. However, few people are lucky enough to get to deal with knowledge just for the sake of knowledge. Rather, they will concern themselves with knowledge when it, for example, might help them in their daily jobs. These are the people we are writing for. We are of the opinion that a certain part of the value in knowledge is that it is possible to use for practitioners and thus contributes, at least to some extent, to someone's understanding of events and their consequences. Knowledge that is not used is merely information, or, as the quote that is commonly attributed to the Lebanese poet Kahlil Gibran reads, "[a] little knowledge that acts is worth infinitely more than much knowledge that is idle."

To what extent is there a separation between management science and usable knowledge? As it turns out, it is indeed a real problem and a heavily debated one at that. Bailey and Ford (1996:11) write that:

> Management as science has long been bemoaned as impotent to solve the ambiguous, contextually-bound problems faced by practitioners

and that "academic journals […] are utterly divorced from the challenges of everyday management" (p. 8). This divorce is not merely a philosophical problem, but manifests itself, for example, through the relative dominance of management books written by non-academics over business school professors, when it comes to influencing management, as well as through the origin outside academia of the most popular so-called management tools (e.g. benchmarking, TQM, etc.) (Pfeffer & Fong, 2002).

This raises the important question of what scholars can do to improve the usability of their research. Baldridge, Floyd and Markoczy (2004:1073) suggest that "researchers should study questions that challenge both existing scientific theory and conventional management practice". Such questions could, according to Pfeffer (1997), be phenomena that are important to practitioners. Concluding his review of the field of organization theory, he argued that:

> many of the prominent organization theories did […] derive from a concern with specific, interesting phenomena. […] [O]ver time the theories became objects of discourse and development in and of themselves, often losing connection to their original foundations. (p. 197)

In his 1993 presidential address, as president of the Academy of Management, Donald C. Hambrick posed the question "What if the academy actually mattered?" and, in a similar vein, questioned the role of social scientists as oftentimes mere observers of the world and suggested we try to make things happen. A more thorough review of the critique against management theory being too inaccessible for practitioners, is given by Pfeffer and Fong (2002), who conclude that:

> [f]ollowing the recommendations—to be more problem or phenomenon focused, to pay attention to observation, to listen to our subjects, to occasionally hire and reward generalism and conceptual diversity, and to be concerned with applicability as well as other aspects of theory—although seldom implemented in the world of academic business schools, would probably produce research that has at least the potential of being more useful as well as more theoretically interesting. (p. 89)

Even mainstream researchers like Fisher (2010:42), voice criticism over the way that much research is currently done in the field of management and business. He writes that these fields must be considered as different from other fields as they inherently have "both an academic and a practical purpose". Furthermore, Fisher warns that this – misconception of what the purpose of management research is – is leading to a conflict between people who study the subject and people who practice it. He uses strong words:

> Management research is about both knowledge and action. This should be straightforward, but it is not so. People seem to cling to either the practical or the academic aspect of management and reject the one they do not accept. (p. 42)

So far we have argued the need for a methodology that lets us do research that is valuable to the practitioner. We have shown that there exists a tension between the way management research is currently done and the way it should be done in order to be relevant to practitioners, as well as the fact that this notion is becoming more common among prominent scholars. Our next section will be an attempt at showing why our starting point, in relevance to the practitioner, will let us overrule limitations imposed on researchers convinced to remain within one certain paradigm of science.

2.2. Applying Theories of Science in a Master's Thesis

As is customary when writing a master's thesis, we have spent a significant amount of time acquainting us with different views of methodology and the so-called *four paradigms* (Burrell & Morgan, 1979). Mainly, this was done to assure some stringency in our project, but also because an excellent thesis “makes a contribution … [to the] methodological debate” (Fisher, 2010:13). While it would be more than a little presumptuous to expect to fully realise such an ambition, it is our firm conviction that the perspective of students who have not spent a full working life criticising scholars working within another paradigm, might provide a fresh take on the issue – not dissimilar to how consultants entering an organisation might be able to provide the life-time employee with new ideas.

A natural starting point for such a discussion is the above cited aim of our project – to produce usable knowledge. This starting point we would like to contrast with the assertion that the four paradigms are mutually exclusive (Burrell & Morgan, 1979; Arbnor & Bjerke, 1994). With such a starting point it should come as no surprise that a synthesis between paradigms is seen as impossible (e.g. Burrell & Morgan, 1979:25). Suppose instead that, as the main criteria for good research, we would have its applicability for practitioners and suppose also that insights gained from a deep understanding of individual actors, could actually be helpful for practitioners within a slightly different organization and context and that someone could make a successful effort at generalizing those insights. While perhaps not paradigmatically pure, by the criteria of being helpful for practitioners, the research might still be considered worthwhile.

In this project, we have assumed that such good research can actually be performed and we therefore have tried not to be restricted by a debate whose value to the practitioner could be questioned. Thus, when we conclude this project, we will primarily be judging its value by its practical usefulness and not paradigmatic purity. While this line of argument might not impose as strict guidelines for our project as might otherwise have been the case, it must in no way be seen as justification for a sloppy methodology. Consequently, in the next section, we will briefly review a stepwise procedure that lets phenomena relevant to practitioners be studied in a rigorous fashion.

2.3. Research Procedure

As we have seen above, there seems to be a need for doing research with more relevance to practitioners. Lawrence (1992:140) writes that "*the better work in our field has come from problem-oriented research rather than from theory-oriented research* [italics in original]" and suggests the following 7-step procedure for conducting such research:

1) Select an important emerging human problem to study, a selection based on careful listening and observations; be explicit about the value choices involved.
2) Do some initial field scouting of the problem to make an initial assessment of the key parameters.
3) Examine relevant theory to use promising hypotheses and conceptualizations.

4) Be eclectic in research design, choice of data collection techniques, and analytic methods.
5) Collect data systematically.
6) Analyze and generalize.
7) Present results so that they are useful for action by responsible problem solvers as well as accessible to the academic community.

In explaining the procedure, Lawrence also noted that data collection can be largely completed before digging into relevant theory (p. 141). Furthermore, step 6) about generalizing, should not be interpreted as necessarily in favour of a certain positivist approach:

> The use of larger samples and more quantitative methods is usually more appropriate for testing hypotheses that have grown out of exploratory research. (p. 141)

We would also like to underline that we consider step 3) as support for our wish not to be restricted by paradigmatic considerations. For the remainder of this section, we will now detail how we have carried out Lawrence's procedure in practice.

2.3.1. Selection of Problem

Much management literature, as well as our education, has been concerned with understanding and building better organizations. Topics such as change management, strategy formulation, corporate culture and so on are all very interesting, but most of the time have a common denominator that they are studied in the context of successful (or soon-to-be successful organizations). While concepts like *marketing myopia* (Levitt, 1960) and *creative destruction* (Schumpeter, 1975) have been studied, it has mostly been from a perspective of trying to avoid them. Little, if any, time has been spent on examining what actually goes on in an organization where the decline has already begun.

It is getting rather old to repeatedly state that the world is changing at an ever-increasing pace and that globalization is changing the way business is conducted. Grey (2009:95)– fatigued – notes that:

> [i]t is unlikely that there is anyone who has spent any time at all studying organizations or, for that matter, working in them in recent years who has not been exposed to the assumptions that change is getting more rapid and is vital to organizational survival.

Nevertheless, not least against the background of the financial crisis of 2008-09, studying the dynamics of decline in companies seems as relevant to practitioners as ever and it is difficult to see the phenomenon as passing. Thus we believe that we have identified a problem to study that is well worthy of our time.

2.3.2. Initial Scouting of the Problem and Theory Review

For obvious reasons, theory will be given full attention in the theory chapter, but it suffices to say here, that we spent a considerable amount of time reading journals and browsing databases, as well as discussing the subject with professors, trying to find where the frontier of research in this area is currently at. Our first impression was that the field was little explored, and was sorely lacking in coherence, which had some implications for how we chose to carry out the project.

2.3.3. Choice of Research Design

Because of the lack of coherent and complete theoretical body regarding the dynamics of decline, we were drawn to an approach somewhat similar to using grounded theory, not least because it has been recognised that such an approach produces better research as it leaves no stones unturned (Fisher, 2010). For two reasons, however, we decided against using a strictly grounded approach. First, it would be virtually impossible to complete a project in only a few months time without narrowing down the questions we will ask. (The flora of interesting – however unrelated – topics that will emerge even during a rather structured interview, is probably what makes us constantly want to research even more.) Second – and this we believe to be an important point even if you were given infinite time and resources for your project – the idea of remaining completely unaffected by prior research is impossible, if not undesirable. Undesirable in the sense that hunches and your own experiences are important as inspiration and guidance for forming research questions and making hypotheses about the lay of the land (e.g. Fisher, 2010 and Yin, 2009). Impossible in the sense that depending on your personal background, you will always be affected by existing theory to some extent. Be it, as in our case, due to your business education or simply society's current discourse you can never expect to be totally uninfluenced by current theory – that is, even your *hunches* will be influenced by existing theory.

Then how is the researcher supposed to deal with this impossibility of being completely open to problems that exist in real organizational life, without being restricted by preconceptions? We have tried to pursue an approach based on consciousness and honesty. Conscious in the sense that we do not fool ourselves into believing that we will be completely unaffected by the world around us and honest in the sense that we openly declare our backgrounds, to the extent that people employing research might be able to knowingly discriminate between research produced, for example by someone that has spent most her life within academia and someone who foremost has been a practitioner, thus allowing them to interpret findings and conclusions in their right light. This is, by the way, not to insinuate that either of the two kinds would be superior to the other, only that they might be expected to have different strengths and weaknesses.

This line of argument might sound as if we are strictly working within the *interpretive* paradigm in Burrell and Morgan's (1979) terms. We would therefore like to point out that while we in this thesis might not be able to try our findings on a broader sample of companies, we hope to establish a frame of reference that can later on be used as a basis for model-building and subject to statistical testing.

When it comes to the researcher's level of engagement, Fisher (2010) has described five levels. He refers to them as: *ivory tower research* (knowledge that is theoretically interesting but devoid of practical use), *evaluation research* (practitioners are objects of study rather than partners), *engaged* *research* (also known as *collaborative research*), *participant research* (goes further than engaged research as it also involves the researcher in conducting organizational changes), and *seeking justice* (where researchers attempt to influence systems and cultures and make them more just).

We have the ambition to conduct evaluation research in this thesis. We will see the practitioners as objects of study, rather than partners in the study, but will be open to their opinions in deciding what is researched. This means that we have used the practitioners we study to find the most relevant questions within the field of decline research. The reason for engaging the practitioners in deciding what to focus on is further strengthened by what Cameron et. al (1988:16) write:

> "People who are key figures in declining or dying organizations are typically knowledgeable about the phenomenon. The problems and challenges of the management of decline are so visible in an organization that information is readily available. Thus, while we as organizational researchers may sometimes study topics such as leadership style or centralization that informants have never thought of, members of declining organizations typically have a vast store of knowledge about the subject at hand."

Therefore we have identified our purpose by performing unstructured interviews with people in organizations who have experienced decline and by reviewing the literature on decline, with their thoughts in mind.

2.3.4. Data Collection

We have chosen to use a qualitative research method, namely the case study method. In this section we will explain what this means for our thesis and how we have used the case study in order to collect and analyse data in a systematic way, as well as how we chose our case companies.

2.3.4.1. The Choice of the Case Study Method

Our method for data collection was to do a case study; a qualitative method. There were several reasons as to why we chose this particular method.

First, we had found the area of decline research to be lacking in coherence and that one object of our thesis is to contribute to filling this gap. The case study method is especially useful when one is exploring an area that is not that well researched. Lawrence (1992:141) writes that "I subscribe to the idea that developing richly documented research cases is an especially useful way of exploring poorly mapped phenomenon" and according to Holme and Solvang (1996:14) the qualitative method has understanding of phenomena as its primary purpose. Given our purpose of understanding behaviours that relate to decline and the lack of coherence in theories on the subject, the case study method is good to use.

Second, Fisher (2010) adds to the pros of the case study method that it allows the researcher to produce research that has depth and gives holistic descriptions of events – something that is applicable for qualitative studies in general (Holme & Solvang, 1996). Fisher accentuates that the case study allows the researcher to focus on the interdependencies of factors in a company.

Thirdly, the case study has been described as appropriate when a researcher is investigating an event where the research question is *how* or *why*, where the researcher is studying a contemporary event, and where the researcher cannot manipulate behaviours (Yin, 2009). Indeed the first two are applicable for our study and the last is a requirement for it.

Unfortunately, there are some drawbacks associated with the use of the case study method. Fisher (2010) describes it as lacking in representativeness. That is, the result of one case study cannot be used to draw conclusions about facts in another case.

Yin (2009) nuances this critique by making a distinction between *statistical* generalizations and *analytical* (also known as *theoretical*) generalizations. The former cannot be derived from a case study, whilst the latter can. That is, from a case study of student behaviour you cannot generalize that male students are more vocal in the classroom than female students are (statistical), but you can very well generalize that sex might be a factor that influences student behaviour (theoretical). Yin even describes it as a fatal flaw to make statistical generalizations from a case study. We subscribe to Yin's opinion and believe that in doing evaluation research we bound ourselves to making only theoretical generalizations. That is, in order to be able to do evaluation research, we believe that it is necessary to chose a mode of research where there is interaction between the researcher and the practitioner – in our case we chose the case study – and therefore it is not possible to create statistical generalizations.

Fisher (2010) states that if you make a case study and wish to make theoretical generalizations stronger, it is good to add additional cases to your first, which we have done.

Given the purposes of our research (I. explaining how employees who hold management positions react when facing decline; II. explaining how employees who do not hold management positions react when facing decline) and the research into the use of the case study method presented above, we have deemed the case study method to be the best for carrying out our project. Furthermore, we believe that if one is aware of the constriction of the case study model, and completely refrains from using it to make statistical generalizations, that is greatly reduced. However, we do recognize that generalizability is a problem in the case study method even for theoretical generalizations and therefore will do two cases sequentially to be able to check the findings in the first case against those in the second case. Thereby we should reduce the bias from the first case.

2.3.4.2. The Choice of Companies

As our purpose is developing *theory* that is useful for practitioners, we have strived for theoretical relevance in choosing our case company (Björkegren, 1988). Hence, we used theoretical sampling. This means that case companies are chosen based on their bearing on the research question. That is, we have been wanting to interview people about their reactions when their organization went through a decline. Therefore, as we have argued above under section 1.3.2.4, we have had little interest in a precise measure of decline (e.g. a decline of 15 per cent in net income).

Nevertheless, to even find companies, we needed a place to start looking. Those we contacted about interviewing were the ones that we in one way or another (e.g. news paper articles) had a suspicion had gone through decline. Before contacting them however, we examined their annual reports in order to make sure that the decline they had gone through matched our definition of decline (see section 1.3.2). In a way, this has restricted us from finding people that have experienced decline in some other way than financially, but for practical reasons, this was the choice we made.

It is our experience that companies often are very willing to share their stories of successful undertakings, but as it turned out, few are willing to open up when it comes to difficulties. A difficulty we are not alone in experiencing when studying decline (Harris & Sutton, 1986; Salancik, 1979; Whetten, 1980). In other words, we had significant problems gaining access to case companies. In fact, we spent the first two months of this project contacting companies before we found two that were willing to let us in.

At the request of the CEOs of the organizations we have studied, we have assigned a fake name to each of the companies – Industrial and Professional.

2.3.4.3. Data We Collected and the Method of the Interviews

In this case study we have gathered data from three different sources: written documents in the companies from the time of the decline and interviews. We chose to use multiple sources of data collection in order to reduce bias of the data due to time passed since the events. This is in line with well-established opinions in the literature (Yin, 2009).

The Method of the Interviews

The most essential part for building our case study has been the use of interviews. The interviews can be described as having been conducted in an unstructured manner early on in the data collection at each company and then increasingly gaining structure until they, by the end of the data collection, were more or less structured. Hence, our early interviews could be likened to conversations with the interviewee where we noted recurring themes and cues, and ever so gently steered it to remain within the bounds of our subject. This conversation evolved into the later interviews, where we asked the interviewee about particular events and steered the interview with a firmer hand.

We chose to use this sliding structure for our interviews because of our ambition to let the purpose of our research be influenced by the objects we studied; otherwise practical relevance would have been much more difficult to achieve.

The interviewees have been allowed to chose the venue for the interview – which has varied between personal offices, conference rooms, lunch rooms, and other – in order to make sure that the interviewee was in a safe zone for the interview, something we deemed important given the sensitive subject of our study.

During the interviews we used a voice recorder and took notes in order to facilitate our orientation in the recordings later on. This also helped us remember the atmosphere of each interview and not only the words of it.

Ethical Considerations in the Data Collection

Furthermore, the public availability of a master thesis prompted us to some additional considerations. We have expressly asked all interviewees if they felt comfortable with a voice recorder being used, informed them of the confidentiality that we would give them in the case description, and explained that citations from the interviews would be used in the case description. It has been the strongest intention from the authors that no interviewee's identity should be possible to deduct based on the citations in the case description. As a result of this, the desire to protect the identities of the interviewees, we have assigned a randomly chosen fake name to each interviewee in the case description. We have also respected the desires of interviewees to refrain from using certain citations that they have not wished to be made public.

2.3.5. Analysis of the Data

The analysis is what provides the case researcher with the most trouble. This is because there are few guides out there on how to do it. Instead the researcher must find her own footing and attempt to present and systematically analyse the material as carefully as possible (Yin, 2009).

Holme and Solvang (1996) recommend the researcher to use either a total or partial method of analysis. The former considers the total information gathered and entails choosing themes to highlight in the analysis, the latter takes off in single words or statements in the material and builds an understanding from these.

In order to help the researcher structure the analysis Yin (2009) proposes four general strategies to use. On his method of using theoretical propositions he writes:

> Clearly, the proposition helps to focus attention on certain data and ignore other data. […] The proposition also helps to organize the entire case study and to define alternative explanations to be examined. Theoretical propositions stemming from "how" and "why" questions can be extremely useful in guiding case study analysis in this manner. (p. 130-131)

In analysing our data we have found both these strategies useful. We have taken off in our framework and through this been guided to the themes associated with each problem area.

When the material had been gathered we used our notes from the interviews to draw chronological maps onto which we marked down key events, preferably from as many perspectives as possible, in order to build an understanding of the cases. The marks contained a short description of the events and a note to the interview during which it had been mentioned. Based on these maps we transcribed key parts of the interviews and created a document that was made up of pure quotations and a few words or a sentence where the context of the quote was explained.

We chose to not transcribe the entire interviews, but to only transcribe key parts of them, due to time restraints. This is in line with Holme and Solvang's (1996:140) recommendations for handling time restraints in thesis writing and we believe that the result of using this method is good. It allows us to create a case description with high reliability, because we use both field notes and then validate them with transcribed sections of the interviews, whilst not wasting resources on transcribing sections that are not used in the case descriptions.

We then built the case descriptions from these quotation documents by continuously working the quotes into text. Throughout this process we noted recurring themes from the interviews (by having several quotes for each event) and by applying our theoretical framework.

2.4. A Discussion on the Reliability and Validity

The quality of a research design can be measured through the reliability and validity of it (Yin, 2009). Yin writes that we can test quality by applying certain logical test to our study. In this section of the thesis we will look at the validity and reliability in turn by posing control questions as suggested by Yin. The concepts of reliability and validity are closely related and as the reader will discover, several of the methods used in building reliability in a research design simultaneously raises the validity and vice versa.

2.4.1. Validity

Both Fisher (2010) and Yin (2009) list three different aspects of validity. The three aspects are: *construct* (or measurement) validity, *internal validity*, and *external* (or *population*) *validity*. The following review of the aspects is based on Fisher's book unless otherwise stated.

Construct validity in qualitative research refers to the correctness of the interpretation that the researcher has made during the study. For example, has the researcher correctly understood the cues that the interviewees have given in the interview? Holme and Solvang (1996) write that communication between people inherently has the problem that what one person says might not be heard in that way by her conversation partner. Yin (2009) suggests that the researcher should use multiple sources of data in order to increase the construct validity. Throughout the study we have used the interviews to provide multiple views on the events we study, and we have also, in as far as possible, complemented the interviews with other forms of data from the time of the decline in order to enhance the validity of our interpretations.

Internal validity refers to whether the evidence that the researcher has found can justify the claimed cause and effect relationship. That is, how believable is the claim that is made? Yin (2009:43) writes that the researcher when making inferences should pose the following questions to himself in order to assure that he has covered the aspect of internal validity:

> Is the inference correct? Have all the rival explanations and possibilities been considered? Is the evidence convergent? Does it appear to be airtight?

For us this refers to the use of the maps we created after the interviews, where we grouped interviewees' statements according to the events they related to, see section 2.3.5. By creating these maps we were able to group similar statements and review the possibility that they did not explain the effects they were related to.

External validity is the measurement of transferability of a study's results to a larger population. In qualitative research external validity is only possible to measure through judgement. Fisher has written that:

> The researcher does have a responsibility; it is to provide a thick and detailed enough description of the research material to allow the reader to make their own judgements about transferability. (p. 275)

As we have discussed in section 2.3.4.1, Yin (2009) claims that the case study method is not applicable for making statistical generalizations, but good for making theoretical generalizations. Björkegren (1988) has argues a similar point in that he considers the study's results to not be generalizable outside of the objects of the study, but that the study can be used to create theories or hypotheses. These are, however, not proven based on the study.

We are aware of this limitation to our study and refrain from making statistical generalization but rather use the study to create theories for future research. We also provide the reader with a rich description of the cases with the intention of facilitating the reader's ability to make alternative interpretations to test our results.

Furthermore, even though we know that our findings might not apply generally, since we do not conduct that kind of analysis at all, we still must be aware of a risk similar to that of *self-selection bias* in quantitative research (Wooldridge, 2008). That is, if it was because of the severity of the decline that some companies did not give us access, we must suspect that our eventual case companies opened up, at least partly, because times had not been that bad for them after all. As we shall see, the decline we came to study was in fact a relatively quickly passing one, but as it was happening, it was an unsettling experience for the involved and the answers we got indicated that it was reasonable to use the word decline and the company constituted a relevant object for us to study.

2.4.2. Reliability

The object of reliability is to make sure that another researcher can replicate a study and arrive at the same results as the researcher who initially performed it. "The goal of reliability is to minimize the errors and biases in the study" according to Yin (2009:45). Inherently, there is a difference in evaluating the reliability of qualitative and quantitative research.

Björkegren (1988) suggests that the reliability of qualitative research should be evaluated through the *correctness* of the case description, the *credibility* of the interpretation, and the *usability* of the *theory of interpretation*.[5]

In order to assure the correctness of the case descriptions we have sent copies of them to the interviewees, and received replies with their opinions on them and suggestions for correctness. Based on these replies we have adjusted the case descriptions in order to more justly portray the events (the changes related primarily to the timing of certain events). Furthermore, we have throughout the interview process attempted to get as many opinions, as well as secondary data, on each event as possible in order to assure that our interpretation is correct.

By sending the case description to the interviewees for comments another motive has been to assure that the collected data is reliable. Berg (1979), investigating a related topic, found that many interviewees not only took the chance to digest their experiences, but more specifically were very quick to use the interviews as an outflow for ill blood against the organization and people within it. By checking the case descriptions with the interviewees we believe that we have been able to limit the extent to which such contaminations may have affected the data.

The credibility of the case description relates to whether the interpretation that is made explains the data. Throughout our analysis (interpretation) of the data we have continuously related our interpretations to theories in the field of decline through the use of our theoretical framework., and unceasingly compared alternative interpretations to our own.

As Björkegren explains, the usability of the theory of interpretation (in this thesis our theoretical framework) should be measured by checking if the chosen framework can be used to understand reality. In order to chose between frameworks, Björkegren suggests that the criterion should be that the framework "through the interpretation explains the current relevant data" (p. 22). In the analysis chapter we continuously challenge our frameworks ability to interpret the data.

[5] Björkegren uses the Swedish words *korrekthet*, *trovärdighet*, *användbarhet*, and *tolkningsteori* in his writings. We have translated these words into *correctness*, *credibility*, *usability*, and *theory of interpretation* respectively. In our translations we have attempted to translate the words as literally as possible and we have provided the reader with explanations of the words in the text.

3. THEORY

This chapter presents our theoretical framework. The framework consists of three parts: detecting decline, interpreting decline, and dysfunctional behaviours related to decline. The three parts will be presented in turn before we summarize the framework at the end of the chapter.

3.1. The Composition of the Framework

Decline has been described as a situation where resource scarcity (Whetten, 1980) and emotional stress (Krantz, 1985; Smollan, 2006) conspire to make organizations dysfunctional (Cameron et al., 1988). However, research is fragmented and findings sometimes contradictory (Mellahi & Wilkinson, 2004), following a lack of comprehensive theoretical framework to reconcile findings.

In this chapter, we will present our framework for understanding reactions in the face of decline. The framework is composed of generic findings on decline (in the areas of conflict levels in organizations, long-term planning, and communication), theories on sense-making, and the punctuated equilibrium paradigm.

The frameworks first component is related to the *detection* of decline in organizations. This component is included as one cannot, logically, react to decline unless one is aware of it. We will therefore begin by briefly considering how decline is detected in the first place.

The second component is related to the decision to act. In this component we bring in the punctuated equilibrium framework in order to explain differences in the interpretation of the decline that managers make, and thereby also the differences in actions they take in reaction to decline.

The third component of the framework is related to the most important dysfunctional behaviours that have been identified in the literature or recognized as problematic in our contacts with practitioners. The three areas are:

1. neglect of long-term matters,
2. intra-organizational conflict, and
3. insufficient communication.

Our main contribution in the third section will come from discussing the three problem areas of decline in light of whether the organization decides to change revolutionarily or not.

3.2. Detection of Decline

In this section we will look into how decline is detected in organizations. We will combine theories on aspirational levels of senior managers and organizational slack to build our understanding.

3.2.1. Detection through Iterative Comparisons with Aspirational Levels

One way to think about decline is through the aspirational levels of organizations. Grinyer and McKiernan (1990) build a theoretical model that describes the critical threshold level in terms of a comparison between senior management's aspirations for the organization and its actual performance. If that comparison proves an unsatisfactory result, the organization will act. However, everyone will not share the perspective of senior management, nor be exposed to the same reports on performance as they are. Instead, it seems reasonable that decline is perceived differently depending on your organizational position and accompanying aspirational levels. Namely, we expect members of organizations at different levels, to interpret decline in light of their daily work. In fact, it should be assumed that there, in the organization, exists a multitude of views at one particular time about what is actually going on (Rosenthal, Hart & Kouzmin, 1991). Detection of decline on an organizational level is, then, dependent on how sharply divided these views are from each other. That is, equally severe decreases in sales may go largely unnoticed for a while in one company, if for example the sales department is by itself, whereas it may be brought to management's attention immediately in another company, if they are more tightly connected.

While not made explicit by Grinyer and McKiernan (1990), we consider it implicit to their model that comparisons between aspirational levels and outcomes are performed iteratively; you are unlikely to only make the comparison at one point in time and then, if the result is satisfactory, be happy forever. On the other hand, we can also assume that how often the comparison is iterated, will vary between organizations and individuals. This, again, suggests that it might take longer for one company to detect similar instances of decline, than it does for its competitors. The on-going nature of aspiration level comparisons, also indicates that the same decline period may be interpreted over and over again. In essence, an executive that responds to decline with a certain set of reactions, may, after a new comparison between aspirational levels and performance, produce a different set of reactions if the first set proved dissatisfactory.

3.2.2. Detection of Decline Is Moderated by Organizational Slack

To explain dissimilarities in organizations' patterns of detecting (and subsequently reacting to) decline, we also need to understand the idea of *organizational slack*. The concept is described by Cyert and March (1992:189) as

> the difference between the payments required to maintain the organization [e.g. salaries, dividends] and the resources obtained from the environment by the coalition [organization].

Slack is important because it stabilizes organizations. It provides a cushion of emergency resources that "permits aspirations to be maintained (and achieved) during relatively bad times" (Cyert & March, 1992:44). Hence, we are inclined to believe that failure to meet aspirational levels are not enough to make organizations consider themselves to be in decline; but when aspirational levels are not achieved and there is little or no slack to absorb adverse circumstances, we expect the decline to be detected and reacted to.

3.2.3. Conclusion Detection

Detection of decline is an iterative process that is constituted by a comparison between organizational members' levels of aspiration for their work and performance in those areas. The process is moderated by organizational slack, to the extent that it can absorb adverse circumstances. This implies that decline can be detected based on internal as well as external developments; wherever there is an aspirational level, decline could potentially be detected. In the next section we will discuss how top management may react to decline, following its detection, by introducing a period of revolutionary change.

3.3. The Decision to Act on Decline

Managers' decision to act when facing decline is dependent on both the inertia in the organization and the managers' own inertia. In this section we will picture it as a stepwise process of interpreting and acting.

3.3.1. Interpreting Decline

Weick (1988) in his writings expounds the concept of *enactment* and its importance in understanding how crises are perceived and responded to. Enactment is described as the process by which organizational members, when faced with a situation, act based on their relevant, previous experiences, guided by their preconceptions. As he also writes that every action limits the menu of available future actions, any action taken based on a preconception will reinforce that preconception. Shrivastava, Mitroff, Miller, and Migliani (1988:134) argue a similar point in saying that "[f]rom the standpoint of enactment, initial responses do more than set the tone: they determine the trajectory of the crisis". Other authors who support Weick's arguments are Bozeman & Slusher (1979). In their study they find that formalization and habitual responses are more likely when organizational members are faced with decline, because of the environmental stress decline poses.

3.3.2. Inertia in Organizations and Managers

Gersick (1991) writes that management, when faced with the external pressures of decline, will react by either introducing a revolutionary period (where the systems of the organization are fundamentally altered) or by continuing according to the current mode of operations in the company; this mode of operations she terms *deep structure*. Deep structures are the fundamental relations between an organizations' different parts and their environments and how those relations are maintained, as well as how resources are obtained from the environments. Like norms, they are largely implicit, while going against them would normally seem out of the question for the organizational member. Oftentimes, the deep structure is formed by decisions early on in the life of an organization, "early steps in decision trees are the most fateful" (Gersick, 1991:16).[6]

Deep structures are associated with inertia, that can prevent organizations from acting on decline. Gersick writes that:

> As long as the deep structure is intact, it generates a strong inertia, first to prevent the system from generating alternatives outside its own boundaries, then to pull any deviations that do occur back into line. *(p. 19)*

When a company is in an equilibrium state (the opposite to a revolutionary period; that is, a state where the deep structure is intact), the deep structure and resultant inertia of the organization, limits the extent of change that can be realized step-by-step. New ideas, products or locations, all need to be worked into the interdependencies of the deep structure, creating a boundary for what is possible. This means that even though decline may bring about a need for an organization to enter into a revolutionary period, such a need is no guarantee that a revolutionary period will actually begin. Indeed, Tushman and Romanelli (1994) find no support for their hypothesis that severe performance decrease will increase the likelihood of revolutionary change, and a company suffering from myopia (Levitt, 1960) might instead of changing simply fade away gradually.

3.3.3. Overcoming Inertia to Initiate a Revolutionary Period

In order to initiate a revolutionary period, it is necessary to dismantle the deep structure, to create a blank slate so to speak, from which a new deep structure, that has room for the desired changes, can be constructed. This is done by breaking the organization's inertia that preserves the stability of equilibrium. To break inertia, however, it is not enough for external or internal pressures to accumulate, thus making a company's deep structure obsolete (Gersick, 1991). The inertia might be too strong. Rather, it is necessary for a catalyst event to spark the change.

[6] Several other authors have discussed concepts similar to deep structures. Bartunek and Moch (1987) draw upon cognitive sciences and start their discussion with the role of *schemata*, that are organizing frameworks against which events are interpreted by organizational members. The authors look at three orders of change in these schemata, where the first-order change is incremental within an already shared schema and the second-order change modifies the schema itself. Burke's 1994 book is relatively practical and does not delve into the topic of deep structure, but uses *culture* as a term for "values and norms that underlie a social system" (p. 126) and *climate* representing "organizational conditions, such systems, structure, and managerial behaviour" (ibid). Greenwood and Hinings (1993) look at changes in *archetypes*. These archetypes they described as "[t]he pattern of an organizational design [being] a function of an underlying interpretive scheme, or set of beliefs and values, that is embodied in an organization's structures and systems. An archetype is thus a set of structures and systems that consistently embodies a single interpretive scheme" (p 1055.) They find that while not all organizations in their study showed the implicit coherence of archetypes at all times, moves between two major types were limited, highlighting the inertia of deep structures. Additionally, several organizations that at one period of time were not clear archetypes, showed signs of incrementally converging to a coherent archetype over time. Finally, Tushman and Romanelli (1985) propose that "[o]rganizations evolve through periods of incremental change (convergent periods), punctuated by reorientations which lead, in turn, to the following convergent period" (p. 203). For a full comparison, please see appendix 2.

Tushman and Romanelli (1985) have suggest that only executives have the power to introduce revolutions, but that their ability to do this is limited by their tenure, the composition of the executive team and the team's demographic makeup. This is because the executives can be subjects to personal inertia (interdependencies or perceptions) that limits their options.

In their 1994 article Romanelli and Tushman indeed find support for the hypothesis that CEO successions would increase the likelihood of fundamental transformations. They also found support for the hypothesis that great changes in the organizations external environment could introduce a revolutionary period. For our purposes, all these findings are interesting, because we are picturing decline as an occurrence that will put executives before the decision of introducing revolutionary change or not.

These findings on inertia are especially interesting when viewed in the light of Weick's (1988) and Bozeman and Slusher's (1979) writings on how crises are detected and determined. If we agree with them, and believe that responses to crises are determined according to preconceptions and that crises increase the reliance on habitual responses respectively, this would imply that inertia in managers would be increased when they are faced with a decline. That is, when a manager is faced with decline, she is less willing to introduce a revolutionary change, than she would be if the change was not sparked by the external pressures of decline. Because revolutionary change must be intentional on the part of managers (Weick and Quinn (1999)) decline leads to a decreased possibility of revolutionary change being introduced for the organization as a response to external pressures.

3.4. Reactions to Decline

Even though the research into decline is fragmented (Mellahi & Wilkinson, 2004) there is an overwhelming consensus on the fact that decline is often associated with a number of dysfunctional behaviours (Whetten, 1987). But how can one tell when dysfunctional behaviour will be part of organizational members' reactions to decline and to what extent? By introducing Gersick's paradigm of revolutionary change, we have tried to illustrate how an already difficult situation of decline, is made even more difficult as an organization's deep structure comes apart.

In this section on dysfunctional reactions to decline, we will move into discussing the problem areas introduced above (interpersonal conflicts, neglect of long-term planning and insufficient communication), thereby furthering our argument that management's introduction of revolutionary change is likely to have adverse effects in the face of decline.

3.4.1. Conflicts due to Decline Exacerbated by Revolutionary Change

Conflicts are inherent to organizations that face decline, through workings of negative emotions (Krantz, 1985; Whetten, 1980) and scarce resources (Cameron et al., 1987). Revolutionary change, as it also is connected to negative emotions (George & Jones, 2001), is expected to exacerbate the conflict levels. (This might be troublesome not least because it is necessary to win the hearts and minds of employees to perform successful organizational change (Duck, 1993) and thus end decline.) In this section we will examine these assertions in more detail and consider how the introduction of revolutionary change will accentuate the conflict levels of decline.

Krantz (1985) writes that a decline will result in enormous amounts of stress being generated inside an organization. The reason for this stress is that a decline releases emotions that are similar to the emotions people experience when they are faced with death or serious impairment. That is, decline is associated with extremely strong emotions. This is a finding that Krantz shares with Whetten (1980), who also finds that declines will result in increasing generation of stress in an organization. In order to handle these emotions, Krantz states that people revert to very primitive responses. This leads to a situation where "[l]ong-standing conflicts emerge, interest-based subgroups coalesce, and staff members become envious of people in higher positions" (p. 15).

Conflict levels do, however, not rise solely because of negative emotions. In addition, the scarcity of resources during decline leads to interpersonal conflicts, due to internal competition for mutually exclusive resources (Cameron et al., 1987). Whetten (1980:369), similarly, argues that decreasing resources leads to a situation where "more people find that they are losing more with little prospect for making up current resource losses in future allocations" and this sparks interpersonal conflicts in the organization.

Let us now consider what happens to conflict levels, when managers respond to decline by introducing a revolutionary period and consequently try to change the organization's deep structure. George and Jones (2001) argue that changes involving interpretative schemas (comparable to deep structures) themselves are the ones that meet the most employee resistance. That is, that generate the most negative feelings and conflict. Smollan (2006) states a similar opinion, in suggesting that the sheer size of change may trigger negative behaviour. Furthermore, Nadler (1988) writes that changes that are re-creational (namely, reactive to an external event and transforming the organization's underlying structure) are the most intense ones, leading to the highest degree of shock, trauma and discontinuity; his descriptions of reactions are similar to those of Krantz above (emotions that are similar to the trauma of impairment). Lastly, Burke (1994) conceptualizes *transformational* change as a large-scale effort that entails the need for significant changes in behaviour and is required to change culture.

We thus see that revolutionary changes in themselves are also interlinked with powerful negative emotions among employees, because they are concerned with changing deep structures. As we have seen, those negative emotions are likely to lead to increased interpersonal conflict. If coupled with the emotional turmoil of a decline period, we expect the result to be even higher levels of conflict.

When decline is not coupled with a change in an organization's deep structure, that very deep structure provides employees with a pattern of reaction that they are familiar and feel comfortable with; a safety net of reactions one might say. As soon as the deep structure is removed, employees face the dual shock of decline and not being able to rely on taken-for-granted behaviours for reacting to that decline – thus increasing their stress and shock levels.

And, as we know from Krantz above, when people are subjected to trauma they handle the excessive emotions by engaging in conflicts.

3.4.2. Neglect of Long-Term Perspective

Studying organizational identity, Albert and Whetten (1985:274) suggest that times of retrenchment (the first step in Pearce and Robbins' (1993) model of responding to decline) are especially important for discussing questions about who we [the organization] are and what our goals and values are; questions that all have strategic relevance. Additionally, Behn (1983) argues that retrenchment actions are pointless if they are not complemented by the development of a new corporate strategy and the next step in Pearce and Robbins' (1993) model of countering decline, is a period of entrepreneurial search where the strategy is realigned to the new business environment**.**

As we will elaborate in this section, there are, however, substantial threats to theses activities during decline. In particular, we will see how resource scarcity and tendencies to centralize may tempt organizations to put strategic development on hold.

3.4.2.1. Resource Scarcity Negatively Impacting Long-Term Projects

As we mentioned above, decline is associated with a decrease in organizational resources and slack. According to Pearce & Robbins (1993), the first action to counter decline, is indeed a period of retrenchment to stop bleeding financially. Now, it will of course vary from organization to organization which costs are cut during the retrenchment period, but research has shown that managers will be predisposed towards making general, rather than targeted cuts, in order to appease conflicting demands (Whetten, 1987; Cameron, Whetten & Kim, 1987). In a similar vein, Whetten (1980:370) writes that an often ill-remembered consequence of using across-the-board cuts is that it tends to hit the projects or departments "that deserve them the least". That is, the units that are the most effective will be subject to the same cuts as units that are performing comparatively worse.

This might be understood as an attempt by top management to be seen as fair. Indeed, Smollan (2006) writes that the perceived *fairness* will affect the reception of a change initiative. Fairness, in turn, depends on distributive justice (the outcomes of the change) and procedural justice (how decisions are made), and negative perceptions of justice are expected to lead to negative behavioural outcomes (Smollan, 2006). Thus, in order to be perceived as fair, we expect that managers will strive to make changes that affect all employees equally. As a consequence, there seems to be a risk that discussions and projects about a future identity and new strategy for the organization, may have to make way when the budget is tightened equally across the organization.

Also with the potential to threaten long-term planning, Cameron and Zammuto (1983) found that retrenchment brings a focus on increased selling, efficiency, cost cuts, accountability and other ways of improving liquidity, while protecting the organization's core (Cameron & Zammuto, 1983). We might thus suspect that funding of long-term projects will be challenged even more in times of decline.

This leads us to a conundrum. First, we have established that decline implies resource scarcity for organizations. Second, we have seen that management is likely to counter this resource scarcity with cost cuts that are evenly distributed, disregarding the projects' relevance for the future of the organization. This we have interpreted as a risk that the long-term view will be lost. However, as we have seen, the concept of revolutionary change requires intentional action on behalf of the managers, which cannot exclude taking the future into account. We believe that the explanation to this contradiction, lies in the fact that mangers will adapt their behaviour to the intentional action of initiating revolutionary change. This idea is supported by Weick (1988) and Shrivastava et al. (1988), when they write that one's actions will limit the menu of actions that are available after the first action is taken.

Taken together, this would suggest that decline, without the introduction of a revolutionary change, leads to general cuts in costs, whereas decline that is followed by a revolutionary change will lead to focused cuts as managers put their attention to what is important in designing the future deep structure, which indeed is an issue of long-term nature. We therefore propose to nuance Cameron et al.'s findings of long-term planning disappearing during decline, by adding the special case of revolutionary change as an instance where long-term can still be in focus during decline.

3.4.2.2. Centralization Will Increase

Retrenchment efforts to improve liquidity are not the only threat to long-term projects during decline. Assuming that long-term planning is primarily the responsibility of top management (cf. Mintzberg, 1979), any dynamic of decline that inhibits them from performing this duty is a threat to long-term health of the organization and there is convincing evidence pointing in this direction.

First, there is often a tendency of increased centralization during decline, manifested in the willingly increased control on the part of management and sometimes even with management performing tasks of the regular personnel (Grinyer & Mckiernan, 1990; Bozeman & Slusher, 1979; Czarniawska-Joerges 1989). Second, management is forced to make more decisions, when they are pushed upwards as personnel feel less confident making decisions during difficult times because of increased stakes (Hermann, 1963). Similarly, Whetten (1987:345) writes that:

> Centralization of decision-making increases because mistakes become more visible and costly when resources are scarce, and decisions are pushed up the hierarchy.

In the context of revolutionary change, we might expect the upwards-pushing of decisions to be intensified, because the lack of a deep structure leaves employees with even less guidance for making decisions:

> Since [system members] are no longer directed by their old deep structures, and do not yet have future directions, system members experience uncertainty, often accompanied by powerful feelings. (Gersick, 1991:26)

However, concluding that that centralization increases during revolutionary change, would involve a contradiction. As we have seen, revolutionary change has to be intentional on the part of top management, which simply does not fit with the idea of management willingly taking on tasks from employees. Nor can we expect them to accept the upwards-pushing of decisions. Instead we might infer that decisions are left unmade, in some instances leaving employees idle when it comes to certain tasks. This could also partly help explain why productivity decreases during decline (DiFonzo & Bordia, 1998).

To summarize: When decline is met with revolutionary change, top management will avoid taking on additional decision-making responsibility. Instead, employees will be left idle when it comes to tasks where they do not dare to make decisions themselves.

3.4.3. Insufficient Communication Worse during Revolutionary Change

The need for clear and effective communication from top management during periods of change, has been widely established in normative change management literature (e.g. Cohen & Kotter, 2005) and assertions from the decline literature underscore that top management communication has a significant impact on employees' perception of justice during change (Smollan, 2006). Furthermore, the changing of deep structures that is inherent in revolutionary change, isolates leaders from their groups, when group members are angered by threats to their group's existence and role structures on which their identities are based disintegrate (Krantz, 1985), which adds to the need for effective communication by top management.

However, as Kanter (2003:4) finds that in her case companies,

> managers kept communications with the staff and one another to the bare minimum […] simply [finding] reasons to cancel or postpone meetings [and] communication outside of formal meetings decreased.

we see an increased risk of lacking communication, when it is needed the most. In addition to this expected reluctance to communication on behalf of the managers, the situation is also complicated by the fact that official organization announcements are viewed with more scepticism during periods of job insecurity (Greenhalgh & Rosenblatt, 1984).

The worse top management communication becomes, the more people will interpret events based on rumours (Greenhalg & Rosenblatt, 1984) and obvious manifestations of decline such as decreases in production level:

> In the absence of alternative information from upper management, organizational members have a heightened sensitivity to any information that suggests or could be construed as suggesting the inevitability of an event (Isabella, 1990:16-17).

The insufficient communication that characterizes decline will be even more problematic for the organization if management decides to introduce revolutionary change. As we have seen above, the introduction of revolutionary change is essentially the introduction of more uncertainty into the organization, which we expect to lead to more rumour-spreading. More rumour-spreading is in turn likely to be related to a reduction in productivity (DiFonzo & Bordia, 1998), which makes it increasingly worrisome.

In conclusion, we expect that rumour-spreading due to lacking communication will be more highlighted in companies that respond to decline by introducing revolutionary change, than in companies that do not.

3.5. Conclusions on the Theoretical Framework

In this chapter we have built a theoretical framework on three parts that have been identified as significant in previous literature or by practitioners: 1) the identification of decline, 2) the (management) decision to act on decline and 3) dysfunctional behaviour that may arise as reactions to decline. We do not claim that they provide an exhaustive picture of what happens when companies face decline, but they are helpful in guiding our empirical investigation, as well as in beginning to paint a more comprehensive picture of reactions to decline.

Furthermore, it has the merit of explaining some differences in contradictory findings, by taking into account whether company management reacts to decline by introducing a revolutionary period or not. The figure shows that decline, by itself, is likely to lead to some dysfunctional behaviour on the part of organizational members, but also that this behaviour will be affected by management's response. Additionally, the framework also takes steps to provide a theoretical understanding of findings such as Cameron et al.'s correlational study, which by itself cannot explain whether it in fact is decline that leads to dysfunctional behaviour, or the other way around. The framework is modelled in Figure 2.

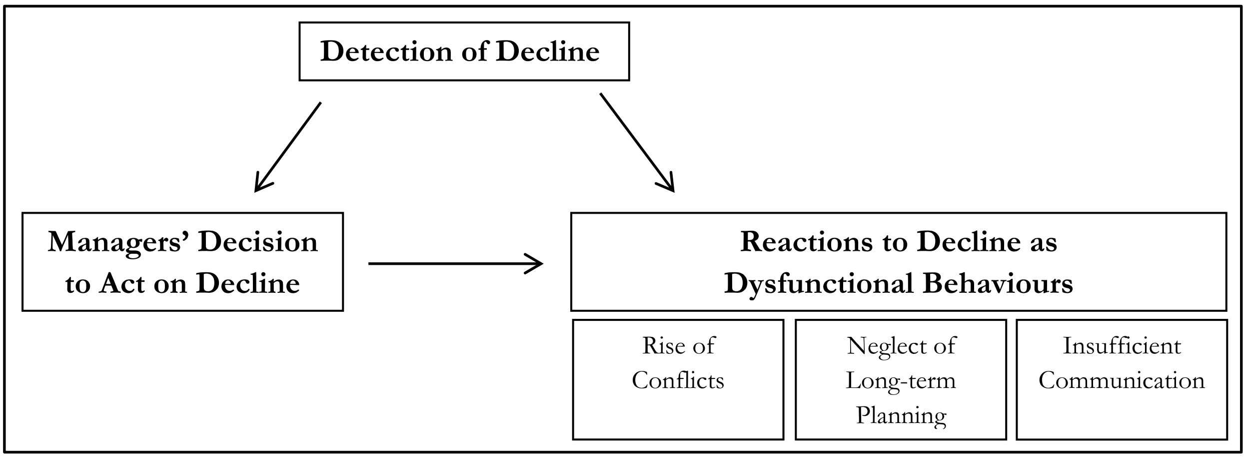

Figure 2. Model of our theoretical framework.

The first part of the framework entails detecting the decline. It is suggested that this happens as decline brings changes to your daily work – be it in the form of decline itself or its consequences – or whenever it is purposely communicated within organization. The implication is that decline can be on-going and known in one part of the organization, long before other parts detect it.

The second part, which is applicable for managers, is concerned with interpreting the decline and determining what type of response is appropriate, which we have pictured as a choice between introducing revolutionary change or not. While this might not give a full picture of available options, for instance in the case of change in anticipation of upcoming decline, it does serve the purpose of interlinking decline and the intentionality of the revolutionary change paradigm. The decision itself, then, we have argued is a function of such properties as a manager's tenure and previous experience of decline and change. Revolutionary change, because it is concerned with changing the deep structure of an organization, has to be intentional on the part of managers.

The third, and final, part involves the actual reactions that organizational members may show when faced with decline. The part has been divided into three problem areas, relating to increased conflict levels, neglect of long-term planning and insufficient communication. For all of these areas we have seen that the introduction of a revolutionary period is likely to have significant effects; long-term planning, because of its inherent connection with the intentionality of revolutionary change, is expected *not* to be threatened when decline is countered with a revolutionary period; by contrast, insufficient communication and rising conflict levels during decline, are both expected to be augmented by a revolutionary period.

We will return to the framework in chapter 6 when we analyse our empirical findings and see to what extent the framework receives empirical support, as well as discuss necessary improvements.

4. EMPIRICAL FINDINGS

In this section the findings from our case studies are presented to the reader. The structure of the presentations is sequential: first the findings from Industrial are presented and then the findings from Professional are presented. The findings will be presented in chronological order.

4.1. The Case Studies

We have gathered our data from two case studies of companies from completely different environments, which compete in completely different industries, and have completely different resource-dependencies. The cases are similar in that we follow the companies from the first indication that there will be a decline – this is not the same as the companies actually realizing the decline – until their response to the decline has been effected. Whilst it may seem strange that we continue the stories past the point where the companies' responses are effected, this is done in order to provide the reader with a fuller picture of how events panned out.

The first company is a mid-sized, family-owned, industrial company that predates the Second World War and is located in the southern part of Sweden. The second company in our study is, according to Maister's (1993) definition, a professional service firm, of comparable size to the first company and daughter-company of an internationally active parent. It is located in central Stockholm.

The stories that we present below are, in as much as possible, written in a style that attempts to provide the reader with a view that is unbiased, therefore supplementing the descriptions with several – long – quotes in order to allow the reader to form his own opinions based on the material. Whereas this attempt will inherently not be entirely successful, as the material has already been, more or less consciously, processed by the authors, it is sincere and explains the long quotes found below.

4.2. Industrial – The Industrial Company

Industrial's story is divided into three parts according to what we believe to be chronologically significant events in the course of the story. The reader will find that some events continue over several parts, or are returned to in parts subsequent to the one in which they first were mentioned. It is not a slip on the behalf of the authors, rather this is because some events are difficult, or sometimes even impossible, to delimit in regard to time sufficiently to place them solely in one part of the story.

4.2.1. A description of Industrial

Industrial is a company that is active in the chemical-technical production industry. Its product range includes products that are used as input goods in other industries as well as products that are sold directly to end customers. In total, the company has six major product groups. In addition to this, the markets that Industrial are active in experience a strong demand during the second and third quarter, whilst demand during the first and fourth quarters generally is much lower. This has, in the past, forced Industrial to produce more than they sell during Q1 and Q4 in the year and sell more than they produce in Q2 and Q3.

The company is family-owned and has been with the owner family for a little more than 80 years; currently the third generation runs the company. The owner family and the company have been closely intertwined during its history. In fact, the company has only been run by an external CEO from 1969 to 1979 following the tenure of the current CEO's grandmother (that a woman ran the company back then was unusual, but she also managed to raise six kids at the same time!). His father became CEO in 1979 and in 1999 he assumed the position himself. Presently, the five branches of the family still own 20 per cent each of the company, albeit some are very passive owners.

Industrial owns a lot of land around its location site – the CEO actually lives on one of the properties – a necessary precaution when operating in heavy industry.

The layout of the company's plant and offices is peculiar. The company is, physically, split into two different locations. The CEO, the marketing department, the support functions, and the laboratory are located at the old site, where the company was founded. The production department and the factory are located at another place roughly a kilometre away from the old site. Hence, whenever the production manager needs to visit the CEO or attend a top management meeting he must travel to another location. Conversely the CEO or marketing manager cannot just stroll down to the production manager if they want to see him or how things are going in the factory.

4.2.2. Part One – Spring 2008 to Winter 2008

> There was this crisis in '08. Or the collapse of '08. Or whatever one should call it.– Jakob

In the spring of 2008 the world economy was flourishing. As the most recent of the boom years that followed the early 2000s was maturing, everything seemed to be fine in Industrial; the orders were flowing in as they should. Or, rather, almost everything seemed to be fine. There was a small disturbance in the harmony. The marketing department had received indications that there was a slight dip in demand on the English market. This was not good, as England constitutes a large market for one of the company's most important products. This was merely believed to be a slight hiccup at the time, though, and it was not anything that was known outside of the marketing department.

> Decline began with our English customers. We sell [an intermediary good] to the light concrete industry, which is the building sector in England, was struck very hard. It began in the beginning of 2008 as the volumes went down and there were no new orders coming in.

> A lot was written in media, so we understood that something was going on. But we didn't know, then, how big it would become, how much it would spread. – Jakob

Actually, the rest of the company was struggling to keep up with the pace that was required to produce the goods that were to be delivered in spring of 2009. The company was running at full steam as the vacations of 2008 were approaching and to most people there was no indication that a drop was to be expected.

> At that time [June 2008], we got no indications that demand would drop. Rather, we got indications that we didn't have enough production capacity. There were customers begging us to produce during the vacations. So we did continue production [a bit into] the vacations, to begin delivery by early August. – Staffan

However, when the company returned from the vacations to resume the autumn's operations, there was a disturbing e-mail waiting. It was sent by a big American customer, cancelling all orders for 2008. This particular customer was said to be somewhat unreliable and short-sighted, this not being the first something similar occurred. Therefore the cancellation was calmly received.

In addition to this, the prices on the two key raw materials needed for Industrial's production had been locked at high levels for a long time and during the spring and summer they had reached even higher levels than they had before (see Figure 3).

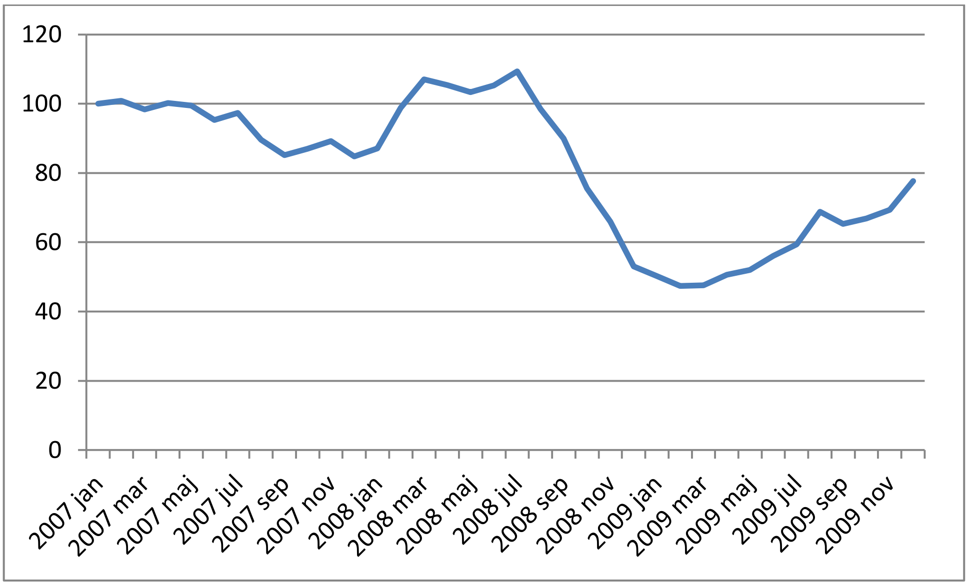

Figure 3. Raw material price of the most important input good, here referred to as element zero, for Industrial's production, from January 2007 to November 2009.

Due to Industrial's dependence on these two variables, as they constitute a great amount of the costs associated with Industrial's products, these high price levels were hurting their margins.

To understand just how discomforting this rise in price for raw material was, it is necessary to understand how Industrial competes. The CEO prides himself in the fact that the company has never lost a customer due to price.

> We have always had good products and good demand for our products, then it has, if one is to be crass, been the case that we have been bad at charging [customers for the goods]. […] During tough price negotiations we have never backed down, but accepted the price and kept the customer and sold well. – Göran

In fact, after the summer of 2008, Industrial's contribution margin for certain products became negative. This meant that Industrial faced the decision of either produce and sell with a loss or attempt to renegotiate the contracts and maybe lose its customers.

As was described in the interviews, a situation where the company produces with red figures is distressing, particularly for the personnel who work in the production, as it is very difficult to motivate people who know that the more they work, the greater the company's losses will be.

As a result of this, the top management team found itself in some tough discussions regarding what solution would be best. The production department pressed for having the contracts renegotiated due to increasing raw material costs, whilst the marketing department wanted to keep the prices down and make a loss in the short term in order to facilitate keeping customers. This line of argument was similar to the history of the company never losing a customer due to price.

At the top management meeting after the summer vacations of 2008, it was decided by the CEO and marketing director that Industrial would pursue the strategy of keeping prices at the levels that had been decided in the contracts, rather than renegotiating them. This aggrieved the production director in particular as it was his job to support this strategy in front of his personnel, even though he did not believe in it personally. In fact, the tension between the marketing director and the production director, who describes himself as a very outspoken person, became so great that the top management team did not meet in full again until the spring of 2009, laying dormant throughout the fall and winter of 2008/09.

Despite these decisions, the autumn of 2008 saw a very broad decrease in demand across Industrial's customers. Suddenly, the problem was not that customers might be price sensitive, but that they did not dare to place new orders. Even this was not considered to be alarming, but more of a relief as the company had been struggling previously.

As autumn turned to winter in 2008, the price of element zero started to move however. Following the global effects of the financial crisis, that began with the infamous collapse of the American investment bank Lehman Brothers in September 2008, came a drop in the element zero price. Or, perhaps, it would be more accurate to describe it as a plummet. In just over four months the price fell by 50 per cent.

4.2.3. Part Two – Winter 2008 to Spring 2009

The drop in element zero prices was bad news for Industrial. This is not entirely intuitive at a glance, as decreasing raw material prices should benefit the company. However, two things must be taken into account. First, as any company that is exposed to insecurities, Industrial had signed forward contracts in order to reduce the uncertainty inherent in the element zero market. Second, the element zero prices are public information and available to anyone who cares to look them up. This means that Industrial's customers were well aware of the drop and were not willing to purchase products that were priced based on older, higher element zero prices. Thus, inventory produced in Q4 in 2008, which was to be sold over the next months, could not be sold at the price it was purchased for.

Coupled with this problem tied to the element zero was an ever increasing drop in demand that followed in the wake of the financial crisis. The customers' did not stick to their committed volumes and simply did not put in orders, at the same time as the element zero options expired. Additionally, the customers were unable and unwilling to provide forecasts for their future demand (something they usually provided). This led to a situation where no one knew when the market would pick up again. This absence of reliable forecasts from customers resulted in a metaphorical fog that enveloped the company, shrouding the future.

During the work on preparing the budget for 2009, these issues were highlighted as something that would need immediate attention, for several reasons. For example, regulatory requirements forced Industrial to look over its inventory as it was listed in their balance sheet, whilst the absence of reliable forecasts for the future demanded a strategic response. Would the company hibernate, rethink its strategy, or simply do nothing?

The events first conspired into a write-down of inventory of about 30 per cent for 2008 and a situation where Industrial, already struggling with decreasing demand, was locked into forward contracts that were hurting the company. Whereas the first resulted in very poor figures in the income statement, the second affected the cash flow adversely. And in crises when liquidity is hard to come by, negative cash flows are very dangerous.

The precarious liquidity position forced Industrial to take up new loans corresponding to 25 % of total assets from January to April in 2009. The severity of the decline can be seen in that the CEO believed that if the bank had not supplied a new line of credit, the company's future would have been very much in doubt.

Everyone in the company was not exposed to the severity of the situation. People knew that the liquidity was poor and that the CEO had been to the bank in order to take up new loans. This was discomforting, because it is not something that normally happens in Industrial, but everyone did not know the magnitude.

It was also considered necessary to decrease cash outflows by limiting production. The idea behind this was that the company should hibernate through the crisis. By limiting production whilst getting rid of the inventory that had been built up in the fall of 2008 liquid funds that were locked in would be freed. Therefore, Industrial set a production speed of 50-60 percent of full capacity during the spring and supplied customers by emptying the inventory. Because of the uncertainty, it was also seen as necessary to decrease personnel. Practically, this was no problem as the production speed was halved.

At the same time as it was decided that the company would hibernate it was decided that cuts would be made across the company, stopping spending that was not absolutely necessary. On result of these savings was that maintenance on two machines was postponed – resulting in breakdowns and forced stops later on.

Associated with this decrease in costs was the termination of four employees. The termination included, among other things, not renewing short contracts. This was considered by some as an opportunity to improve the efficiency in the operations and "trim fat", whilst others considered it to be very unfortunate that the company was forced to reduce its workforce. It has been highlighted repeatedly during the interviews that Industrial's management cares about its employees and takes care of them.

The reduction in the workforce was decided to be biased towards the blue-collar workers, as it was decided that it was not possible to reduce the white-collar workforce without significantly reducing the company's ability to compete. This focus of the reductions was, according to several interviewees, early on decided by the CEO. There were, however, discussions going on in the top management team whether it would be better to take actions that affected all departments equally in order to increase the acceptance of the cuts.

The decision to only lay-off blue-collars, agitated the unions because they felt that so many of the savings in Industrial were directed to the blue-collars and so few towards the white-collars.

Whilst it was discomforting for the blue-collars to face the new, unfamiliar uncertainty regarding their future employment, the acceptance for the actions was generally very good. The mood was certainly mellow, but Industrial was not alone in making cuts, or even near the most severe cuts people heard about among their acquaintances. All companies in the area were making cuts, so there was a basic understanding of the problem. This does not mean, however, that people were not annoyed with the managers – particularly over the decision to focus cuts on towards the blue collars.

One situation that illustrates that there was interplay between the top management and the blue-collars regarding the cuts, is that when the top tried to suggest an 80/20 solution[7], it was quickly abandoned because of the strong resistance from the bottom. When the union said no, the suggestion was not possible to enforce.

[7] An 80/20 solution refers to the situation where workers reduce their salary with 20 % in exchange for working only 80 % of their normal hours. This and the similar 80/10 solution, was popular to report in media during 2009. (See for example www.sverigesradio.se [Scania flaggar för fler nedskärningar] accessed: 5/16/2011).

In fact, the spring of 2009 was permeated with meetings between management and the unions because of MBL-negotiations[8]. The union representatives gave out as much information to the workers as they could, but still there were rumors going around and anxiety among the personnel regarding the cuts. It has been pointed out in interviews that when people felt that things were going on that they were not being told about, rumours begun to spread. Even if there is nothing going on, there is a problem because people with the least information are often the ones talking, thus creating confusion. The extent of these rumour should not be exaggerated as one of the employee said in an interview that he did not care to much for the rumours as it was known that it was the ones who knew the least that spread them.

4.2.4. Part Three, Spring 2009 and Onwards

After the changes had been implemented in the spring of 2009, the company trotted on and in May 2009 the situation became increasingly positive as the company sold more than budgeted. As a result of this, Industrial could begin to repay the loans it had taken up between January and April.

However, the increasing demand was a double-edged sword. It was good for the company that customers were ordering more, but it was difficult for the production to cope with the uncertainty they faced as a result of the conservative forecast they were supplied with. The production director even begun to consciously produce more than was forecast, as he believed the forecasts to be faulty.

As spring blossomed into summer, sales continued to grow and the customers even started giving forecasts of their future needs, something they had not done since the start of the financial crisis of 2008. The company consistently sold over budget, putting further pressure on the production department, which even decided to autonomously take in a couple of extra workers before the vacations in order to cope with the demand, even though they should not need to do so according to the budget.

After the summer vacations of 2009 business reverted to a more normal state. In July the company made the final instalment on the loans that had been taken from January through April. The storm had been weathered.

[8] MBL-negotiations are mandatory negotiations according to the Swedish labour regulation Employment (Co-determination in the Workplace) Act (1976:580). The law, in effect, gives the union(s) a co-decision power in certain issues.

4.3. Professional – The Service Company

Just as Industrials story was divided into three parts, so is the story of Professional. It follows the same structure, going through pre-decline, decline and post-decline events in order to provide the reader with a full picture, even though events take place over the course of twelve months, instead of eighteen.

4.3.1. A description of Professional

Professional is, as has been explained above, a professional service firm that primarily is active on a B2B market in Sweden, but which also has customers on the European B2B market. Its services belong to the top end of its segment, and its customer base includes some of Sweden's largest and most famous companies.

Unlike Industrial Professional has suffered from some internal and external turbulence during the past decade. This turbulence relates to the recession in the early 2000s (when several employees were let go), a merger with another company a few years ago, and changes in the top management; the current CEO and CFO entered the company in 2006.

Since 2006, the company has been reworking its long term strategic plan with the goal of growing the company in the future. In addition to the strategic work that has been going on, the company has also implemented several new tools for cost control.

Historically, personnel turnover has been very low, a fact that was questioned by several of the interviewees as unhealthy to Professional – the argument being that people stayed longer than they were contributing to the company.

4.3.2. Part One, Fall 2008 to Spring 2009

As was the case for Industrial, Professional was enjoying the booming world economy. 2008 was a great year for the company and marked an all-time high. As Sweden's industrial companies flourished, Professional flourished when their services were in high demand. As we could see from notes from a meeting on September 3rd, no one knew what was about to happen. In fact, throughout the fall of 2008 there were no strong indications that the decline was going to come the way it did.

> During the autumn of 2008, we did not know what to make of this crisis. It was actually difficult to know, since we thought we sold very well. – *Sven*

As the snows began to fall, Professional started to notice that it was more difficult to sell new projects to their customers and that their customers were more unwilling than usual to commit to future engagements. Compared to other companies this was rather late, but the nature of Professional's business (selling B2B), puts them at a relatively late point in the business cycle.

What must be remembered is that several of Professional's largest customers, are companies that are noted on the stock exchanges and follow the exchanges' rules and regulations for procedures regarding the disclosure of financial information. This means that even though it in hindsight might seem obvious that Professional's customers were going through very difficult times, the financial information that explained this was invisible for Professional at the time. The company still ended 2008 on an all-time high, but when 2009 begun there was significant trouble in selling new projects. It was not just a little bit more difficult than normal any more.

> We notice that selling is a bit slow during the first quarter of 2009, but that is not very unusual – this year [2011] it is the same. The first quarter is normally a weak quarter in terms of sales, especially if you just made all-time high, because then you have landed contracts before Christmas and New Year's Eve, and then things are a bit slow. January and February are not months when you close deals, instead you work with contacts, so it is difficult to judge, but in hindsight you can see that "bang, there was a hit". – *Fredrik*

When numbers for the fourth quarter started to seep in from major Swedish companies it was evident that something drastic had happened during the fourth quarter. Since Swedish export industry is a major category of clients for Professional, the first quarter of 2009 was very disappointing when those clients hit the brakes as much as they could.

Adding to this was the fact that more and more companies were stating explicitly that they were not going to purchase any more services for the foreseeable future as they were cutting all their costs in order to stop their own bleeding. As one interviewee told us:

> For me it [the decline] was crystal clear when I had a meeting with Company X. We were discussing ideas, when my main contact person took me to the side and informed me that they had made a decision within Company X, and said that "unfortunately it is like this, which means the following: bang, bang, bang." I realized that if they are doing this [...] and then I contacted other companies and got the same signals. Then I realized "shit!". And this meeting was in February 2009 – *Fredrik*

Even though not all customers were cutting back totally on their purchases, there were enough important customers cutting down enough to pose a significant problem for Professional.

Despite this, as of February 2009, the general feeling in Professional was still not that of a crisis. People knew that things were not very good, but they did not believe it to be a decline. In hindsight, it has been postulated that this was because Professional did not know what a downturn was; they had not decided what a downturn was and therefore could not know when it occurred. However, the poor figures for the first three months of 2009 were provoking activity in the top management team. Several long meetings were held as a direct consequence of the declining sales. It took this many meetings because of, what has been described as, a mental block against understanding the severity of the situation. From the meetings came an understanding of the decline and also an understanding that actions were needed to be taken in order to counter the effects that Professional were seeing. In order to define the situation, it was decided that failure to meet selling targets for three consecutive months, constituted a recession. When the top management saw that January, February and March all failed to meet target they realized that it was a recession for Professional. It has been described, in the interviews, like an eternity to wait three months to react, but at the time the top management team did not have the data or metrics necessary to understand the situation.

The necessary plans were prepared in order to limit spending and cutting down costs in the projects that the company was engaged in. At the end of March of 2009 these cuts were executed and there was a belief in the company that this was enough. Savings pertained to marketing, all superfluous office costs, massages, etc. Not even activities directly involving clients were preserved; for example, joint dinners were cut. All managers were instructed to see what cost could be reduced. In total, savings amounted to 6 per cent of total costs.

Throughout this time, Professional's personnel were informed of the situation during the regular monthly meetings that were held within the company. During this time there was focus on economic matters, as everyone was increasingly aware of the fact that the sales were dropping. In fact, extra meetings were held throughout the spring in order to continuously inform everyone of the situation.

It has been stated in almost all of the interviews that there was no talk in the company in general of cutting down on personnel as of early April 2009. There was still a feeling that the company would get through the downturn without having to let anybody go. This feeling was also confirmed by communication from the top management team during the monthly meetings, where they stated that the goal was to retain all employees and solve the situation in some other way.

All this focus on keeping costs down had the effect of limiting the funds that were sourced to new projects. The company started to be much more selective in choosing new projects; projects that were to be approved had to contribute immediately to improving the company's situation. As an example, the development of a new, improved external website was approved because it was very important in attracting new customers, whilst the internal website was put on hold for the future.

In addition to being more restrictive with funding new internal projects, the company had to put strategic work on hold. The top management team was too strained with handling the decline, so there were simply not enough resources to deal with both the crisis and strategic development. Strategic work was put on hold until late August of 2009.

> In such situations of crisis you do not work for the long-term, it's all short-sighted. The planning horizon was shortened and focus was on liquidity and on more immediate actions. I mean that during these times [2010], there is less focus on liquidity, because there is cash in the bank. – *Torsten*

There was a stronger than ever focus on informing customers of Professional's services and making sure that customers who were unable to buy now, but who would be potential customers if the financial crisis abated, were kept "warm" for the future. This was done through information meetings, letters and e-mail, as well as free seminars.

The problem was: what had been experienced as a decline was merely the beginning for Professional. As the spring hit full stride, it was obvious that the worst was yet to come.

4.3.3. Part Two, Spring 2009 to Winter 2009

During April it became evident that things were going worse than had previously been believed. The CFO had been preparing a liquidity analysis during spring and when that was finished in April it painted a picture that was very bleak (see Appendix 3). In fact, to the liquidity curve, he added a crashing JAS airplane to underline the seriousness of the economic situation.[9] In the scenario that was presented, Professional would continue to bleed severely for the coming year and, as a result of this, would use up all its cash and its entire line of credit by mid-2010. Because of the difficulties of borrowing money during recessions, the result of this would be bankruptcy and the death of the company. This illustration was very unsettling.

In light of this information, it was decided in the top management team that it was necessary to start looking into other options than the cuts that had been made already. One suggestion that was made at this time, was that the personnel would agree to a collective lowering in their wages as a way of chipping in to the company during the downturn. This and a few other suggestions were not chosen however, as there was an understanding that this would only buy Professional some time without solving the real problems the company was facing. Foremost of those problems was the fact that they simply considered themselves to be too many. The personnel costs were to high – even for a more stable economic environment.

In the top management team, the options that were discussed were the possibilities for the company to hibernate through the downturn and awaken when the economy once again turned upwards, cutting down on personnel according to the rules that are given in the Employment Protection Act[10], or making a complete mapping of the competences that Professional needed and then match these with the competencies that the personnel possessed and thereby coming up with who were to be retained.

The third option was chosen as it was considered to be the best for the company's long-term health. This was because the goals with these cuts were not only to cut costs as quickly as possible, but also to make sure that the company would not just move from one crisis into another. In order to assure that the company had the correct competencies for the future, it was deemed necessary to do the competence mapping. It also allowed Professional to continue

[9] *JAS 39 Gripen* is a fighter jet and the crown jewel of the Swedish Air Force. According to the internet encyclopedia Wikipedia, Gripen has had fewer reported accidents than similar fighter jets. Two of its crashes, however, occurred in front of tv-cameras (one of them in front of a great audience in central Stockholm). This had led to the airplane being used as an example of something that is about to crash in Sweden. (www.wikipedia.org [Jas Gripen] accessed: 5/16/2011)

[10] Lag om anställningsskydd (1982:80), commonly referred to as *LAS*.

working with realizing the new strategy that had been created back in 2006 (and that had been put on hold in March). In that sense, the lay-offs were part of conscious change process and not just a way to save money or let go of people that did not fit in with the new strategy. At least, that was how they were described in several of the interviews.

In May the board was informed and agreed that Professional was to make the cuts in its personnel. The spring and early summer was then spent creating the competence map and negotiating with the unions in order to make sure that the people that were the best for Professional were retained.

As people became aware that there were going to be more savings at Professional than already had been made, the personnel's energy was drained. A lot of time was put into talking in corridors, during coffee breaks or meetings. The focus on ordinary work was lost. Resignation was a common feeling and there were rumours going around about "the list" that contained what people would be retained and which people would be let go. In many interviews has it been stated that it was very common to gather in groups with co-workers you trusted and discuss and speculate about the upcoming lay offs. Another response to the message that there would be lay offs that has been voiced by several of the interviewees is that the bonds within the formal and or informal groups you belonged to became stronger. People increasingly turned to each other for support in an attempt to handle the feelings (sadness, shock, etc.) that were flowing around. Even managers have stated that the top management team functioned as a source of strength and stability that members could draw power from.

> I think that one, where I have worked, has always taken care of each other and been open and so on […] But, of course, if you look at the company as a whole, there were a lot of small groups forming […] You stick more to the group you belong to. – Kaj

Coupled with these feelings were also feelings that top management had misled the employees. Many felt cheated as they had been told by the CEO that there would be no lay-offs. There was also frustration and criticism aimed at the managers that has been described as originating in the feeling of helplessness that people experienced. Adding to the frustration was the fact that there was a feeling that the managers were communicating less and were not informing the personnel of what was going on in the company. There were small notations being sent out after the managers' weekly meetings, but these notations were too short and too general to be of any use to the rest of the employees.

> Back then there were a lot of feelings in the air, both insecurity, because it was uncertain what was going to happen, and frustration, "why is no one telling us what is going to happen?". – Johan

At first it was said that the outcome of union negotiations would be made official before the summer, but this never happened. The reason cited was that the negotiation process was not concluded before the summer came and therefore it was not possible (due to legal regulations) to begin informing people whether they were going to be retained or not before the vacations. This was very hard for the personnel and words such as apathy and hopelessness have been used to describe what people felt at the time.

Late in the spring, prior to the summer, an e-mail was sent out that explained the situation and that the cuts in personnel were to be made after the vacations, but there was no information about who was safe and who risked losing their job. This created more worry. Not only because there were going to be cuts, but also because they had been informed via e-mail and not in a meeting with their managers.

By mid August the cuts were effected. The manner of the cuts was that the CEO and the HR-officer held individual meetings with all peoples that were to be let go. This was considered strange as the closest manager of the people who were let go was not present at the meetings, something that brought an increased level of insecurity to the situation. The specific room where those meetings took place was pointed out by several interviewees.

Another thing that was considered strange with the way that the cuts were made, was the fact that not all the affected personnel were back from their vacations. They were called in from their vacations to receive messages that were not very pleasant. It was quickly known among the employees what could be expected that if you got *that* call from the HR-officer.

4.3.4. Part Three, Summer 2009 and Onwards

After the cuts in personnel had been made Professional started the work of moving on into the future. It has been stressed in the interviews that even though the cuts had been made, their effects lingered in the company. It has been referred to as survivors' guilt by one employee and work motivation took a blow for some time after the events. People in general were sad, which made work harder.

Despite the controversy over the way the cuts were handled, they had the desired effects, and coupled with an increased focus on sales in the organization and an improving business cycle, Professional managed to avoid organizational death. The company has even gotten back on track in its strategic work and is once again having growth as a target. The scars from the way the decline was handled have remained though, even though no one is fearing for their employment anymore.

5. ANALYSIS

In order to help the reader remember the purpose of this thesis we begin this chapter with revisiting it. The analysis then follows the theoretical framework that was developed in Chapter 3. Thus it begins with looking at how the declines were detected in the case companies, before moving on to how they interpreted them and the dysfunctional behaviours that are related with these reactions.

5.1. Revisiting the Purpose

Before we begin the analysis we would like to remind the reader once again about the purpose of this thesis, namely to investigate how people react when an organization to which they belong is faced with a decline. We would also like to remind the reader of how we divided this overarching purpose into three sub-purposes that will help us to fulfil the overarching purpose (if we err by continuously repeating our purposes and by happenstance make the reader know them by heart we apologize, but we believe that they need to be revisited now). Our two sub-purposes are:

I. explain how employees who hold management positions react when facing decline, and
II. explain how employees who do not hold management positions react when facing decline.

5.2. Detecting Decline at the Companies

We have suggested that managers will detect decline by comparing actual performance against aspirational levels of performance. If the result of the comparison is a deficit, then managers will detect that something is going on. Non-managers will not be able to detect decline according to the same method as the managers, as they do not have the overview of the organization that is necessary. Rather, they will detect decline when it begins to influence their own work. For example, when the production worker is given lower targets for production, she will detect the situation. Both managers and non-managers' detection of decline will also be affected by the level of organizational slack.

5.2.1. Who is the first to discover decline?

At Industrial, we can see that the market department was the first to detect that there was trouble on the horizon. They detected the decline as their English customers reduced the orders they were placing. Furthermore, they knew that media was reporting about the problems that the building sector was facing in England and that things were bad over there. They did not, however, think that a decline was coming as the company had a good inflow of orders and was struggling to keep up. At this time other non-managers and managers were not aware that a decline could be coming, rather, due to the high workload they thought the opposite.

Then, whereas the cancellation in August was considered unfortunate, it was not seen as a sign of decline as the customer was known to have cancelled orders before. Even when Industrial's contribution margin became negative during the fall of 2008, no one thought that the company was heading into a decline. In fact, it was not until prices had fallen for their primary raw materials and customers had begun refusing to place new orders, that managers, during the budget preparations for 2009, realized that decline was coming.

At Professional, the detection of decline follows a similar logic. Sales personnel have described that they began to notice the declining sales in January and February of 2009, some even describe that they noticed it towards the end of 2008. What makes Professional different from Industrial is that other employees and managers who are not directly involved in selling new projects, have stated that they knew at virtually the same time as the sales personnel, or at least only a relatively short time after, that there was trouble selling new projects.

This could be explained by such a thing as that Professional has all employees located in one open plan, office space whereas Industrial are located in two geographically dispersed locations and the offices that are located at the same locations do not have an open layout. Because of the open plan, sales people at Professional would tell their peers as soon as their sales calls ended, whereas similar exchanges at Industrial were limited.

Empirical findings from Industrial and Professional hence seem to support our theoretical framework when it comes to detection of decline happening differently at different parts of organizations. That is, managers are not the first in a company to notice a decline. The reason for this seems to be that they are reliant on secondary information (regarding organizational performance) before they detect a decline. Personnel that have customer contacts will be the first to detect a decline as they have the right interfaces to do so. This reality is then modified by the fact that communication between employees can increase the possibility of a spread of the awareness that a decline is coming.

5.2.2. On the Aspirational Levels of Managers

The other part of our framework for detecting decline, describes the aspirational levels of managers.

The managers at Industrial have been clear in that they detected the decline in the work on the budget for 2009 when their customers where unable to provide forecasts for the coming years' demand. This, coupled with the sharp drop in demand, from the autumn of 2008, caused the managers to detect the decline.

Managers we interviewed at Professional have stated that they at first did not think of the period we have studied as a decline, because they did not know what decline was for Professional. Only after developing a metric for defining decline, could they understand that this was a decline for Professional. This is curious, since it could be interpreted as managers not having aspirational levels. If we couple this with Industrial, who had also experienced a very good period prior to the autumn of 2008, only detecting the decline when they began their formalized budget procedures.

This implies that that even though managers might be aware that their organization is not achieving the aspired performance, organizational slack can indeed delay the initial understanding of the decline.

Furthermore, the cases suggest that Grinyer and McKiernan's (1990) theory of aspirational levels as indicators of decline is not implicit, but has to be made explicit, for example through formal performance metrics. This would imply that managers, despite their overview of the organization are not better equipped to understand that a decline is coming.

What is also interesting in comparing the two companies is that Professional determines that it is a decline by looking at historical data, whereas Industrial determines that it is in a decline when they attempt to make forecasts. Practically this means that managers at Professional determine that the company is in decline by developing a clear definition of decline to which they compare performance, whereas the managers of Industrial *infer* that Industrial is in decline because their customers are having troubles. Whilst Industrial's strategy works in this situation, they could, by having a more precisely developed measure, possibly have been able to detect the decline earlier.

At the most basic level the results from the cases indicate the importance for having clearly defined performance measures that are continuously applied in order to detect the decline at manager levels as this is not something that is done implicitly.

5.3. Interpreting the Decline in Industrial and Professional

Before we begin the analysis in this section we will repeat the key concepts in our framework. The deep structure, the underlying values and goals the organization has, is very difficult to change because of inertia. Inertia is the change-hindering effect of interdependencies that have their roots in the deep structure. In order to break inertia external or internal pressures are not enough – managers must consciously initiate a revolutionary change.

We have characterized both companies as being in equilibrium before the financial crisis due to their stability.

5.3.1. Industrial did not Experience a Revolutionary Period

When the decline came, Industrial reacted by making some changes to its personnel, but these changes did not affect the way in which people worked or the way in which operations were performed to a any greater extent. Some people had to do more assignments due to one person leaving the company, but otherwise no roles were changed. Industrial chose to wait for the crisis to pass, confident that the demand for their products would return when the world stopped wobbling and the world market improved. Hence, Industrial did not go through a revolutionary period.

That is, when the decline hit Industrial, it was an external pressure that created a need to change, but management did not introduce a revolutionary period.

Another interpretation is that our framework of management either introducing revolutionary change or not, is too simplified and needs a component of the origin of the present decline. If you are convinced that the contraction of the niche of your business is only temporary (cf. Hannan & Freeman, 1977) and that there is nothing particularly wrong about the way you do business, it seems reasonable to assume that there is little reason to try to change your deep structure.

Instead we would like to introduce the concept of *hibernation* as a response to decline. It would basically apply in the context of a passing economic downturn, after which demand is expected to pick up again. Management will be trying to introduce *retrenchment* (Pearce & Robbins, 1993), but refrain from the subsequent entrepreneurial search for a new strategy. We might expect that dysfunctional behaviour of decline is still present, but not augmented by the uncertainty of revolutionary periods.

Applied to the case of Industrial, hibernation seems to have some explanatory value. We might therefore want to nuance our framework of deciding to act, by adding the option of hibernating through a decline perceived to be temporary. How that choice is made, should prove an exciting question for research, not least because of the consequences it will have for organizations.

5.3.2. Professional Experienced a Revolutionary Period

What is interesting with Professional is that the managers at first, in March of 2009, chose to face the decline in a manner that is similar to the way in which Industrial met it. That is, the costs were cut but the deep structure was left intact.

After the CFO had been able to compile the liquidity report in April of 2009 this choice was remade and the managers chose to introduce a revolutionary period. Faced with the possibility of Professional not surviving the decline they responded by completely making a complete review of the employees, what competences existed in the company, what Professional's future goals would be and what people were needed in order to reach these goals.

According to our perception the second reaction amounts to a textbook version of a revolutionary period. Great changes were made not only to the personnel in the company, but also to their roles and how the company did its business.

5.3.3. Differences Are due to Inertia Among Managers

In our theoretical framework we have explained that managers will choose between two options when faced with a decline: either they will introduce a revolutionary change or they will not. The choice is made based on managers' interpretation of the decline (what it means for the company).

Our concept of interpretation rests on the writings of several authors on the subjects of enactment (Weick 1988; Shrivastava et. al, 1988), inertia (Gersick, 1991), and deep structure (Gersick, 1991; Bartunek and Moch, 1987, Burke 1994). In our case studies we have seen that Industrial did not introduce a revolutionary period but that Professional did. Now we will look at the explanations for this.

First of all, we will look at the deep structures of the companies. Industrial is the company that we believe had the strongest deep structure in place before the financial crisis. The company had been owned by the same family for its entire existence (since the early 1900s) and there were still stories of the previous owners adding examples and flavour to the company history. Furthermore, the current CEO had, when the financial crisis began, been in charge formally as CEO for almost a decade and other members of the top management team had been in the company for a very long time.

Comparing to Industrial, Professional's deep structure was not as strong. The company had experienced large changes to its personnel relating to the crisis in the early 2000s, a merger a couple of years after that, and its CEO and CFO were relatively new to the organization, having only been with it for two years prior to the crisis.

As we know from our theoretical framework, a strong deep structure creates strong inertia in an organization, thus limiting the ability for managers to perform great changes. Furthermore, we also know that this inertia can exist in the managers themselves. As we stated in section 3.3, management is less likely to introduce revolutionary changes the longer they have held their positions. In addition to this, we argued that when faced with decline, mangers are *even less* likely to introduce a revolutionary change than they normally are, because of a reliance on habitual responses during periods of decline.

In the current situation we can clearly see that inertia must be stronger in Industrial's mangers than it is in Professional's managers. Therefore it makes sense that Professional did introduce a revolutionary change whereas Industrial did not.

Furthermore, the case of the managers of Professional first deciding to handle the decline through not performing a revolutionary change and then changing this strategy when they received new data lends credence to our claim that the detection and decision stages of our framework are iterative, at least when it comes to the choice of introducing revolutionary change.

Even though this explanation seems to explain the data, we must question the strength of the explanation. The reason that Professional decided to introduce a revolutionary period could be down to other aspects than lower inertia in this case. Rather it could be that Professional was subject to both external and internal pressures in that there was a decline and that there was an understanding among the non-managers that the organization needed to change as it had begun to stagnate. We cannot say for certain that merely the managers' decision was enough to introduce the revolutionary change.

Furthermore, suppose that the decision to introduce a revolutionary period is not only moderated by organizational and managerial inertia, but is affected by a rational decision process. The rational outcome of a discussion could actually be to refrain from a introducing a revolutionary change. The role of inertia might actually not be what determines that Industrial does not introduce a revolutionary period. That is, managers might actually make a valuation of the appropriateness of the current deep structure and use it as input into the decision process.

The interpretation is not impossible and does not exclude the role of inertia. Unfortunately, we do not have data to draw any clear conclusions in this respect.

5.4. Dysfunctional Behaviours in the Companies

This section compares the occurrences of increased conflict levels, neglect of long-term planning, and insufficient management communication at Industrial and Professional.

5.4.1. Conflict levels

Based on our framework, we believed that conflict levels would increase both between the groups of managers and non-managers and within the groups (that is, between managers and managers and non-managers and non-managers respectively). When looking at the cases this was not really what happened.

In Industrial, the main conflicts that were described, were the price discussion within the top management team, having its roots in a conflict between the market and production departments, and the tension that grew out of the feeling that the management team chose to make cuts only among the blue collars. The former of these conflicts took place before the decline as such had been detected and really before the decline had even hit the company. The latter of he conflicts can be characterized as a conflict between blue-collar and white-collar workers, but it can also be characterized as a conflict between geographical locations.

In Professional, groups (formal and informal) became more closely knitted together during the decline. This is a result of the feelings of shock and sadness that several employees have described to us. Even the top management team was described as coming closer together and leaning on each other for support during the decline. There were some conflicts as well, due to feelings of frustration, primarily described by non-managers, directed at the top management team; it was described as a gulf opening between the managers and non-managers.

What we can derive from this, is that there seems to be a difference in the feelings that have been described to us. In Industrial the feelings seemed more likely to become conflicts and were described as people being angry at the managers for letting the blue-collars bear the brunt of the cuts during the decline. In Professional, emotions such as sadness and resignation were much more common.

Looking at this against the background of our theoretical framework, we believe that the divide between performing a revolutionary change and not, is visible in that descriptions of feelings were more common in Professional than Industrial, indicating that the feelings were stronger. The framework, however, makes no difference between the type of feelings that should be more common, merely suggesting that the stress and therewith associated feelings are made stronger by adding a revolutionary change to a decline.

What the cases suggest however, is that feelings of sadness and resignation are made stronger with a revolutionary change whilst feelings of anger and frustration are not exacerbated to the same extent. This latter finding is strange, as changes to deep structures are expected to provoke the most substantial resistance. We will therefore return to it soon.

A related aspect, is that none of the interviewees stated that there had been scapegoats during the crisis; this is interesting because Cameron et al. (1987) found that scapegoating was one of the dysfunctional behaviours that were associated with decline. The most common reason cited for this lack of scapegoats, was that there was an understanding (in both companies) of the external origin of the decline.

Hence we need to revise our theoretical framework and this last understanding of the need for change, described by interviewees, gives us a hint: We might simply infer that there is a bit of rationality on the part of employees, when they react to decline. That is, while losing colleagues will not make you less sad even if it is seen as necessary for the survival of the organization, it might limit feelings of anger and tendencies of scapegoating, when management is not seen as the cause of the decline. The theoretical implication would thus be that reactions to decline may be moderated by the perceived cause of the present decline. Such an interpretation receives support from our empirical findings, but additional data is needed; for example, a company where management was seen as the cause of the decline and conflict levels went up more, would give some additional support to our notion.

Let us also briefly visit two other possible explanations. First, as we have described in our theoretical framework, the cognitive reaction to a change is affected by its perceived favourability (Smollan, 2006), which might include how necessary it is for the survival of the organization. Since Professional had a common consensus that changes were needed, this could also explain why conflict levels did not rise as much as expected. This explanation does not exclude the origin of decline, but we do not have the data to draw any stronger conclusions.

Second, Cameron et al. (1987) used correlational studies when looking at the dysfunctional behaviours of decline (e.g. scapegoating). Thus, there is no evidence that it was not such dysfunctional behaviour which led to decline in the first place. If that were true, it would of course explain why some behaviours do not show up only because of decline.

5.4.2. Long-Term Planning Will Be Neglected

There are at least two sources for neglect of long-term planning in a company that is experiencing decline: resource scarcity and centralization. We will review both sources in turn in this section.

5.4.2.1. Negative Consequences of Resource Scarcity for Long-Term Projects

In both of our case companies, cuts have been made that can be said to defy the terms “even” and “general”. This is most clear in Professional, where it has been described that costs that were related to sales were spared or protected from the cuts, whereas the running projects were forced to cut costs and fringe benefits for the personnel were suspended. Furthermore, during the process of revolutionary change in Professional, there were very deliberate considerations as to what competences were needed for the future and who was to be retained.

In Industrial the cuts were also partly targeted in that the blue-collars bore the brunt of them. There were cost savings among the white-collars as well, but they were not as large and did not include lay-offs. The opinion has also been voiced that the market department was not forced to cut cost, but was encouraged to work even harder to bring in new customers. There were much debate however within the top management team, where some advocated general, instead of aimed, cuts. One of the arguments for advocating equal cuts was that it would be perceived as fairer.[11] In the end, it was decided that cuts would be aimed at specific departments. The discussions that nevertheless were going on, show that there is something to our argument that managers will want to make cuts that are in line with the perceived fairness of them, in a company that is not experiencing a revolutionary change.

Whereas it cannot be said for certain that the aimed cuts were short-sighted, the incident where Industrial chose not to do maintenance work on two machines in order to save money was. The failure to perform the maintenance saved money in the short-term, but it resulted in break-downs forcing Industrial to shut down the machines – clearly a poor decision in the long-term.

The cases seem to give at least partial evidence to the suggestion that a company facing decline will lose long-term focus unless it goes through a revolutionary change. Although the evidence from Industrial is not as strong as one would have expected, it is still there. The hibernation strategy, which entails cutting costs in the short-term in order to resume operations when the business cycle changes, is an example of a short-term focus; the very idea of the strategy is that the long-term vision is good, but that the short-term needs attention.

All in all, this suggests that the consciousness of intentionality, which according to our framework is a requisite of revolutionary change, expands to the adjacent domain of long-term planning and might even increase management's long-term planning during this instance of decline. This is only to be expected; it would be very strange if management initiated frame-breaking change without having any idea where they want it to end. For the case of non-revolutionary change, the evidence from Industrial is too inconclusive to make any strong assertions.

5.4.2.2. Centralization Will Increase

Our theory chapter suggested that decline would lead to increased centralization, unless coupled with revolutionary change, as that would simply prevent management from taking on more responsibility. Thus we would expect that Industrial, which did not initiate revolutionary change, would experience increased centralization, whereas Professional would not. Our empirical findings, however, cannot support this suggestion.

[11] What is interesting in Industrial, is that the personnel did not define itself as belonging to one department when it came to the cuts, but rather they defined their identity according to what geographical part of the company they belonged to (eastern or western). As a result of this the discussion was not whether or not the top management team should make cuts equally across department, but that they should distribute cuts evenly across eastern and western.

Few people at Industrial could think of any changes to their decision-making during the decline period at all; in fact, the only change was the production manager who related that he considered forecasts to be too pessimistic and therefore ran production at higher levels than he was instructed to. Had Industrial undertaken revolutionary change, we might have interpreted this as an example of resistance to change. As this was not the case, we cannot know why this happened. Perhaps it was simply a disagreement, detached from the fact that Industrial was in decline at the time, or we might speculate that it was some kind of emotional reaction, trying to deny difficulties of decline.

Many of these alternative explanations have some intuitive merit to them, but since we do not have the data to know for sure, we will leave the issue for future investigation.

At Professional, the strong feelings of uncertainty and insecurity did have effects on the daily work. People were afraid to do things other than those clearly within the boundaries of their jobs. Idle time did also occur, but perhaps more because of rumour-spreading than indecision. There were also signs that executives had to make more decisions than before: the CFO did not want to burden the CEO unless necessary and the CEO himself found less time for strategic issues, because he had to handle short-term issues of the decline.

To what extent was this increased decision-making on the part of executives caused by indecision among employees? Unfortunately, we cannot be sure. We did ask several interviewees about the topic, but got no proof that this was what happened. Hence we might infer that our framework does not explain these issues in our case companies and that centralization through upwards-pushing of decisions during decline does not receive much empirical support. Instead future research efforts should investigate more deeply what mechanics in fact force managers to make more decisions during decline.

5.4.3. Insufficient Communication leads to Rumour Spreading

As is suggested by previous literature, rumour-spreading increased in both Industrial and Professional during their decline periods. When there was no information available, people did what they could to fill in gaps and speculated during coffee breaks and when they met in corridors or in smoke rooms. In Industrial, the demand for information was also manifested through an increased number of questions asked during personnel meetings.

In Professional, we have several interviewees attesting that there was a feeling that management did not communicate with the employees enough and that, when they did communicate, it was sometimes thought of as one-way communication (that is, information). The management team was considered a secret society and no one knew what they were discussing during their meetings. As a result of this lacking communication, people spent a lot of time trying to find out if anyone knew anything about what was going on or what was about to happen.

In Industrial, union representatives and managers made efforts to dispel rumour-spreading by relating information to employees in the production department as soon as it was available. These efforts were successful, inasmuch as rumour-spreading was decreased.

We thus feel confident in our conclusion that management communication was more successful at Industrial, which provides support for our theoretical framework when it proposes that communication is more likely to be insufficient if decline is coupled with revolutionary change.[12]

[12] It should be noted that there a rigorous laws and procedures restricting any organizational action that has to do with lay-offs, including what information can be made official to employees at various points in time. Of course, these laws apply equally to Industrial and Professional and therefore do not change our conclusions regarding communication; we merely want to point out that lacking managerial communication must be viewed in light of these laws.

6. CONCLUSIONS

This chapter attempts to answer our research question by drawing on our analysis.

The purpose of this thesis is to provide a more coherent theory of how managers and non-managers react when the organization they belong to faces decline. The thesis should do this by answering the research question:

> How do organizational members react when the organization they belong to experiences decline?

In order to answer the research question, we have introduced a framework that consists of the parts *detection*, *decision to act*, and *dysfunctional behaviour*s. By performing a case study with two companies, we have tested whether the theoretical framework provides a reasonable prediction of behaviour in the face of decline.

Detecting Decline

We have found that the detection of decline is linked to the position an organizational member holds – members who hold positions where they have customer contact are the first to detect decline in an organization.

Managers do not detect decline as early as organizational members with customer contact do and they rely on an evaluation of organizational performance compared to aspired performance for the organization to detect decline. This comparison is not done implicitly by the managers but is made explicitly. This means that managers' ability to detect decline should be lower than what can commonly be assumed given their overview of the organization.

For both managers and non-managers the presence of organizational slack will affect their ability to detect decline. The cases imply that following periods of good performance, resulting in abundance, the propensity for detecting decline is decreased.

Decision to Act

The decision to introduce a revolutionary period seems to be explained by the level of inertia in the organization and its managers. Higher levels of inertia lower the propensity to introduce a revolutionary period, and lower levels conversely raise the propensity to introduce a revolutionary period. Furthermore, it is possible for subsequent events to cause managers to change their decision on whether to initiate a revolutionary period or not.

Dysfunctional Behaviours

The cases support the frameworks prediction that stress levels will increase in times of decline. In addition to this, the cases provide evidence for the prediction that periods of revolutionary change is associated with a further increase in stress levels.

However, the cases indicate that a revolutionary change increases feelings of resignation, sadness and shock rather than feelings of anger. The cases also provide no evidence that scapegoating would increase during periods of decline which is contrary to previous findings in the field. Management was viewed more unfavourably in both cases, but this was due to their handling of the crisis and not, for example, due to them being the origin of the crisis.

As our framework predicts, resource scarcity will lead to that long-term focus is lost when an organization faces decline, unless the managers of the organization chose to introduce a revolutionary period in which case long-term focus will be retained. The reason for this seems to be the intentionality of the introduction of the revolutionary change process.

The cases do not support that long-term focus is lost due to centralization unless managers chose to introduce a revolutionary period. Rather the cases suggest that whilst non-managers want to centralize decision making during periods of revolutionary change managers are simply to preoccupied with handling the change that they cannot make more decision, therefore leading to decisions that are not being made in the organization. Unfortunately the evidence is not strong enough to truly support this conclusion however.

In line with the prediction of the theoretical framework, the cases support the fact that revolutionary changes will increase the amount of rumours that are spread in an organization.

7. REFLECTIONS

We conclude by providing the reader with some reflections on our part. First, we will look at the contributions that this thesis has made to practitioners' understanding of reactions to decline. Second, we will review the critique that can be made against our study. Lastly, we provide suggestions for future research based on our results.

7.1. Contributions to Practitioners

We set out to produce knowledge relevant to practitioners. We said that if our results cannot be adopted by practitioners directly, we at least want an end-product that can be used as an input when producing such relevant knowledge. The areas we identified as important for future research all fulfil this requisite; conclusions from investigations into them are likely to be highly relevant to practitioners facing decline.

Nevertheless, a number of important managerial implications emerge already from our project.

7.1.1. Formal Systems for Detecting Decline

Revolutionary change as a response to decline is difficult. This is far from rocket science, but it shows that anticipatory change, whenever it is possible, is preferable to revolutionary change, which leads us to our first area of implications, namely the importance of having solid, formal systems for detecting decline in place, so that the response will not have be a forced and difficult-to-control revolutionary period.

Furthermore, our research shows that these systems should benefit from the early knowledge of employees that are in constant contact with customers. That is, since the sales department is likely to be the first to suspect an approach decline, it is important that this insight is channelled to the top management team as soon as possible, so that they have the chance to make necessary changes in as controlled a fashion as possible.

Adopting formal systems for detecting decline is also important, because failure to achieve senior management's own aspirational levels do not seem to be enough to make them realize that decline is happening in time. Whether it is organizational slack that prevents this realization or something else, we believe that explicit formal metrics will not be as easy to ignore as implicit, personal aspirational levels, even if failure to achieve them initially is cushioned by organizational slack.

7.1.2. The Decision to Act on Decline

Our discussion when it comes to the decision to introduce a revolutionary period as response to decline has focused on the role of managerial inertia and suggested that it might be a somewhat irrational decision. Giving specific advice on how the decision-making process should actually be carried out is beyond the scope of our project, but we feel confident in encouraging executives faced with the decision, to reconsider *why* they want they choose the way they do and be aware of the effects of personal inertia.

7.1.3. Dysfunctional Behaviour

Increased conflict levels: It is difficult to conceive of any situation where decline is not seen as negative. It follows that given enough severity, it will lead to negative emotions that in turn are connected to increasing conflict levels.

Neglect of long-term planning: Evidence gathered from our case studies did not allow us to make any strong assertions regarding what will actually happen to long-term planning during decline. It was obvious that management's agenda was filled with issues relating to handling decline in the short-term, but to what extent that effect could and should be avoided, we cannot say. We will limit ourselves to stating the obvious: Regardless how difficult the current decline might be, do not forget the long-term perspective, or there is a risk that this decline will only be followed by another.

Insufficient communication: The tendency of managerial communication to be insufficient especially during revolutionary change was clear in our case companies, as well as a finding that additional information was an effective way to deal with the rumour spreading that otherwise occurred. Hence, a significant implication for managers is that from an employees' perspective, there is no such thing as too much communication during decline. The contents of the message, even if they are bad, seem to be less important than whether management is perceived as honest and trying to communicate as best they can.

7.2. Critique of our Thesis

The strength of the thesis, that it attempts to provide a coherent framework for understanding decline, is its greatest weakness. In the attempt to produce a framework that takes into account both manager and non-manager reactions we have been spread thin. This means that what the thesis has gained in breadth it has lost in scope.

The effect of our choice of case companies can also be seen as a weakness. By choosing not only companies from different industries we run the risk that industry-specific variables (that we cannot control for), have affected the results of the study. Furthermore, by also choosing one service and one industrial company this risk, of other variables affecting the study, is augmented even further.

In conducting the interviews at the case companies we have also experienced that the ratio of interviewees that were retained compared to the number of interviewees that were let go is poor. In fact, only one interviewee (formerly employed at Professional) has belonged to the personnel that were let go. There is a risk that we in our discussions on the feelings that people experience in the face of decline therefore have downplayed the negative feelings that people experience.

Associated with the proportion of the interviewees that were retained and let go is the proportion of interviewees that are managers compared to the number of interviewees that are non-managers. We have a disproportionate amount of managers in our interviews, with the number of interviewees that are managers being close to 50 %. With a disproportionate amount of interviews we have the risk that opinions from managers are given to much weight and that opinions of non-managers are conversely given to little weight in the study.

7.3. Suggestions for Further Research

As we argued in the analysis chapter, some evidence from our research suggests that origin of decline will play an important role not only for what organizational response is suitable, but also for what reactions can be expected. For example, we saw that scapegoating was not as common as might have been expected based on other literature. By looking at companies where management was blamed for decline, we might learn more about the role of the origin of decline.

In the section on implications for practitioners, we highlighted a number of areas that should receive attention during decline. However, our work has not been concerned with finding practical advice on how to best solve these problem areas. Thus, looking at what kind of solutions are related to the best outcomes, would be an undertaking guaranteed to have relevance for practitioners.

When it comes to emotional reactions to decline, taking into account personality factors such as *conscientiousness* and *neuroticism* (Digman, 1990), is likely to further our understanding of the dynamics of decline. Learning more about personality and decline, might in turn help practitioners craft better strategies for coping with the emotionally challenging times of decline in their companies.

We have also seen that organizational slack seems to prevent managers from acting on failure to achieve their aspirational level. A quantitative study could thus investigate at what levels of organizational slack this effect actually kicks in.

Finally, the management decision on how to act on decline is a crucial one and likely to be more complex than just an issue of introducing a revolutionary change or not. Studying dynamics of top management teams during the making of that decision should prove highly interesting.

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Sveriges Radio, www.sr.se

Wikipedia – The Free Encyclopedia, www.wikipedia.org

8.3. Acts and Statutes

Aktiebolagslag (2005:551)

Lag (1976:580) om medbestämmande i arbetslivet

Lag (1982:80) om anställningsskydd

8.4. Interviews

8.4.1. Industrial

28/3-2011: Interview with Sales Manager

28/3-2011: Interview with CFO

28/3-2011: Interview with CEO

28/3-2011: Interview with Production Manager

28/3-2011: Interview with President of local IF Metall branch

29/3-2011: Interview with Head of Production Planning

29/3-2011: Interview with employee at production department

29/3-2011: Interview with Maintenance Manager

29/3-2011: Interview with Senior Safety Representative

8.4.2. Professional

15/4-2011: Interview with CEO

26/4-2011: Interview with Program Advisor

27/4-2011: Interview with CFO

27/4-2011: Interview with Business Director

27/4-2011: Interview with Sales Manager

28/4-2011: Interview with Director, Marketing & Communication

4/5-2011: Interview with Unit Manager

4/5-2011: Interview with Business Director

5/5-2011: Interview with former employee at Professional

9/5-2011: Interview with Program Coordinator

Appendix 1 – Interview Questions

Initial questions

- Please tell us about yourself and your background at company X.
- How is company X doing?
- How was company X doing before that?

Decline happens

- Definition

Interpretation of decline

- How did you know decline was happening?
- Have you experienced anything similar before?
- Why did you think the decline arose?
- What part did you think you/your unit/management/company had in the decline?

Reactions

- What did you feel like then? Why/why not?
    - How was that expressed?
- What did you do then?
- What did your colleagues do then?
    - What was the word in the production facilities?
- Whom did you speak to then?
- How did you react to that?
- How was your relation to your colleagues affected? Colleagues at other departments?
- How was the relation between departments affected?
- How was the relation to management affected?
- How was the interaction between management and production affected?
- How was your decision-making affected?
    - Did you make more or less decisions than before? (centralization)
    - Who made the decisions instead?
- Was the planning horizon affected? (no long-term planning)
    - How is production/organizational development planned?
    - How did that change?
- Research and development? Affected in any way? (innovation curtailed)
- What measures did management suggest?
    - What did you think about those measures? Did you understand them? (scapegoating)

- Was anyone in particular blamed for the decline? (scapegoating)
- Was it easier or more difficult to realize changes/ideas during the decline? (resistance to change)
- How was employee turnover affected? Floor/management? (turnover)
- How was your opinion of the company affected? How was your morale affected? (low morale)
- Was there more or less money for new projects? Budget tighter? (loss of slack)
- Are there different coteries in the company? Did these chanage? (highlighted?) During decline? (fragmented pluralism)
- How did you view management? (loss of credibility)
- How were costs cut? Equally over the whole organization or just some departments? (nonprioritized cuts)
- Did the level of conflicts change? (conflict)

Information (gathering and reacting to)

- How did you look for information? Why/why not?
- How did you get information? Why/why not?
- How did you react to it? Why/why not?
- What did you do with the information? Why/why not?
- Did you communicate the information to anyone? How?

Looking for solutions

- Did you do anything to solve the problems? Why/why not?
- How did you come up with that solution?
- Why /not/ did you want to help find a solution?
- From where did the solution come?
    - Was it an idea that had been discussed before?
    - Did anyone want to implement that idea before?

Lobbying for solutions

- What did you do with your suggestions for solutions?
    - How were they received?

Changing deep structures

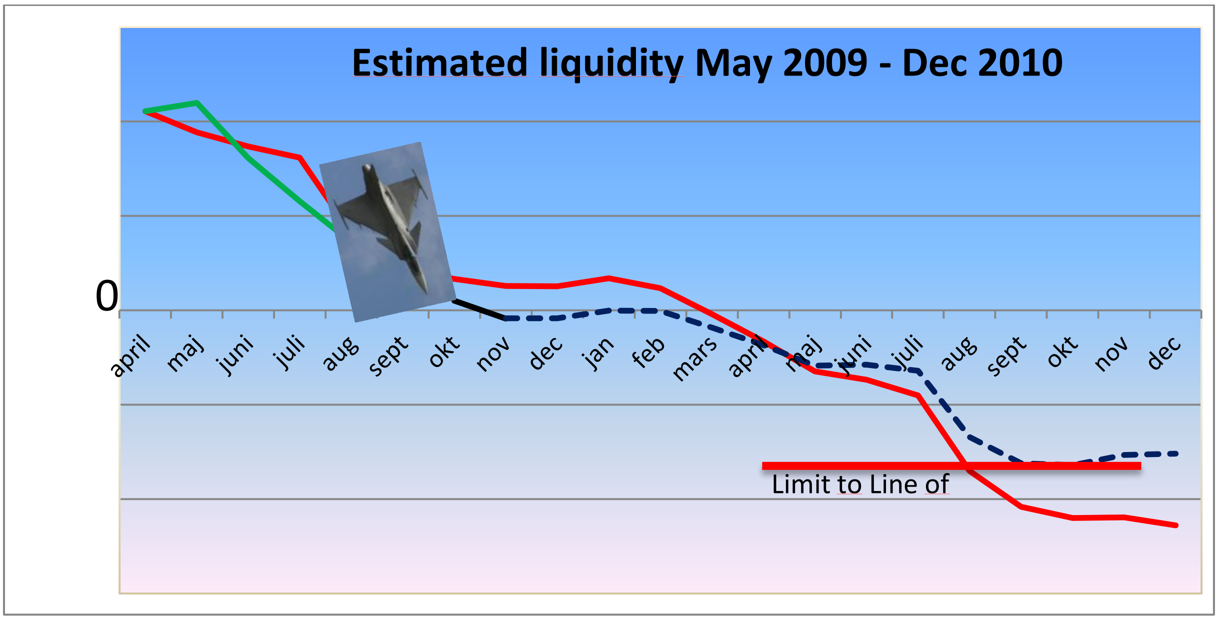
- What was working in company X before the decline like?
- Afterwards?
- Any special events typical symbols for the decline?

Anything you would like to add?

APPENDIX 2 – THEORY TABLE

	Alternative terms	Descriptions	Authors
Revolutionary period	second-order change	*the conscious modification of present schemata in a particular direction*	Bartunek and Moch (1987)
	episodic change	*infrequent, discontinuous, and intentional*	Weick & Quinn (1999)
	transformational change	*require entirely new behaviour sets on the part of organizational members*	Burke (1994)
	strategic change	*addresses the context or frame of the organization itself*	Nadler (1988)
	reorientation	*short periods of discontinuous change where strategy, power, structure and control are fundamentally transformed*	Tushman and Romanelli (1985)
Incremental change	first-order change	*the tacit reinforcement of present understandings*	Bartunek and Moch (1987)
	continuous change	*ongoing, evolving, and cumulative*	Weick & Quinn (1999)
	transactional change	*occurs […] via […] short-term reciprocity among people and groups. [creates] climate*	Burke (1994)
	incremental change	*made within the context or "frame" of the current set of organizational strategies and components*	Nadler (1988)
	convergence	*convergence toward a prevailing archetypal form and inertia*	Greenwood and Hinings (1993)
	convergent periods	*relatively long time spans of incremental change and adaptation*	Tushman and Romanelli (1985)
Deep structure	schemata	shared *meanings or framces of reference for the organization* […]	Bartunek and Moch (1987)
	archetype	*a set of structures and systems that consistently embodies a single interpretive scheme*	Greenwood and Hinings (1993)
	culture	*relatively enduring set of values and norms that underlie a social system*	Burke (1994)
	context, paradigm, or frame	not deliberately defined	Nadler (1988)
	schemas	*abstract cognitive structures that contain knowledge about a kind of stimulus or concept, its features or attributes, and the interconnections between its attributes*	George & Jones (2001)

APPENDIX 3


Estimated liquidity May 2009 - Dec 2010
0
april
maj
juni
juli
aug
sept
okt
nov
dec
jan
feb
mars
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