DEAF EFFECT IN ESCALATION OF IS-PROJECTS: AN EXPLORATORY MULTI-CASESTUDY ON CAUSES AND AUDITOR-MANAGER INTERACTION

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This research working paper is an adapted version of chapter 7 in the PhD-thesis of Arno Nuijten. This thesis will be defended in August 2012 and has been supervised by prof. dr. Gert van der Pijl (Erasmus University), prof. dr. Harry Commandeur (Erasmus University) and prof. dr. Mark Keil (Georgia State University).

7.1. Introduction

This paper is part of a sequence of four empirical studies on manager’s Deaf Effect for risk warnings as provided by internal auditors. We will first briefly explain Deaf Effect and its relevance and we will briefly show some findings from our earlier experimental studies. Then we will proceed with our research questions and will further describe our study. Our study is applied to IS projects.

Cuellar defined the phenomenon of Deaf Effect as occurring “when a decision maker doesn’t hear, ignores, overrules a report of bad news to continue a failing course of action” (Cuellar, 2009). Based on interviews with internal IS auditors, Keil (Keil & Robey, 2001) described the Deaf Effect as a failure to respond to messages of impeding IS project failure. The auditors recalled instances in which they had reported bad news about projects only to find that their concerns were ignored by executive management. Several auditors underscored the importance of developing relationships with managers in the organization. The following account of a whistle blowing incident by an IS auditor illustrates this point.

“I think,” the auditor said, “the way we handled it made a difference. We suggested they really look at these issues. We have got some major problems, and I think just the way we came about it, as a team player instead of a policeman. And that ‘We want to help you; we see that this project's out of control; we can see that maybe some things you're not getting the truth on because you're so close to it; but this is what we see.' Even though we are an independent appraisal organization, we are still part of the same corporate team, and our goals are their goals basically. We all want the company to do well.” (Case #182).

Keil (Keil & Robey, 2001) concluded that effective whistle blowing may depend on organizational factors, like organizational size, the historical commitment by executive management to the internal audit function and the independence of auditing from management authority. However, as the citation confirmed – a partnership relation between the Bad News Messenger and the project owner is crucial for effective whistleblowing as well.

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Our first studies were explanatory by nature and found confirmed that the relationship between the internal auditor – as Bad News Messenger – and the decision maker was of influence on Deaf Effect for a risk warning on a failing IS-project. It showed to make a difference whether the message – a Risk Warning – came from an internal auditor who was either seen as opponent or as collaborative partner. This was confirmed for both students and people with relevant working experience in two slightly different experimental settings. In the laboratory settings of these experiments, this relationship was determined by the history that was build up with the internal auditor as being an opponent – who exposes management failures, or as being a collaborative partner – who contributes to management performance. This history reflects two different roles that are assigned to internal auditors, depending on the Corporate Governance framework within the organization. According to Corporate Governance principles from Agency Theory, the internal auditor has a monitoring role towards management on behalf of the organization’s stakeholders. According to the Corporate Governance principles from Stewardship Theory the internal auditors are expected to contribute to management performance as business partner and consultant to management. We can see both roles reflected in the definition of internal auditing that was issued by the Institute of Internal Auditing in 1999 that says (Gleim, 2001):

“an independent objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, control and governance processes”.

Our experiments showed a main effect that respondent were more likely to listen to and follow the Risk Warning of a messenger that had a history as collaborative partner. At the same time we found that this strength of this effect varied across conditions. As suggested by Davis (Davis, Schoorman, & Donaldson, 1997) the effectiveness of these relationships interact with the psychological conditions of the decision makers. In our experiments we found this confirmed for decision maker’s perceived control. High perceived control enlarged the influence of the relationship with the messenger. If the message came from an opponent it was more likely to be ignored then. Decision makers with a low perceived control – apparently – were more likely to listen to the message either from a collaborative partner or an opponent. In the experiments we also found that the presentation of a Risk Warning – either putting attention on gains or loss – was of influence. It had a main effect but it also showed an attenuation of the influence of the messenger - decision maker relationship on Deaf Effect. These experiments provided clear empirical support for influence of the messenger-decision maker relationships and also showed that it is sensitive for interaction effects with other factors. That makes it interesting for further study in field conditions and identify potential factors that could be proposed to be of influence as well. For further explanatory studies on Deaf Effect, these factors could then be proposed as independent variable with direct effects or interacting with the messenger-decisionmaker’s relationship. With this exploratory field study we aim to gain further insight in Deaf Effect and elicit candidate factors and interactions from people who
experienced Deaf Effect in the field. Although open for candidate factors, our study will remain focused on Deaf Effect as dependent variable, and continuously keeps an eye on the independent variable Partner/Opponent relationship.

7.2. Research Questions

In order to refine our Research Questions we first assess that the proposed contribution of this field-study will be to explore Why and How Deaf Effect occurs in the applied field of escalating IS projects. The assumptions and scope we will take into account are:

- The unit of analysis is the Internal Auditor who faced a Deaf Effect response in an IS Project;
- The Bad News Messenger acts in the role of internal auditor who meets the professional standards of the Institute of Internal Auditing (Gleim, 2001). These standards address the criterion of a Bad News Messenger who is acting as a credible source - i.e. who has the expertise and could be relied upon to make true assertions (Cuellar, Keil, & Johnson, 2006). Furthermore they assure that the internal auditor would operate from an Auditing Function which is independent from management authority (Keil & Robey, 2001);
- The dependent variable is Deaf Effect – continue the course of action despite the warning. We are interested in contingency factors related to the influence of the independent variable ‘partner/opponent relationship’ on Deaf Effect.

This brings us to the following table with research questions we aim to answer in this chapter:

<table>
<thead>
<tr>
<th>Research Question</th>
<th>Type of Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1 What factors could be proposed to be of influence on Deaf Effect, taking</td>
<td>Why/How</td>
</tr>
<tr>
<td>into account the influence of Partner/Opponent relationship on Deaf Effect</td>
<td></td>
</tr>
<tr>
<td>7.2 What factors are proposed to interact with the Partner/Opponent</td>
<td>Why/How</td>
</tr>
<tr>
<td>relationship in its influence on Deaf Effect</td>
<td></td>
</tr>
<tr>
<td>7.3 What structures and attributes can we identify that can be of help</td>
<td>How</td>
</tr>
<tr>
<td>to further explanatory studies on Deaf Effect that will include those factors.</td>
<td></td>
</tr>
</tbody>
</table>

Table 7-1 Research Questions of Empirical Study

Figure 7-1 provides a graphical presentation to identify the scope of relations we aim to explore.
The factors that we consider to be within the scope to be explored could be of influence on Deaf Effect (Continue) directly. They could also be of influence on whether the messenger is seen as Partner or Opponent. Or they could moderate (attenuate, amplify or change) the influence of the Partnership/Opponent relation on Deaf. We also include in our scope the feedback from the Continuation decision (Deaf) on the Partner/Opponent relationship. In the decision to include or exclude potential factors from our scope, we use the criterion whether it could be of influence on Deaf Effect, since that is the dependent variable in our study.

7.3. Research Method

In order to answer our Research Questions we will follow a qualitative approach following a Case Study method. Yin (Yin, 2009) describes, based on three criteria, when a case study method is appropriate as research method. The three criteria are: form of research question, require control of behavioral events and focus on contemporary events. In this study the exploration of ‘why’ and ‘how’ are the central question, the study does not need control over behavioral events but it does focus on contemporary events. Based on the answers to these three criteria the case study could be used as research method to answer the research questions (Yin, 2009), p8.

The topic of Deaf Effect is suitable to be studied with a Case Study method. Therefore we refer to the most frequently encountered definitions of case studies that have mainly been focused on the types of topics to which case studies have been applied. Yin (Yin, 2009), p17 provides as example “The essence of a case study, the central tendency among all types of case study, is that it tries to illuminate a decision or a set of decisions: why they were taken, how they were implemented, and with what results”. Yin refers to decisions, individuals and events amongst suitable topics for case study. So Deaf Effect phenomenon fits into this list of suitable topics, since it refers to a decision at individual level of a Decision Maker.

Since we aim to contribute to the ‘why’ and ‘how’ of Deaf Effect, an explanatory Case Study would have been the most preferred type of Case Study. Taking into account not only the form of the research question, but the substance as well, it is more realistic to obtain an Exploratory Case Study (Yin,2009), since the Deaf Effect phenomenon is still in early stage of investigation (Cuellar, 2009) (Cuellar et al., 2006). Even if we let our Case
Study be guided by the influence of the Partner/Opponent Relation between Bad News Messenger and Decision Maker on Deaf, experiences from the field suggest that many factors could be of influence on this causal factor and could moderate its influence on Deaf. In this dynamic and complex setting it is not realistic to allow testing of causal relations by ruling out rival explanations for Deaf Effect as proposed for explanatory case studies (Yin, 2009).

We depart from the hypothesis that the decision makers are more likely to listen and follow the Risk Warning coming from a collaborative partner instead of an opponent. Since such partnership relation might be sensitive for influences, we explore our case-data in search for conditions and patterns of this independent variable in Deaf Effect situations. With this approach of induction we aim to deliver propositions and structures that could be helpful for further deductive research on Deaf Effect.

7.4. Research Design and Quality

For the purpose of our study we adopted a multiple-case design, with a single unit of analysis per case. One of the reasons why a multiple-case study is more appropriate in this study than a single-case study, is that it allows to collect more factors that could contribute to Deaf Effect and gives more insight in the variety of the factors. Furthermore, evidence from multiple-case studies show a higher data reliability than evidence from one study. Therefore the study is more robust and reliable than in the case of a single-case study (Yin, 2009). The multiple-case study is also more applicable in the case where a phenomenon is shown in multiple cases (Yin, 2009).

Because the study focuses on internal auditors who faced Deaf Effect in the context of a specific IS-project, a single-unit of analysis is used for each context. We did not interview multiple people that were involved in the same Deaf Effect situation. Based on these arguments the case study design which will be used is the model shown in the upper-right corner of the model shown in table 7-2, a holistic multiple-case design.

7.5 Data Collection

We used a case study protocol (Yin, 2009), p45 to enhance Reliability of our study so it could be audited and repeated. The case study protocol describes our research objectives, respondents, our invitations to respondents, text for introduction of the interviews, the main questions and topics that could require attention while executing the interviews. The case study protocol was peer reviewed before we started our interviews and was adhered to during the interviews.

Although our case study protocol and database are in English for review purposes, our interviews were held in the respondents’ native language, Dutch. The recalled stories of Deaf Effect situations contained precise words on people’s actions and reactions – which expressed subtle levels of anger, irritation, cynicism. It would have harmed reliability if
respondents and researcher would have used a non-native language to exchange information with two steps of translation that could cause misinterpretations.

Reliability was also served by the open nature of the questions (Braster, 2000), p75, which allowed a lot of room to the respondent to pay attention to details that he found relevant in their contribution to Deaf Effect. We also encouraged respondents to explain and asked them whether relevant issues had not been mentioned yet. These open invitations contribute to reliability of the study to measure the elements that are relevant.

We used interviews as our single source of evidence. We were not in the position to further enhance Construct Validity with data-triangulation with other sources of evidence such as documentation, or archival records. The Deaf Effect situations on Strategic IS-projects were highly confidential for the organizations that were involved, so asking for additional evidence would not be appropriate. Strict confidentiality was guaranteed in the invitation and the introduction of our interviews and allowed us to transcript data form these interviews for further analysis.

We finally contributed to internal validity by asking the respondents a final question on a contrast situation, in which the same auditor found that the – preferably the same - project owner was eager to listen and follow the auditor’s message to redirect or stop a project. We asked what was the most relevant factor that explained why Deaf Effect situation occurred in the one instance and not in the other. This form of ‘two tail’ multi case study implementation (Yin, 2009) p59, provides additional insight in promising factors that could contribute to theory-building to explain Deaf Effect.

With respect to External Validity of our study we are aware of the limited number of observations from 11 interviews in total. External validity in case studies assumes analytical generalization – where surveys for example assume statistical generalization (Yin,2009), p44. So the question of External Validity is whether the observations from the Deaf Effect situations of our respondents would be representative in concepts and structures. We think they are, since our respondents were 1. role-prescribed Bad news Messengers, 2. reported to IS-project owners, 3. met professional and organizational criteria to act as a credible and independent source. They were obtained from information-oriented sampling across senior internal auditors in the Netherlands. Most of them were working in the field of financial services and transportation services. A point of attention for external validity is that the influence of cultural factors might be little illuminated given the focus on Dutch situations. All respondents were male, in the age between 40 and 60 and had between 10 and 25 years experience as internal auditor on IS-projects.

7.6. Data Analysis

We transcripted our interviews into 6-10 pages of text for each interview. After a review of the interviews, we prepared our first analytic memo of patterns that emerged from those interviews. We discussed this memo with peer researchers. We followed with a two cycle coding and analytic memo writing according to guidelines for qualitative research by Saldana (Saldana, 2009).
7.7. Results

7.7.1. Clustering of Factors that were reported to be of influence on Deaf

Participants’ stories can be tied together through an understanding of the influence of the Bad News Message on Deaf Effect as a sequence of events and conditions that developed over time. In figure 7-5 we present our structure in analogy with a study that explored the phenomenon of Customers’ Desired Value Change in a Business-to-Business Context (Flint, Woodruff, & Gardial, 2002). At the right end of this figure we present the Deaf effect as the dependent variable of our study. In the second left block in this figure we describe the properties of the bad news message that respondents used in explaining Deaf effect in the occasion they described. Consistent with Flint we describe variety in form and intensity of the Bad News Messages as shown in our interviews. In the bottom of this figure, we show the ultimate partner-opponent relationship upon Deaf at the right end and how it developed from left to right. At the left-end we describe the initial relationship before the bad news message was given. Initial states are described by Organization conditions, Messenger characteristics, Receiver Characteristics and Project Characteristics. These conditions may direct or indirect be of influence on Deaf Effect. Attributes of the Bad News Message could be of influence on Deaf Effect directly, but can also be of influence on the partnership/opponent relation. Consistent with Flint we derived and clustered Action/Interaction Strategies that were reported by our respondents in order to explain the Deaf Effect.

Figure 7-3 Model to structure the factors that are of influence on Deaf Effect
7.7.2. Reported Definitions and Indicators of Deaf

In the introduction of our interviews we recalled our definition of Deaf Effect, according to Cuellar: “when a decision maker doesn’t hear, ignores, overrules a report of bad news to continue a failing course of action” (Cuellar, 2009). As the dependent variable in our study we noticed the descriptions for Deaf Effect that the respondents used in their interviews. The following descriptions were used by the respondents while they described Deaf Effect situations. Case #3: The executive did not agree with us which gave a lot of turbulence. At that point there was a Deaf Effect, as I interpreted, in the sense of that they did not want to accept our message.

The respondents also described several indicators of Deaf Effect, which told them that the decision maker did not hear, ignored or overruled the bad news report. As described in case #2: “I didn’t get answers anymore, meetings were cancelled. The most typical was that he (the manager) didn’t answer my phonecalls. So I asked my colleague to call him, and in two seconds he was on the phone. Yes and then you know they don’t want to hear your message”. The Bad News messenger in case #4 described as indicator for Deaf Effect “the manager had not prepared our meeting and had not read my note. And he asked me why I was bothering him with my details”.

From our interviews, we also obtained two additional descriptions in which Deafness was not black-and-white as we used in our definition of Deaf. The internal audit director in case #3 referred to —what he called— temporary deafness. Just after the Bad News Message the manager showed deaf, but after a while this appeared to be recovered, so the deafness was not permanent. Another internal director in case #9 referred to partial deafness in which the manager appeared to listen to important parts of the message, and showed deaf for other parts.

7.7.3. Reported Interaction Strategies

We proceed our description from the Deaf Effect backwards to the events and factors that led to it, starting with the interaction strategies that finally resulted in the Deaf Effect. In the tables 7-4a to 7-4d we present the interaction strategies that were mentioned in the interviews as being relevant in the explanation of Deaf Effect. We clustered them into 4 groups of strategies. The first group refers to changes in the communication between messenger and decision maker. In the second group we present action/interaction strategies that are focused to make a change in the position of the actor him or her self (strengthening, withdraw or other). The third group refers to actions/interaction strategies that are focused on the position of the other (strengthen, weaken or other). The fourth group consists of actions/interaction strategies that were focused on the project (freeze, redirect, change roles). The tables present the following information derived from the cases: who was the person who showed the interaction strategy, was it the Bad News Messenger, the decision maker or – in some cases - a higher authority who intervened. In each column we present in how many out of 11 cases the actor had applied this strategy. In
the last three columns we show in which cases this was associated with a shift into the partnership relation⁷. Within each table, the interaction strategies are listed in most natural chronological sequence of appearing, according to our interviews, although there is no fixed sequence across all interviews.

### Communication Strategies

<table>
<thead>
<tr>
<th>Communication Strategies</th>
<th>Bad News Messenger</th>
<th>Decision Maker</th>
<th>Higher Authority</th>
<th>Associated with Shift in Relation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of more evidence and arguments</td>
<td>6/11</td>
<td>5/11</td>
<td></td>
<td>3,7</td>
</tr>
<tr>
<td>Switch from informal to formal communication</td>
<td>7/11</td>
<td>2 /11</td>
<td></td>
<td>7,9</td>
</tr>
<tr>
<td>Switch from Content to Form (Rating/Color)</td>
<td>5/11</td>
<td>2/11</td>
<td></td>
<td>8,9</td>
</tr>
<tr>
<td>Switch from Content to Persons</td>
<td>2/11</td>
<td>5 /11</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>React emotionally</td>
<td>2/11</td>
<td>3 /11</td>
<td></td>
<td>8, 2</td>
</tr>
<tr>
<td>Go up in hierarchy</td>
<td>11/11</td>
<td>2 /11</td>
<td></td>
<td>3, 5, 4, 6, 7</td>
</tr>
<tr>
<td>Switch from formal to informal communication</td>
<td>5/11</td>
<td>2 /11</td>
<td></td>
<td>3, 5, 8, 9, 10</td>
</tr>
</tbody>
</table>

Table 7-4a Action/Interaction strategies on Communication

Table 7-4a shows that both messengers and decision makers provided additional evidence and arguments to convince the other. In some cases this sharing of information was appreciated and was associated with mutual understanding and partnership (case #3 and #7). In some cases this repeating and bolding of evidence was associated with worsened

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⁷ The association of an interaction strategy with a shift in the Partner/Opponent relationship is Neutral by default unless there are indications that it moved. These indications are interpreted by the researcher for each individual case from 1. The answer of the respondent on the question about the status of partner/opponent relationship at that point 2. The reaction of the counterpart that could indicate a shift (react with email in capitals; don’t answer the phone), 3. The use of typical words by the respondents like “we-together-common-share” vs “he-they i-we against”. These interpretations could be disputed for an individual case, but are intended to provide insight over all cases whether it would lean towards shifting in either direction.
partnership relation. In case #4 the Bad News Messenger had reported 25 concerns on the project and had arranged a 3 hour meeting to discuss those issues. A short while later only three issues appeared to be solved and the messenger arranged another urgent meeting with the responsible manager. This manager’s reactions acted much more as opponent in this meeting. An overwhelming amount of evidence and arguments could also be used by the manager. The internal auditor in case #11 reported that he was provided with piles of paper with so called evidence that should reject his opinion. “They had ordered someone to prepare lots of detailed information to counteract the smallest details in my audit note. Just to knock down my message with impressive details and calculations. But with my own financial background and the record of the project, it was more than obvious that the project’s business case was no longer viable”.

In 7 out of 11 cases, the Bad News Messenger switched from informal – mostly oral - to formal communication – mostly reported with a rating. In most of these cases this switch was associated with worsened partnership. The same applied when discussion moved from content to the formal side of the message, such as a Rating (as in case #8 and case #9) or as reported in case #11: “They shifted from the content of my message to the form and assumptions that I had used in my note”.

Several cases marked a clear point in which the decision maker switched communication from content to personal. This could show in many forms, but made it clear that the message - either due to content or form – was related to the self and other persons including the messenger. As reported in case #2: <<The response of the director in that meeting was not about content anymore. He said “how can you know”, “with whom did you talk”, “that guy doesn’t understand”. He moved to persons and blaming instead of discussing content>>. In case #4 the Bad News Messenger also phrased the words of the manager literally <<“hey you, what do you think you are doing with you bothering me with your details”. For me this showed the Deaf Effect. I had the feeling “hey you yourself, just read my concerns instead of refusing to understand”. Yes, that pushes you into the direction of policeman and you get that feeling although you didn’t want to>>. In many cases the manager appeared to be triggered personally by the message, since he associated himself highly with his project (case #6), he felt his experience or reputation was neglected (case #4, case #6); he felt in an uncomfortable position being criticized in the presence of his peers (case #2) or he felt criticized on his integrity to disclose information on the actual project status (case #11). The switch from content to personal could also be recognized in case #8 when the Bad News Messenger described <<he looked me in the eyes and said ‘John you are really not helping me and you harm our organization’…. And I said ‘Frank the way that you take your decisions, shows that you don’t take this problem serious’>>. The switch from content to personal was made in a subtle way by the Bad News Messenger as well, for example as shown in case #9 by the question <<now be honest, would you give yourself a rating “satisfactory”?>>. It appeared that the switch from content to personal was crucial in several deaf situations. Whether or not taking the Bad News Message as personal criticism distinguished deaf-situations from highly comparable situations in which the manager showed no Deaf Effect and even showed to be eager to listen (case#2, case #8). In case #11, the internal manager said that remarks on strategic issues - “does it make sense what you are doing and are you doing it well” - are often
perceived as personal criticism and therefore it is much more easy to report deficiencies on operational issues such as controls and security.

The switch from content to personal communication, was often followed by emotional reactions such as getting angry on the Bad News Messenger as reported in cases #2, #4, #8, #11 and #12. The interviews showed that in all cases of Deaf effect the Bad News Messenger decided to report up in hierarchy. In most situations this was clearly associated with a shift to worsening the partnership relation. The Bad News Messenger in case #2 explained that <<he saw us clearly as policemen. Of course this was related to our intervention that has – how shall I call it - a policeman flavor. It is no joke when somebody goes to your boss and talks about what you do within your department and that things are not going well. You’re not waiting for that kind of help.>>

In six cases there was a clear switch in the communication from formal to informal communication – often in a small and trusted setting with executives from audit department and business. In most of these cases this was associated with improved partnership. As reported by internal audit director in case #3, “That informal doesn’t mean that you have dinner together informally, but it is more like walking into each other’s rooms and be sure you keep on talking to each other”.

After these more general communication strategies, table 7-4b shows the action and interaction strategies that are are focused to make a change in the position of the actor him or her self (strengthening, withdraw or other).

**Strategies with Focus on Self**

<table>
<thead>
<tr>
<th>Bad News Messenger</th>
<th>Decision Maker</th>
<th>Higher Authority</th>
<th>Associated with Shift in Relation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talk to my Projectmanager/supplier not to me</td>
<td>6/11</td>
<td></td>
<td>2,6,7</td>
</tr>
<tr>
<td>Introduce External Threat</td>
<td>2/11</td>
<td>3/11</td>
<td>9</td>
</tr>
<tr>
<td>Find support of powerful or trusted others</td>
<td>5/11</td>
<td>2/11</td>
<td>3</td>
</tr>
<tr>
<td>Use Power and Authority</td>
<td>8/11</td>
<td>1/11</td>
<td></td>
</tr>
<tr>
<td>Withdraw</td>
<td>0/11</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 7-4b Action/Interaction strategies with Focus on Self**

In six out of 11 cases decision makers showed that they did not want to hear the Bad News Message since they considered it should addressed to someone else. In most cases
they referred to the Project Manager (case #6, case #12). This confirmed and motivated the Bad News Messenger to take position even more bold that the Decision Maker should take responsibility. In case #8 the Manager pointed at another department, “he said we auditors should point our arrows to that department in order to improve their service first. Now you are critizing and punishing the best in class”.

In several cases the internal auditors introduced an external threat (regulatory) to strengthen their own position. The Decision Makers in case #10 and #2 introduced external commercial and operational threats to strengthen their position: “we must proceed for sake of continuity of service to our customers”. Finally the respondents reported the strategy to find support of powerful or trusted others. This appeared to be most often for obtaining confirmation and support of one’s own position. This was not associated with worsening partnership relation. Nevertheless this last strategy could indicate a point of no return – and give up opinions – without face losing towards those trusted and powerful others that showed their support.

Messengers in several cases used their authority and organizational power, mainly to report concerns in their regular procedures. In some cases this was associated with a worsened partnership – according to the Bad News Messenger’s picture of the situation.

In our cases we did not find any instance of the Bad News Messenger or Decision Maker that actually had decided to withdraw. In several cases, however the Bad News Messenger mentioned that he had considered to withdraw. In case #6 the internal audit director had considered whether the Bad News Message - at this point in time - was worth the trouble and whether it would be more effective to save the “ammunition” for another – even more important – situation. Since the interviews were focused on Deaf Effect situations, it is reasonable that we didn’t find reported these withdraw-situations, although it still could be an interaction scenario to withdraw.

The above mentioned interaction strategies were focused on one’s own position. Based upon the interaction strategies above, the Bad News Messenger and manager may have shifted more towards opponents. Table 7-4c shows the action and interaction strategies that were focused on the other’s position. Those strategies already assume that the other is considered as opponent who should be stopped or redirected.
**Strategies with Focus on Other**

<table>
<thead>
<tr>
<th>Bad News Messenger</th>
<th>Decision Maker</th>
<th>Higher Authority</th>
<th>Associated with Shift in Relation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>More Partner</td>
</tr>
<tr>
<td>Don’t share info</td>
<td>2/11</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Withhold opponent</td>
<td>7/11</td>
<td></td>
<td>7,9</td>
</tr>
<tr>
<td>Dispute Credibility</td>
<td>5/11</td>
<td></td>
<td>8,9</td>
</tr>
<tr>
<td>Threat Opponent</td>
<td>2/11</td>
<td></td>
<td>5,11</td>
</tr>
</tbody>
</table>

**Table 7-4c Action/Interaction strategies with Focus on Other**

A typical strategy was to frustrate the Bad News Messenger, in making his or her message effective. The most often found form was to frustrate the finalization of the messenger’s note or report according to procedures, sometimes in a subtle way. In **Case #7** the auditor mentioned that he had prepared a note with his remarks, which he discussed with the project manager first. Then he adapted the note since he wanted the project manager to subscribe his facts. So it took some time before he had a note that was subscribed by the project manager. Then he asked for a management response and saw this took a while again. At the time the project was ready to provide a management response, they claimed that the facts had changed and that the auditor should talk to several persons again. He concludes with “So they try to postpone and delay. That’s what you see”. The audit director in **Case #9** confirms these experiences. He contrasts that reports are quick and easily finished if he gives a Satisfactory Rating. However, if he gives an Unsatisfactory Rating it takes a lot of time for the report to be finished and the management response is received.

We also found other subtle ways to prevent the messenger from being effective. For example by giving the messenger the impression that his message was taken very seriously, in which it took time for the messenger before he realized that this wasn’t. The internal auditor in **Case #11** reported that the manager thanked him gratefully for the reported concerns and remarks. The auditor was told that they appreciated his contribution and that they would certainly take notice of it. “With hindsight now I realize this was just a smart way of preventing me from having influence on the direction of the project”. And further in **Case #11** the Bad News Messenger tells that he was invited to talk to the Risk Director, who was very kind and listening to the auditor’s concerns in his prestigious office. “It took me a while to understand that these meetings were another way to eliminate my message to have direct effect on the project”.

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Also less subtle way were found in order to delay and prevent the messenger from being effective in finalizing and reporting his message. In case #4 the Bad News Messenger found that it took a lot of effort to arrange a meeting to discuss his concerns as described in a note. Then he found that the responsible manager had not prepared the meeting and had not read the note with concerns.

Furthermore several instances showed that the credibility of the Bad News Messenger was disputed in an obtrusive or more subtle way. The decision maker countered the bad news message by claiming that the messenger had too much distance to be informed (case #3), missed important issues (case #8), looked too much in detail (case #4). This not necessarily was associated with worsened partnership relation. For example in case #9 the manager said to the internal auditor: “I will try to explain you, but it is very complicated and I don’t expect you auditors to understand this all”.

In two cases the Bad News Messengers reported that they had received personal threats regarding their job-security within the organization in order to withdraw their bad news message. It was remarkable to notice that in one case the internal auditor had been operationally involved and appreciated within the project for a longer time. After his contribution appeared to threaten the manager’s strategic goals this appreciation turned into anger focused on the Bad News Messenger personally, finally resulting in personal threats. The operational involvement as insider and partner to the project even appeared to arouse that the anger was focused it on the messenger personally\(^3\).

In table 7-4d we present the action and interaction strategies that were focused on the project and what happened with the project.

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\(^3\) This conclusion could not be drawn from a single phrase in the interview, but it is plausible from the storyline of this interview that the assumed partnership led to this focus of anger on the bad news messenger personally. We use a metaphor to explain. We invite the reader to assume that he/she would be coach of a sports team, for example a soccer team. Winning the current match could be of strategic value and could determine the future of you and your organization. Unfortunately - while close to winning - you loose this game, because – in the second half, just for finish - one player scores a hattrick against you. You might be strongly disappointed, emotionally, angry. But it is not likely that your anger will focus on the player that scored the goals – or even threat him or her. This might be different when this player belongs to your own team and was assumed that his goals would be alined with yours. In this situation it’s much more plausible that your anger would be concentrated on this “teammember” personally, who persisted in harming your goals. You might feel betrayed.
Focus on Project

<table>
<thead>
<tr>
<th>Bad News Messenger</th>
<th>Decision Maker</th>
<th>Higher Authority</th>
<th>Associated with Shift in Relation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replace managers</td>
<td>6/11</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Freeze &amp; Redirect</td>
<td>3/11</td>
<td>4/11</td>
<td>3,4,5</td>
</tr>
<tr>
<td>Stop</td>
<td>3/11</td>
<td></td>
<td>6</td>
</tr>
</tbody>
</table>

Table 7-4d Action/Interaction Strategies with focus on project

In only few cases, finally the decision maker had frozen or redirected the project. In most cases an intervention of a higher authority had taken place, in terms of replacing the manager from the project and freeze or redirect the project. The internal auditor in case #7 said that ultimately his concerns reached the level of the executive board. And “then things happened that we could not observe from our position. But it turned out that the manager was suddenly replaced” and was moved to a different project. The internal auditor in case #12 described that – after the auditor had reported his concerns to the executive board – the director was replaced and sent for early retirement, although the auditor did not know whether this was the only reason of course. In several of the reported Deaf Effect situations, a higher authority – executive board – had finally stopped or redirected the project.

7.7.4. Reported Properties of the Bad News Message

In order to explore Deaf Effect, we discussed the action/interaction strategies that started with the Bad News Message and finally resulted in Deaf Effect. We also discussed that these interactions could turn partners into opponents. In table 7-5 we present the properties of the Bad News Message that were mentioned by our respondents in their explanation of Deaf Effect.
### Properties of Bad News Message

<table>
<thead>
<tr>
<th>Properties of Bad News Message</th>
<th>Dimensional Range of Property</th>
<th>Association</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Form Variety</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Status</td>
<td>Draft – concept – final</td>
<td>Final</td>
</tr>
<tr>
<td>2. Expectancy</td>
<td>Entirely Unexpected – Entirely Expected</td>
<td>Unexpected</td>
</tr>
<tr>
<td>3. Disclosure</td>
<td>Confidential – Full disclosure</td>
<td>Full disclosure</td>
</tr>
<tr>
<td>4. Framing</td>
<td>Gains/Losses</td>
<td></td>
</tr>
<tr>
<td><strong>B. Intensity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Rate</td>
<td>Unacceptable – Undesirable – Marginally Undesirable</td>
<td>Unacceptable</td>
</tr>
<tr>
<td>2. Urgency</td>
<td>Evolutionary/gradual – Revolutionary/rapid</td>
<td>Revolutionary</td>
</tr>
<tr>
<td>3. Impact</td>
<td>Operational-Attributes Only Structural – Attributes and Consequences Strategic – Endstates</td>
<td>Strategic</td>
</tr>
</tbody>
</table>

### Table 7-5 Properties and Dimensional Ranges of Bad News messages

The dimensional range of these properties was derived from the specific values that were mentioned in the interviews. In the right columns, we describe whether the interviews suggested association opf the property with worsened partnership or with Deaf.

The Bad News Messengers mentioned whether their message was presented in an oral and informal form or as a formal (audit) report or letter. *Cases #2, #4, #8, #11 and #12* suggested that an informal and oral presentation was more associated with partnership and written formal presentation was more associated with the messenger and decision makers seen as opponents.

They also mentioned the *Status* of their bad news message – in this context often in written form – as a draft, concept or final version of the message. *Cases #8 and #4* suggested that discussion of an early draft version of a report was associated more with partnership than a fait accompli which is less open for discussion and feedback.

*Expectancy* also appeared to be a property of the Bad News Message that was relevant for the Deaf Effect. An unexpected Bad News Message was more associated with worse partnership relation. The same applied to a disclosure of the Bad News Message, for example to peers or the boss of the project owner, as we saw in *Case #2*. 
The positive or negative framing of the Bad News Message was also mentioned to be relevant for Deaf Effect. The internal audit director in case #9 reported that it was important to stress positive elements as well. The internal audit director in case #3 said that the negative remarks should be embedded in more balanced context. To much attention on negative attributes apparently was relevant for Deaf Effect.

The intensity of the Bad News Message could be expressed in terms of Rating. Especially the rating “unacceptable” appeared to be associated with an opponent relationship. On the other hand we learned from cases #8 and #9 that Rating could reduce Deaf Effect, since the message was unambiguous and received executive board attention.

The expressed Urgency in the Bad News Message was associated with an opponent relationship in case #4, probably since it is perceived to be obtrusive.

As we discussed in the previous section, it impact of the Bad News Message was relevant as well. Apparently it makes a difference whether the bad news message the disputes the viability and end-state of the project – at strategic level –or that it disputes operational issues of the project. This was made visible in case #11. The auditor had built up a history with the project in which they followed his advises on internal controls and security. Apparently this changed as soon as his remarks moved towards concerns on the strategic level of the project.

7.7.5. Reported Context

In this section we return to the context and initial conditions before the bad news message was given. Initial states are described by Organization conditions, Messenger characteristics, Receiver Characteristics and Project Characteristics. These conditions may direct or indirect be of influence on Deaf Effect. The interviews did not provide sufficiently detailed information to describe properties and dimensional ranges as we did in the previous sections on the individual Deaf Effect situation. It also would require much more interviews to achieve theoretical saturation (Charmaz, 2006), p101.

In the interviews we found several references were made to the Corporate Governance principles in the organisation. And the role of the internal audit department within the organisation was mentioned many times when people discussed the Deaf Effect situation. Several internal audit directors (case #3 and #9) referred to the role that was described in their internal audit charter. One of them had even used the metaphor of “policemen” used in his internal audit charter.

We also found several times a reference was made to the Retaliation Culture within the organisation. In some cases a high level of Retaliation (case #11 and #12) was mentioned as a cause of Deaf since managers had to suffer heavy consequences in case their project might fail. In other cases a low level of Retaliation was mentioned as a cause of Deaf (case #5 and #6) which made managers perceive to be invulnerable.

Finally, several times the importance of a clear Risk Appetite at organization level was mentioned. The internal audit director in case #3 described the process of several
workshop meetings he had had with executive management. These workshops created a common understanding of internal audit and executive management on strategic risk taking within the organisation. He mentioned its contribution to avoid Deaf Effect situations. This was not only based upon better understanding of the content, but also because of a process in which executives and internal audit staff developed a partnership relation on strategic risks.

At messenger/organisation level, the Authority of the messenger was mentioned in several cases and applied to the interaction strategy to use authority and report concerns into regular procedures. It was interesting to notice that this not always was associated with a shift to see the counterpart as opponent. Fair and open use of authority (as in case #4, #6 and #8) appeared to be neutral on the partner/opponent relationship. This assumes, that the messenger’s role (as derived from corporate governance principle) could bring two distinct concepts: the partner/opponent relationship and the authority. Those might interact. If the ‘policeman’ has high authority you may listen, regardless you consider him to be your partner/opponent (case #12). As Chambers and Selim (Chambers, Selim, & Vnten, 1988) p72, underline: “We tend to obey the police because they are the police”. If the messenger’s authority shrinks, then it makes a difference whether you consider him or her to be a collaborative partner or opponent. Therefore we propose Messenger’s Authority, as described in Whistleblowing literature (Near & Miceli, 1995), to interact with the partner/opponent relationship.

At messenger level, the Credibility of the messenger, as proposed by Cuellar (Cuellar, 2009) was not mentioned by our respondents, since they referred to their own situation so did not dispute their own credibility. In the interaction strategies, table 7-4c, we saw confirmed that messenger credibility was a relevant property of the Bad News Messenger.

At the receiver level, our respondents mainly referred to the project owner’s experience, in terms of trackrecord with IS-projects and trackrecord with earlier internal audit engagements. An analysis of relevant personal characteristics of the receiver, would require more psychology research skills to be executed. But elements of managers’ perceived invulnerability and narcissism appeared to be recognized from the interviews.

Finally, a typical combination of Project Owner characteristics and Project Manager characteristics is worth mentioning related to Deaf. We mentioned earlier that six out of 11 cases showed an interaction strategy of “talk to my project manager, not to me”. In these cases the Project Owner showed very low involvement with the project, was poorly informed, not familiar with IS-projects and not really interested in the project and in criticism. They appeared to be not willing to hear the Bad News Messenger, maybe due a lack of comprehension or exposure of lack of comprehension. In contrast to the Project Owner, projects in the interviews showed very experienced, powerful, involved and well informed Project Managers. These Project Managers were often found to be a dominant role in the interaction strategies that resulted to Deaf. So this typical combination of Project Owner and Projectmanager resulted in - what one of the respondents called informally after the interview– a ‘double deaf’ effect.
7.8. Consideration and Propositions for further Research

7.8.1. Consideration and Proposed Quantitative Studies

The aim of this chapter was to explore factors that could be of influence on Deaf Effect, and could probably interact with the initial independent variable of our study, the partner/opponent relationship between messenger and project owner. We structured factors and proposed properties and property ranges that may be interesting for further study. This overview of factors could also be helpful in identifying confounding factors that should be controlled in future explanatory studies on Deaf Effect.

For further analyzing direct and interaction effects on Deaf we suggest that the messenger’s Authority and the Organization’s Risk appetite and would deserve priority in factorial experimental studies. Also varieties of the Bad News Message properties could be promising for further experimentation. These could lend themselves for similar experimental designs as we applied in Chapter 4 and 5.

The associations between interaction strategies (such as shift from content to personal) with shift in the partner/opponent relationship would require further validation. The number of interviews and the measurement is sufficient for our suggestions, but would require further elaboration on precision of measurement and generalization. We suggest that a multi-country survey across a large number of internal auditors on Deaf Effect, could bring more validity on this topic.

7.8.2. Practical Consequences of this study and Epilog

A better understanding of the causes and dynamics of Deaf Effect could be very relevant for professionals who aim to be effective in their communication of Risk Warnings to managers. The presence of two counterparts – the messenger and receiver – could show escalation of commitment to the own position at both sides. While the Project Owner’s commitment might shift from achieving an organization goal (the business case of a project) towards (finishing) the project itself, it could further shift towards the Risk Warning and the relationship with the messenger. The messenger – internal auditor in our cases – should also realize that bolding a message would not always be effective and could even promote the messenger to pass points of no return that might bring more harm than it solves. So understanding the dynamics of interactions – such as presented in this study and reflected in the two proposed logic models – could be helpful to internal auditors and other messengers in daily practice.

Another practical consequence of our study sheds the light on the fragility of relationships with management. When it comes to turn, a history of operational involvement and partnership with a project, might even work against the messenger when he blows the whistle on the viability of this project. As we saw in one of our cases, this could be interpreted as betrayal and even fuel Deaf Effect. While a history of partnership at operational level might be not effective or even counter-effective, a partnership at strategic level might be more robust and helpful to avoid or reduce Deaf Effect. Two internal audit
directors recalled the added value of a sequence of strategy sessions in which executive internal audit staff and executive business management openly discussed hypothetical and factual cases on strategic risk taking. They discussed openly on trust, image, personal considerations, tolerances, organizational interests. The purpose of these meetings was to sharpen understanding and interpretation of the organization’s risk-appetite on strategic issues. The side effect of these meetings appeared to be that executive staff – both from audit and business – build up a relationship in which they shared their views, assumptions and insecurities on strategic risk taking. This not only resulted in a shared point of reference but resulted in a strategic partnership relation on risk taking as well, that was valuable in avoiding and recovering Deaf Effects on strategic IS-projects as we studied.

REFERENCES