

Escalation in Decision-Making: The Tragedy of Taurus

Helga Drummond

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Since the 1960s investments in information technology (IT) have become an ever more significant proportion of the private, public and non-governmental organisations' budget. Some of these IT investments aimed to develop competitive advantage while some others aimed to bring under control the mounting costs associated with handling paper-based information. Through a case study of a settlement system for the London Stock Exchange, Helga Drummond illustrates why some IT investment projects go beyond initial expenditure estimates and bring some organisation to the edge of bankruptcy.

The narrative proceeds based on the "flash-back" technique, that is, by inverting the chronology of events. This same writing style is used in most Harvard Business School teaching case studies. In Drummond's book the "flash-back" technique is most adequate for the first couple of empirical chapters but is somewhat abused after that point in the narrative. As a result, the flow of ideas is hindered and often results in the reader losing track of events.

The research is thoroughly documented and well within standards associated with research projects financed by the Economic and Social Research Council and published by Oxford University Press. The research methodology relies on evidence documented by public sources and open-ended interviews. Some interviewees preferred to remain anonymous but fortunately the text frequently quotes directly from the contributions and recollections of key players.

The book is accompanied by a bibliography divided by source, an index, a cross reference of terms and a cross reference of names. The theoretical framework is developed in chapters 1, 7 and 13. These are by far the most interesting, structured and clear bits. Chapter 2 offers a brief review the research methodology but a review that makes a rather weak case for the generability of single case research. Chapters 3 to 6 and 8 to 12 illustrate the context and complexity of the Taurus project. The discussion proceeds aiming to avoid technical terms but the rather short length of the empirical chapters provides little assistance to trace the development of main ideas. Finally, chapter 14 offers a summary and possible avenues for future research.

The book aims to supersede the criticism of any individual, group or organisation to explain the failure of the Taurus project. The goal is to present the Taurus project as a clear example of decision-makers going beyond initial expectations, committing the London Stock Exchange to substantial investments, and eventually failure. The Taurus project is, therefore, presented as a case study where the discussion over “escalation” predominates historical concerns.

Escalation is concerned with how and why organisations become involved in major unproductive investments and why managers seem to persist with failing ventures for very long periods of time. The discussion of Taurus and its context proceeds while examining two alternative explanations to escalation, namely that provided by decision dilemma theorist and that provided by social-psychology theorists. The social-psychology view argues that people are apt to postpone unpleasant possibilities until resources dry up. Withdrawal is most probable if social, psychological, and organisational pressures surrounding a venture weaken or if such pressures become sharply overridden with the cost of persistence. For decision dilemma theory, the underlying problem is that decision-makers face uncertainty. Decision-makers that persist with a project behave rationally provided that they do not ignore information which clearly indicates that further investment is useless. According to the decision dilemma view, feedback will become more readily available and less ambiguous as time goes on. Market forces will eventually curb unwarranted persistence by restricting new financial resources or replacing managers whose efforts are futile.

Chapters 1 and particularly chapter 13 offer a detailed discussion behind “withdrawal” or the point at which project investment is finally stopped by management (rather than by external forces). The discussion around “withdrawal” is quite interesting and captures the real value added of the book. The author contends that “most of the escalation literature concentrates on persistence as distinct from withdrawal” (p. 158). In other words and according to Drummond, the literature concentrates on why and when decision-makers become irrational rather than enquiring how rationality is reasserted. Her explanation is that external pressures and unambiguous negative feedback may be necessary for withdrawal. But the real challenge is for decision-makers to control key resources, govern key players and bring them together to impinge change. Power is then the key to commit the organisation to a new course of action before external forces intervene.

This book is probably best suited for the scholar willing to enquire into the effects of technological change within the history of management research. It is also relevant for those practitioners and academics involved in project management or managing the development of information systems. Moreover, finance specialists could also find some interesting insights.

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