STRATEGIC RESPONSIVENESS AND ADAPTIVE ORGANIZATIONS
STRATEGIC RESPONSIVENESS AND ADAPTIVE ORGANIZATIONS: NEW RESEARCH FRONTIERS IN INTERNATIONAL STRATEGIC MANAGEMENT

Emerald Studies in Global Strategic Responsiveness

EDITED BY

TORBEN JUUL ANDERSEN
Copenhagen Business School, Denmark

SIMON TORP
University of Aarhus, Denmark

STEFAN LINDE
ESSEC Business School, Paris, France

United Kingdom – North America – Japan – India – Malaysia – China
Contents

List of Contributors vii
Foreword ix

Chapter 1 Introduction: Adaptive Strategy-making in Turbulent Environments
Torben Juul Andersen, Simon Torp, and Stefan Linder 1

Chapter 2 Strategic Flexibility in Turbulent Times: Impact of CEO’s Willingness and Permission to Change
Julian Hess and Tessa Flatten 9

Chapter 3 Exploring Adaptive Small and Medium Enterprises through the Lens of Open Strategy
Aylin Ates 25

Chapter 4 Autonomy and Leadership Support as Antecedents to Intrapreneurship: Value of Vignette Experiments for Research on Strategic Responsiveness
Stefan Linder 41

Chapter 5 Achieving Adaptive Responsiveness through Strategic Planning, Autonomous Strategic Actions, and Interactive Controls
Torben Juul Andersen and Simon Torp 61

Chapter 6 Strategic Responsiveness of Medium-sized Enterprises During an Economic and Financial Crisis: Antecedents of Resilience
Maria Iborra, Vicente Safón, and Consuelo Dolz 81
Chapter 7  Perceiving the Present by Means of the Past: Theorizing the Strategic Importance of Corporate Archives
Wim van Lent and Andrew D. Smith  97

Chapter 8  Temporary Incorporation as a Mechanism of Strategic Responsiveness: The BBC's Digital Transformation, 1992–2015
Bilal Ahmed Jathol and Charles-Clemens Rüling  111

Index  125
List of Contributors

Torben Juul Andersen is a Professor of Strategy and International Management at the Copenhagen Business School and Director of the Center for Global Strategic Responsiveness, Department of International Economics, Government and Business.

Aylin Ates is a Senior Lecturer in Strategy at the Department of Management Science at Strathclyde Business School, Glasgow. She is a Director of the MSc in Project Management and Innovation Programme. Her research is published in, for example, International Journal of Operations and Production Management and International Journal of Production Research.

Consuelo Dolz is an Associate Professor at the Department of Business Administration “Juan José Renau,” University of Valencia, Spain. Her research has been focused on mergers and acquisitions, specifically the integration process, ambidexterity at SMEs – antecedents and consequences, family firms, and social corporate responsibility.

Tessa Flatten is a Professor at the TU Dortmund University as part of the Faculty of Business and Economics. Her key research interests focus on innovation management, entrepreneurship, and technology management topics.

Julian Hess is a Doctoral Candidate at the Faculty of Business and Economics, TU Dortmund University. His research is focused on strategy, innovation management, and digitalization in technology-based companies.

Maria Iborra is an Associate Professor at the Department of Business Administration “Juan José Renau,” University of Valencia, Spain. Her research covers the field of strategic management with specific focus on upper echelons and their role in creating ambidexterity in SMEs as well as Social Corporate Irresponsibility, its antecedents, and consequences.

Bilal Ahmed Jathol is an Assistant Professor of Strategy and Entrepreneurship at Neoma Business School in Reims, France. He holds a PhD from Grenoble Ecole de Management, and his research focuses on organizational and entrepreneurial responses to change. His research mainly based on qualitative methods has been published in M@n@gement and presented at international conferences.
Wim van Lent is an Assistant Professor at the Montpellier Business School, France. His research focuses on the role of history in management and business development. He is an Associate Editor with the *Journal of Management History*.

Stefan Linder is an Associate Professor with the Accounting and Management Control Department at the ESSEC Business School in Paris. He has written several books and academic articles on topics like strategic management control, strategic planning, entrepreneurship, incentives, and governance design.

Charles-Clemens Rüling is a Professor of Organization Theory and Associate Dean for Research at Grenoble Ecole de Management, France. His research focuses on processes of organizational and institutional change. He is an Associate Editor of *Long Range Planning*, and his work has been published in *Academy of Management Journal*, *Entrepreneurship Theory and Practice*, and *Organization Studies*.

Vicente Safón is an Associate Professor at the Department of Business Administration “Juan José Renau,” University of Valencia, Spain. His research is focused on strategic management, the role of upper echelons on ambidexterity, and the management and reputation of universities.

Andrew D. Smith is a Senior Lecturer in International Business, Strategy and Entrepreneurship and Director of Studies for International Business at the University of Liverpool Management School, UK. His research interests focus on the evolution of business and financial institutions, international business development, corporate governance, and political economy.

Simon Torp is an Associate Professor, Department of Business Development and Technology, Aarhus University. He has written extensively on ownership effects, leadership style, middle-management engagement, investment planning, management control, risk management, and employee competences.
Foreword

Whereas the strategy field covers a broad spectrum of research ranging from corporate strategy, M&As, product-market strategies, and business innovation to strategic renewal and sustainable adaptation, there appears to be an urgent need to focus on how firms act in turbulent environments and successfully adapt their business activities. Firms today operate in a business environment that increasingly seems to be characterized by abrupt, unpredictable events, including financial and economic crises, international political conflicts, and environmental challenges. Furthermore, the underlying challenges are often globally universal and require collaborative solutions where individual organizations only can excel in firm-specific responses in the short term. This development implies that business conditions are becoming increasingly uncertain and characterized by at times very extreme and unforeseeable outcomes. This calls for swift(er) responses to adapt the business and requires new thinking that can extend prior research.

The recently completed conference EURAM 2018 held in Reykjavik, Iceland, organized by the European Academy of Management, responded to this need for new thinking and introduced a new research track associated with the Strategic Interest Group focused on Strategic Management. The title of the new track was Strategic Responsiveness and Adaptive Organizations and was proposed and managed by the three editors of this volume that adopts the same title. The track attracted a number of highly relevant and very interesting contributions presented at various sessions during the three-day conference.

The current volume of the Emerald book series on Global Strategic Responsiveness presents a selection of these research efforts presented at the EURAM 2018 conference on the theme of Strategic Responsiveness and Adaptive Organizations. They offer promising ideas about how to deal with the current strategic challenges, and we thank the contributors for their willingness to share their thinking and findings and hope the readers will find each of the chapters stimulating as a potential foundation to extent this important work into the future.

Torben Juul Andersen, Simon Torp, and Stefan Linder
This page intentionally left blank
Chapter 1

Introduction: Adaptive Strategy-making in Turbulent Environments

Torben Juul Andersen, Simon Torp, and Stefan Linder

Abstract

This first chapter argues that turbulent environments require adaptive strategy for survival and continued prosperity and thereby introduces the attempts to determine effective response capabilities in contemporary firms, which are presented in the ensuing chapters. The background in prior strategy research is outlined to position the various contributions within a proper backdrop as potential extensions to prior insights generated in the strategic management field. It suggests a need for multiple methodological approaches to gain new diverse and relevant knowledge from rich qualitative field studies as well as quantitative data probes and computational analyses. Finally, the ensuing chapters are briefly presented to provide a coherent view of the contributions made by this specific collection of chapters that the authors hope will inspire and fuel ongoing work in this important area.

Keywords: Autonomy; dispersed decision-making; emergence; open strategy; planning; practices; strategic responsiveness

Introduction

The global business environment that exposes contemporary firms constitutes a nonlinear dynamic complex system in constant flux where extreme events can happen abruptly and in many cases with outcomes that are impossible to predict based on prior trends. The noticeable consequence of this setting is displayed in extreme corporate performance outcomes that follow power distributions rather than the neat features of commonly assumed Gaussian trajectories.
This questions conventional ways of thinking about the strategic management challenges and the way we approach empirical studies to inform these challenges. We cannot solely rely on analytical methodologies that make stringent assumptions about normality in the data, and we need to think creatively about how to complement quantitative and qualitative research approaches to gain new important insights about how effective responsive strategies arise in real organizations.

The turbulent business environment requires that firms be able to take immediate responsive actions that allow the organization to experiment and learn about what works under new circumstances and use these insights to adapt the corporate business operations to obtain a better fit with the changing conditions. The emerging environmental context is characterized by increasingly specialized, but interrelated and co-evolving business activities where corporate response capabilities must satisfy the need for requisite variety across available solutions. This may need delegation of authority allowing more autonomy to experiment with new ventures throughout the organization in search for better future solutions. The extant strategy literature is cognizant about this and provides both anecdotal and empirical evidence in support. However, there is also a realization that strategy-making processes need guidance by rational forward-looking analyses to be effective, which uncovers seemingly contradictory requirements for decentralized exploratory responses and central analytical planning processes. The reconciliation of these opposing perspectives is obviously that they (must) interact in an ongoing manner, although there is no clear evidence as to how exactly that should be carried out to be effective and gain a sustainable adaptation of the strategy.

In short, corporate success and longevity seem to depend on abilities to sense new developments in the environment as they emerge and respond to them in proactive, timely, and guided ways. Besides delegation, this calls for enhanced sharing of updated information among people across different levels and functions in the organization including employees with deep business insights and executive decision makers with long-term strategic responsibilities. That is, the ability to integrate experiential knowledge from current actions and initiatives that try out new ways of responding into the forward-looking strategy considerations seems to be an essential feature of effective strategic responses capabilities. However, organizational agents also need to be motivated to pursue the proposed behaviors, which raise other subtle concerns about broader governance issues like corporate values and executive leadership traits as very important antecedents for effective strategy adaptation.

However, the reality is that we do not know much about how these intricate elements and processes are enacted effectively in today’s organizations. Hence, there is an apparent need to theorize about, analyze, identify, and model effective strategic response systems in contemporary firms as a way to gain new useful and urgently needed insights for academia as well as management practice. The various chapters in this book represent wholehearted attempts to uncover essential elements of the larger enigma of outlining the contours of effective strategic response capabilities and understanding how they should be led and managed in contemporary organizations.
Introduction

Background

A conventional strategic management process as portrayed in many textbooks follows a rational analytical approach starting with environmental scanning and analysis of internal and external conditions, followed by formulation of a strategic path for the best way forward to accomplish objectives, implementation of the proposed strategic actions, and subsequent evaluation of outcomes. While this can be a useful conceptual framing for formal strategic thinking, the representation of these sequential process elements as what is actually happening has been challenged in various ways. Joseph Bower (1982, 2005, chapter 2) long ago observed that many capital expenditure decisions are taken deep inside the organization and form important capabilities despite the existence of a formal capital budgeting process. Accordingly, Henry Mintzberg (1978, 1994) defined strategy as a pattern of resource-committing decisions (or actions) taken over time. Thus, what the organization de facto executes, or does, constitutes its strategy – not what it intended to do, but never realized. This gave rise to the well-known distinction between emergent and intended strategies (Mintzberg & Waters, 1985) and ideas about multiple and co-existing strategy-making modes the simultaneous mastery of which could create beneficial flexibility (Hart, 1992; Hart & Banbury, 1994). Robert Burgelman (e.g., 1983, 1996, 2005, chapter 3) studied dispersed corporate venture initiatives and demonstrated how they can evolve to become part of the official corporate strategy supported by top management’s induced strategy. The effectiveness of dual strategy-making approaches in slightly different forms has been reported in several studies (e.g., Andersen, 2000, 2004; Brews & Hunt, 1999; Burgelman & Grove, 1996, 2007). The duality theme was also captured in conceptualizations of the ambidextrous organization that gives simultaneous attention to exploitation for current economic efficiencies and exploration for future opportunities (Birkinshaw & Gibson, 2004; O’Reilly & Tushman, 2004; Raisch, Birkinshaw, Probst, & Tushman, 2009; Tushman & O’Reilly, 1996).

These perspectives devoted to uncover the intricacies of the more complex strategy-making processes have evolved in slightly different directions. One set of ideas emphasize strategic responsiveness as an artifact of interactive processes between decentralized autonomous actions and central analytical planning activities (Andersen, 2013, 2015; Andersen, Denrell, & Bettis, 2007; Andersen & Nielsen, 2009). The autonomous actions provide the basis for search and learning that can be simultaneously (or subsequently) scrutinized in the analytical planning activities to create economies in the updated corporate strategy as a dynamic interplay between fast local and slow central information processing systems. This approach has the potential to provide both empirical evidence and model-based insights about effective strategic response dynamics for superior outcomes; for example, higher returns and lower risk on returns. However, it does not provide detailed insights about the finer mechanics and influences of governance, organizational practices and personal characteristics as things actually take place in organizations. To this end, a view of strategy as something that organizations do emerged, commonly referred to as strategy as practice (SAP), and has provided fine qualitative studies of what different organizations do when they
develop strategy (e.g., Chia & MacKay, 2007; Gomez, 2010; Jarzabkowski, 2004, 2005; Johnson, Langley, Melin, & Whittington, 2007; Whittington, 2006). One challenge and potential downside of this qualitative case-based approach is generalizability, that is, purely inductive approaches may end up with few commonalities, which thereby defeat the ability to generate simpler, but effective strategy models for guidance and analysis. A further extension of the qualitative research approach has been fostered by the recent emphasis on open systems where strategies evolve through the influences of both internal and external actors depicted in so-called open strategy processes (e.g., Chesbrough & Appleyard, 2007; Doz & Kosonen, 2008; Whittington, 2015; Whittington, Cailluet, & Seidl, 2011). This particular lens provides new insights with the usual advantages and disadvantages associated with purely qualitative research methods.

While real management is full of specific strategy practices promoted by advisors and consultants, these approaches are often dismissed in strategy as being without value because they do not show any unique inimitable features required to support sustainable competitive advantage according to a resource-based view of strategy. Yet, it has recently been proposed that potential effects may have been overlooked and that standard practices properly applied to the firm may in fact be able to enhance management effectiveness (Bromiley & Rau, 2014). These effects may derive from improved decisions or management conduct suggesting that proposed effects can be assessed by examining the relationships between adherence to specific observed practices and subsequent performance outcomes. This provides a potential bridge to test general findings from SAP studies and thereby use quantitative empirics to assess potential effects of observed practices. In short, it seems possible, maybe even warranted, to merge aspects of the qualitative and quantitative approaches as a way to advance research insights from complex strategy process studies.

Add to this the seemingly intricate influences of corporate culture, values, and executive support for entrepreneurial behaviors as necessary antecedents to responsive entrepreneurial initiatives among autonomous actors (e.g., Burgelman, 1983; Kuratko et al., 2005; Zahra, 2008). Top management’s application of control systems under uncertainty can also decisively influence responsiveness to emergent developments (Simons, 1991, 1994) as well as executives can encourage autonomous behaviors for risk-taking search and experimentation (e.g., Lumpkin et al., 2009). Together, this amalgam of potential leadership influences must also enter into the equation. The following chapters constitute genuine attempts to uncover this varied context.

The Ensuing Chapters

In the second chapter in this volume, Julian Hess and Tessa Flatten from Technical University of Dortmund draw an upper echelons perspective to explore how certain chief executive officer (CEO) characteristics affect the strategic flexibility of a firm. They highlight the important role of owners and supervisory boards as influencers of important CEO attitudes displayed to the rest of the organization. Studying medium-sized companies in Germany, they find significant positive effects of both CEO willingness and permission to enact change on strategic
flexibility, but also uncover that surface without true belief will tend to fail the CEO in forming a flexible corporation. Under conditions of high technological turbulence only commitment based on loyalty and not pressure, together with autonomy, will increase strategic flexibility. These findings extend extant work by considering the effects of the CEO and supervisory board members.

The third chapter is written by Aylin Ates of the Strathclyde Business School in Glasgow and presents a longitudinal study of strategy development at a Scottish medium-sized enterprise in manufacturing adopting an open strategy lens. She develops a conceptual framework of open strategy practices used for adaptive purposes involving both internal and external actors, for example, owners, middle managers, employees, customers, suppliers, and competitors. This identifies different classes of transparent, participatory, and inclusive practices nested within the open strategy enacted as events unfold throughout the organizational renewal process. The study observes participation as an engaged practice different from inclusiveness and transparency. Openness is not binary but is enacted across a continuum where the practices of pre-open strategizing in small and medium enterprises and readying stages are understudied and represent areas for further development.

The fourth chapter by Stefan Linder of the ESSEC Business School in Paris sheds additional light at the idea that delegation (autonomy) and supportive leadership facilitate adaptation and strategic responsiveness in firms by fostering entrepreneurial behaviors. Like for many other questions in research on strategic responsiveness, lagged or longitudinal empirical data suited to studying such claims are hard and expensive to collect. He suggests vignette experiments (also called factorial surveys or conjoint studies) as a way out – especially when combined with cross-sectional evidence, and illustrates this approach by studying the relations among autonomy, supportive leadership, and intrapreneurship by means of both, a vignette experiment and a cross-sectional field survey. The findings suggest that autonomy and supportive leadership are indeed antecedents to intrapreneurial behavior and illustrate the value of vignette experiments for research on strategic responsiveness.

The fifth chapter is written by Torben Juul Andersen of the Copenhagen Business School and Simon Torp of Aarhus University. Their study explores the performance effects of interacting strategy-making processes and the confounding influences of leadership style and applications of interactive control systems. They find that strategic planning and decentralized strategy-making are affected by leadership style and interactive control systems using structural equation analyses on cross-sectional data from among the largest companies in Denmark. The analyses show that a participative leadership style drives applications of interactive controls, which in turn has a positive interacting effect on the relationship between strategic planning and performance. A participative leadership style also induces autonomous strategic actions that have positive interacting performance effects in conjunction with interactive controls.

The sixth chapter contributed by Maria Iborra, Vicente Safón, and Consuelo Dolz – all from the University of Valencia (Universitat de València) – presents an empirical investigation of important antecedents to strategic responsiveness among medium-sized enterprises (MEs) in Spain. Like Chapter 1, their study
relies on upper echelons theory. They argue that top management shapes organizational attitudes and behaviors such that management capabilities and ambidexterity consistency together with the value characteristics of family ownership builds a combination of experimentation and reliability that increase organizational robustness. The findings are derived from a sample of 3,006 Spanish MEs and show that manager ambidexterity and family-ownership are important antecedents to ME resilience.

In the seventh chapter by Wim van Lent of Montpellier Business School and Andrew D. Smith of the University of Liverpool study strategic sense-making and renewal using corporate archives. The chapter critiques the strategy literature as mainly discussing history as path dependency thus leaving little room for managerial agency despite evidence that managers can draw on corporate history to improve decision-making. Hence, the role of history in sense-making is an unexplored but promising field of study. Drawing on the concept of analogical reasoning it is theorized how corporate archives are connected to managerial sense-making, as analogies from past experience can reduce uncertainty and foster ongoing learning. This theory suggests that active use of corporate archive can enhance strategic renewal and boost performance.

The eighth chapter written by Bilal Ahmed Jathol and Charles-Clemens Rühl from Grenoble School of Management (Grenoble École de Management) focuses on temporal-structural contexts for managerial attention to environmental change and strategic responsiveness. They study the case of the British Broadcasting Corporation and its successful response to digitization in the broadcasting industry. The study identifies the strategic response from external collaborations and development of internal competencies driven by recurrent cycles of renewal. This process of “temporary incorporation” as an effective driver of strategic responsiveness is not previously described in the literature. It suggests that external structural contexts can create managerial attention and thereby facilitate effective adaptive transformations over longer time-periods in response to environmental change.

**Perspectives**

Together these chapters provide new and relevant insights on different aspects of the turbulent global business environment and the managerial dimensions that influence how organizational decision makers can enhance the effectiveness of adaptive responses. This collection of current research contributions spans an array of related focal areas that consider the importance of executive governance support, features of organization structure, and interacting strategy-making processes engaging organizational actors in search for better solutions. We hope this diversity of interlinked perspectives can inspire further thinking about the antecedent for effective strategic responsiveness in organizations faced with the turbulence of contemporary business contexts. While these works cannot provide final answers to this complex issue, we believe they can induce further thinking about global responsive organizations and identifying effective ways to deal with the constantly evolving and changing business environment.
References


