

Leading Organizations Through the Stages of Grief: The Development of Negative Emotions Over Environmental Change

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Abstract

This conceptual article theorizes about the effect of emotions of individual organizational leaders during a period of sustainability-related upheaval within an industry. To illustrate the effect of emotions, it proposes to draw on the model of five stages of grief by Elisabeth Kübler-Ross, a conceptual framework describing terminally ill patients' responses to their impending death. The authors adapt Kübler-Ross's taxonomy and use anecdotal evidence from grieving top managers of energy companies in response to the nuclear phase-out in Germany. The article conceptualizes the influence of emotions in the decision-making process of key agents in response to institutional pressures in their field. The article suggests that focusing on emotional influences will add an important dimension to the analysis of sustainability strategies, and discuss implications for further research at an individual and organizational level.

Keywords

emotions, stages of grief, organizational change, decision-making, corporate sustainability, nuclear energy, energy policy

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Research on corporate environmental strategies shows that an individual's perception of sustainability-related issues significantly affects whether a company moves toward a greener path or not (Hoffman, 1997; Pulver, 2007; Sharma, 2000). While logic and rationality influence our perception of an issue, neuroscientific studies indicate that emotions play a similarly important role (Bechara, Damasio, & Damasio, 2000). Fineman (1996, 1997), Pratt (2000), and Wright and Nyberg (2012) have argued that "green" challenges are likely to lead to a more emotional interpretation of an issue than other topics. This finding is often illustrated in the public discourse around sustainability-related issues, which demands rationality yet often leads to emotionally heated debates. This condition is particularly important given the mega challenges organizations face in a sustainability context: climate change, food and water scarcity, environmental pollution, overpopulation, ocean acidification, and the loss of biodiversity are all intertwined in a complex system, which is stressed to and beyond its limits. Organizations are part of the problem and the solution, respectively; it is important to understand how their leaders address these issues and how emotions affect their decisions. Following cognitive theory, emotions affect if decision-makers perceive an issue as threat or opportunity (Sharma, 2000), how they cope with changes of the organizational environment (Bell & Taylor, 2011; Blau, 2006, 2007, 2008; Harris & Sutton, 1986; Hazen, 2008; Zell, 2003), or how they evaluate risks and benefits (Alhakami & Slovic, 1994; Loewenstein, Weber, Hsee, & Welch, 2001; Peters, Burraston, & Mertz, 2004).

Emotions can be defined as strong reactions in response to a decisive event (Frijda, 1986; Russell & Griffiths, 2008; Scherer, 2000). One of the strongest emotions in response to an event is grief. It is often triggered by the loss or impending loss of an important aspect of life, for example, the loss of a loved person or our own impending death. Kübler-Ross (1969) introduced a model to explain the different stages of grieving, which an individual can go through after a decisive event, until reaching a stage of accepting a new reality. In management research, several studies used the stages theory of grief and researched grieving in the context of worksite closure (Blau, 2006, 2007, 2008; Harris & Sutton, 1986), project failure (Shepherd, Covin, & Kuratko, 2009; Shepherd & Kuratko, 2009; Shepherd, Patzelt, & Wolfe, 2011), or organizational death (Bell & Taylor, 2011).

Drawing on insights from psychological literature on grief, this article makes two contributions. First, it elaborates on the role of emotions on managerial decision-making. An increasing number of studies focusing on the effect of emotions in management outlines that organizations are inherently emotional places (Ashkanasy & Ashton-James, 2005; Elfenbein, 2007; Voronov & Vince, 2012), yet the literature on the effect of emotions in

response to institutional pressure and their effect on decision-making is rather limited (cf. Russell & Griffiths, 2008; Voronov & Vince, 2012). This relative lack of research on emotions in a management context means that studies of decision-making processes of top executives in organizations may have excluded an important factor (Ashforth & Humphrey, 1995; Barsade, Brief, & Spataro, 2003; Russell & Griffiths, 2008; Voronov & Vince, 2012). The article addresses this gap and connects findings from psychologists on decision-making with insights from management studies. Concretely, the article reviews the literature on emotions and risk perception and outlines where the two are connected. Based on findings from psychological and neurological studies, it outlines that management research largely overlooks an important factor, the effect of emotions on the decision-making of senior executives. This is particularly important in a sustainability context, as many environmental discourses are controversial and emotionally charged.

Second, the article theorizes about how the evolution of emotions over an issue and over time affects the perception of organizational leaders of an issue. There are few studies focusing on emotions in a management context and even fewer acknowledge the astatic nature of emotions over time. Most management studies in this field focus on one particular emotional state like denial (Agocs, 1997; Norgaard, 2006), happiness (cf. Fisher, 2010; Lyubomirsky, King, & Diener, 2005), or anger (Geddes & Callister, 2007). To outline the process of emotional evolution over an issue and over time, the article adapts the stages theory of grief of Kübler-Ross (1969) and applies it on a sustainability-related context. The article theorizes about the effect of grieving on the ability to change an organization in response to an issue along the stages of grief from initial denial to final acceptance. To illustrate our theory, the authors use anecdotal evidence from top executives within the electricity industry in Germany, which allows us to outline the effects of the different grieving stages an individual goes through in a sustainability-related context.¹

This article has implications on research and practice. It discusses the theoretical implications of the conceptual work, which to the authors' knowledge is the first article theorizing the effect of grieving leaders over a change in the organizational field on their perception of the organization's position in the market. Namely, the article discusses how the findings might help to explain behavioral phenomena connected to the evaluation of an issue as threat or opportunity, the perception of an organization's position in its field and path dependence.

This study also has implications for practitioners. Kübler-Ross (1969) stated, "our goal should always be to help the patient and his family face the crisis together in order to achieve acceptance of this final reality

simultaneously” (p. 152). This adaptation of her work strives to help top executives, consultants, and academics to better understand the implications of grieving leaders in a context of institutional change and the potential implications on an organization’s strategy. The article discusses how grieving can be addressed in organizations and drawing on insights from bereavement services; it suggests how to moderate the negative implications of grieving leaders.

Finally, the article outlines how to empirically test the proposed theory and how to further develop the field. Consecutively, it reviews research on emotions and decision-making and how these streams are intertwined.

Literature Review: Emotions, Management, and Sustainability

Sustainability, Cognition, and Decision-Making

Climate change, fossil fuel scarcity, and environmental pollution, among others, are three sustainability-related key issues that do or will affect every organization to some extent. These issues increasingly lead to the societal expectation that organizations need to develop environmental strategies to address these global challenges (Jennings & Zandbergen, 1995; Sharma, 2000). Institutional theorists argue that senior executives need to respond to such environmental pressures as these pressures imply significant risks and benefits for the executive’s organization (Desai, 2011; George, Chattopadhyay, Sitkin, & Barden, 2006; Puffer & McCarthy, 2011; Suddaby & Greenwood, 2005). The public discourse around climate change, for example, results in changing social norms (Shove, 2010), new customer preferences (Mansur, Mendelsohn, & Morrison, 2008), and disruptive innovations (Fankhaeser, Sehlleier, & Stern, 2008), which might consequently disfavor existing business structures and lead to upheaval in the organizational field (Kolk & Pinkse, 2004; Okereke, Wittneben, & Bowen, 2012). In certain situations, changing institutional demands can ultimately lead to organizational paralysis or breakup (Gilbert, 2006; Henderson & Clark, 1990; Levinthal, 1991; Pache & Santos, 2010; Tushman & Anderson, 1986). The international ban of the ozone-depleting gas chlorofluorocarbon in 1989, for example, led to significant changes in the respective market with winners and losers in the industry (McKibbin & Wilcoxon, 2002).

How an organization responds to changes in the institutional environment is triggered by external and internal factors (George et al., 2006; Oliver, 1992). Studies examining external factors researched organizational responses to institutional change (Lawrence, Hardy, & Phillips, 2002) and

how resources and capabilities of organizations affected these responses (Casile & Davis-Blake, 2002; Kostova & Roth, 2002). Less attention was paid to internal factors that shape organizational responses to institutional pressures (George et al., 2006). Senior executives of organizations are key agents who determine the strategic directions of organizations in response to change in the institutional environment (Elsbach & Sutton, 1992; George et al., 2006; Johnson, Smith, & Codling, 2000). Studying the cognitive processes of these agents is an important, yet often-overlooked element of institutionalism (DiMaggio, 1991, 1997). In fact, gaining a better understanding of the cognitive underpinnings of organizational decision-makers and respective behavior may be key to the further development of institutional theory (George et al., 2006; Hoffman, 1999; Voronov & Vince, 2012).

In management research, a vast body of research shaped and enhanced our knowledge about the cognitive underpinnings of individuals confronted with risks and the influence on their decision-making. Kahneman and Tversky (1979) tested how individuals use heuristics such as availability, representativeness, and anchoring to make decisions. Payne, Bettman, and Johnson (1992) analyzed cognitive decision-making strategies through models of constructed preferences, and Shafir, Osherson, and Smith (1993) elaborated how comparative strategies influence an individual's response to risk. Empirical research on managerial interpretations of events indicates that the risk perception of senior executives depends on rational factors such as the degree to which these executives can control an event or gain and loss considerations (Chattopadhyay, Glick, & Huber, 2001; Thomas, Clark, & Gioia, 1993; Thomas & McDaniel, 1990). The study of these economic factors and their influence on individual risk perception and decision-making formed a large field of management research, which advanced our understanding of phenomena in individual and organizational behavior and influenced practices in the industry. More recent studies indicate that beyond economic rationality, management scholars need to investigate how emotions influence the perception and interpretation of risk by top executives (Campbell, White, & Johnson, 2003; Madlock, 2008; Voronov & Vince, 2012). One reason for the lack of research at this level is that members of organizations may perceive emotions in a professional context as irrational, leading to subjective and potentially unfavorable outcomes that lack legitimacy (Fineman, 2000, 2003). Yet, as shown by Fineman (2000) and Ashkanasy (2003), emotions and rationality are not exclusive but intertwined. They frame, for example, the interpersonal interactions within organizations (Ashkanasy, 2003), how an issue is interpreted (Sharma, 2000), or how an organization reacts to change in its organizational field (Voronov & Vince, 2012). This article responds to the call to develop conceptual models to further integrate the study of emotions in the

research of managerial risk perception and decision-making. A neurological study by Bechara (2004) examined the influence of decision-making in patients who can no longer process emotional information normally. Her results suggest that decisions are not derived from an evaluation of potential future outcomes through some type of cost–benefit analysis. She states, “people make judgments not only by evaluating the consequences and their probability of occurring, but also and even sometimes primarily at a gut or emotional level” (Bechara, 2004, p. 30). These findings underline the significance of emotions when evaluating threats and opportunities and deciding about investments and strategies. The results of the neurological experiment show that emotions are not just one influencing factor but a decisive element of the decision-making process and add a further dimension to the ongoing debate on individual risk perception.

This conceptual article contributes to this growing field by developing a model outlining the effect of negative emotions over change after an influential event in the organizational field. The model further proposes how the evolution of these emotions over time affects the evaluation of the event as threat or opportunity. This article thereby intends to add a further emotional perspective to the rational dimensions of research on risk perception and decision-making. Before introducing the model, the article reviews the literature on emotions and their impact on cognitive processes of key agents in organizations.

Emotions and Change

We react more positively to changes that are in line with our beliefs and norms and tend to deny the ones that are against them. Applied to the leadership team of an organization, emotions can be phrased as the collective emotional response to an event. Emotions that are collectively shared are similar to emotions on individual level, but involve a large number of people who share a similar emotional response with regard to a certain event or decision (Huy, 2012; Shepherd et al., 2011). In institutional research, the importance of emotions in management has been conceptualized from different angles and perspectives (George et al., 2006; Voronov & Vince, 2012) and becomes evident in a number of studies that researched the role of emotions in the context of business communication (Compton et al., 2008), motivation (Campbell et al., 2003), organizational culture (Smollan & Sayers, 2009), stress (Wang, 2011), or recovery from project or business failure (Shepherd, 2003; Shepherd et al., 2009).

In sustainability-related research, the role of emotions in the context of corporate sustainability is illustrated in the debate about climate change

(Norgaard, 2011), renewable energies (Sherry-Brennan, Devine-Wright, & Devine-Wright, 2010), or sustainable management practices (Branzei, Vertinsky, & Zietsma, 2000; Sekerka & Stimmel, 2012). Although these studies advance our understanding of the role of emotions in a sustainability-related context, they lack a focus on how emotions evolve and instead review one particular emotional stage. Moreover, research on the effect of negative emotions on the decision-making process of key agents within an organization is still lacking. The study of emotions is prominent in psychology (cf. Bowlby, 1961, 1980; Kübler-Ross, 1969) and sociological research (Hochschild, 1979). Although both disciplines differ in their interpretation and application of emotions, they are aligned by the idea that emotions shape our cognition and decision-making and define the options an individual considers (Bechara et al., 2000). Emotions result from cognitive processes in response to an event that is of significance for a person (Elfenbein, 2007; Lazarus, 1991; Scherer, 2000). Our emotions in response to change are determined through a cognitive process, where they are interpreted as favorable or unfavorable (Lant & Mezas, 1992; Lant & Milliken, 1992; Shore et al., 2004). Emotions are defined as “an episode of interrelated, synchronized changes in the states of all or most of the five organismic subsystems in response to the evaluation of an external or internal stimulus event as relevant to major concerns of the organism” (Scherer, 2001, p. 93). Radical change is one of the triggers for emotions (Huy, 2012; Smollan & Sayers, 2009), often leading to transformation processes to cope and adapt to this change. Emotions play an important role in this process, as they reduce the options considered, which is supported by research on managerial interpretations of environmental issues (Hoffman, 1997; Sharma, 2000).

Conceptual Framework: Five Stages of Grief

Grieving is a subjective emotional process in response to an irretrievable or impeding loss that may be made manifest in mental, physical, or social expression (Charmaz & Milligan, 2008) and is defined as “to cause to be sorrowful” (Webster, 2001, p. 489). Grieving is a common response to significant change and losses (Clinebell, 1984) and may be expressed through individual or collective mourning. This article draws upon one of the most well-known theories of grieving, the stages theory of grief as described by Elisabeth Kübler-Ross (1969). The origins of the stages theory of grief date back to Sigmund Freud (1917) and his influential article about “Mourning and Melancholia”; Kübler-Ross (1969) drew upon that idea and developed the stages theory of grief. By studying the response stages of terminally ill patients to awareness of their impending death, she identified five distinct

psychological stages of grief: denial, anger, bargaining, depression, and acceptance. Denial is the first emotion an individual experiences, as a result of the “shock” from receiving the news of change. Kübler-Ross (1969) described denial as a “buffer” after unexpected news (“I can’t believe . . .”; p. 39). The following anger stage is marked by the experience of resentment and frustration, which may be directed toward the person or institution triggering these feelings. In the bargaining stage, the individual acknowledges the seriousness of the situation, yet tries to negotiate for more time or better conditions. The fourth stage, depression, is characterized by intense mourning about the individual’s poor condition and better days in the past. Eventually, the individual reaches a stage of acceptance by acknowledging the inevitability of the new reality. Reaching a stage of acceptance is vital for an individual’s ability to learn from the process and move on. These stages are neither distinct nor similar experienced but differ depending on circumstances, preconditions, and support mechanisms. However, following Jacobs (1993), a deviation from this pattern requires therapeutic support to prevent or handle chronic or complicated grief reactions.

Although the model is widely accepted among psychologists and the general public (Downe-Wamboldt & Tamlyn, 1997), and applied in bereavement services around the world (Bergman, Haley, & Small, 2010), its validity is questioned. Researchers from different disciplines like Walter (1999), Bell and Taylor (2011), and Maciejewski, Zhang, Block, and Prigerson (2007) could not validate the model in empirical studies, yet all acknowledge its value and practicality in medical services. Despite the lack of empirical validation, we believe the original model of Kübler-Ross (1969) holds an inherent conceptual value that allows us to gain a better understanding of the evolution of emotions in managerial decision-making. The model proved to enhance our understanding of the emotional stages an individual goes through in different contexts ranging from grieving about a breakup (Kübler-Ross, 1969) to organizational death (Bell & Taylor, 2011). In a business context, Blau (2008) empirically validated a slightly adapted model in the context of anticipated job loss research. This article uses the model as an illustration of the evolution of emotional responses of executives in the light of radical change affecting their business environment. More research testing its validity, especially in a sustainability-related context, is required.

In management research, the grief theory is applied in several studies, for example, to explain the recovery process after entrepreneurial business failure (Shepherd, 2003), employee responses to an anticipated worksite closure (Blau, 2006, 2007, 2008), and project failure in corporate innovation (Shepherd & Kuratko, 2009). To study emotions is very relevant to understand and address the interpretation of sustainability-related issues like

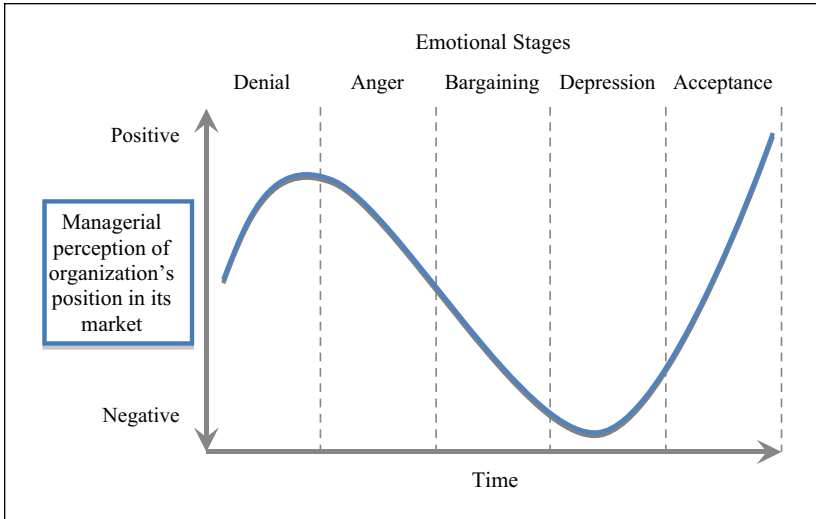


Figure 1. Hypothesized Effect of Emotions on Managerial Perception of an Organization's Position in Its Market through the Five Stages of Grief.

Source. Adapted from Kübler-Ross (1969).

climate change or resource scarcity. There are often heated public debates and discursive individual and organizational responses to “green” challenges (Fineman, 1996, 1997; Pratt, 2000; Wright & Nyberg, 2012). Norgaard (2006) studied how individuals within a community that is significantly affected by climate change respond to the threat and analyze the cognitive underpinnings of climate change denial. Her study “attempts to highlight the importance of these dimensions in a way that bridges the troublesome, yet nevertheless artificial, gap between micro and macro social processes” (Norgaard, 2006, p. 364). Her findings show that an emotional response to environmental risks is influenced by rationale as well as the social discourse surrounding the issue.

This article follows the argumentation of Russell and Griffiths (2008) that the role of emotion of top executives in response to sustainability-related challenges needs further attention and will enhance our understanding of decision-making processes in organizations. In contrast to most other studies, this article does not focus on one particular emotional state but acknowledges the unsteady character of emotions. It aims to conceptualize how emotions such as climate denial can evolve with time. The idea is reflected in Figure 1, representing the moderating effect of the different grieving stages on the managerial perception of their organization's position in the market.

Following the theoretical model of Kübler-Ross (1969), the *x*-axis represents time and is segmented into the five stages of grief, denial, anger, bargaining, depression, and acceptance. Different to the original model, the *y*-axis of our model does not show self-esteem but show how the perception of an executive of the position of their organization in its market in response to a decisive event evolves. The curve illustrates the change in perception along the different stages and follows a similar route as in Kübler-Ross's (1969) description of the fluctuation of one's self-esteem along the stages of grief. This article proposes, similar to Kübler-Ross's (1969) focus on self-esteem, that an executive's emotions evolve in a similar order like an individual's emotions coping with the loss of a beloved person.

In the initial denial stage, the executive perceives that the organization's position in its market has improved as she or he ignores the negative implications of the event and overrates the organization's resources and capabilities. In the anger stage, the manager becomes more aware of the limitations of the organization and the implications of the event. The anger is directed at the ones she or he thinks are responsible and blames them for the event, like policy makers, politicians, engineers, customers, non-governmental organizations, or other managers. The perception of the organization's position in its market further deteriorates during the bargaining stage and reaches its lowest level in the depression stage. The manager might find it more difficult for the organization to cope with the change despite first efforts to react. Depending on the magnitude of the event, the manager realizes that there is no easy restoration and the event has major implications on the organization. Eventually, the individual accepts the new reality and works on strategies such as how the organization can benefit from the event in the current market. This hypothesized effect connects to the work of Shepherd (2003) who argued that the likelihood to learn from project failure increases with time during a grieving process.

The model draws upon a qualitative study by Zell (2003), who studied the resistance to change in universities through interviews with professors in a physics department. He found that an organization's change process evolves along the stages theory of grief and argues "both individuals and the organization as a whole moved through the process of change roughly in the sequence outlined by Kübler-Ross" (Zell, 2003, p. 79). In fact, already Kübler-Ross (1969) suggested that her model applies to different forms of catastrophic personal loss such as the loss of one's job, freedom, or partner. As argued by Marris (1974), radical change and loss are similar as both can trigger an individual's grieving process. In a number of industries, sustainability-related issues significantly influence the field in which an organization is operating (Hoffman, 1999; Newman, 2000). Psychologists suggest

that an individual has to go through all stages of grief to sufficiently cope with a dramatic change event (Jacobs, 1993). However, these stages are often not clearly distinct, nor does every individual go through them in the proposed order—just like the grieving process is different for every individual depending on the circumstances and preconditions (Maciejewski et al., 2007). Depending on internal and external factors, an individual experiences a different intensity of her or his emotions in response to an event. In accordance with the findings of Kübler-Ross, we do not suggest that the proposed moderating effect is found in all individuals to a similar extent. She notes,

others might (and probably will) adopt a different terminology when describing the phases through which the dying patient passes in the course of his illness. Since individual variation is so great, it is unlikely that any one conceptual system could be applied to all. But the overall picture, and the illustrative examples on which it is based, must stand. (Kübler-Ross, 1969, p. viii)

Based on her findings, the proposed model is a first attempt to conceptualize the evolution of emotions over an issue and how it affects a manager's interpretation of their organization's position in the market and ability to change it.

The present authors suggest that a number of current behaviors within industries reflect the proposed model. In the automotive industry, executives who are faced with the potential "death" of the internal combustion engine, as electric cars might replace it over time, do not or only slowly adjust their organization to the future market. The results of a recent industry survey among top executives about the future of the automotive market outline that market experts expect only six major players to sustain over the decades, one of them the electric car company Tesla (KPMG, 2014). To illustrate further the evolution of the different emotional stages and how they affect managers' perception of their firm's position in the market and their ability to change their organization, the German energy industry during a phase of radical change in its organizational field serves as an example.

Illustrative Case: German Energy Companies Confronted With Nuclear Phase-Out

The Fukushima nuclear accident in 2011 sharply accelerated a long-term trend in Germany (Wüstenhagen & Bilharz, 2006) to move away from nuclear power and toward a higher share of renewable energy. Half of Germany's 17 reactors were shut down within 3 months after the Fukushima disaster, and the government decided to retire the remaining 9 plants within

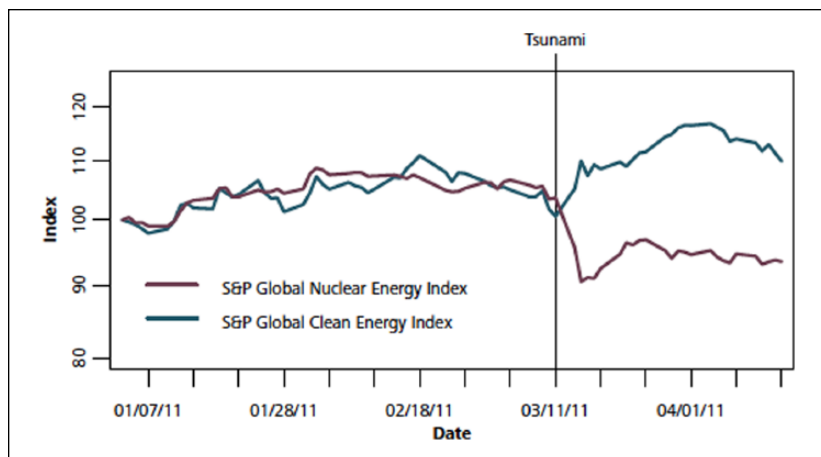


Figure 2. Stock Price Reactions to the Fukushima Daichi Nuclear Accident.
Source: Ferstl, Utz, and Wimmer (2012).

10 years. This upheaval in the institutional environment led to significant challenges for incumbent utilities. The far-reaching policy changes implied that the firms needed to reinvent their corporate strategy, while losing their existing cash-cows. At the same time, the opportunities in renewables looked more promising almost overnight, and stock markets priced in the new realities within days, sharply discounting the share prices of companies with exposure to nuclear relative to renewables (see Figure 2).

As will be explored in more detail below, reactions from management of incumbent utilities were very different from the fast reactions to new risk-return profiles, as they were reflected in stock markets. They ranged from defeatists' comments about the short-term nature of the policy changes to threats of legal action against the government. It took several months for more constructive voices to become prominent in the debate. Given the fundamental threats to the firms' existing business models, however, one would think that there was a strong case for immediate action. Instead, there seemed to be evidence for factors beyond pure risk-return considerations—including emotions—that influenced corporate responses to upheaval in the institutional environment.

The effect of grief is expressed through emotions, actions, and words (Kübler-Ross, 1969). Statements of senior executives as key agents, open a window revealing some of an organization's inner issues. According to the research of Kübler-Ross, different senior executives within the industry

respond differently to events, depending on internal and external factors. In her study, Kübler-Ross found,

different patients react differently to such news depending on their personality makeup and the style and manner they used in their past life. People who use denial as a main defense will use denial much more extensively than others. Patients who faced past stressful situations with open confrontation will do similarly in the present situation. (Kübler-Ross, 1969, p. 28)

Similar to her findings, contradictory reactions from different individuals in an industry might be found in response to the same environmental pressures. Yet, the overarching tone within the energy industry in response to an issue supports this illustration. The following paragraphs describe each of the five stages in greater detail and illustrate it with anecdotal evidence from top managers of large German energy incumbents.

Denial

The authors suggest that the initial reaction to imposed transformation is denial. In the denial stage, one is unwilling to admit the change and its effect on one's life. A typical response would be "I feel fine" or "This is not happening" (Kübler-Ross, 1974). In the context of the intended policy adaptations affecting the German energy industry, a manager of one of the big utilities was quoted 4 weeks after the Fukushima accident as saying "The short-term phase-out of nuclear power is impossible, simply for reasons of security of supply" (AMS, 2011). Other prominent German industry leaders stated, "what happened in Fukushima cannot happen here" (SZ, 2011), which reflected pre-Fukushima convictions that "German nuclear power plants are among the safest in the world" (Stern, 2007). Similar to the original context of the stages of grief, reactions in this phase tend to be rather passive, and as a result, organizations in denial mode are unlikely to embark on new strategies.

Anger

When a grieving individual or organization realizes that the change cannot be denied any longer, it enters the second stage of grief, which is anger, rage, envy, and resentment. According to Kübler-Ross (1974), typical expressions in this stage are "This is not fair" or "Who is to blame." Translated into the language of Germany's energy incumbents in the light of the post-Fukushima industry transformation, angry reactions by managers included statements

like “there is no thought-through concept” and “there is a total lack of a long-term perspective” (AMS, 2011). One utility chief executive also joked about the solar power generation, saying, “photovoltaics in Germany makes as much sense as growing pineapple in Alaska” (Merkur, 2012)—an assessment that was fundamentally revised by his successor only a few months later. As in other grief processes, managers tend to show active reactions in this phase, but their emotional energy is not yet directed toward solutions.

Bargaining

“I understand I will die, but if I could just do something to buy more time . . .” would be a typical phrase marking the bargaining stage. Individuals try to bargain for more time or improved conditions to better cope with the change. In the case of the German energy industry, the bargaining stage is well exemplified in attempts by the large utilities to influence the increasingly inevitable changes in the institutional environment to their favor. One strategy is to prepare the public for rising electricity prices, which would take away some of the margin pressure from utilities. For example, one utility CEO said, “electricity prices will increase by 30%” because of investments required by the new energy policy in the order of 150 billion Euro, and went on to point out that “the majority of those costs will be added to electricity bills” (SZ, 2011). Another utility CEO even publicly said that “the cost of the energy transition are in the order of magnitude of 250 to 300 billion Euro” (Merkur, 2012). Another attempt to bargain for advantages over other players can be seen in utility firms’ lobbying for relative increases in feed-in tariffs for offshore wind parks (which are mostly planned and operated by major utilities), while complaining about prohibitive cost of feed-in tariffs for photovoltaics (a sector that is largely in the hands of their competitors).

In this phase, a common communication pattern is “yes, but . . .” Consider the following interview statements by a German utility CEO:

The energy transformation as a long-term objective is quite right. What I am missing is a sensible regulatory framework for the energy market. And therefore, the course we are currently pursuing is very expensive. . . . From a technical point of view, the nuclear phase-out is manageable. But the question is whether electricity remains affordable for consumers and industry. And there I am more skeptical. (Handelsblatt, 2012a)

During this stage, the emotional response becomes more neutral toward the change, as hopes and fears are balanced.

Depression

During the depression stage, a person realizes the loss of an important part of her or his life. It is the time when a person faces the truth about the consequences of the change and feels hopelessness and sadness about the future. Of the five stages of grief, this one is probably the hardest one to back up with statements of utilities, as depressive public statements of managers are rare. However, anecdotal evidence from industry conferences in late 2011 and early 2012 shows that some industry representatives painted a rather bleak picture of their firms' prospects under the new institutional conditions, highlighting the downside risks more than the new opportunities. The head of the Federation of German Industries (BDI) warned that the new energy policy meant that Germany was about to "run blindly into a crisis" (Welt, 2012). When the Federal Environmental Minister Peter Altmaier in fall 2012 called for an end to "badmouthing the energy transition" (dapd, 2012), he provided an indication that BDI's wording reflected more than a singular statement, and that negative emotional responses could be an obstacle to grasping new strategic opportunities.

Acceptance

The acceptance stage is marked by an adaptation toward the new environment and more positive feelings toward it, yet as Kübler-Ross notes, "acceptance should not be mistaken for a happy stage" (Kübler-Ross, 1969, p. 100). Quotes illustrating these emotions are "It's going to be okay" or "I can't fight it, I may as well prepare for it." On an organization-level, actions outlining this stage could be a strategic redirection toward the new environment and quotes about business opportunities connected to it. In fact, as the dust began to settle a year after the policy changes in Germany, statements reflecting more positive emotional reactions appeared. The CEO of a large German industrial firm stated in September 2011 "this chapter is closed," alluding to his firm's decision to exit the business of building nuclear reactors (Handelsblatt, 2012a). The chief executive of a large utility followed half a year later saying "Germany has decided with a clear majority [to phase-out nuclear power]. We have to accept this." As a consequence, he said, "we came to the conclusion that investing in renewables, distributed generation and energy efficiency is more attractive" (Handelsblatt, 2012c). Similarly, an industry peer, whose predecessor was the one comparing solar energy in Germany to growing pineapple in Alaska, said,

When it comes to photovoltaics, we are currently in a phase of reassessment. Prices for solar modules have come down at a rate that our company deemed unthinkable a few years ago. It would therefore be unwise for us not to address this topic. (Handelsblatt, 2012b)

Discussion, Implications, and Further Research

Based on literature from psychology and institutional work, this article has proposed a conceptual model that highlights the role of emotions during an organizational transformation process. It responds to calls from organization theorists to further research the effects of emotions during an organizational transformation process (George et al., 2006; Pache & Santos, 2010; Voronov & Vince, 2012). Findings from psychologists suggest that emotional responses of executives to changes in the organizational field are not static, but evolve over time through the change process. The evolution of emotions can be segmented along the five stages of grief (Kübler-Ross, 1969), suggesting that managers show signs of emotional reactions to change that go from denial to anger to bargaining to depression until they finally reach a stage of accepting the new environment. The grieving process is expressed through emotions, which are reflected in actions and words by an organization's leadership. It affects the grieving individuals in their risk perception and the ability to change the organization to a new environment, for example, after a new policy or major accident.

The authors acknowledge that every individual handles and expresses emotions differently. The moderating effect of emotions on the managerial perception of their organization's position in the market and their ability to change the organization is likely to fluctuate depending on different personal and environmental factors, for example, when there are supportive mechanisms and services emplaced that assist an individual along the change process. In Kübler-Ross's research context, for example, these services included specially trained medical staff who supports the grieving process of patients. In her study, she found,

during these crucial days or weeks it depends a great deal on the structure and unity of a given family, on their ability to communicate, and on the availability of meaningful friends. A neutral outsider, who is himself not emotionally over-involved, can be of great assistance in listening to the family's concerns, their wishes, and needs. (Kübler-Ross, 1969, p. 142)

In a management environment, this could be a consultant, coach, or external advisor who supports key agents in coping with an issue. On the contrary,

negative influences like a collective denial of an event, for example, by relatives in the medical context and by other senior executives in managerial grief, could extend or even intensify the grieving process. Figure 1 illustrates the effects of managerial grief on the perception and ability of key agents to change the organization.

The authors further propose that as emotions over an issue change over time, so does the ability of an executive to change the organization toward a new environment. Managers are more willing to change an organization toward new institutions when they emotionally favor a change in the organizational field (Sharma, 2000). The ability to learn from grieving helps managers to develop themselves and change the organization they work for (Shepherd & Kuratko, 2009). In the denial stage, an executive's ability to change the organization is low and inversely related to their perception of the organization's position in its market. Although the individual is in denial, the higher the perception of the organization's position, the lower the ability of a manager to change the organization to fit a new environment. This hypothesized effect derives from research on path dependency, where managers become more resistant to change the higher their perception of the organization's resources and capabilities (cf. Baum & Silverman, 2001; Liebowitz & Margolis, 1995). The anger stage is characterized by a rising ability to change the organization as the perception of the organization's position in its market lowers. The manager tries to address the challenge in a first attempt, for example, by launching a new project or allocating limited resources. During the bargaining stage, the individual realizes that the first attempt to change the organization was insufficient to significantly improve its position in the market. The manager is confronted with increasing institutional pressure on current practices, services, or products and potentially new competitors who grasp new opportunities in the market. During this depression stage, the ability to change the organization and the perception of the organization's position in its market both become lower. When a leader finally reaches the stage of accepting the change in the organization's environment, her or his ability to change the organization increases. This ability opens a window of opportunity for creating a new path for their organization, which could become evident in the development of new strategies or the allocation of resources to new technologies, markets, services, or products. This hypothesized effect connects to research on bandwagon theories of collective action (cf. Abrahamson & Rosenkopf, 1993; Granovetter, 1978), which suggests that large-scale change of organizations often begins with changes in the perception and behavior of a small number of key actors (Garud & Karnøe, 2001).

Our conceptual model also contributes to research on managerial interpretation of an event as threat or opportunity. The more a key agent interprets an

event as an opportunity, the more likely she or he is to strategically direct the organization toward that direction. In a study analyzing the choice of environmental strategies, Sharma (2000) found that positively interpreted environmental changes stimulate opportunity-seeking behavior rather than threat aversion. George et al. (2006) proposed that senior executives' interpretations of an issue as threat or opportunity are translated into organizational actions. Dutton and Duncan (1987) and Jackson and Dutton (1988) noted that gain or loss considerations, the perceived controllability of an issue, and negative and positive emotional associations define whether senior executives interpret a risk as threat or opportunity. Drawing upon their findings, research on the interpretation of an issue as threat or opportunity should further investigate the role of emotions in this process and, in particular, how the emotionology surrounding an environmental issue is influenced by negative emotions such as grieving. It would be fruitful to investigate, through longitudinal research, how emotions influence the perception of an issue and the ability of an organization to adapt to a change in its field over time.

If confirmed in further empirical research, our conceptual model has significant implications for managerial practice. Paying attention to the emotional perturbations that come along with disruptive change is a prerequisite to steering organizations through a changing environment. Our model raises awareness that emotions are important mediators of organizational reactions to change, and illustrates that they differ over time. Managers can benefit from this insight by getting a more realistic understanding of the feasible speed of change, and by adapting their communication style over time, and thereby can help their organization move through to the stages of grief more quickly than if they would ignore the grieving process. The grief literature provides specific suggestions on bereavement counseling, which can be inspirational for managing grief on an organizational level, too, for example, with regard to the importance of mourning rituals. It should be pointed out, though, that successful management of the grief process requires striking a fine balance. On one hand, managers need to appreciate the emotional reactions to the loss of the old realities, on the other hand, they should still be firm about the inevitable nature of the new realities—otherwise, the organization might get stuck in the early stages of the grief process and reaching acceptance could even get delayed.

In the case of policy-driven changes in the environment, this lesson should also be taken into account by policy makers. They, too, can learn from our proposed model that organizational adaptation to change takes more time than it would in a perfectly rational world without emotions. They can, to some extent at least, adapt their communication style to prevailing stages of grief in the affected industry to signal understanding of the emotional

reactions to change. But staying firm with regard to the irreversible nature of the change process (such as, for example, Germany's nuclear phase-out) is equally important to help organizations to adapt and channel their emotions toward the acceptance stage.

Although this article provides an important early contribution toward a better and more comprehensive understanding of corporate responses to sustainability challenges, it clearly leaves room for further research. There are a number of industries to which our model could be applied beyond the illustrative case of German nuclear phase-out discussed in the previous chapter. Particularly interesting cases to study the effect of grieving agents over institutional pressure are the oil, gas, and coal industry, as they are influenced by environmental policies and often part of emotionally heated debates. While especially sustainability-related issues like climate change are often accompanied by emotionally heated debates (Wright & Nyberg, 2012), the proposed model enhances the understanding of managerial responses to institutional pressures and the role of emotions in the cognitive process in different industry settings.

Empirical testing of our proposed framework raises a number of opportunities for methodological development, for example, when it comes to operationalizing emotions on an organizational level. The application of psychological individual-level theories on an organizational level might further enhance our understanding of the process of organizational decision-making and change (Bowman, 1982; Shimizu, 2007; Staw, Sandelands, & Dutton, 1981). Measuring the evolution of negative emotions at different management levels over time would be an important next step. This could be facilitated by drawing on methods in psychology research, and adapting them for application on an organization-level, for example, through surveys or interviews with a sample size which is representative for the organization. Psychologists have developed a number of tools to measure the evolution of negative emotions, for example, the Texas Revised Inventory of Grief (TRIG; Faschingbauer, 1981), the Grief Experience Inventory (GEI; Sanders, Mauger, & Strong, 1985), the Inventory of Traumatic Grief (ITG; Prigerson et al., 1997), and the Hogan Grief Reaction Checklist (HGRC; Hogan, Greenfield, & Schmidt, 2001). The latter has already been applied to management research in a study by Shepherd et al. (2011) on negative emotions after project failure and might be particularly well suited for organization-level application.

To gather data about the evolution of negative emotions in response to changes in the organization field, a content analysis of direct and indirect communication, for example, of lobbying reports might be a useful step, as corporate communication reflects the values and beliefs of an organization.

Methods used by psychologists to measure and segment grief can be adapted to segment communication into different stages. The Inventory of Complicated Grief-Revised (ICG; Prigerson & Jacobs, 2001) might be well suited as it segments the emotional stages and offers a scale for measurement of grief.

A final area for further research is to investigate the link between grieving and implications on financial performance. During the first four stages of the grief process, organizations invest time, attention, and resources on the negative aspects of a new environment. Organizations thereby risk a lower performance because, in line with institutional theory, they risk continuing to invest in industries that lack legitimacy and consequently lose competitiveness over time.

Conclusion

This conceptual article explores how emotional aspects can help to enhance our understanding of corporate responses to sustainability. It proposes to build on Kübler-Ross's (1969) stages-of-grief model to explain why firms take time to adapt to upheaval in their institutional environment, as illustrated by German energy companies' reactions to renewable energy policies, especially in the aftermath of the Fukushima nuclear accident in 2011. Although the objective of this article is to inspire the reader to take new avenues of research on corporate sustainability rather than to provide definitive answers, it could provide some early evidence that energy firms did in fact go through different stages of grief, as reflected in illustrative quotes from their chief executives and other key industry representatives over the months that followed the policy changes. In contrast to a pure risk-return view of the impact that the institutional changes had on different business lines in the energy industry, for which immediate stock market reactions served as an admittedly crude proxy, the emotional ups and downs that are characteristic of a lengthy grief process seemed to have slowed down corporate responses to the new realities. It will be interesting to investigate in further research whether this effect, and the differences in how fast competing firms went through the grief process, resulted in financial and environmental performance differences.

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Note

1. Although the authors are not aware of any previous academic publication linking the stages of grief to sustainability management, they acknowledge inspiration from Steven W. Running (2007) and his pioneering blog piece stages of climate grief (<http://www.ntsug.umt.edu/5-stages-of-climate-grief>).

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