Using the repertory grid technique to surface strategic planning assumptions

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Abstract
Purpose – In his article titled, “The theory of the business,” Peter Drucker suggests that organizations need to frequently challenge the assumptions underlying their theory of the business (TOB) in order to assure that it remains viable. Accordingly, the purpose of this paper is to introduce the repertory grid technique (RGT) and illustrate how it can be used as a strategic planning tool to surface the assumptions underlying an organization’s TOB.

Design/methodology/approach – The RGT’s merits as a planning tool are demonstrated through a case study involving the president of a Pittsburgh-based financial services organization. Specifically, this case study describes how the RGT and the organization’s competitors were used to surface the assumptions underlying the organization’s TOB.

Findings – The paper describes how the assumptions surfaced from this case study can be used to challenge the organization’s TOB. Furthermore, guidance is offered as to how the RGT can be integrated into an organization’s strategic planning process and a list of resources that one can refer to for further information concerning the RGT is provided.

Originality/value – While the RGT has been used by scholars as a research tool and various authors have suggested that it can be used to address various organizational challenges (e.g., implementing a new system), no one to date has demonstrated its value as a strategic planning tool. Consequently, the paper is a valuable resource for practitioners, as well as academics and consultants who provide strategic planning services to organizations.

Keywords Repertory grid, Strategic planning, Competitive strategy, Assumptions

Paper type Case study

1. Introduction
In his 1994 article, “The theory of the business,” Drucker (1994) brought to the forefront that an organization’s strategy is essentially a theory – an interconnected collection of hypotheses, assumptions or educated guesses about what the organization needs to do in order to meet its goals, compete and survive (Bettis and Prahalad, 1995). While Drucker highlights the positive role that a theory of the business (TOB) plays in an organization’s success, the core premise of his article is that businesses fail because their TOBs are no longer viable. The main reason why a TOB ceases to work is due to the organization taking its TOB for granted and not investing time to revise the TOB to match current realities. Moreover, a TOB can be a hindrance to change because it reflects what organizations currently know and what they have already done to be successful (Hamel and Prahalad, 1994). Thus, for most organizations, it usually takes a life threatening crisis for them to update their TOBs, at which point it may be too late to avoid demise (Camillus, 1997).
Based on this premise, Drucker recommends that an organization’s TOB needs to be challenged, tested and updated on a continual basis. Indeed, organizational renewal depends on the ability of top managers to timely relate environmental change to the organization’s TOB and to adapt that relationship over time (Barr et al., 1992). Taking Drucker’s advice into account, various authors have produced books and articles that provide guidelines on how organizations (and consultants) can accomplish this task (Dewar, 2002; McGrath and Macmillan, 1995). While these books and articles provide helpful advice, the purpose of this article is to introduce an alternate method for surfacing and challenging an organization’s TOB, one that is especially useful for smaller companies which often have constrained resources to devote to strategy. At the core of this method is a cognitive mapping process – the repertory grid technique (RGT) – which provides the means to surface the TOB by understanding how managers view their organization and its competition. Accordingly, the rest of the paper is organized as follows. First, we elaborate on Drucker’s TOB concept. In the sections that follow, we provide background concerning the RGT and then illustrate, through a case example, how the RGT can be used to surface a manager’s TOB for strategic planning purposes.

2. TOB, strategy and strategic planning
In addition to recognizing that an organization’s strategy is a theory, Drucker also reconceptualizes how strategic planning should be conducted within organizations. Many recommended approaches – such as SWOT and Blue Ocean Strategy – suggest that analysis is a key strategic planning activity (Davenport and Harris, 2007; Kim and Mauborgne, 2005). While Drucker (1994) does not necessarily reject analysis, he instead suggests that a key strategic planning activity involves challenging the assumptions underlying the TOB in order to prevent the theory from being taken-for-granted as fact. Otherwise, any strategic analysis will be biased towards confirming what the organization already believes; thus, any information that threatens the validity of the TOB will be met with suspicion and likely rejected or rationalized away (Hamel and Prahalad, 1994). These biases limit the effectiveness of any strategic analysis and, more importantly, will likely lead to a misguided strategy, which could have a huge impact on the organization’s success or ability to survive. However, by challenging the assumptions underlying the TOB, organizations examine critical beliefs which may no longer be true; thus, providing the means to overcome these biases, unfreeze the TOB’s taken-for-granted aspects, and conduct ongoing analysis with less resistance (Dewar, 2002; Drucker, 1994).

Given the importance of challenging the assumptions underlying an organization’s TOB, it is important to note that a TOB is comprised of three different types of assumptions: environment, mission and core competencies (Drucker, 1994). First, assumptions about the environment (customers, suppliers, competitors, regulation, technology, etc.) will comprise beliefs about the organization’ competitive position and how the organization’s products or services provide value to customers. Second, the TOB will contain assumptions about the organization’s mission, which frame the types of meaningful results the organization is motivated to produce. Finally, assumptions about the organization’s core competencies capture beliefs about the things that the organization must be able to effectively and efficiently do in order to meet its objectives and be an industry leader. Accordingly, in the next section, we describe the RGT and provide an example of how this technique can be used to surface a TOB and its underlying assumptions.
3. Repertory grid explained

A repertory grid is an instrument which provides a concise depiction of the way an individual understands the world, or some particular aspect thereof (Fransella et al., 2004). It is often described as a cognitive map or mental model revealing how one construes an event, object, or situation. The technique used to elicit a repertory grid is based on the work of George Kelly and his personal construct theory (Fransella et al., 2004). As individuals are continually engaged in trying to understand their world and their position within it (Cassell et al., 2000), Kelly’s theory posits that individuals over time develop subjective theoretical frameworks of their world, representing what they know and enabling them to make meaningful judgments or evaluations of specific situations, as well as anticipate or manage events (Daniels et al., 1995). Thus, individuals’ actions are influenced primarily by these frameworks.

Figure 1 shows a repertory grid surfaced from the president of a Pittsburgh-based financial services organization. Accordingly, this grid represents a mental model of how she views her organization and its competitors. In the next section, we describe how this grid was constructed and then proceed to illustrate how this grid can be used to understand her organization’s TOB and the assumptions underlying it.

4. Repertory grid elicitation

In order to uncover an individual’s cognitive framework, Kelly developed the RGT with two goals in mind:

1. Even though most people are not aware of the ways in which they systematically recognize or understand things, the technique should reliably extract from the respondent/interviewee his/her cognitive structure or mental map.

2. The world view or frame of reference of the researcher/interviewer should not be forced upon the respondent/interviewee (Reger, 1990).

Thus, when eliciting a repertory grid, it is important that the individual responsible for surfacing the grid keep these goals in mind.
According to repertory grid theory, the information unearthed through the use of the RGT is largely dependent upon the elements and constructs chosen. Elements are chosen first and are representative of the subject matter to be studied such as people, places, events, situations, objects, ideas, etc. (Fransella et al., 2004). Since the ultimate objective of this exercise is to understand how our respondent construes her organization’s TOB, her organization and its competitors will comprise the elements to be examined. Employing competitors as elements is appropriate because it facilitates the ability to understand a respondent’s perception of the organization’s competitive position and competitive environment. In other words, since competitors play a central role in an organization’s ability to successfully meet its objectives (Porter, 1980), surfacing such perceptions will provide the means to identify the critical assumptions a respondent is making about the external environment, the organization’s mission and its core competencies.

Accordingly, the first step in producing the grid in Figure 1 was to have the respondent identify her organization’s competitors. Specifically, we asked her to name her organization’s competitors and, once surfaced, asked if there were stronger or weaker competitors. Having answered in the affirmative, we asked her to rank-order the competitors named, to the extent possible, from strongest to weakest. Given the goals mentioned above, it is important not to force the respondent to name certain firms as competitors or to impose a rank-order on the competitors identified. As shown in Figure 1, our respondent identified five competitors. These firms are labeled C1 through C5, with C1 being the strongest competitor and C5 being her firm’s weakest one.

The next step is to surface constructs from the respondent. A construct is a concept or quality that an individual uses to evaluate, describe and understand the elements being studied (people, places, events, situations, objects, ideas, etc.) (Fransella et al., 2004). A key characteristic of a construct is that it is bipolar – in other words, a construct captures opposing ideas, concepts or qualities. This feature implies that individuals determine the meaning of objects by understanding how they are similar to and different from each other (Fransella et al., 2004). Thus, a repertory grid depicts a series of bipolar constructs, which collectively form a cognitive framework describing how an individual construes any given aspect of his or her world.

The procedures for surfacing the constructs of the respondent’s repertory grid were drawn from Fransella et al. (2004). The names of each competitor were listed on separate index cards. Randomly, two of these index cards were selected and shown to the respondent, along with a third card that identified the name of her organization. In regard to these three index cards, she was asked: “how are two of these firms similar to each other, yet different from the remaining firm?” In response to this query, a bipolar construct representing part of the respondent’s personal construct system (or mental model) was elicited. As constructs were surfaced, the respondent was asked to initially describe each opposing end of the construct. This procedure was replicated until similar card sorts and questioning resulted in no new constructs.

Once the constructs were elicited, the next phase of the process involves using a seven-point scale to have the respondent evaluate her organization, as well as all of the named competitors, on each of the constructs surfaced. For example, with the small/large construct, we asked the respondent to rate each firm based on the following instructions: a rating closer to “1” would indicate that this organization is small, while a rating closer to “7” would indicate that the organization is large. Based on the
evaluations, this respondent considers C5 to be large, while she deems her organization and the rest of her competitors to be mid-sized organizations.

Overall, each construct of her grid provides a part of her overall framework of competition in the market(s) that her organization serves. For example, the relationship driven/investment driven construct suggests that she understands her competitors in part by determining the extent to which an organization is focused on developing and maintaining close relationships with their clients, as opposed to a firm which focuses on selling investment vehicles to clients. Thus, the respondent comes to understand her competitors, in part, by locating them along this construct. Taken together, the set of constructs elicited represent her overall framework of competition. Once the repertory grid has been surfaced, the next stage in the process is to interview the respondent about her repertory grid in order to understand her organization’s TOB and its underlying assumptions.

5. The repertory grid interview
At this point in the process, the elicitation of the grid should provide the interviewer with some familiarity as to how the respondent views his or her organization and its competitors. However, the real value of the RGT as a strategic planning tool involves using the grid to surface a more thorough understanding of the respondent’s TOB and related critical assumptions. While you may begin the interview immediately after surfacing the respondent’s repertory grid, we suggest you conduct this interview in a separate session. The main reason to wait is that you can take time to analyze the grid results prior to the interview. One particularly insightful exercise is to calculate distance scores and then compare these scores to how the respondent rank-ordered his or her competitors. A distance score measures how similar or dissimilar a competitor is from the respondent’s organization. Distance scores for each competitor were determined by first calculating the absolute value of the difference between the score assigned to the competitor on a specific dimension and the score of the respondent’s organization on the same dimension. The final statistic was then produced by calculating the average of these differences (for more on how to calculate distance scores see Fransella et al. (2004)). Table I reports the distance scores for each competitor named by our respondent.

In reviewing this table, it is important to note that the higher the distance score, the more dissimilar a competitor is to the respondent’s organization. Logically, one would expect that the strongest competitor would be the most similar. More specifically, the more similar a competitor is to the respondent’s organization, the more likely this organization is employing a similar strategy. Thus, a highly similar competitor should

<table>
<thead>
<tr>
<th>Competitor</th>
<th>Distance scores</th>
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<tbody>
<tr>
<td>C1</td>
<td>2.2857</td>
</tr>
<tr>
<td>C2</td>
<td>1.2857</td>
</tr>
<tr>
<td>C3</td>
<td>1.7143</td>
</tr>
<tr>
<td>C4</td>
<td>1.7143</td>
</tr>
<tr>
<td>C5</td>
<td>4.5714</td>
</tr>
</tbody>
</table>

Table I. Distance scores

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be perceived as a strong competitor, since it poses a threat to the organization’s competitive position. As illustrated in this table, the strongest competitor named by our respondent (C1) is not the most similar and is in fact viewed as fairly dissimilar based on the distance score. Consequently, this anomaly should be explored during the interview at some point.

As for the interview, there are three lines of questioning that prove especially helpful for eliciting the respondent’s TOB and critical assumptions:

1. exploring the competitive advantage/disadvantage of various positions on the constructs;
2. investigating whether the position of the respondent’s organization on any construct is defining; and
3. asking the respondent to explain the logic of the various ratings and competitor rankings.

As you proceed through the interview questions, feel free to ask the respondent to explain further or to clear up any confusion or inconsistencies that exist about an explanation provided.

5.1 Exploring the competitive advantage/disadvantage of construct positions
One method that can be used to surface the respondent’s TOB is to gain a rich understanding of each bipolar construct. Two vital questions can be posed to explore the constructs:

1. What is the advantage and/or disadvantage of a firm being located on either end of this dimension?
2. How does your organization’s position on this construct (if not located at an end of the dimension) provide your organization with a competitive advantage?

Accordingly, we posed these questions to our respondent about the constructs in her repertory grid. Based on her answers, two important aspects should be noted. First, with the small/large construct, she indicates that size does not provide her organization, or her competitors, with a competitive advantage. This result is noteworthy since it illustrates that respondents may surface constructs that do not appear to play a significant role in his or her TOB. However, it is important to note that such a construct may actually play an obscure role in the respondent’s framework (see upcoming discussion regarding ratings and rankings). Given that the RGT will surface deeply held beliefs and hidden assumptions, it is not uncommon to uncover additional insights about grid constructs as the interview progresses. Second, as will be demonstrated, it is also important to ask a variety of questions to assure that you have fully surfaced the respondent’s framework.

Based upon the answers that our respondent gave to the questions about her grid constructs, certain features of her TOB emerged. First, of the constructs in her grid, the relationship driven/investment driven construct captures a fundamental tradeoff that our respondent believes exists in the industry – most firms will either focus on developing close, advisory relationships with their clients or they will focus on selling investments vehicles to their clients. Moreover, this construct’s role as a central or driving theme for the respondent’s organization became apparent as her organization’s current
position on the relationship driven/investment driven construct strongly influenced its position on the strong wealth management capabilities/product orientation and less research capabilities/greater research capabilities constructs, as well as the client-centered (image)/performance-centered (image) construct notwithstanding the rating assigned to her own organization on these last two constructs (see upcoming discussion regarding ratings and rankings for more about these two constructs).

Examining these constructs further with our respondent revealed the following additional details about her TOB. For instance, competitors that focus on developing close, advisory relationships with their clients are seeking to attain a competitive advantage through comprehensive, personalized service and customization. As a result, these competitors focus more on developing strong wealth management capabilities in which they seek to fully understand the client’s financial situation in a breadth of areas (i.e. investments, taxes, insurance, retirement, estate planning, unique personal needs, etc.), in order to craft a comprehensive and tailored financial plan. According to our respondent the advantages of this strategy is that because you are customizing the investment advice given to meet the client’s particular needs and you are providing comprehensive financial services, you do a more thorough job since you make sure that the client’s entire financial situation is addressed and coordinated in a manner important to the client.

However, the disadvantage of positioning oneself in this manner is that the organizations offering comprehensive and personalized financial services tend not to spend enough time developing their investment management and research capabilities. Consequently, they are not focused on conducting extensive investment research and take what she considers to be a static approach to managing their clients’ portfolios. By static, she means that these firms employ a buy-then-hold investment strategy in which they do not actively manage their client’s portfolios. Accordingly, by following this approach, she believes these organizations sacrifice a higher rate of return on their clients’ investments.

As for those firms who are investment driven and located on the opposite side of the construct, they will attain their competitive advantage by extensively developing their investment research capabilities and actively managing their clients’ investment portfolios in a strategic way to take advantage of current or developing trends. Thus, the perceived advantage of being located on this end of the spectrum is that a firm will be able to provide a better rate of return due to its more extensive knowledge of investment vehicles and more active management style. However, according to our respondent, firms which choose to compete in this manner often forgo developing close relationships with their clients and omit providing customized or comprehensive financial planning services to the detriment of the clients. Moreover, she also perceived that these firms will be more commission-based, and thus, are focused on selling its investment products, as opposed to tailoring its investment portfolios to best fit the client’s situation. Thus, many of the client’s personal financial needs remain unaddressed leaving the client vulnerable to unexpected financial crises, as well as the possibility that there were better investment vehicles more advantageous to the client’s situation than those actually sold.

Returning back to the relationship driven/investment driven dimension, a cornerstone of the competitive position of our respondent’s organization is that it is situated in the middle of this construct. Thus, in the respondent’s opinion, her
organization uniquely offers the best of both worlds – her organization is able to develop close relationships with its clients, providing comprehensive and customized financial advice, as well as a good rate of return through its investment research capabilities and more active investment management philosophy. Interestingly, however, the ratings that the respondent gave her own organization on the constructs driven by the relationship driven/investment driven dimension are not necessarily what one would expect given her explanation of the organization’s TOB and will be addressed in the discussion on ratings.

The remaining two constructs – serious research orientation/sales-new client orientation and synergistic-collective philosophy/individualistic philosophy revealed two other aspects unrelated to the relationship driven/investment driven organizing dimension, but still of substance to her firm. With respect to the first construct mentioned – serious research orientation/sales-new client orientation – it speaks to the manner in which firms approach client development activities. Certain competitors – those on the sales-new client orientation side of this construct – embrace a business model in which they are always actively recruiting new clients. Individuals at these firms spend their client development time selling or marketing to potential clients whether by cold-calling, speaking at seminars, networking, or writing articles. In contrast, the respondent’s organization is located on the opposite side of the construct – serious research orientation – and has chosen to focus its client development time on improving its investment research capabilities in order to improve the service to their clients. So, instead of marketing efforts to attain new clients, her organization had recently made the decision to forgo this approach and instead invest in their research capabilities in order to ultimately provide better returns for their clients. The logic behind this decision is that if her firm can provide better returns on behalf of its clients, then this will lead to higher customer satisfaction, which in turn will lead to higher retention and increased client referrals.

Second, in regards to the synergistic-collective philosophy/individualistic philosophy dimension, she views her organization as embracing a synergistic or collective investment philosophy as opposed to embracing a collection of differing investment philosophies. This construct captures her understanding of the manner in which various firms in the industry organize themselves internally in relation to their investment approach. Some firms (such as hers) are unified in their investment philosophy. In these cases, all advisors are espousing similar investment advice, recommendations and strategies, as well as sharing information and strategies amongst themselves in a coordinated effort. To the respondent, this construct was related to the greater research capabilities/less research capabilities dimension in that synergy means that “everyone in the firm is on the same page” and organizing their research activities into a combined exploratory effort which is more efficient and effective. Whereas, on the contrary, a firm in which the investment advisors hold separate and varied investment philosophies – the individualistic philosophy side of the dimension – would tend not to share information, capabilities and research amongst advisors. Each advisor would have autonomy in their investment philosophies. Hence, investment advice, recommendations and management philosophy would vary across advisors within the same firm. In this event, clients with similar needs could receive significantly different investment advice and results, depending on the advisor and that advisor’s investment philosophy, even though the advisors work in the same firm.
5.2 Investigating whether the position of the organization on a construct is defining

We believe another important set of beliefs to bring to light during the interview involve the respondent’s perception of the organization’s identity (OI). An OI is essentially members’ beliefs as to who they are as an organization (Albert and Whetten, 1985). Accordingly, when explaining these beliefs, members of the organization will describe the essence of their organization or its core ideology, which is comprised of the organization’s key values and purpose (Collins and Porras, 1996). Thus, surfacing a respondent’s perception of his or her OI will provide the means to understand the organization’s mission, which according to Drucker (1994), is an important component of an organization’s TOB. Furthermore, because an OI represents core beliefs as to why the organization exists, what defines the organization, and what is truly important, OI is enduring and tends to be resistant to change (Corley et al., 2006). Thus, any proposed change (i.e. strategic change) that directly or indirectly challenges these core beliefs, may be met with resistance or neglected (Bouchikhi and Kimberly, 2003). Given the importance of challenging the assumptions underlying the organization’s TOB, surfacing the OI and understanding how it relates to assumptions about the environment and the organization’s core competencies is important for unearthing potential sources of opposition to change.

When we asked our respondent to explain the importance of her organization’s position on each construct and whether that construct was connected to her OI, a key theme emerged. At the core, the main reason why her organization is positioned as it is on several constructs is that her organization believes that you should treat clients the way you would want to be treated as a client. According to our respondent, this includes conveying to the clients that the organization cares about them and is client-centered, which is accomplished by building close relationships with clients, being responsive to the clients’ unique personal needs and financial situations by customizing financial plans, assisting clients in a breadth of wealth management issues, as well as developing a depth of expertise in investment knowledge (including better research capabilities) so that clients receive a better return on their investments. Thus, the organization’s drive to develop strong investment research and wealth management capabilities, as well as close relationships with its customers is consistent with her organization’s caring and client-centered identity. This focus on the clients is also represented in the client-centered (image)/performance-centered (image) construct, which to the respondent, embodies the impression that an organization wants clients to hold about the organization. Notably the respondent assigned her organization a “1” on this construct illustrating her organization’s strong client-centered focus.

5.3 Explaining the logic of ratings and competitor rankings

Exploring the ratings given to the respondent’s own organization on the various grid dimensions often proves informative. For example, the respondent assigned a rating of “4” to her own organization on the relationship driven/investment driven construct, as she believes her organization is perfectly and uniquely positioned in the middle of this key construct. Given this rating on the construct, the respondent’s prior explanations, and the organization’s rating of “1” on the strong wealth management capabilities/product orientation construct, one might have also expected her to have assigned her organization a rating of “7” on the less research capabilities/greater research capabilities construct and a “4” on the client-centered (image)/performance-centered (image) construct.
However, with respect to the less research capabilities/greater research capabilities construct, she only rated her organization as a “4”. When we explored this seemingly inconsistent rating with the respondent, we learned that although the respondent’s firm extensively develops its investment research capabilities and investment knowledge well beyond that of other firms that are relationship focused, the respondent did not consider her organization to be a “7” on this dimension. She explained that the reason her organization did not get a “7” on this construct was because C5 is a “7” and her organization, due to its smaller size, could not compete in the same league as C5 with the superior resources that C5 could devote to investment research. Given the disparity in this capability between her organization and C5, she could only give her organization a rating of “4” on this construct. Thus, size is playing a role in her TOB, since the respondent perceives that larger firms possess a competitive advantage because they can devote more resources towards conducting investment research.

In relation to the client-centered (image)/performance-centered (image) construct, she rated her organization as being completely client-centered, despite having previously espoused her organization’s equal emphasis on investment performance. In discussing this apparent discrepancy with the respondent, she indicated that the rating of “1” epitomizes her firm’s “caring for clients” identity. When challenged about why this rating did not account for her firm’s “unique” position in being both client-centered and investment performance minded, she indicated that the focus on developing the firm’s investment research capabilities is newer and reflects who they are becoming as a firm. Thus, this newer aspect of the firm’s identity had yet to be translated into its image.

While interviewing the respondent about the repertory grid constructs and her organization’s ratings will produce valuable insights, we also suggest that you ask the respondent to explain the logic behind the competitor rankings that were assigned. In doing so, we also utilized the distance score calculations mentioned previously. First, according to the respondent’s ratings, her organization’s strongest competitor (C1) presents a formidable competitive challenge. However, according to the distance scores displayed in Table I, C1 is not the firm that is most similar to the respondent’s organization. In fact, C1 is fourth on the list of firms similar to the respondent’s organization. In speaking with the respondent about this divergence, she indicated that C1 is a tougher competitor because of its size and name recognition. Specifically, size provides C1 with a perception in the marketplace that it possesses greater research capabilities and depth of investment experience, which, the respondent further indicated, provides clients with a sense of security. In addition, C1 has done a fine job of marketing itself and, thus, has developed a strong brand, as well as a good reputation.

While the weakest competitor (C5) is a larger organization and possesses the same competitive advantages as C1 with respect to size and reputation, this firm is considered a weaker competitor because it has mainly focused on investments and minimally focused on developing close relationships. However, in explaining why C5 is still considered a competitor of her organization, our respondent stated that despite its investment focus, this firm has recently been “really aggressive” in moving towards developing stronger wealth management capabilities, signaling that it is beginning to focus more on developing relationships with its clients.

Finally, in addressing why C2 was considered a strong competitor and was the most similar firm to the respondent’s organization as illustrated by the distance scores, the
respondent indicated that C2 shared a similar competitive position and identity as her firm. Although C2 was not as evolved as the respondent’s organization with its investment research capabilities and was more focused on client relationships, it shared a similar identity of being client-centered as evidenced by the client-centered (image)/performance-centered (image) construct. Both firms advertised themselves as caring about the client such that they would treat the clients’ investments as if they were the organization’s and customize financial plans to suit the clients’ needs.

6. Discussion

Upon the completion of the repertory grid interview, it is important to identify the assumptions – judgments or evaluations the respondent is making about the future (Dewar, 2002) – underlying the respondent’s TOB. Consequently, when you reflect on the results of the interview, you are essentially looking for predictions that the respondent is making about the external environment, the organization’s mission, and its core competencies. Table II contains examples of some of the assumptions that we surfaced from our respondent. Once a respondent’s TOB assumptions have been surfaced, strategic planning can proceed in various directions. We begin by discussing and challenging the surfaced assumptions underlying the TOB, before proceeding to challenging the respondent’s hidden assumptions.

6.1 Challenging surfaced assumptions

First, we suggest that you work with the respondent to sort the important assumptions from the unimportant, as well as the certain assumptions from the uncertain ones. Important assumptions are ones that, if they turn out to be not true, could have a significant effect on the organization’s ability to meet its goals or survive (Dewar, 2002). Whereas, certainty reflects the degree to which the respondent is confident in the accuracy of the prediction underlying the assumption (Sull, 2004). Accordingly, those assumptions that are deemed to be both important and uncertain are ones that should receive the highest attention and further analysis. For example, the respondent’s assumption that competitors will focus on personalized service or investment performance, but not both, is an important assumption because it strikes at the heart of her organization’s source of competitive advantage. And, given that the respondent’s firm had not previously performed extensive competitor analysis and that the firm’s most distant competitor appears to be moving towards the firm’s competitive position, our respondent was unsure whether or not this assumption would continue to be true in the future. In order to deal with this lack of confidence, the respondent’s firm may now be motivated to devote time and attention towards competitor analysis with the intent of seeking information to test the validity of this assumption. Furthermore, scenario planning could also be used to test this assumption by having the respondent develop scenarios which depict what her firm’s competitors would need to do in order to occupy similar competitive space (Fahey, 2003).

In addition, assumptions that are important and certain are ones which the respondent’s organization should strongly consider monitoring for changes on an ongoing basis (Dewar, 2002). For example, our respondent has conducted client surveys in the past and is fairly confident in her assumptions about clients’ desire for close relationships. However, a risk exists for her organization that developing close relationships becomes an expectation, as opposed to a differentiator, and clients shift
their preferences and begin to emphasize other latent aspects of the service provided by
the respondent’s organization. In order to prevent being blindsided by shifting
customer preferences, our respondent could devote energy towards constructing client
monitoring mechanisms that are designed to detect whether or not customers’
preferences are changing.

As stated earlier, surfacing and challenging assumptions is important for
overcoming the respondent’s bias towards confirming, validating and defending the
existing TOB when conducting analysis. Furthermore, in the absence of understanding
that the organization’s strategy is essentially a set of assumptions or predictions about
the future, top managers may be hesitant to devote time towards analysis because
they believe the TOB still holds true and thus, do not believe there is much benefit
to be gained from further analysis. However, framing the organization’s strategy as

<table>
<thead>
<tr>
<th>Type</th>
<th>Key assumptions surfaced</th>
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<tbody>
<tr>
<td>Environment</td>
<td>Clients will continue to want (and pay for) close relationships with their financial advisors, as well as investment performance. Underlying this belief are judgments that customers believe close relationships are necessary in order to receive comprehensive services, as well as customized or personalized service. However, clients do not want to sacrifice returns for such service. Competitors will continue to focus either on developing close relationships with their clients or investment performance, but not both. Larger competitors will continue to be more formidable because they possess greater resources that they can devote to developing: (1) investment research capabilities, which provide customers with perceptions of safety and security; and (2) greater name recognition and good reputations.</td>
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<tr>
<td>Mission</td>
<td>Their organization will continue to make a difference and be distinctive by being client-centered and being an organization that truly cares about the welfare of its clients. The organization’s drive to develop strong investment research and wealth management capabilities, as well as close relationships with its customers is and will continue to be consistent with the organization’s caring and client-centered identity/mission.</td>
</tr>
<tr>
<td>Core competencies</td>
<td><em>Wealth management capabilities.</em> The organization will continue to be a leader in being able to fully understand each client’s entire financial situation – they will continue to possess a breadth of knowledge in a variety of areas and be able to apply this knowledge to craft comprehensive and customized financial plans. <em>Investment research capabilities.</em> The organization will continue to possess research capabilities that enable them to actively or strategically manage client’s investment portfolios and deliver better performance. Underlying this assumption are the following beliefs: (1) active or strategic investment management, as opposed to static, provides the best means to deliver good investment performance; (2) the organization will continue to possess a synergistic or collective philosophy, which is viewed as being key to maintaining leadership in this competency; and (3) the organization will continue to possess the capability to tailor an investment strategy to the particular investment needs of each client. The organization will continue to possess the resources to excel in both areas, i.e. wealth management and investment research. In order to continue developing their competencies, it is better to forgo active marketing efforts and rely on word-of-mouth marketing that generates referrals.</td>
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a set of assumptions, as well as identifying the important and uncertain strategic assumptions, should provide proper motivation and the means to direct analysis in a fruitful manner.

One caveat that should be kept in mind is that challenging environmental or core competency assumptions that are related to the organization’s mission (or challenging the mission assumptions directly) more than likely will be met with resistance (Bouchikhi and Kimberly, 2003). For example, with respect to the respondent’s organization, a core aspect of its identity is a mission to be an organization that truly cares about the needs and welfare of its customers. Moreover, the respondent believes that her organization’s wealth and investment management competencies play a critical role in her organization’s ability to fulfill this mission. Consequently, challenging the assumptions underlying these capabilities may create the impression that the validity of her OI and her organization’s ability to fulfill its mission are also being challenged.

In order to deal with this resistance, you may need to frame your discussion around who or what the organization is striving to become (Gioia and Thomas, 1996). For instance, in order to properly challenge the assumptions underlying the organization’s wealth management capabilities, one could first discuss whether the respondent believes that her organization has fulfilled its mission of being a caring and client-centered organization, how this mission shapes who they are striving to become, and the role that the organization’s wealth management capabilities play in fulfilling this mission. Such a discussion will more than likely reveal that the organization has not completely fulfilled its mission and will produce a description or vision of who the organization is striving to become (Collins and Porras, 1996). Consequently, creating a discrepancy between who the organization is today and who they want to be in the future will more than likely create some doubt as to whether the organization is a leader in wealth management, which in turn provides the basis to challenge her wealth management capability assumptions with less resistance. Furthermore, your discussion could reframe what it means to be a client-centered, caring organization, which may provide the path to challenge whether or not wealth management capabilities will play a central role in fulfilling the new revised mission and the organization’s leadership position.

6.2 Challenging hidden assumptions
As stated earlier, a respondent’s repertory grid captures the respondent’s current framework or understanding of the organization’s competitive environment. More than likely, unless a firm has a dedicated strategist or strategic planning department, the repertory grid surfaced during the interview process will often seem incomplete and will not fully capture all of the strategic concepts that a practitioner or academic would expect, nor represent a complete or thorough assessment of the organization’s competitive environment. This is due in large part to the fact that top management, on average, devotes less than 3 percent of its time to strategic thinking or planning, as it takes “substantial and sustained intellectual energy” to develop the organization’s strategy (Hamel and Prahalad, 1994, p. 4). Instead, managers are prone to satisficing in which they forgo developing a high quality strategy (i.e. one that is well-developed, reflecting analysis and visionary thinking) and instead will develop one that is plausible enough to enable the organization to take immediate action (Weick, 1995). Thus, acting takes precedence over substantial and sustained thinking, while the urgent dominates the important.
As a consequence of satisficing, the respondent’s repertory grid and TOB will often contain hidden assumptions that certain strategic concepts are not important. Accordingly, it is imperative that you explore these hidden assumptions with the respondent as this will provide a manner in which to indirectly challenge the lack of attention to these important matters. In order to assist the interviewer in flushing out these hidden assumptions, Table III provides a list of some relevant strategic concepts that might be missing from, or implicitly associated with, the respondent’s grid and TOB. For an example, our respondent’s repertory grid did not contain any constructs about price or technology. When questioned about this, the respondent indicated that her organization and its competitors do not compete on price, nor does technology play a prominent role in providing customers with value or fulfilling the organization’s mission. While our respondent understands these concepts and they both play a role in her organization (i.e. the firm does charge a price for its services and employs technology), these concepts have not been integrated into her perception of the organization’s TOB. These hidden TOB assumptions should be challenged to see if they are accurate (or still accurate) and will remain accurate in the future.

However, because the respondent’s repertory grid and TOB have not yet accounted for these two concepts, they are anomalies – something unrelated to the respondent’s current framework (Kuhn, 1996). A respondent’s repertory grid has a range of convenience in which a respondent will have difficulty making sense of concepts or accepting the importance of concepts that are not captured by his or her repertory grid and consequently, are not an integral part of his or her perception of the organization’s TOB.

<table>
<thead>
<tr>
<th>Type</th>
<th>Potential hidden strategic assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Assumptions about the environment concern what the organization does to make money and may include information about the following:</td>
</tr>
<tr>
<td></td>
<td>Customers/clients and non-customers/non-clients (needs, preferences, etc.)</td>
</tr>
<tr>
<td></td>
<td>Markets (those targeted and those not, how they are defined, scope, etc.)</td>
</tr>
<tr>
<td></td>
<td>Competitors (new, additional, potential, etc.)</td>
</tr>
<tr>
<td></td>
<td>Products (scope, features, price, etc.)</td>
</tr>
<tr>
<td></td>
<td>Suppliers (who, price, exclusivity, quality, etc.)</td>
</tr>
<tr>
<td></td>
<td>Trends (technology, regulations, societal, economic, etc.)</td>
</tr>
<tr>
<td>Mission</td>
<td>Assumptions about mission relate to what is meaningful to the organization or how the organization views itself making a difference in society. These may include information about the following:</td>
</tr>
<tr>
<td></td>
<td>Who the organization is today</td>
</tr>
<tr>
<td></td>
<td>Who the organization should or needs to become in the future</td>
</tr>
<tr>
<td></td>
<td>How the organization is viewed by stakeholders</td>
</tr>
<tr>
<td></td>
<td>How meaningful or distinctive the organization’s contribution is to stakeholders</td>
</tr>
<tr>
<td>Core competencies</td>
<td>Assumptions about core competencies describe the manner in which an organization must excel in order to attain a competitive advantage. These may include information about the following:</td>
</tr>
<tr>
<td></td>
<td>Resources required to be competitive (type, cost, amount, uniqueness, criticalness, tangible, intangible, etc.) now and in the future</td>
</tr>
<tr>
<td></td>
<td>Internal processes or activities required to be competitive (type, investment, uniqueness, relevance, breadth of application, what the organization will make versus buy, etc.) now and in future</td>
</tr>
</tbody>
</table>

Table III. Hidden strategic assumptions
Reger et al., 1994). Thus, if challenged directly about the absence of these concepts from her TOB, the respondent may have some difficulty or may even resist revising her TOB to include information about price and technology. Instead, a conversation directed at exploring whether price and/or technology will continue to play a non-existent or unimportant role in the future and whether a reality can be envisioned in which price and/or technology would factor into competition would be more appropriate. Accordingly, framing the discussion in this manner should help reduce defensiveness and engage the respondent in an exercise that will help her integrate, if applicable, these hidden assumptions into her TOB; instead of the respondent merely confirming her existing TOB.

6.3 Conclusion
While these two options – challenging surfaced and hidden assumptions – should provide valuable strategic planning insights, they are by no means the only two options available. For example, one could extend this process to other top managers and surface each manager’s TOB. Then, based on the results, one could analyze the CEO’s and each manager’s TOB to identify areas of agreement and disagreement. Accordingly, such analysis could be used to address areas of disagreement and provide the basis to develop consensus, as well as a more coherent strategy.

Overall, the main purpose of this article is to introduce the RGT and illustrate how it can be used by organizations, academics and consultants as a tool for strategic planning purposes. Given that most people are not aware of the manner in which they understand things (Reger, 1990), the RGT is an effective tool for surfacing not only the manager’s mental framework of the business, but also, any related assumptions. In fact, many managers and business owners who have been subjected to the RGT in this way, express surprise at what they learn about their businesses from the exercise. While our article has provided one example of the RGT’s application, in reality the technique has a wide range of possible uses during strategic planning (for further information about the RGT and how it can be used as a planning tool see Cassell et al. (2000), Easterby-Smith et al. (1996), Fransella et al. (2004) and Wright (2008)). In conclusion, we believe that the RGT can be used as an effective and efficient tool to improve organizations’ strategic planning processes and, hopefully, help them produce more robust strategies.

References


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