THE CASE FOR COUNTERFACTUALS

Counterfactual, or virtual, histories have become a vital part of analyzing historical events. This technique is used as an essential antidote to the fallacy of determinism. Often cases in strategic management tend to describe scenarios in terms of deterministic outcomes. Counterfactual questions can point out this problem and provide new insights into the strategy process.

The case method undervalues the choice of actions possible in the rich and diverse, ever changing, industry and macro environments firms operate in. This essay describes the utilization of counterfactual questions to give students an awareness that the development of a firm usually is not a matter of making a progression of “right” choices. The technique allows a retrospective re-examination of actions in order to understand how serendipitous the strategy process is.

The original Harvard case model template included a section that generated and evaluated alternative strategies. Currently, widely-used texts such as Hill and Jones, and Thompson and Strickland do not use this step. But alternatives which propose different plans of action, are not counterfactuals in which the actual outcome of what was done in the past is compared to conceivable outcomes of might have been done instead. Counterfactuals, or virtual, narratives are used in historical research to counter the misleading assumption that events are predetermined, predestined, to turn out the way they ‘really’ did. It considers how events might easily have turned out differently. Counterfactuals are popular in fiction as well, with the themes “What if the Nazis won World War II?” and “What if the South won the American Civil War?” typical hypotheses.

Academic authors, notably Niall Ferguson have used counterfactuals to re-examine history to analyze how predetermined beliefs cloud actions with deterministic theories. Actions are often based on deterministic dogmas. Being aware of this tendency may help in understanding choices that were made. But the past is not explored for its own sake, but in order to comment upon the present, to acknowledge that different actions would have produced very different results. It is a way of understanding present day agendas.

Counterfactual questions can be used, on a small scale, to add insight into case analyses. Examples are given of the application of virtual questions in the classroom.