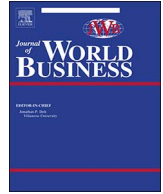




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## Adapting adaptation: Expanding adaptive strategy theory to account for the East Asian business context

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### ABSTRACT

This paper extends international business theory by providing insights into contextual boundaries of the dominant strategic adaptation model, based on assumptions of low power distance and a bottom-up management style. We challenge them by examining the context of Asian organizations with contrasting management style and ask how it is possible for them to adapt. We propose a supplementary “top-down” model of adaptation, supported by empirical data from East Asian organizations. The model involves low autonomy of lower- and middle-level managers, but fluid communication from bottom to top, enabling informed but authoritarian adaptive decision-making exclusively at the behest of top management.

### 1. Introduction

There is a tension in international business (IB) research to distinguish the universal from the particular (Buckley, Chapman, Clegg, & Gajewska-De Mattos, 2014) as well as between scientific explanation and context (Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mantymaki, 2011). The field has been predominantly focused on theories applicable to all organizations and social groups (Birkinshaw, Brannen, & Tung, 2011). With the rise of the emerging economies and increasingly more diverse IB environments, taking into consideration contextual dimensions has never been more timely and important for theory building and practical relevance. Context can be integrated in theorizing by explaining “empirical puzzles” through existing theories or by “modifying theories through the study of novel phenomena with the aim to enhance the theory” (Meyer, 2015, p. 370). This paper falls into the second category as it extends IB theory by providing insights into contextual boundaries of the dominant strategic adaptation model, which is based on the assumptions of low power distance and the potential for bottom-up adaptation and which sees managerial autonomy as necessary for adaptation. We challenge these assumptions by examining the context of Asian organizations which represent a contrasting high power distance and top-down management style and also whether managerial autonomy is necessary for Asian firms’ adaptation. We ask: Given the strategic adaptation literature’s assumption that adaptation is intrinsically a bottom-up process, how is it possible for organizations in a high power distance East Asian context to adapt?

The proper balance between a fixed long-term strategy and adapting to a rapidly changing environment has been an important topic in

international strategic management. “Intended” (also referred to as “deliberate”) and “emergent” strategies are the terms which were coined by Mintzberg (1978) and have subsequently been used by strategic management scholars to describe the original strategy vs. the one developed in response to environmental stimuli. Mintzberg and Waters (1985) further elaborated on this concept by describing eight different types of strategies (planned, entrepreneurial, ideological, umbrella, process, unconnected, consensus, and imposed) and describing where they fall along the spectrum from deliberate to emergent. Andersen and Nielsen (2009) combined the two by proposing and supporting an adaptive model where emergence fostered by autonomous and participatory strategy-making by lower and middle level management facilitates adaptive behavior; this, partially mediated by strategic planning, leads to higher performance outcomes.

Andersen & Nielsen’s model rests on cultural assumptions about the nature of adaptive behavior – as, in fact, does all of the literature on the subject, including Mintzberg’s original elaborations of the terms. In this view, emergent strategy is a “bottom-up” process, which contrasts with deliberate strategies’ emphasis on “central direction and hierarchy” (Mintzberg & Waters, 1985, p.271). Andersen & Nielsen’s (2009) research supports the point that autonomy for lower and middle level managers is necessary for emergent strategy to emerge.

So what happens in a high power distance culture where a high level of managerial autonomy is presumed not to be the norm? How then does “emergent” strategy emerge? Are these organizations doomed to be purely driven by intended, non-adaptive strategies, unless they switch over to a Western model which emphasizes more egalitarian values that may be incongruent with their own cultures? Or are there

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other means of adaptation? This is a crucial point, because Andersen and Nielsen (2009) demonstrated that incorporating emergent strategy into the planning process results in better performance for firms. Thus, if adaptation requires greater egalitarianism, then organizations in high power distance cultures may be intrinsically at a disadvantage, unless they are able to change their entire organizational cultures. And creating organizational change on that scale may create perils of its own, since Newman and Nollen (1996) found that organizations do not perform as well when they engage in management practices which are not a good cultural “fit.”

In this paper we examine the literature from three disparate streams: strategic adaptation, East Asian firms (with reference to possible implications for adaptation), and power distance (including the cultural, historical context specific to East Asia). In order to reconcile these three streams we ask: Given the strategic adaptation literature’s assumption that adaptation is intrinsically a bottom-up process, how is it possible for organizations in a high power distance East Asian context to adapt? Through deductive reasoning, a number of consonant and contrasting propositions are put forward as possible answers to this question. We ultimately propose a “top-down” model of adaptation, involving low autonomy of lower- and middle-level managers, but fluid communication from bottom to top, enabling informed but authoritarian adaptive decision-making exclusively at the behest of top management. In our paper we draw on data from the East Asian region which is characterized by high power distance cultures, to create a richer and more nuanced picture than could be gleaned otherwise. The alternate model we ultimately propose underlines the importance of context to the adaptation process. It also supplements the existing model and it enables a more complete understanding of the different ways organizations adapt.

## 2. Strategic adaptation

High power distance (Hofstede 1980) and the consequent presumed lack of autonomy for lower and middle level managers pose some interesting issues for the question of how it is possible for East Asian firms adapt. Looking at Andersen and Nielsen’s (2009) adaptive strategy model, which zeroes in on the aspect of Mintzberg’s (1978, 1985) work relating most directly to lower and middle level managerial autonomy, underscores this point.

The authors’ model was supported using a sample of manufacturing companies culled from the Compustat database. Their supported model is presented in Fig. 1 below:

According to this model, adaptive behavior is created through autonomy and participation in strategic decisions by middle and lower management. Thus, middle and lower management are actually the drivers of emergent strategy, and top level management’s role is primarily to (partially) filter the decisions and actions of these managers through the broader corporate strategic plans (the intended strategy). If adaptation does indeed take place in Asian organizations, and assuming that high power distance would preclude (or at least reduce) decision-making autonomy from lower and middle level management, then what is the process by which they adapt?

In fact, while the environments in which managers operate have become increasingly more diverse (Molinsky 2007), there has not been any revision or significant expansion to the model of strategic adaptation which Mintzberg first developed back in 1978 and solidified in 1985. Andersen and Nielsen’s (2009) model slightly refines it by emphasizing the important synergy created by the fusion of emergent with deliberate strategy. Mintzberg’s theoretical work is generally used as a

reference for related but separate issues within strategy and organizational behavior, and occasionally economics (see for example: Grant, 1991; Lumpkin & Dess, 1996; Tsoukas, 1996). These are not articles which develop the idea of strategic adaptation, but rather reference Mintzberg’s work in connection with related subjects. And Andersen and Nielsen’s (2009) research, despite its tweaking of Mintzberg’s work, has garnered relatively limited attention thus far, with 49 citations since its publication. To the extent it has been cited, the focus of the referencing papers has not been to refine or qualify the model they (or Mintzberg) present, but rather to use their work as a springboard for investigating issues such as ways of increasing lower and middle level management autonomy (in order to help performance) (Linder, 2015), case studies looking at, for example, the importance of intended strategy on firm performance (Iaquinto, 2011) or the relative influence of intended and emergent strategies on particular firms (Bozkurt & Kalkan, 2013), as well as papers reemphasizing the importance of both top and middle level management to the strategic planning process (see for example Schaefer & Guenther, 2016). Andersen and Nielsen themselves bring their work into the related subjects of adaptation from a psychological, cognitive perspective (Andersen & Fredens, 2013) and dynamic capabilities (Wilden, Gudergan, Nielsen, & Lings, 2013). These works underscore further the perspective that an inclusive strategic planning process is necessary for better firm performance. The former paper stresses the psychological importance of bringing a great variety of many different people into the strategic planning process, in order to tap the value of shared experiential insights. The latter paper finds that an “organic” organizational structure (which among other characteristics is less hierarchal than other types of organizations) facilitates the impact of dynamic capabilities on firm performance. These papers further invite the question of whether Asian firms face a cultural handicap if a top-down management approach creates an impediment to performance.

Most research on the general subject of middle management involvement in strategy assumes that more autonomy and participation by middle level managers is a boon to firms’ performance. Researchers often analyze subjects such as how to increase middle level entrepreneurship (e.g. Hornsby, Kuratko, and Zahra, 2002), or ways that middle managers may strive to gain more influence and autonomy (e.g. Laine and Vaara (2006)). An interesting implication of the latter subject is the cultural assumption that autonomy is generally *wanted* by middle level managers—an assumption that we will show later in the paper should not necessarily be taken for granted with employees in high power distance cultures. Occasionally, empirical data is collected that seeks to demonstrate a connection between middle level managerial participation and autonomy with improved firm performance. Burgelman (1994) found, in a longitudinal study of a high-tech firm, that the successful exit from the firm’s core business was driven by its emergent strategy, which in turn ended up redefining the official corporate strategy. The foundation of this emergent strategy was the technology decisions made by middle level management. Nonetheless, Woolridge, Schmid, and Floyd (2008), in a summation of research on the middle management perspective, note that “although there is some evidence for a positive association between middle management’s involvement in strategy and organizational outcomes, on the whole, much more research in this area is warranted” (p.1209).

In general, despite a plethora of articles over the years related to this topic, in terms of theory Mintzberg still remains the towering go-to reference on the subject of strategic adaptation. His model of intended and emergent strategy, and the bottom-up approach which he portrays as intrinsic to the process of strategic emergence, remains the standard one. It has been left to other papers to perpetuate and reinforce it.

## 3. East Asian firms and adaptation

In this paper, we use the term East Asia to refer to the area once known as the Far East. As Reischauer and Fairbank (1958) notes:

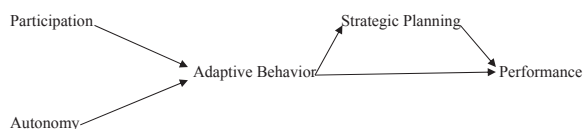


Fig. 1. Andersen and Nielsen’s (2009) Adaptive Strategy-Making Model.

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