TOWARD A THEORY OF STRATEGIC CHANGE: A MULTI-LENS PERSPECTIVE AND INTEGRATIVE FRAMEWORK

NANDINI RAJAGOPALAN GRETCHE M. SPREITZER
University of Southern California

Presented by:
M Anang Firmansyah
First school
the "content" school, have focused on the antecedents and consequences of strategic change, utilizing large samples and statistical methods (e.g., Gibbs, 1993; Ginsberg & Buchholtz, 1990; Oster, 1982).

Second school
the "process" school, have focused on the role of managers in the strategic change process, utilizing in-depth case studies spanning several years (e.g., Webb & Dawson, 1991; Whipp, Rosenfeld, & Pettigrew, 1989).
Contradictory:

1. organization size has been found to have positive and negative
2. when faced with changes in environmental conditions such as munificence, some organizations change their strategies
3. Third, strategic change leads to improved performance
Changes in this alignment encompass

(a) changes in the content of a firm's strategy as defined by its scope, resource deployments, competitive advantages, and synergy

(b) changes in external environment and organization brought about to initiate and implement changes in the content of strategy

(c) changes in such alignment can occur at the business, corporate, and collective levels of the organization
Distinct theoretical lenses:
The rational, learning, and cognitive lenses

Rational lens:
The theoretical models implicit in the content school

Learning and cognitive lens:
Found primarily in the process school of strategic change.
A Rational Lens Perspective on Strategic Change: Theoretical Linkages and Empirical Evidence

Strategic change is defined as a unitary concept measured through discrete (berlainan) changes in a firm's business, corporate, or collective strategies.

The environment is assumed to be objectively determined and manifested as a source of threats and opportunities.
FIGURE 1
Strategic Change: A Rational Lens Perspective

1a

Environmental Conditions & Changes

1

Changes in the Content of Strategy

3

Organizational Conditions & Changes

2

3a

Organizational Outcomes

Direct Links

Feedback Links in a multitime study
environmental context and changes in the content of strategies

Focused: environmental variables (munificence, uncertainty, and specific shifts such as deregulation)

munificence led to higher magnitude (ukuran) changes in strategies
munificence led to lower magnitude changes in strategies

Why?

First, different operationalizations of the munificence construct were used across the studies: market saturation (kejenuhan), industry growth rates, future demand, and degree of competition.

Second, the specific operationalizations of changes in the content of strategies differed across these studies: likelihood and direction of change, and magnitude of change
The effects of uncertainty or instability

- Instability led to a higher magnitude of changes in corporate level strategies,
- Curvilinear relationship between volatility (sesuatu yang berubah) and changes in corporate aggressiveness.
- Uncertainty has multiple dimensions and that utilizing a single measure to capture this construct may yield incomplete results.

Deregulation or specific regulatory

- Changes were positively related to changes in firm strategies.
- Deregulation was associated with reduced likelihood of changes in both business and corporate-level strategies.
- Deregulation may be sensitive to the research design and the control variables included in testing the models.
organizational context and changes in the content of strategies

Focus: (firm size, age, prior performance, prior strategy, top management characteristics, and governance structures)

- The findings on firm size are ambiguous
- Similar ambiguous effects were also evident for firm age
- Similar contradictions were also evident in the findings on past performance.
- More consistent findings were found for prior strategy
- Studies on top management characteristics also indicated more consistent findings.
- The final set of findings various measures of corporate governance (e.g., board diversity and ownership structures). These patterns are more tentative because this stream of research is just beginning to emerge.
Strategic change and organizational outcomes

Rational lens studies have been focused almost exclusively on financial performance (operating ratio, return on assets, return on investment, growth, productivity, production time, etc.)

Contradictions:

First, changes in strategy were operationalized differently across these studies; the direction and magnitude of changes may both need to be examined to assess performance effects.

Second, performance changes stemming from current changes in strategy may exhibit lagged effects, which can be captured only if data are collected over longer time periods.

Third, complex interactions between environmental/organizational variables and changes in strategy may not be completely captured in these studies because of the narrow definition of strategic change.
General conclusions from the rational lens perspective.

First, these studies include large samples and explicit operationalizations of environmental/organizational antecedents and changes in the content of strategy, facilitating comparability across studies.

Second, more recent studies include more dynamic time series and event history analyses, which explain not only the likelihood and direction of change but also the timing. Third, these researchers have been concerned not only with understanding the antecedents to strategic change but also its performance effects.
Theoretical and methodological problems:

theoretical perspective problems
First, the rational perspective treats the role of managerial actions and cognitions as a "black box."
Second, in most studies within this perspective, strategic change was conceptualized as a unitary concept.

methodological problems
First, although in rational lens studies definitions of research constructs are explicit.
Second, research from this perspective suffers from aggregation problems.
Third, there is little agreement on the domain of environmental/organizational antecedents of strategic change as reflected in the different control variables found across studies.
A Learning Lens Perspective on Strategic Change: Theoretical Linkages and Empirical Evidence
First, strategic change is defined as the combination of changes in the content of strategy (similar to the rational lens perspective) as well as changes in environmental/organizational conditions brought about by managerial actions in the process of change.

Second, the environmental/organizational context, rather than being objectively determined as in the rational lens perspective, is assumed to be uncertain and dynamic.

Third, strategic change is viewed not as linear but as evolutionary and iterative, as managers learn from their experiences
Environmental context and managerial actions.

First, changes in specific environmental conditions, such as the availability of a new technology.

Second, the timing of environmental changes may explain whether change-oriented managerial actions take place.

Third, Link 5 (proactive managerial actions aimed at shaping the environment) was examined in only three case studies (Calori & Atamer, 1990; Gersick, 1994; Meyer et al., 1990), each of which included different operationalizations of environmental variables and managerial actions.
Organizational context and managerial actions.

Changes in organizational conditions (e.g., declining performance, leadership changes) affect managerial actions such as information gathering (Simons, 1994), information monitoring (Gersick, 1994; Huff et al., 1992), and the use of internal task forces (Miller & Friesen, 1980a,b). Organizational changes are more widespread in "transformational" strategic change than they are in "evolutionary" strategic change.
was examined (implicitly or explicitly) in all learning lens studies of these were case studies with varying definitions of research constructs.

The limitations noted in this section, only two tentative conclusions can be drawn

the more comprehensive the change in strategies, the more comprehensive the scope of managerial actions.

The main contribution of these studies is the finding that the relationship between managerial actions and changes in the content of strategies is not unidirectional (i.e., managers appear to learn from ongoing changes and use this knowledge to modify or reinforce their subsequent actions).
Strategic change, organizational outcomes, and learning links

In contrast to the rational lens studies, learning lens studies yielded more consistent, though very general, findings on the economic outcomes of strategic change.

Authors of four studies within the learning lens perspective also attempted to relate strategic change to noneconomic outcomes such as perceived managerial effectiveness (Simons, 1994), commitment and morale (Greiner & Bhambri, 1989), perceived quality of change (Nutt, 1987), and enduring changes in ideology (Meyer, 1982).
General conclusions from the learning lens perspective

The theoretical strengths of the learning lens perspective are complementary to those of the rational lens perspective.

First, researchers who use the learning lens perspective provide a richer theoretical description of strategic change by opening the black box of managerial processes (i.e., by focusing on how managerial actions shape readiness and resistance to strategic change and overall outcomes of the change process).

Second, because learning lens studies include a more holistic definition of strategic change, they can be used to identify the interdependencies among environmental, organizational, and strategic factors in the strategic change process.
Several methodological problems

First, it is difficult to generalize across studies, because they do not include well-defined constructs, particularly with regard to managerial action.

Second, most learning lens studies are descriptive case studies and do not relate variations in managerial actions to variations in the environmental/organizational context or organizational outcomes, hampering researchers' ability to accumulate knowledge across studies.
Managerial cognitions are variously defined as knowledge structures, core beliefs, cause maps, and schemas (Walsh, 1995). In the cognitive model, the interpretive processes through which managers enact the environmental/organizational context are emphasized.

In cognitive lens studies, operationalizations of changes in the content of strategy are rarely explicit; instead, such changes are inferred from managerial actions and cognitions.

In cognitive lens studies, key outcomes of strategic change include both economic and noneconomic variables.
FIGURE 3
Strategic Change: A Cognitive Lens Perspective

Environmental Conditions & Changes
Managerial Cognitions
Organizational Conditions & Changes
Managerial Actions
Changes in the Content of Strategy
Organizational Outcomes

Direct Links
Learning Links
Environmental context and managerial cognitions

used case studies that did not explicitly link variations in environmental conditions to variations in managerial cognitions. These findings may shed some light on a contradiction found in our review of the rational lens studies; if changes in strategies are related directly to environmental conditions, the crucial intervening effects of managerial cognitions are ignored.

Organizational context and managerial cognitions

focused on two variables: past performance and top management characteristics (including prior mental models, changes in team composition, and information-seeking behaviors). These results indicate that managerial cognitions may play a crucial intervening role between organizational conditions and changes in strategies.
Managerial cognitions, managerial actions and changes in the content of strategy.

found that managerial interpretations of organizational factors played a critical role in explaining subsequent managerial actions.

Strategic change, organizational outcomes, and learning

focused on the relationship between strategic change and organizational outcomes.

First, examined the effect of strategic change on subsequent outcomes.

Second, few researchers using the cognitive lens perspective examined the learning processes in strategic change.
FIGURE 4
Strategic Change: A Multi-Lens Framework

- Environmental Conditions & Changes
- Organizational Conditions & Changes
- Managerial Cognitions
  - Changes in the Content of Strategy
  - Managerial Actions
- Organizational Outcomes

Direct Links
Learning Links