



Making history: Sources of organizational history and its rhetorical construction



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ABSTRACT

The study proposes a framework for a better understanding of an organization's sources of history as well as how history is rhetorically constructed in order to generate sustained competitive advantages. The empirical setting is the East German watchmaking industry after the reunification of Germany in 1990. Our framework distinguishes between micro- and field-level sources of firm history as well as three types of history application by firms—i.e., history exploitation, history denial, and history appropriation. Based on archival data, homepage contents of the firms, and interviews with managers, results of our comparative case study offer insights on how and why firms (a) exploit or deny history; (b) appropriate history; and (c) make appropriated histories trustworthy. Discussing our findings, we contribute to a more comprehensive understanding of how organizations utilize history to develop competitive advantages.

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1. Introduction

Why firms that operate in the same business under similar conditions differ from each other is a frequent question in the management literature (Noda & Collis, 2001; Ambrosini & Bowman, 2009). Especially in recent decades, the question of intra-industry firm heterogeneity was more and more specified to analyze factors that help to explain why firms behave differently in similar situations and how this different behavior led to the exploration of strategic relevant resources (Bower, 1986; Levinthal, 1995). In this context, the resource-based view (RBV) explicitly addresses firm-level heterogeneity by proposing that firms are idiosyncratic and heterogeneous bundles of assets and resources that differ because of the possession of unique bundles of scarce, valuable, and difficult-to-imitate resources (Barney, 1991). Thereby, history is highlighted to be an important factor (Lockett & Wild, 2014). Barney has already stressed the twofold importance of history as a strategic resource and as an access enabler to other resources (Barney, 1986a, 1986b, 1991, 1996, 2001). In the last decade, research concentrated on identifying strategic resources

(for an overview see, e.g., Crook, Ketchen, Combs, & Todd, 2008) and aimed to classify them (see, e.g., Kraaijenbrink, Spender, & Groen, 2010), highlighting history as one of the most striking resources.

Despite the early call of Barney (1986a, 1986b) and more recent work on the RBV (Crook et al., 2008; Kraaijenbrink et al., 2010) that acknowledged the importance of a firm's history for competitive advantages, only recently have management scholars taken up the challenge of empirically demonstrating how history can be managed strategically (Foster, Suddaby, Minkus, & Wiebe, 2011; Rowlinson & Hassard, 1993; Beverland, 2005; O'Sullivan & Graham, 2010; Hills, Voronov, & Hinings, 2013; Voronov, De Clercq, & Hinings, 2013). Thereby, existing studies lack a combined explanation for specific sources of history and types of utilization by firms. Reviewing the state of the literature, this lack of research is surprising as studies have shown distinguishable behaviors of firms. First, research has shown that there are micro-level sources of history (Rowlinson & Hassard, 1993; Voronov et al., 2013)—i.e., sources that exist either at the firm-level (e.g., the firm itself or specific innovations, brands, or products) or at the level of individuals who are a member of the firm (e.g., employees or founders). Moreover, studies show that there are field-level sources of history (Beverland, 2005)—i.e., sources that exist based on institutional capital (Oliver, 1997) but also in the broader environment of the firm (Kipping & Üsdiken, 2014) (e.g., their

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location, the cluster's history, or the regional history). Second, besides the level of history applied, it seems that firms can manage their history as a strategic resource as well as a resource enabler by either constructing or denying their history (Beverland, 2005; Anteby & Molnar, 2012; Hills, Voronov & Hingins, 2013; Voronov et al., 2013). However, the questions of to what extent and in which context firms use what specific sources of histories have not received much attention yet. Moreover, the question regarding whether there are patterns that explain when firms use or deny history is unanswered.

Our study adds to this field of research by offering a comprehensive analysis of the use of history by organizations as well as the role of history in developing strategic resources and competitive advantages. Thereby, we analyze (a) the types of history sources and (b) how firms manage their history by exploitation, denial, or appropriation. Empirically, our study is structured in two parts: in the first part of our study, we introduce the development of the 14 largest manufacturers of handmade watches (for simplicity, this study will call them "watchmaking firms") that are located in a cluster within the East German states of Saxony and Thuringia (two states in East Germany). In this part of our analysis, we will analyze how firms differ in their application of history and develop a typology. In the second part, we will focus on three case studies, which allows us to analyze in more detail how and why firms differ in the way they treat history. We choose this research setting for two reasons. First, in the industry of handmade watch brands, authenticity and history play a crucial role. Moreover, firms are generally rather small and comparable regarding their structures. Second, the watchmaking firms in our study are characterized by 40 years of closely shared history caused by the socialistic system in the German Democratic Republic (GDR). If not founded after the German reunification, the firms in our sample were collectivized in the GDR and became part of a state combine. Consequently, the sample allows us to analyze the utilization of history under almost laboratory conditions as firms were faced with a similar situation and similar opportunities after the reunification of Germany in 1990.

The remainder of the paper is as follows: in the next section, we will present a detailed literature review on the utilization of history by firms. We will first describe the role of history in generating strategic resources and developing competitive advantages. Second, we will introduce studies which either describe the level from which firms apply history (i.e., micro-level vs. field-level sources) or provide information on how and why firms utilize, deny, or appropriate history. Next, the history of the GDR watchmaking industry is introduced. This section focuses particularly on the history of watchmaking firms in Saxonia and Thuringia. Thereafter, we will introduce the data and the methods we applied in conducting our case study before we elaborate on our findings. Finally, we discuss the findings and conclusions as well as suggestions for future research.

2. Research on the management of history

2.1. History as a source for strategic resources and competitive advantages

The application of history as a kind of strategic resource has already been applied by Barney (1986a, 1986b, 1991) and Teece (1980). They argued that since each firm has a specific and unique history, it also has specific and unique access to different arrays of resources; for example, material inputs, unique embedded leaders, creative employees, or a distinct organizational culture. Consequently, history determines to some extent the access to strategic resources and the development of competitive advantages. However, there are some weaknesses regarding the way traditional

management research scholars have theorized history as a competitive resource (see also Foster et al., 2011).

From a conceptual point of view, past research on the role of history in developing strategic resources largely denied the role of managerial agency in shaping, interpreting, and re-presenting history (Foster et al., 2011). At the analysis level, traditional theorizing saw firms as moving through a series of experiences and events that collectively exert influence on them and impact their success. In some cases, this influence is positive and allows firms preferential access to strategic resources. In other cases, historical experiences deny some firms access to strategic resources. However, more recent research has highlighted that human agents shape history by interpreting, recording, and communicating the history of a firm (Brunninge, 2009; Gioia, Corley, & Fabri, 2002; Ooi, 2002). Suddaby, Foster, and Trank (2010) called the process by which managers skillfully impose meaning on a firm's past a persuasive process leading to a "rhetorical history." Consequently, the framing and appropriation of history should be taken into consideration in more detail to account for the active application of history by organizations and important decision makers to develop strategic resources (Balmer, 2013).

Moreover, prior research in this field has viewed the mechanisms by which history confers a competitive advantage as operating from inside the organization. In other words, history is most often thought to expose firms to opportunities and experiences that, when appropriated, form the basis of a firm's internal core competencies. However, as Foster et al. (2011) argued, this ignores the powerful legitimating effect of history on external stakeholders and the constituents of a firm. Although the realization of competitive advantages requires the involvement of other actors and layers, most studies on strategic resources and competitive advantages (for recent overviews, see, e.g., Barney, Ketchen, & Wright, 2011; Kraaijenbrink et al., 2010; Newbert, 2007; Priem & Butler, 2001) have not taken into consideration the situational and social context in which a firm is embedded (Oliver, 1997—for exceptions see the contributions of Gavetti, 2005; Gavetti & Levinthal, 2000; Levinthal & Rerup, 2006). Thereby, history plays an important role, as historical linkages enable legitimacy and authenticity (e.g., Balmer, 2001, 2011, 2013; Balmer, Stuart, & Greyser, 2009; Beverland, 2005; Burghausen & Balmer, 2014a, 2014b). This means that if a firm's unique history can be made manifest in a powerful brand or reputation, it can become a key resource that forms the basis of a sustainable competitive advantage—largely as a result of inimitability.

Finally, past research has failed to provide a distinct process or mechanism by which history enables firms to exploit strategic resources, as, for example, a brand, reputation, or specific image that can confer an enduring competitive advantage (Foster et al., 2011). An important exception in this context is the study by Danneels (2011) on the renewal process at Smith Corona, a U.S. typewriter producer between 1980 and 2001, which highlighted the importance of leveraging existing resources and brands for firm success. However, Danneels (2011) also largely neglected the role of interpreting and constructing firm history in this context—i.e., history can be utilized differently, which leads to different outcomes—as well as the way of communicating these (self-) constructed histories to stakeholders and the transformation and management of history into valuable and material resources.

Summarizing these research gaps addressed by Foster et al. (2011), history plays a crucial role for a firm's strategic resources and the development of competitive advantages. Thereby, firms and important decision makers within firms may actively frame and construct their history to develop brands and images and to gain reputation. The mechanisms of how history is rhetorically constructed are thereby largely unobserved. Moreover, the situation and the context in which an organization is embedded

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