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# From snapshot to continuity: A dynamic model of organizational adaptation to environmental changes

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**Abstract** Organizational change research has frequently examined organizations' short-term responses to external change. However, such a short-term, linear time perspective fails to explain how firms adapt to changes that manifest themselves repeatedly and over time, such as climate change. We therefore develop a dynamic model of organizational entrainment to environmental changes that emphasizes the importance of a cyclical time perspective for firms' long-term adaptation. This paper responds to prior calls to adopt a time lens perspective to better understand organizational adaptation patterns. We provide an integrative framework on organizational entrainment and absorptive capacity that allows researchers to delineate "when" and "how fast" organizations adapt to external changes depending on their time perspective.  
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Since its earliest days, the field of organizational theory has been preoccupied with developing theories on organizational adaptation to changing environmental conditions (e.g., [Cyert & March, 1963](#); [McKinley, 2011](#); [Moore & Kraatz, 2011](#)). Some researchers argue that organizational growth and development foster organizational inertia (e.g., [Kaplan & Henderson, 2005](#)). Others, however, consider constant organizational

adaptation to opportunities and threats arising in the external environment as a precondition for organizational growth and survival (e.g., [Lewin & Volberda, 1999](#)). By emphasizing the temporal context of organizational change and inertia, [Hannan and Freeman \(1984\)](#) incorporate both perspectives: organizations do not fail because of their general inability to change and adapt, but rather because of inertia, which indicates a discrepancy between the pace of organizational adaptation and the rate of environmental change.

In today's environment, organizations face increasing competition and constantly evolving market demands. Such ever-changing environmental conditions create situations of high environmental uncertainty in which firms are unable to obtain all the information necessary to accurately predict

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and measure the potential outcomes (Knight, 1921). The ability to respond and adapt to environmental changes has thus become a vital success factor for organizations. While this ability has long been recognized in the academic literature (e.g., Brown & Eisenhardt, 1995), organizational adaptation to environmental change has often been explored from a short-term, linear point of view. According to this view, firms initiate response actions reactively or proactively (e.g., Buysse & Verbeke, 2003) to overcome poor adaptability and avoid performance deterioration (e.g., Sine & David, 2003).

This view has, however, been criticized as a rather simplistic perspective of organizational adaptation, since adaptation requires firms to respond to both short-term and long-term demands (Bansal & DesJardine, 2014; Busch, 2011; Slawinski & Bansal, 2012). In many industries, recurring environmental changes support this assertion. For instance, the recurrence of economic and financial crises in recent years (i.e. the Asian crisis, the dot-com crisis, and the global financial crisis) has repeatedly stimulated companies in different industries to respond to the economic slowdown, to re-think their business practices, and to quickly adapt their organizations to the changed economic landscape. In addition, fast-emerging new technologies and a highly competitive landscape require companies to constantly develop and launch new of new products and services at an ever-increasing pace. In the IT industry, for example, the timing, diffusion, and substitution of successive generations of computer memory chips (e.g., DRAM) highlight the importance of repeatedly managing changes in the environment (Burgelman, 1994; Sydow, Windeler, Schubert, & Möllering, 2012).

Consequently, several scholars (Ben-Menahem, Kwee, Volberda, & Van den Bosch, 2013; Hoyt, Huq, & Kreiser, 2007; Klarner & Raisch, 2013) have recently emphasized a cyclical, long-term view of adaptation. These scholars highlight the importance of timing when analyzing organizational adaptation to the rate of internal and external changes (Slawinski & Bansal, 2012). Dynamic views of organizational adaptation position external changes, and the corresponding organizational adaptation activities, within a larger picture that highlights feedback mechanisms and interconnectivity (Bansal & DesJardine, 2014). This long-term perspective is closely related to the organizational entrainment concept, which emphasizes the notion of time and timing between organizational adaptation and environmental change (e.g., Ancona, Goodman, Lawrence, & Tushman, 2001; Huy, 2001; Perez-Nordtvedt, Payne, Short, & Kedia, 2008). An entrainment view suggests that one of today's central managerial challenges is the pace at which companies must repeatedly adapt to complex dynamic environments to remain competitive in the long run. However, there is little general understanding of how organizations confront and manage this challenge (Perez-Nordtvedt et al., 2008; Shi, Sun, & Prescott, 2012).

Drawing on organizational learning theory (Huber, 1991), and building on the absorptive capacity concept (Zahra & George, 2002), this paper emphasizes a long-term perspective and presents an entrainment model of organizational adaptation to recurring situations of environmental change in the context of climate change. The firm's absorptive capacity – defined as the ability to absorb and apply knowledge for commercial use (Cohen & Levinthal, 1990) – has often been advocated as a means to increase a firm's responsiveness and

adaptation ability (Ben-Menahem et al., 2013; Cepeda-Carion, Cegarra-Navarro, & Jimenez-Jimenez, 2012; Liao & Stoica, 2003). In this respect, an integrative framework for organizational entrainment and absorptive capacity allows us to theoretically develop a more nuanced understanding of (a) how certain capabilities shape adaptation responses and (b) how distinct time perspectives influence organizational adaptation to recurring situations of external changes.

Our article offers several contributions to the literature. First, we contribute to the organizational learning literature by conceptualizing the role of two types of absorptive capacity (potential and realized absorptive capacity) for firm-environment co-alignment over time. By clarifying how these two types of absorptive capacity influence an organization's reaction and implementation speed when facing external change, we respond to prior calls (e.g., Lane, Koka, & Pathak, 2006; Tsai, 2001) for more insights into the relationship between environmental changes and the absorptive capacity concept. Second, we contribute to adaptation research by conceptualizing the relationship between distinct time perspectives and organizational adaptation activities, thus deriving a more nuanced understanding of organizational responses to external changes.

## Literature review

### The absorptive capacity concept

Knowledge is a critical organizational resource for success in dynamic and turbulent environments (Tece, Pisano, & Shuen, 1997). Organizational learning enables firms to process information about their environments and adapt to achieve optimal fit and performance (Hedberg, 1981). Since organizational routines provide the basis for organizational learning (Levitt & March, 1988; Nelson & Winter, 1982), adaptation routines are important for learning about change. In this regard, the absorptive capacity concept figures prominently when organizational adaptation is explained (Cohen & Levinthal, 1990; Van den Bosch, Volberda, & Boer, 1999; Zahra & George, 2002). Absorptive capacity is considered a set of organizational routines through which firms – on the basis of their prior knowledge – recognize the value of new external knowledge and subsequently acquire, assimilate, transform, and exploit this knowledge for commercial use to create a dynamic organizational capacity (Cohen & Levinthal, 1990; Todorova & Durisin, 2007; Zahra & George, 2002).

Scholars have identified four underlying routines or sub-processes of an organization's absorptive capacity as the basis for learning about adaptation (Cohen & Levinthal, 1990; Lewin, Massini, & Peeters, 2011; Parmigiani & Howard-Grenville, 2011). First, an organization's absorptive capacity includes routines for *identifying and acquiring* valuable knowledge about the environment and its changing nature. Second, *assimilation* includes routines for analyzing, processing, interpreting, and understanding this new knowledge in light of its existing cognitive structures. Third, *transformation* alters the firm's existing knowledge structures, helps identify new strategic opportunities, and changes the firm's view of the competition. Finally, *exploitation* is based on knowledge application as it incorporates

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