


Dietmar Sternad

Strategic Adaptation

**Cross-Cultural Differences
in Company Responses
to an Economic Crisis**



SpringerWienNewYork

 SpringerWienNewYork

Dietmar Sternad

Strategic Adaptation

Cross-Cultural Differences
in Company Responses
to an Economic Crisis

SpringerWienNewYork

Dietmar Sternad

Lecturer for International Management and Program Director of the International Business Management Master's program at Carinthia University of Applied Sciences in Villach, Austria.

This work is subject to copyright.

All rights are reserved, whether the whole or part of the material is concerned, specifically those of translation, reprinting, re-use of illustrations, broadcasting, reproduction by photocopying machines or similar means, and storage in data banks.

Product Liability: The publisher can give no guarantee for all the information contained in this book. This does also refer to information about drug dosage and application thereof. In every individual case the respective user must check its accuracy by consulting other pharmaceutical literature. The use of registered names, trademarks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

© 2011 Springer-Verlag/Wien

Printed in Germany

SpringerWienNewYork is part of
Springer Science + Business Media
springer.at

Copy editing: Mag. Julia Edtbrustner

Typesetting: Jung Crossmedia Publishing GmbH, Lahnau, Germany

Printing: Strauss GmbH, Mörlenbach, Germany

Printed on acid-free and chlorine-free bleached paper
SPIN 80018172

With 25 figures and 47 tables

CIP Data applied for

ISBN 978-3-7091-0454-5 SpringerWienNewYork

Contents

Figures	IX
Tables	XI
List of abbreviations	XIII
1 Introduction: Researching strategic adaptation in a cross-cultural context	1
1.1 Cultural influences on strategic adaptation	3
1.2 Overview of the research design	6
2 Strategic decision-making, the environment, and national culture: An overview of key concepts	15
2.1 Strategy content	16
2.2 Strategy process	17
2.3 Four perspectives on the strategic decision-making process	18
2.4 The environment	21
2.5 Environmental change	23
2.6 The 2008–09 financial and economic crisis as an exemplified major environmental change	24
2.7 Adaptation as a concept in strategic management	27
2.8 National culture as an influencing factor on managerial decision-making	30
2.9 Summary of the key concepts	34
3 The strategic adaptation process: a literature review	41
3.1 From environmental determinism to strategic choice	42
3.2 Proactive versus passive adaptation	43
3.3 Adaptability: real options and dynamic capabilities perspectives	46
3.4 Cognitive perspectives of the strategic adaptation process	49
3.4.1 Attention focus	51
3.4.2 Environmental-strategy causal logic	52

3.5	The sense-making process	52
	Cognitive deficiencies potentially affecting the adaptation process	56
3.6	A model of the strategic adaptation process	59
3.7	Strategic issue diagnosis	65
3.7.1	Opportunities and threats	68
3.7.2	Urgency and feasibility	71
3.8	Political behaviour and conflicts in strategic decision-making processes	73
3.8.1	Political behaviour in organizations	75
3.8.2	The role of conflicts	76
3.9	Other variables with possible influence on the strategic adaptation process	77
3.9.1	Organizational size	78
3.9.2	Industry	79
3.9.3	Slack resources	81
3.10	Summary of the strategic adaptation process	82
4	Strategic action in response to economic crises	95
4.1	Rationalizing versus protection/pre-emption strategies	101
4.2	Focus on the core business versus diversification strategies	104
4.3	Internally-directed versus externally-directed strategies	106
4.4	Summary of adaptation strategies in response to economic crises	107
4.5	Hypotheses on the link between strategic issue analysis and strategic action in response to economic crises	109
5	Cultural differences between Austria and Slovenia	115
5.1	Performance orientation	120
5.2	Future orientation	122
5.3	Assertiveness	123
5.4	In-group collectivism	125
5.5	Uncertainty avoidance	127
5.6	Gender egalitarianism	129
5.7	Cultural dimensions without significant differences between Austria and Slovenia	130
5.8	Summary of cultural differences between Austria and Slovenia	132
6	Cultural influences on the adaptation process	139
6.1	Hypotheses on cultural influences on strategic issue diagnosis	145
6.2	Hypotheses on cultural influences on strategic action in response to the economic crisis	148
6.3	Hypotheses on cultural influences on political and decision behaviour in strategic decision-making processes	151

7	Qualitative study: management interviews about strategic adaptation to the financial and economic crisis	159
7.1	Sample and data collection of the qualitative study	159
7.2	Methodology of analysis of the qualitative study	161
7.3	Results of the qualitative study	163
7.3.1	Strategic issue diagnosis in Austrian and Slovene companies	164
	Threat perception of the financial and economic crisis	164
	Opportunity perception of the financial and economic crisis	164
	Feasibility perception of the financial and economic crisis	168
	Urgency perception of the financial and economic crisis	169
7.3.2	Political, conflict, and informal behaviour in Austrian and Slovene companies	172
	Political behaviour in strategic decision-making	172
	Amount of conflict in strategic decision-making	175
	Individual or group decision-making	176
	Degree of informality in decision-making	178
7.3.3	Strategic action in response to the 2008–09 financial and economic crisis in Austrian and Slovene companies	181
	Rationalization versus protection/pre-emption strategies	181
	Focus on the core business versus diversification strategies	186
	Other internally-oriented strategies	189
	Other externally-oriented strategies	190
7.4	Summary of the findings of the qualitative study	194
8	Methodological overview of the quantitative empirical study	199
8.1	Sample and data collection	199
8.2	Instrument design	201
	Measuring strategic issue diagnosis constructs	202
	Measuring strategic responses to the crisis	205
	Measuring political processes and conflicts in decision-making	206
	Values for dimensions of national culture	209
	Control variables	209
8.3	Bias minimization steps	210
	Translation bias	210
	Cross-cultural equivalence	211
	Retrospective reports	212
	Non-response bias	212
	Common method bias	212
8.4	Statistical analysis	213

9	Results of the quantitative empirical study in Austria and Slovenia	219
9.1	Overview of respondents' characteristics	219
9.2	Descriptive statistics	220
9.2.1	Descriptive statistics on strategic issue analysis	220
9.2.2	Descriptive statistics on crisis response strategies	221
9.2.3	Descriptive statistics on political and conflict behaviour	226
9.3	Correlations	228
9.4	Testing of hypotheses	231
9.4.1	Testing the links between strategic issue diagnosis and strategic action	231
9.4.2	Testing for cultural differences	233
	Testing for cultural differences in strategic issue diagnosis	234
	Testing for cultural differences in the use of strategic action	235
	Testing for cultural differences in political and decision behaviour	238
9.5	Summary of the findings from the quantitative study	240
10	Discussion, conclusions, and outlook	245
10.1	Discussion of findings on the strategic adaptation process	245
10.2	Discussion of findings on cultural, industry, and size differences in strategic adaptation to an economic crisis	247
10.3	Limitations of the study	248
10.4	Conclusions	250
10.5	Implications for practice	252
10.6	Opportunities for further research	253

Figures

1.1	Research design overview	9
2.1	The four perspectives on the strategic decision-making process	19
2.2	Aspects of strategic adaptation to the 2008–09 financial crisis within the scope of this study	27
2.3	Typology of adaptation	29
2.4	The ‘onion model’ of culture	32
2.5	An integrative model of influences on top managers’ perceptions	33
3.1	Meyer’s model of organizational adaptation to environmental jolts	60
3.2	The strategic adaptation process	63
3.3	The influence of national culture on strategic decision-making, political processes, and strategic action in strategic adaptation processes	65
3.4	The opportunity/threat issue interpretation space	71
3.5	Political influences on the strategic adaptation process	75
4.1	Dichotomies in strategic responses to sudden economic downturn	100
4.2	Strategic growth and divestment responses	105
4.3	Internally-directed and externally-directed strategic responses to sudden economic downturn	107
4.4	Hypotheses on the relationship between strategic issue diagnosis and strategic action in response to economic crises	111
6.1	Cultural influence on strategic decisions	140
6.2	Hypotheses on cultural influences on strategic issue diagnosis	148
6.3	Hypotheses on cultural influences on strategic responses to the economic crisis	151
6.4	Hypotheses on cultural influences on political and decision behaviour in strategic decision-making processes	154
7.1	Major environmental change as a catalyzer for enabling strategic change	168
9.1	Results of strategic issue perceptions of the 2008–09 financial and economic crisis	220
9.2	Strategic responses to the 2008–09 financial and economic crisis (categories)	222

9.3	Strategic action on the diversification versus focus on the core business dimension	224
9.4	Strategic action on the internally- versus externally-directed dimension	225
9.5	Overview of decision-making variables results	227

Tables

2.1	Strategy levels overview	16
4.1	Selected research results on strategic responses to economic crises and recession	95
4.2	Rationalizing versus protection/pre-emption responses to sudden economic downturn	103
5.1	GLOBE performance orientation values for Austria and Slovenia	121
5.2	GLOBE future orientation values for Austria and Slovenia	123
5.3	GLOBE assertiveness values for Austria and Slovenia	125
5.4	GLOBE in-group collectivism values for Austria and Slovenia	127
5.5	GLOBE uncertainty avoidance values for Austria and Slovenia	129
5.6	GLOBE gender egalitarianism values for Austria and Slovenia	130
5.7	Differences in cultural dimensions between Austria and Slovenia in the GLOBE study	130
5.8	GLOBE societal institutional collectivism values for Austria and Slovenia	131
5.9	GLOBE power distance values for Austria and Slovenia	131
5.10	GLOBE humane orientation values for Austria and Slovenia	132
5.11	Summary of major cultural differences between Austria and Slovenia in the GLOBE study	132
6.1	Overview of empirical studies exploring cross-cultural differences in the strategic decision process	142
7.1	Overview of the companies and interviewees of the qualitative study	160
7.2	Overview of categories and parameter values for the qualitative content analysis	162
7.3	Threat and opportunity perception of the financial and economic crisis in Austrian and Slovene companies	165
7.4	Feasibility and urgency perception of the financial and economic crisis in Austrian and Slovene companies	170
7.5	Extent of political behavior and conflict in strategic adaptation to the crisis in Austrian and Slovene companies	173
7.6	Ambiguous statements about individual and group decision-making	177

7.7	Decision-making behavior and informality in strategic adaptation to the crisis in Austrian and Slovene companies	179
7.8	Frequency of occurrence of specific rationalization strategies	182
7.9	Rationalization and protection/pre-emption strategies in Austrian and Slovene companies	183
7.10	Frequency of occurrence of specific protection/pre-emption strategies	185
7.11	Frequency of focus on the core business versus diversification strategies	186
7.12	Focus on the core business versus diversification strategies in Austrian and Slovene companies	187
7.13	Frequency of occurrence of other internally-oriented strategies	190
7.14	Frequency of occurrence of other externally-oriented strategies	191
7.15	Other internally and externally-directed strategies in response to the crisis in Austrian and Slovene companies	192
8.1	Change in industry turnover index (nominal) from 2008 to 2009	199
8.2	Survey response rates	201
8.3	Overview of items of the opportunity and threat constructs	202
8.4	Overview of items of the feasibility and urgency constructs	204
8.5	Overview of conflict items	207
9.1	Respondents' and their firms' demographic characteristics	219
9.2	Statistics on strategic issue diagnosis of the 2008–09 financial and economic crisis in Austria and Slovenia	221
9.3	Statistics on strategic responses to the 2008–09 financial and economic crisis (categories)	223
9.4	Rationalization versus investment in response to the crisis	226
9.5	Group decision-making, conflict, self-interest, and informality in strategic decision-making in response to the economic crisis	228
9.6	Correlation of main variables (Spearman's rho)	229
9.7	Hierarchical regression results: influence of strategic issue diagnosis on strategic action	232
9.8	Statistical tests of country differences	233
9.9	Hierarchical regression results: influence of country differences on crisis interpretations	235
9.10	Hierarchical regression results: influence of country differences strategic action	236
9.11	Hierarchical regression results: influence of country differences on decision behaviour	239
9.12	Summary of hypotheses testing results	241

List of abbreviations

AUT	Austria
CEC	Current economic conditions
CEO	Chief Executive Officer
DCF	Discounted cash flow
EVS	European Values Survey
GDP	Gross domestic product
GLOBE	Global Leadership and Organizational Behaviour Effectiveness Program
HR	Human resources
L	Large-scale corporation (<i>in the qualitative study, chapter 7</i>)
MBA	Master of Business Administration
N/A	Not applicable
No.	Number
NPV	Net present value
PESTEL	Political, economic, technological, environmental, and legal factors
PIMS	Profit Impact on Market Strategy
POPS	Perception of Politics Scale
PR	Public relations
RBV	Resource-based view
R&D	Research and development
S	Small and medium-sized enterprise (<i>in the qualitative study, chapter 7</i>)
S.d.	Standard deviation
SLO	Slovenia
SME	Small and medium-sized enterprise
Std. error	Standard error
UK	United Kingdom
U.S.	United States
VIF	Variance inflation factor

1 Introduction: Researching strategic adaptation in a cross-cultural context

The main reason for conducting business is creating and maintaining value (cf. Conner 1991; Sirmon et al. 2007). As companies are not stand-alone, closed systems, value creation is dependent in various ways on interrelations with the environment. It is from the environment that organizations are acquiring all the inputs and resources that they need for their operation, whether these are tangible or intangible resources, capital or human resources. On the other hand, the existence of other actors within the environment who are willing to pay for what a firm is producing is essential for its very survival. In Peter Drucker's (1993) terms, "neither results nor resources exist inside the business. Both exist outside" (p. 5). However, what is happening in the environment – the environment is everything that is outside of the boundaries of an organization which can have potential influence on it – is per definition not under the full control of the organization. Societal changes are affecting customer tastes and preferences, technological changes allow new market entrants to substitute existing products or services, political and legal decisions influence resource availability or cost bases, and macroeconomic cycles have the capacity to dramatically increase or decrease customer demand. Strategies which were developed under certain environmental circumstances might be rendered ineffective when the organization is faced with radically changed external conditions.

How do companies *maintain value* when they are faced with major changes within their environment – those events and developments which considerably and structurally affect the attainability of strategic objectives and/or the strategic choices that an organization has?

Generally, the fit between the environment and an organization's strategy has been identified as being of crucial importance for the effectiveness of an organization (Miles and Snow 1978; Hambrick 1983). Haveman (1992) showed that adapting an organization's strategy (in terms of product offers, target markets, and core technologies used) under conditions of major environmental change raises both its chances of survival and financial performance potential. Additionally, she argued that firms which timely respond to environmental changes can outperform those with longer reaction times. Also Smith and Grimm (1987), using the U.S. railroad industry deregulation as a background for their study, found that firms which changed their strategy in order to align themselves to new environmental conditions outperformed

those who did not adapt. For some authors (e. g. Hofer and Schendel 1978; Chakravarthy 1982; Chakravarthy and Lorange 1984; Schneider and Barsoux 1997), continuous adaptation to the changes in a firm's environment constitutes the essence of strategic management. The following statement from Burns and Stalker (1961) provides an early account of this basic idea:

“In our terms, leadership at the top, or ‘direction’, involves constant preoccupation with the technical and the commercial parameters of the situation in which the concern has to operate, and with the adjustment of the internal system to that external situation.” (p. 102)

Dynamic environments demand ongoing re-assessments and updates of strategies. Mussnig and Petek (2008) point out the need for taking a step back, frequently interrupting routines to question the status-quo, and re-thinking whether the current strategic path is still adequate, or needs to be adapted and changed. It is through adaptive action based on continuous reflection on strategy-environment fit that managers can keep their organizations in line with external developments.

Maintaining or even increasing value under changing environmental circumstances is the main purpose of strategic adaptation. Failure to adapt to a changing environment can lead to fatal consequences. This applies not only to the realm of business. In a classical analogy, also species in the natural world have to adapt to changes in their ecosystems, such as, for example, the appearance of a new predator, to ensure survival (cf. Bettis and Prahalad 1995). Turning to another field, British military historian and war theorist Sir Basil H. Liddell Hart (1991) noted: “Adaptability is the law which governs survival in war as in life – war being but a concentrated form of the human struggle against environment” (p. 330).

In yet another form of human struggle against environment, companies compete for survival on the marketplace. Hambrick and D’Aveni (1988) showed that when firms fail to respond to environmental change in a timely manner, they risk to get caught in a downward spiral which can eventually lead to corporate failure and bankruptcy. In their study of bankruptcies of large private-sector corporations, a clear pattern emerged: bankruptcy was in many cases preceded by environmental decline in the two years before (Hambrick and D’Aveni 1988). This is consistent with Miles and Snow’s (1984) assessment that “minimal fit is required for survival in competitive environments” (p. 14).

Often, decision-makers’ satisfaction with past successes leads to persistence in following certain strategies which in the light of radical external change become ineffective and outdated, thus leading to significant decline

in performance (Romanelli and Tushman 1988; Reger and Palmer 1996; Audia et al. 2000).

So how can organizational failure be avoided in the face of major, adverse changes in the environment? Dutton and Duncan (1987) re-formulate the question of this “basic survival issue”, as they call it, and ask: “how can organizational decision-makers learn to deal effectively with these changed environments?” (p. 279). How organizations act cannot be separated from how managers act in the decision-making processes that are taking place within organizations to determine strategic response to environmental change.

1.1 Cultural influences on strategic adaptation

How decision-makers act is influenced by their basic assumptions, values, beliefs, and perceptions about what is right or wrong, about what is appropriate or inappropriate in a certain situation, about what actions will lead to intended consequences, but also about what the right intentions are in the first place. Research on the links between managerial cognition and strategy confirms that managers’ beliefs about the external environment influence strategic decision-making processes in organizations (Daft and Weick 1984), and that the perceptions which managers build about changes in the environment can have an effect on organizational responses (Staw et al. 1981; Dutton and Jackson 1987). Failure to change belief systems following changes in the environment can lead to delays in taking necessary adaptive steps in strategy, which in turn can lead to organizational failure (Barr 1998).

In their ‘upper echelons’ theory, Hambrick and Mason (1984) suggest that organizational strategies can be viewed as “reflections of the values and cognitive bases of powerful actors in the organization” (p. 193), which are in turn influenced by their background. In Geletkanycz’s (1997) words, “decisions are argued to reflect executives’ selective filtering and interpretation of available stimuli – this through the idiosyncratic lenses of their beliefs, knowledge, assumptions, and preferences” (p. 617). A major element of an individual’s background influencing their basic assumptions, beliefs, and preferences is the culture that a person was socialized in. National culture – over the values and cognitive bases of the decision-makers – could therefore have an influence on strategic decision-making processes and their outcomes. This suggestion is supported by Ross (1999), who asserts: “At each link in the strategy process – deriving the mission, developing scenarios, formulating strategy and tactics, executing and evaluating – culture intrudes” (p. 13).

Schneider (1989) argues that basic cultural assumptions influence how information is gathered and interpreted within organizations. As also the use of information is embedded in social norms based on cultural beliefs, “the strategy formulation cannot be considered as culture-free” (Schneider 1989, p. 149). In other words: “As culture is thought to influence the way of perceiving, thinking, feeling and evaluating, it is expected to affect the process by which the environment is ‘known’ and responded to” (Schneider 1989, p. 152). Thus, culture affects the way in which decision-makers respond to stimuli within the environment. As it has also been identified to have a mediating effect between managerial cognitions and managerial actions (Brachos et al. 2005), culture should be taken into consideration when analyzing how managers form their beliefs and interpretations about environmental changes, as well as when analyzing what strategic actions they subsequently take to adapt to these changes.

However, as Clark (2000) and Pettigrew et al. (2001) pointed out, national differences have not been a major focus in organizational and change studies. Reasons put forward by Pettigrew and his colleagues were the difficulty of working empirically across national borders, the overall scientific tendency towards preferring the universal over the particular, and the powerful influence that the U.S. management science has on the rest of the world. Also O’Shaughnessy (1985) and Schwenk (1995) suggest that conclusions made about strategic decision-making in the U.S. might not hold in other cultural contexts. For Whittington and Mayer (2000), most management research has been “not culture free but culture blind” (p. 31).

A systematic way of studying the culture-strategy relationship was introduced by Schneider (1989) who, in a conceptual paper, proposed a framework for studying how national culture impacts on strategy formulation. Schneider and De Meyer (1991) built on this work with their cross-cultural empirical study conducted among executive and graduate students in European business schools. They found that national culture does indeed have an influence on the interpretation and response to strategic issues, noticing, however, that “[a]lthough differences among country clusters were found in interpretation and response, the underlying cultural reasons for these differences remain elusive” (Schneider and De Meyer 1991, pp. 317–318).

Geletkanycz’s (1997) study showed significant effects of cultural values on executives’ openness to changes in the organizational status quo. Hitt et al. (1997) found considerable differences in strategic orientations of U.S. executives placing higher importance on short-term returns and increasing shareholder value, and their Korean counterparts who place more emphasis on ex-

pansion and growth strategies, adding the caveat that not only cultural differences but also different national priorities and institutional arrangements could play a role in the different strategic orientations. Other studies, however, could not establish significant correlations between national culture and strategy. Specifically, a link between culture and strategy-related beliefs of managers was not found by Markóczy (2000), while Hoffman (2007) observed that the perceived use of strategic planning system characteristics did not vary much across the three cultural groups that he had examined. At first sight, it seems that the discussion about whether culture generally does or does not influence strategic decision-making processes has not yet come to a conclusion.

A more differentiated picture was revealed by Barr and Glynn's (2004) study of cultural variations in strategic issue interpretation: while one cultural dimension (the level of uncertainty avoidance) had significant impacts on the way that strategic issues were interpreted, no clear and direct ties between culture and strategic issue diagnosis could be established for other cultural dimensions, leading them to the following conclusion: "Rather than searching for global cross-cultural differences in strategic perceptions, it may be more fruitful to delineate the specific theoretical links that relate culture to strategy" (p. 65). Therefore, they urged for a more 'fine-grained' approach to investigating the links between culture and strategic decision-making processes. Ashkanasy et al. (2004) point in the same direction when they note the lack of research on the link between one cultural dimension, *future orientation* (the degree to which a society is oriented towards the future), and strategic planning processes: "The relationship of future orientation to different elements of strategic planning at the organizational level remains to be investigated" (Ashkanasy et al. 2004, p. 292).

Following this more differentiated view, we need to develop hypotheses on possible cultural influences on strategy on the level of individual cultural dimensions. Investigating some of those specific links between culture and strategy when organizations are faced with major changes within their environment is the main aim of the study which is presented in this book. More specifically, the central research questions are:

- Research question A: "Do differences in certain dimensions of national culture have an influence on the **process of strategic adaptation** to major changes within an organization's environment?"
- Research question B: "Do differences in certain dimensions of national culture have an influence on **strategic action** as an output of the strategic

adaptation process when organizations are faced with major environmental changes?”

By finding well-grounded answers to these two questions, this book seeks to contribute to both a more comprehensive understanding of how organizations adapt to major changes in their environment in different cultural settings, as well as a more specific understanding of which cultural dimensions affect certain phases of the strategic decision-making processes in organizations, thus also following Elbanna's (2006) demand for more research on the role of national context in the strategic decision-making process.

1.2 Overview of the research design

In order to determine possible influences of national culture on strategic adaptation to major environmental change, a cross-cultural study design is required. The empirical investigation was conducted in two countries: Austria and Slovenia, two European nations which are geographically close, yet likely to show considerable cultural difference due to (a) their affiliation with two of the major European cultural areas (i. e. the Germanic and the Slavic language areas), and (b) the decades that Slovenia spent under the communist political and economic system of the former Socialist Federal Republic of Yugoslavia while Austria has been part of the 'Western' world characterized by a democratic political system and a free(er) market economy.

To yield comparable results, it is important to investigate the strategic adaptation processes to one major environmental change that had a strong impact on both nations. Such a major environmental change with important repercussions on the economy in both countries can be found in the financial crisis of 2008–09, which was followed by a major worldwide recession. As a global event, it had significant effects on both nations and therefore lends itself perfectly for a cross-national comparison on strategic reactions to one commonly shared major environmental change.

To examine the hypothesized relationships between national culture on the one hand and the strategic adaptation process and its output (the decisions for adaptive strategic action) on the other hand, the research was mainly based on an empirical study – a quantitative survey among managers in Austria and Slovenia.

This book is organized as follows:

- I. It starts with the theoretical building blocks: chapter 2 will provide an overview of the main concepts used, specifically strategy and strategic decision-making, major environmental change, adaptation, and national culture as a potential influencing factor on strategic management processes. Chapter 3 consists of a more detailed literature review on the strategic adaptation process, especially from a cognitive perspective, which is particularly relevant when evaluating how different cultural backgrounds influence managerial cognition in strategic decision-making processes. The chapter will conclude with the proposal of a model of strategic adaptation as a decision-making process, which the subsequent analysis will be built on. In chapter 4, different strategic options organizations are following in response to economic crises are explored.
- II. Cultural differences between Austria and Slovenia are investigated and discussed in chapter 5 with reference to widely recognized cross-cultural studies. Specifically, results from the GLOBE study (House et al. 2004), supplemented by the findings of more recent in-depth cultural studies including Austria and Slovenia (e. g. Meierewert 2009; Gulev 2009), form the basis for assessing major differences in cultural dimensions between the two countries. Chapter 6 combines the findings of chapter 3 (a model of the strategic adaptation process) and chapter 5 (cultural differences between Austria and Slovenia) by building hypotheses about the possible effect of the differences in the individual cultural dimensions on different phases of the strategic adaptation process and on strategic action as an output of this process.
- III. The hypotheses are then tested in an empirical study. Following the suggestions of Adler (1983), Samiee and Athanassiou (1998), and Mayring (2001), both qualitative and quantitative research methods were used in a complementary way of triangulation in order to obtain several perspectives on the research subject (cf. Kelle and Erzberger 2009). Twelve semi-structured in-depth interviews with managing directors and board members of Austrian and Slovene companies form the basis for an exploratory qualitative pre-study (chapter 7). Chapter 8 provides an overview of the research methodology of the quantitative survey among Austrian and Slovene managers, which is the main instrument for testing the hypotheses that are developed. To ensure comparability of the samples in the two countries, it is necessary to include control variables in the research design, particularly nationality of the respondent, industry type, and or-

ganizational size. Specifically, organizational size needs to be investigated in more detail because several studies (e. g. Peters 1992; Chen and Hambrick 1995; Dean et al. 1998; Latham 2009) have shown that size can be a potentially important influencing factor on strategic decision-making processes. The results of the quantitative study will be presented in detail in chapter 9.

- IV. In the concluding chapter 10, the research findings are discussed, also highlighting the limitations of the study presented in this book. In addition, the final chapter will provide an overview of potential implications for managerial practice, and an outlook to possible future research opportunities.

An overview of the research design is presented in Figure 1.1.

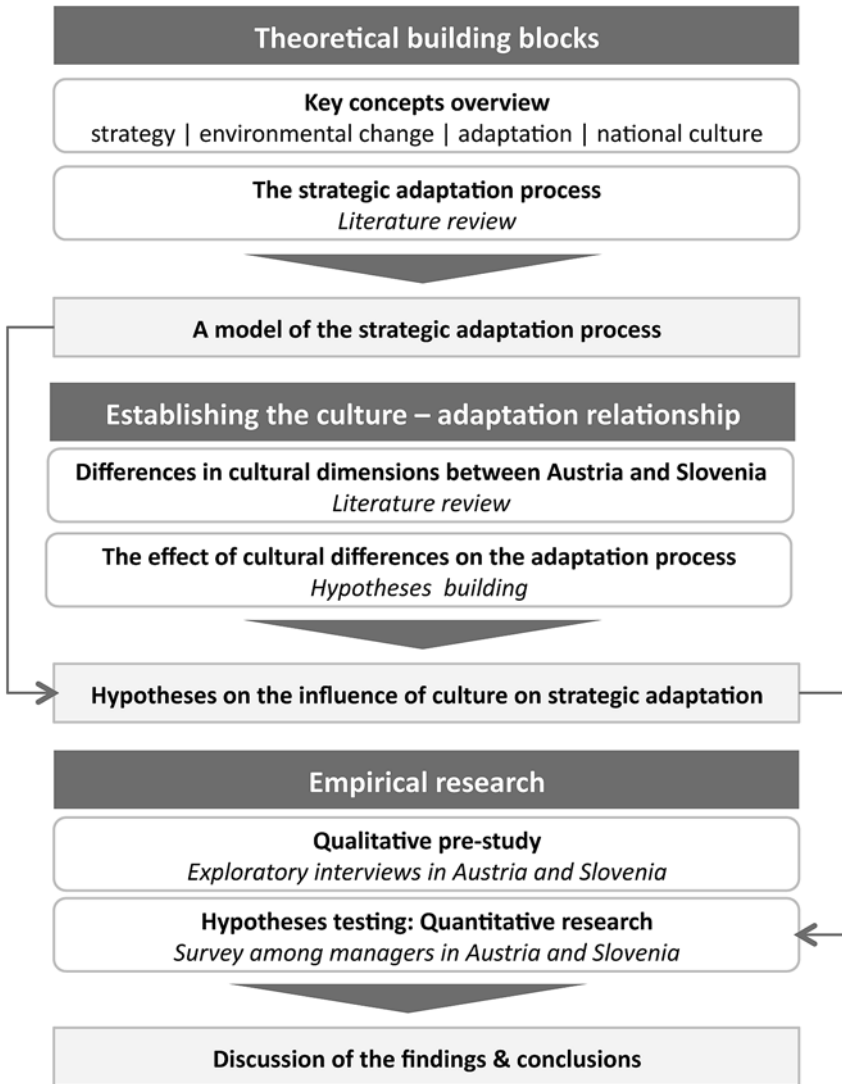


Fig. 1.1 Research design overview

Source: Author

References

- Adler, N. J. (1983). Cross-cultural management research: The ostrich and the trend. *Academy of Management Review*, 8(2), 226–232.
- Ashkanasy, N., Gupta, V., Mayfield, M. S., & Trevor-Roberts, E. (2004). Future orientation. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 282–342). Thousand Oaks et al.: Sage.
- Audia, P. G., Locke, E. A., & Smith, K. G. (2000). The paradox of success: An archival and a laboratory study of strategic persistence following radical environmental change. *Academy of Management Journal*, 43(5), 837–853.
- Barr, P. S. (1998). Adapting to unfamiliar environmental events: A look at the evolution of interpretation and its role in strategic change. *Organization Science*, 9(6), 644–669.
- Barr, P. S., & Glynn, M. A. (2004). Cultural variations in strategic issue interpretation: Relating cultural uncertainty avoidance to controllability in discriminating threat and opportunity. *Strategic Management Journal*, 25(1), 59–67.
- Bettis, R. A., & Prahalad, C. K. (1995). The dominant logic: Retrospective and extension. *Strategic Management Journal*, 16(1), 5–14.
- Brachos, D. A., Philippidou, S. S., & Soderquist, K. E. (2005). The culture model as a mediation framework between managerial cognitions and actions: How communities of practice can drive strategic change. *International Journal of Information Technology & Management*, 4(3), 217–230.
- Burns, T., & Stalker, G. M. (1961). *The management of innovation*. Oxford: Oxford University Press.
- Chakravorthy, B. S. (1982). Adaptation: A promising metaphor for strategic management. *Academy of Management Review*, 7(1), 35–44.
- Chakravorthy, B. S., & Lorange, P. (1984). Managing strategic adaptation: Options in administrative systems design. *Interfaces*, 14(1), 34–46.
- Chen, M.-J., & Hambrick, D. C. (1995). Speed, stealth, and selective attack: How small firms differ from large firms in competitive behavior. *Academy of Management Journal*, 38(2), 453–482.
- Clark, P. (2000). *Organisations in action: Competition between contexts*. London: Routledge.
- Conner, K. R. (1991). A historical comparison of resource-based logic and five schools of thought within industrial organization economics: Do we have a new theory of the firm? *Journal of Management*, 17(1), 121–154.
- Daft, R. L., & Weick, K. E. (1984). Toward a model of organizations as interpretive systems. *Academy of Management Review*, 9(2), 284–295.
- Dean, T. J., Brown, R. L., & Bamford, C. E. (1998). Differences in large and small firm responses to environmental context: Strategic implications. *Strategic Management Journal*, 19(8), 709–728.

- Drucker, P. F. (1993). *Managing for results: Economic tasks and risk-taking decisions*. New York: HarperBusiness.
- Dutton, J. E., & Duncan, R. B. (1987). The creation of momentum for change through the process of strategic issue analysis. *Strategic Management Journal*, 8(3), 279–295.
- Dutton, J. E., & Jackson, S. E. (1987). Categorizing strategic issues: Links to organizational action. *Academy of Management Review*, 12(1), 76–90.
- Elbanna, S. (2006). Strategic decision-making: Process perspectives. *International Journal of Management Reviews*, 8(1), 1–20.
- Geletkanycz, M. A. (1997). The salience of ‘culture’s consequences’: The effects of cultural values on top executive commitment to the status quo. *Strategic Management Journal*, 18(8), 615–634.
- Gulev, R. E. (2009). Are national and organizational cultures isomorphic? Evidence from a four country comparative study. *Managing Global Transitions*, 7(3), 259–279.
- Hambrick, D. C., & D’Aveni, R. A. (1988). Large corporate failures as downward spirals. *Administrative Science Quarterly*, 33(1), 1–23.
- Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, 9(2), 193–206.
- Hambrick, D. C., & Schecter, S. (1983). Turnaround strategies for mature industrial-product business units. *Academy of Management Journal*, 26(2), 231–248.
- Haveman, H. A. (1992). Between a rock and a hard place: Organizational change and performance under conditions of fundamental environmental transformation. *Administrative Science Quarterly*, 37(1), 48–75.
- Hitt, M. A., Dacin, M. T., Tyler, B. B., & Park, D. (1997). Understanding the differences in Korean and U.S executives’ strategic orientations. *Strategic Management Journal*, 18(2), 159–167.
- Hofer, C. W., & Schendel, D. (1978). *Strategy formulation: Analytical concepts*. St. Paul et al.: West Publishing.
- Hoffman, R. C. (2007). The strategic planning process and performance relationship: Does culture matter? *Journal of Business Strategies*, 24(1), 27–48.
- House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (Eds.) (2004). *Culture, leadership, and organizations: The GLOBE study of 62 societies*. Thousand Oaks/London/New Delhi: Sage.
- Kelle, U., & Erzberger, C. (2009). Qualitative und quantitative Methoden: Kein Gegensatz. In U. Flick, E. von Kardorff, & I. Steinke (Hg.), *Qualitative Forschung: Ein Handbuch* (pp. 299–309), 7. Auflage. Reinbek bei Hamburg: Rowohlt Taschenbuch Verlag.
- Latham, S. (2009). Contrasting strategic response to economic recession in start-up versus established software firms. *Journal of Small Business Management*, 47(2), 180–201.
- Liddell Hart, B. H. (1991). *Strategy* (2nd ed.). New York et al.: Meridian Printing.

- Markóczy, L. (2000). National culture and strategic change in belief formation. *Journal of International Business Studies*, 31(3), 427–442.
- Mayring, P. (2001). Kombination und Integration qualitativer und quantitativer Analyse. *Forum: Qualitative Sozialforschung/Forum: Qualitative Social Research*, 2(1). <http://www.qualitative-research.net/index.php/fqs/article/viewArticle/967/2110>, Accessed 14 May 2010.
- Meierewert, S. (2009). Cultural standard research and its implications for managing multinational teams: Cooperation with Croatians and Slovenes – the Austrian perspective. *European Journal of Cross-Cultural Competence and Management*, 1(1), 119–135.
- Miles, R. E., & Snow, C. C. (1978). *Organizational strategy, structure, and process*. New York: McGraw-Hill.
- Miles, R. E., & Snow, C. C. (1984). Fit, failure and the hall of fame. *California Management Review*, 26(3), 10–28.
- Mussnig, W., & Petek, R. (2008). Durch intelligentes Verlangsamens strategisch Beschleunigen: Bewusstseinsentwicklung als langfristiger Lernprozess. *CFOaktuell*, 2(4), 149–152.
- O’Shaughnessy, N. J. (1985). Strategy and U.S. cultural bias. *European Journal of Marketing*, 19(4), 23–32.
- Peters, T. (1992). Rethinking scale. *California Management Review*, 35(1), 7–29.
- Pettigrew, A. M., Woodman, R. W., & Cameron, K. S. (2001). Studying organizational change and development: Challenges for future research. *Academy of Management Journal*, 44(4), 697–713.
- Reger, R. K., & Palmer, T. B. (1996). Managerial categorizations of competitors: Using old maps to navigate new environments. *Organizational Science*, 7(1), 22–39.
- Romanelli, E., & Tushman, M. L. (1988). Executive leadership and organizational outcomes: An evolutionary perspective. In D. C. Hambrick (Ed.), *The executive effect: Concepts and methods for studying top managers* (pp. 129–146). Greenwich, Connecticut/London: Jai Press.
- Ross, D. N. (1999). Culture as a context for multinational business: A framework for assessing the strategy-culture ‘fit’. *Multinational Business Review*, 7(1), 13–19.
- Samiee, S., & Athanassiou, N. (1998). International strategy research: Cross-cultural methodology implications. *Journal of Business Research*, 43(2), 79–96.
- Schneider, S. C. (1989). Strategy formulation: The impact of national culture. *Organization Studies*, 10(2), 149–168.
- Schneider, S. C., & Barsoux, J.-L. (1997). *Managing across cultures*. Hemel Hempstead: Prentice Hall Europe.
- Schneider, S. C., & De Meyer, A. (1991). Interpreting and responding to strategic issues: The impact of national culture. *Strategic Management Journal*, 12(4), 307–320.
- Schwenk, C. R. (1995). Strategic decision making. *Journal of Management*, 21(3), 471–493.

- Sirmon, D. G., Hitt, M. A., & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review*, 32(1), 273–292.
- Smith, K. G., & Grimm, C. M. (1987). Environmental variation, strategic change and firm performance: A study of railroad deregulation. *Strategic Management Journal*, 8(4), 363–376.
- Staw, B., Sandelands, L., & Dutton, J. E. (1981). Threat rigidity effects in organisational behavior: A multilevel analysis. *Administrative Science Quarterly*, 28(4), 582–600.
- Whittington, R., & Mayer, M. (2000). *The European corporation: Strategy, structure, and social science*. Oxford: Oxford University Press.

2 Strategic decision-making, the environment, and national culture: An overview of key concepts

Strategic decision-making seeks to align the opportunities and demands of the external environment with the capabilities and internal design of an organization¹ in order to achieve competitive advantage and being able to fulfil its social or economic mission (cf. Hofer and Schendel 1978; Bourgeois 1980). Narayanan and Fahey (1982) refer to strategic decisions as those decisions that have not been encountered before in the same form, with no set of existing responses available within the organization, and with a high importance in terms of resource commitment. For Mintzberg et al. (1976), strategic simply means “important, in terms of the actions taken, the resources committed, or the precedents set” (p. 246). Child (1997) adds that ‘important’ means being important for the organization as a whole, i. e. in particular concerning those matters which influence an organization’s ability to prosper within a competitive environment.

Generally, strategy research comprises three complementary dimensions: strategy process (the way in which strategies are developed), strategy content (strategic actions as the output of the strategy process), and strategy context (the organizational and environmental context that strategies are embedded in) (De Wit and Meyer 2004). Before turning to the environment as a constituent factor of strategy context, we first need to define strategy content and strategy process in more detail below.

1 It might be interesting to notice here that both *strategy* and *culture* (defined in an organizational context by Schein (2004) as “as a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration [...]” (p. 17)) deal with the external and internal relationships of a social system. Actually, Weick showed that the words ‘strategy’ and ‘culture’ could be used interchangeably with each other in a set of statements, leaving the meaning of the text unchanged, which led him to the conclusion that “it is as if there were a common set of issues in organizations that some of us choose to call culture and others choose to call strategy” (Weick 1985b, p. 382).

2.1 Strategy content

Strategies are plans of action which set the scope of an organization's activities and the main direction that an organization follows. The strategy literature (e. g. Johnson et al. 2008) distinguishes between corporate-level strategies, concerned with the overall scope of an organization and the portfolio of businesses it engages in, and business-level strategies which generally define how to compete in a particular market or segment. Bourgeois (1980) also refers to corporate-level strategies as domain definition or primary strategies, providing an answer to the question 'Where to compete?', and to the business-level strategies as domain navigation or secondary strategies concerned with the question of 'How to compete?'. Several portfolio models as well as Ansoff's (1965) strategic directions (whether to penetrate an existing market, to engage in market development or product development, or to diversify into new market/new product offer combinations) are typical examples for domain-navigation strategies while Porter's (1985) three generic strategies of cost-leadership, differentiation, and focus are typical representatives of domain navigation strategies (see Table 2.1).

Table 2.1 Strategy levels overview

Level of strategy according to Bourgeois's (1980) terminology	Domain definition strategy	Domain navigation strategy
Also known as	Corporate-level strategy Primary strategy	Business-level strategy Secondary strategy
Concerned with	'Where to compete?'; Defining the scope; Product/ market combinations that the organization competes in	'How to compete'; Competitive positioning and decisions within a defined market/segment
Typical examples	Ansoff's (1965) product/ market matrix	Porter's (1985) generic strategies

Source: Author

2.2 Strategy process

Both domain definition and domain navigation strategies are the outcome of a strategic decision-making process. A decision, following the definition of Mintzberg et al. (1976, p. 246) is a specific commitment to action – usually a commitment of resources. Therefore, the decision-making process is a sequence of events, or “a set of actions and dynamic factors that begins with the identification of a stimulus for action and ends with a specific commitment to action” (Mintzberg et al. 1976, p. 246). The outcome – commitment to action – is influenced by two sub-processes of the decision-making process, strategy formulation and strategy implementation. These processes are not necessarily well-planned and one-directional. Chakravarthy (1982) observed that strategic response in more complex and unstable environments “involves a constant revision of goals and is characterized by heuristic, disjointed incrementalism” (p. 37). As major proponents of the Learning School of strategic management, Mintzberg and Walters (1985) presented their famous image of realized strategy as an outcome of deliberate strategy, intended strategy, and emergent strategy, with the latter acknowledging that several unintended factors can intervene in the strategic decision-making process besides rational-logic strategic planning. It is possible that strategies emerge ‘on the way’ rather than always being the outcome of a deliberate strategy planning procedure and subsequent implementation. Thus, it has been realized that strategy formation is a “complex and meandering process” (Sminia 2009, p. 98).

There are different lines of thought in strategy process research. Mintzberg et al. (2009) identified ten different schools in the strategy process arena: strategy formation as a *process of conception* (the Design School), as a *formal process* (the Planning School), as an *analytical process* (the Positioning School), as a *visionary process* (the Entrepreneurial School), as a *mental process* (the Cognitive School), as an emergent process (the Learning School), as a *process of negotiation* (the Power School), as a *collective process* (the Cultural School), as a *reactive process* (the Environmental School), and as a *process of transformation* (the Configuration School).

Seen from the perspective of the dominant Planning and Positioning schools, managers are rational decision-makers taking strategic decisions in order to optimize the economic performance in their organizations through applying systematic analysis and logical and analytical thinking tools to reach ‘objective’ conclusions about optimal strategies (Johnson et al. 2008, p. 30). The exclusively rational decision-making approach has been constantly challenged since the 1950s when Herbert Simon (1957) pointed out that human

beings are subject to bounded rationality. According to the bounded rationality approach, due to cognitive limitations of the brain people do not always optimize in their decisions but rather satisfice, meaning that they accept what is, in their opinion, good enough (subjective utility) rather than what is optimal in a rational-economic way (Simon 1957). An overview of empirical research on rationality versus bounded rationality in decision-making is provided by Eisenhardt and Zbaracki (1992).

Strategy formulation is not only subject to bounded rationality, it is also influenced by subjective behavioural, political, and emotional forces (Anderson and Paine 1975). Research on the development of strategies should therefore take social, political, and cultural processes into account, as well as the different frames of reference managers have – i. e. the functional, professional, organizational, industrial, and national context individuals are embedded in (Hodgkinson and Johnson 1994). Thus, it makes sense to look at the strategic decision-making process from different angles simultaneously.

2.3 Four perspectives on the strategic decision-making process

Strategic decision-making is more than just a rational-logical process. James G. March, one of the most renowned organizational theorists of our times, remarked that “[t]he processes by which organizations change include rational processes of consequential choice, political processes of negotiation among conflicting interests, learning processes of reaction to experience or appropriating the knowledge of others, and selection processes of differential reproduction and survival.” (March 2008 a, p. 107)

Acknowledging the complexity of strategic decision-making processes, it makes sense to look at them from different perspectives: (a) a rational-analytic perspective, (b) an interpretive perspective, (c) a creative perspective, and (d) a political perspective (see Figure 2.1).

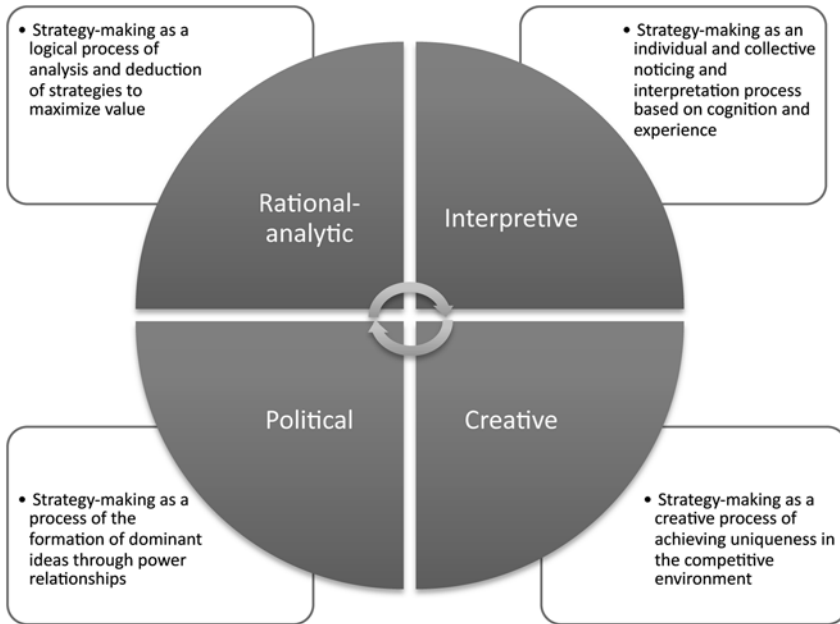


Fig. 2.1 The four perspectives on a strategic decision-making process

Source: Author

The rational-analytic perspective views strategy-making as a logical process aimed at objectively analyzing situations and deducting strategic decisions which economically optimize the value-creation of the organization. The human capacity to think in a purely rational-analytic way, however, as noted before, is limited by bounded rationality. The human brain is not able to process the world in all its complexity; we are therefore using simplification processes such as selective attention or categorizations based on interpretations which, in turn, are rooted in our experience.

To complement the rational-analytic element, strategic decision-making can also be seen from an interpretive perspective in which strategy-making is conceptualized as a noticing and interpretation process based on cognition and experience. Strategic issue interpretations in organizations have both an individual as well as a collective side. They are influenced by decision-makers' individual characteristics and by social interaction processes in which collective issue interpretations are formed (Weick 1995). On the collective side, culture has a main influence on interpretive processes, or, as Johnson et al. (2008) observed: "How people, managers included, respond to and deal with issues is culturally informed" (p. 35).

However, strategy-making processes are not limited to rational analysis, the subjective noticing and interpretation of issues, and logical deduction of optimal strategic moves. Strategy is also about achieving competitive advantage which per definition is only possible if an organization does something differently from other organizations operating within the same strategic field. Doing something in a different way or achieving uniqueness implies that strategy-making also has a creative element, which can be accounted for through taking a creative perspective on the strategic decision-making process. It is through creative processes that ideas of how to attain, use, or divest resources or of how to build strategic capabilities are generated. It is through creative processes that opportunities are seen where no one has ever seen them before. Nutt (1984) showed that 'real' creative solutions in the form of seeking completely new ideas are less frequently found in strategic decision-making processes than adopting the practices of others and using available 'off-the-shelf' solutions. However, also finding already existing solutions and applying them in the context of one's own organization can be seen as an at least partly creative process. Unique recombinations of existing ideas or the use of existing ideas in new contexts can also lead to achieving unique strategic positions in the marketplace.

Any creative solutions generated, in turn, are again subject to both subjective interpretations and rational analysis. Ideas, concepts, and action plans derived from rational-analytic, interpretive, or creative processes, however, will not be implemented if they do not gain the support of powerful actors in the organization who have the possibility to enforce them, regardless of whether they are single, powerful executives or more likely 'dominant coalitions' (Bower and Doz 1979). The notion of the business firm as a political coalition was introduced by March (1962). While some authors even consider organizational decision-making as a predominantly political process (e.g. Pfeffer and Salancik 1974), also empirical studies have shown that political behaviour – individuals or coalitions promoting their self-interests to obtain valued outcomes – is commonplace in organizations (Gandz and Murray 1980; Madison et al. 1980; Kacmar and Carlson 1997; Buchanan 2008), in particular also in the process of strategy formulation (Pettigrew 1977; Bower and Doz 1979). For Weick (1985a), a significant part of the organizational environment consists of "nothing more than talks, symbols, promises, lies, interest, attention, threats, agreements, expectations, memories, rumors, indicators, supporters, detractors, faith, suspicion, trust, appearances, loyalties, and commitments" (p. 128). Political manoeuvring, the use of power to influence the process of problem formulation, the desire to acquire more power, or also fear of retaliation by the politically powerful were identified as constantly recurring

themes in organizations (Lyles and Mitroff 1980). This is mainly due to competition for valued resources in organizations, such as, for example, pay rises, positions, or budgets (Kacmar and Carlson 1997). It is broadly accepted that organizations consist of people and coalitions of people with diverging interests, that strategic decision-making is a political activity, and that political tactics are commonplace in organizations (Eisenhardt and Zbaracki 1992). Therefore, the last but equally important of the four perspectives on the strategic decision-making process is the political perspective, referring to the power and influence processes involved in forming dominant strategic ideas within organizations. This point of view also results from the understanding that in most cases there is not 'the one' strategic decision-maker in organizations who has perfect information at hand, but that decision-making is embedded in social systems (Guth 1976). For readers interested in empirical research on political behaviour in strategic decision-making processes, Elbanna (2006) provides a good overview.

It is important to note that the four perspectives are different views of the same process, not sequential phases or stages in a process. Strategies based on political discourse alone without any rational analysis and subsequent designs will hardly lead to success. Likewise, any creative strategic idea will be useless without the political power necessary to implement it. And, of course, no sensible strategy-making can be thought of without prior managerial sense-making of what is going within an organization and its environment. When analyzing how companies strategically adapt to major environmental changes, it is, therefore, necessary to take these different perspectives on the strategic adaptation process into account.

2.4 The environment

Following Pettigrew (1992), strategy processes can only be studied as being embedded in external contexts (encompassing economic, social, political, competitive, and sectoral environments) and internal contexts (structural, cultural, and political factors within an organization). In a recent overview of the current state in the field of strategy process research, Sminia (2009) also called for future research concentrating on the links between an organization's environment and what is happening within the organization to better understand strategy realization.

Organizational environments have been defined (a) as objects, (b) as attributes, or (c) as perceptions (Bourgeois 1980). Taking the first (positivist)

point of view, the environment is seen as an observable and analyzable entity which forms an 'objective' basis for deriving strategic reactions in response to the developments within it (McKiernan 2006). Dill (1958) classified environments into a task environment and a general environment. The task environment in its classic definition includes the actors within the environment which directly transact with an organization including its suppliers, customers, and competitors. The general (also macro or wider) environment, on the other hand, includes all other influences and trends outside of the organization, often subsumed under the 'PESTEL' acronym (political, economic, social, technological, natural environmental, and legal factors). An adaptive perspective of the environment-organization relationship generally follows the assumption that "organizations are viewed as active, and that they can adapt to changes in the environment by making decisions to alter strategy, structure, and processes and then implementing these decisions" (Frishammar 2006, p. 26).

Examples for main environmental *attributes*, to turn to the second of Bourgeois' categories, include environmental complexity (the number and diversity of interlinked elements), environmental dynamism (the rate of change of major environmental factors), and environmental uncertainty (the number and diversity of possible future states that major environmental factors can adopt and the extent to which this future states can be anticipated or predicted) (Tushman and Anderson 1986).

Weick (1995) gave the advice to not to fall victim to an 'innocent-sounding phrase', as he called it; from a sense-making perspective, he pointed out that the word 'the' in 'the environment' indicates that it is something singular and fixed, set apart from the individual, and is subject to objective measurement – implications that he sees – literally – as "nonsense" (Weick 1995, p. 32). The argument is that it is only through sense-making of the actors within an organization that the environment is disclosed to the organization. Bourgeois (1980) acknowledges both the existence of a 'real' objective environment which places certain constraints on organizations as well as the existence of managerial perceptions of the environment, which are likewise 'real' events taking place in organizations. He also sees environmental attributes such as uncertainty not as objective attributes but as interpretations based on managerial perception. For example, three components were identified to contribute to perceived environmental uncertainty in contrast to 'real', objective environmental uncertainty: (1) lack of information regarding environmental factors, (2) not knowing the outcome of a specific decision, and (3) not being able to design probabilities (Duncan 1972; Tung 1979).

In an environment which is not only uncertain but also complex, it is virtually impossible to perceive and understand all environmental factors due to limited information processing capacities of both individuals and organizations (Frishammar 2006). Put in another way, as the number and diversity of environmental factors and components increase, they also increasingly limit top management's cognitive abilities to understand all of them and the relationships between them (Tung 1979). Thus, it may happen that due to different perceptions and interpretations of their managers, organizations assess one and the same environmental trend in completely different ways. Even on an organizational level, multiple realities are possible instead of the emergence of a common perception of the one organization-specific environment (Frishammar 2006). Therefore, when investigating strategic adaptation to major environmental changes, it becomes crucial to take into account not only the contents of these changes but also how individuals and groups within organizations perceive and interpret environmental events and developments.

2.5 Environmental change

In complex and dynamic environments, change is a constant. As Sun Tzu (1971) wrote in his masterpiece *The Art of War*: "As water has no constant form, there are in war no constant conditions" (p. 99). The same applies to business.

Péli (2009) distinguished between quantitative and qualitative environmental change. While quantitative change refers to the change of the amount of overall demand or resource availability, for example due to economic cycles, qualitative aspects of change are those which totally alter the kind of demand or critical resources, for example due to breakthrough technological innovations. Both quantitative and qualitative change can also occur concurrently.

Changing environments potentially pose constraints as well as create opportunities for organizations (Hrebiniak and Joyce 1985). Meyer (1982) showed that sudden environmental changes, even if they were initially interpreted as negative (as in his study of reactions of the management in San Francisco area hospitals to a major doctors' strike), can have both detrimental but also positive effects on an organization – it is even possible that these events become triggers to complete organizational revitalization.

For the purpose of this book, major environmental changes are defined as *those events and developments within an organization's environment which con-*

siderably and structurally affect (a) the attainability of an organization's strategic objectives and/or (b) the strategic choices open to the organization.

Major environmental changes, therefore, have the potential to trigger major changes in an organization's strategic direction. Major environmental trends and events that possibly have a major discontinuous impact on organizations were termed by Ansoff (1975, pp. 24–25) as 'strategic issues'. Issues are not per se strategic. According to Dutton and Ashford (1993), whether issues become strategic depends on the top management's judgement about the issue's relative importance for the overall performance of an organization. The strategic issue interpretation or strategic issue diagnosis literature explores the process of paying attention to and interpreting certain events or trends which are becoming strategic issues (Daft and Weick 1984; Dutton et al. 1983). It was found that the way in which strategic issues are interpreted can influence the choice of strategic action an organization is taking (Dutton and Jackson 1987).

Examples for major environmental events include new, disruptive technologies that are adopted by competitors or the appearance of new market entrants which have the capability to render existing competences useless (Tushman and Anderson 1986). This was exemplified in the complete downturn of the minicomputer industry and most notably its main flagship company Digital Equipment Corporation when the new personal computer technology successfully conquered the market from the 1980s onwards. Likewise, changes in the political and legal environment can totally alter the strategic choices that a company faces. The liberalization of the European telecom market, for example, has radically altered the conditions in the industry and subsequently the strategies of its key players. Xia et al. (2009) showed that changing institutional environments led to changes in entry mode strategies for companies expanding to Central and Eastern Europe. Another example of major environmental changes with a potential impact on numerous organizations are global economic crises.

2.6 The 2008–09 financial and economic crisis as an exemplified major environmental change

In order to investigate the possible relationships between national cultural characteristics and strategic adaptation to major environmental changes, it was necessary to find a major environmental change that (a) has an impact on organizations in different countries at the same time, (b) has an impact

on a variety of different industries within these countries, and (c) leads to a widespread need for organizations within these different industries to adapt or change their strategies.

The financial crisis of 2008–09 and subsequent deep recession was an obvious choice, as it was one of the rare crises that affected countries all over the world. Both countries that are in the research focus of this study, Austria (–3.6 per cent) and Slovenia (–7.8 per cent) showed a negative real GDP growth rate in the year 2009 (Eurostat 2010). Considerable contractions of demand, being typical of major recessions, were experienced in both economies. In addition to demand effects, economic recessions usually lead to rising unemployment, credit shortage, declines in resource availability, more price-sensitive customers, increased competitive rivalry based on price, and subsequently to a higher level of business failures (Pearce and Michael 2006). Lower sales revenues, pressure on margins, and a lack of resource availability exemplify major problems that firms encounter in times of severe economic downturn. As negative as they are for business, for management researchers, “recessions are a godsend. They are periods of extreme adversity that strain management capacities to their limit, and they are, therefore, a natural setting in which to study how firms cope with environmental challenges” (Geroski and Gregg 1994).

A study of a recession in the UK in the early 1990s showed that 96.6 per cent of all companies were at least moderately severely affected by the economic downturn (Geroski and Gregg 1997, p. 1). Therefore, although individual examples of non-cyclical or even counter-cyclical industries exist, we can assume that major recessions have an important effect on a broad range of firms in various industries. However, considerable differences exist on how different firms strategically react to economic downturn (Geroski and Gregg 1997) In recessions which are exogenous to the actions of individual firms many organizations are “likely to be forced to rethink the fundamental premises of their competitive strategy, and cannot simply initiate holding structures to wait out the storm” (Geroski and Gregg 1997, p. 2). Therefore, the global economic crisis lends itself well to study how firms react strategically to a major event in their environment.

Cross-cultural literature on strategic adaptation to economic crisis is rare. Kitching et al. (2009) generally noticed “a lack of rigorous academic studies focusing specifically on strategic adaptation under recession conditions” (p. vii). Julian and Ofori-Dankwa (2008) identified how companies interpret the strategic issue of uncertainty in the U.S. economy in the first half of 2003. However, economic uncertainty and a worldwide economic crisis are hard to

compare in their level of impact. Several studies (e. g. Whittington 1991; Geroski and Gregg 1997; Laitinen 2000) have investigated what actions companies take when faced with recession, as well as what performance outcomes these actions caused. There are a number of options how companies can react to economic crises. Whittington (1991) distinguished between rationalization versus protection/pre-emption strategies and between focus on the core business versus diversification approaches. The strategies taken within the recession have an impact on both short-term company performance and long-term performance in recovery (Whittington 1991). Prior studies on the issue, however, did not take into account the process of how these strategic decisions had been made, i. e. they focused on the output and the outcome of the strategic adaptation process, not on the process itself.

In this book, the 2008–09 financial and economic crisis will serve as an example for a major environmental change. Both the process of strategic adaptation to the crisis as well as the output of this process (i. e. what strategic action is taken in reaction to the major environmental change) will be investigated, thereby acknowledging that strategy process and strategy content are two complementary categories rather than being alternatives (Elbanna 2006).

Unlike the studies by Whittington (1991), Geroski and Gregg (1994; 1997) and Laitinen (2000), the outcome of the strategic action in response to the economic crisis – the organizational performance that they caused – remains outside the scope of this book, as at the time of the research it was still too early to evaluate whether we were still deeply within the crisis or already on the path of recovery. Furthermore, the outcome of strategic action is difficult to determine after only a short period of time, as strategic decisions usually have medium and long-term effects. Therefore, as only limited short-term organizational performance could be taken into account due to the recency of this environmental development, it would be hard to obtain unambiguous conclusions about the eventual outcomes of strategic action that was taken in response to the financial and economic crisis.

The following Figure 2.2 provides an overview of the research focus of the cross-cultural study, which will concentrate on the strategic decision-making process and on the output of strategic adaptation to the 2008–09 financial and economic crisis:

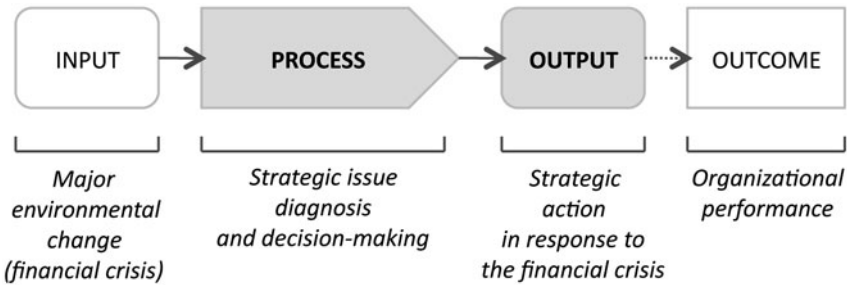


Fig. 2.2 Aspects of strategic adaptation to the 2008–09 financial crisis within the scope of this study (highlighted in grey)

Source: Author

2.7 Adaptation as a concept in strategic management

Adaptation as a concept in biology is “the process by which an animal or plant becomes fitted to its environment” (The New Encyclopædia Britannica 2007, p. 89). Teece (2007) assumed that “enterprises may be more like biological organisms than some economists, managers, and strategy scholars are willing to admit” (p. 1341). Thus, in analogy, adaptation in a business environment could, in a first iteration, be defined as the process by which an organization becomes fitted to its environment. This first definition implies (a) that adaptation is a process, including several sequential or iterative steps, and (b), as ‘becomes fitted’ is formulated in a passive way, that adaptation does not necessarily involve proactive action by the organization’s management. This definition of adaptation would probably be appropriate for more ‘ecological’ approaches to organizations and strategy (e.g. Hannan and Freeman 1977; Iansiti and Levien 2004) in which selection through environmental conditions plays a key role.

For our research purpose, however, a strategic decision-making process perspective of individual organizations is taken. Eunni et al. (2005) define strategic adaptation as “a creative and dynamic process by which a firm optimizes its response to significant environmental discontinuities” (p. 87). There are a few potential pitfalls in this definition, however:

- (1) The definition is quite passive (‘by which the firm optimizes’), not taking into account that actors within a firm react intentionally and actively to adapt to environmental changes.

- (2) It only covers responses to significant environmental discontinuities, which the authors characterize as being rapid, novel, and unpredictable (Eunni et al., 2005). According to this definition, reactions to a continuously changing environment are not encompassed.
- (3) It does not describe what strategic responses are.
- (4) The notion of optimizing a firm's response to changes in the environment implies that the relationship between the environment and the organization is one-directional, thereby neglecting the possibility that enterprises frequently co-evolve with their environment (Teece 2007) as they are 'mutually pervasive' systems through the collaboration between actors (Child 1997). Therefore, 'aligning' might be a more suitable term than 'responding'.

Following the discussion at the beginning of this chapter, strategic decisions (a) are important to the whole organization; (b) affect the positioning of the organization within its environment; and (c) involve high resource commitments. Usually, these decisions set the scope and main direction of the organization's activities. Strategic moves are per definition intended actions rather than passive ones, and are enacted by human agents – managers – on behalf of their organizations. In this way, also taking into account Dervitsiotis' (2006) view that effective adaptation means that the organizational design context becomes aligned with the emerging environmental context, strategic adaptation for the purpose of this study is more specifically defined as *the process by which management actively aligns an organization to a changing environment through setting actions which involve high resource commitments and affect the organization's overall scope and direction.*

Several authors tried to generate typologies of adaptation. Miles and Snow (1978) distinguished between *natural selection* (in which organizations develop some characteristics that are more suited to a particular environment by chance), *rational selection* (in which managers rationally select those structures and processes that fit a specific environment) and *strategic choice* – the latter placing emphasis on the role of top decision makers who also attempt to affect the environment, not only what is going on within their organizations. Hrebiniak and Joyce (1985) later presented an extended form of this framework. Based on the open systems theory of organizations which states that the same outcomes can be achieved by an open system in multiple ways ('equifinality'), they conclude that organizational choice exists as an independent variable that can be separated from environmental determinism in a logical way. They developed a matrix of four types of adaptation based on dif-

ferent levels of strategic choice and environmental determinism: *Adaptation by chance* (low choice, low determinism), *adaptation by design* or *strategic choice* (high choice, low determinism), *natural selection* (low choice, high determinism), and *adaptation within constraints* (both high choice and also high determinism) (see also Figure 2.3). In situations with low strategic choice, adaptation is more or less determined by factors not influenced by the management of an organization. In adaptation by chance and by natural selection, adaptation just ‘happens’ without any distinct contribution of management. These types of adaptation are not within the scope of this study.

Strategic choice or adaptation by design within this model means that there is autonomy and control for organizations due to low environmental determinism. However, when major environmental changes – which have been defined as events or developments within an organization’s environment having a considerable effect on the attainability of an organization’s objectives and/or the strategic choices open to the organization – occur in an organization’s environment, at least some degree of environmental determinism influencing an organization’s strategic choice options can be implied. The focus will therefore be laid on adaptation within constraints in the sense of Hrebiniak and Joyce (1985): adaptation in situations where strategic choice exists, though under certain external constraints due to major environmental changes.

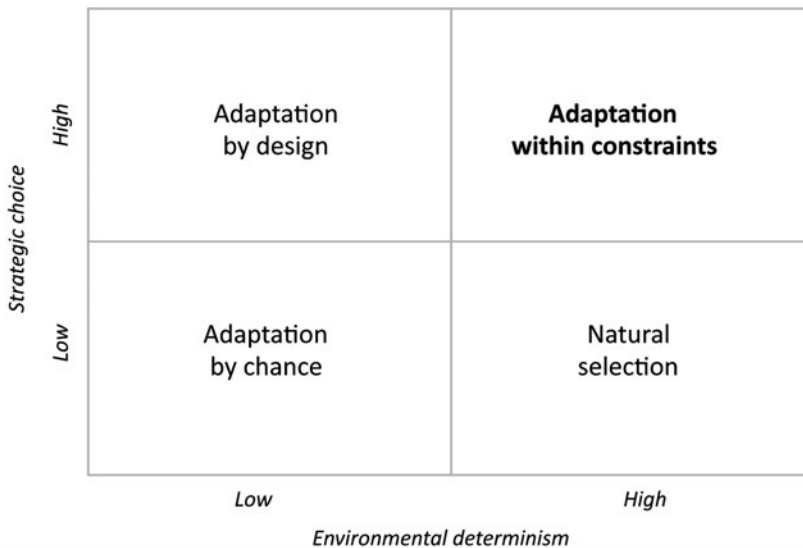


Fig. 2.3 Typology of adaptation

Source: Adapted from Hrebiniak and Joyce 1985, p. 339

A major criticism of Hrebiniak and Joyce's framework should not be left unnoticed. Whittington (1988) argued against the stark dichotomization between environmental determinism and voluntarism, as this classification can lead to a negligence of structural forces and their effect on human agency. This view is supported by Bloodgood and Morrow Jr. (2003) who prefer to use the term environmental structure (characterized by the extent to which structural limitations abound within an environment and the amount of options that a manager must consider) instead of determinism. While low structure environments hold few limitations for formulating a strategy, highly structured environments include many elements that (a) can limit an organization's progress, or (b) might act as prerequisites in formulating and implementing a strategy (Bloodgood and Morrow Jr. 2003). Under this perspective, strategy formulation or strategic choice is seen as being influenced by environmental structure on the one hand and 'internal conscious awareness' or conscious understanding of the organization's internal conditions on the other hand (Bloodgood and Morrow Jr. 2003). This criticism of Hrebiniak and Joyce's (1985) model, however, does not contradict the general idea that major environmental change (in this case seen as major changes to the structural conditions of the environment) can have an impact on strategy formulation within an organization.

An important caveat needs to be addressed at this point. Modern theories of the adaptive process do not assume that a unique, stable, optimal equilibrium exists, mainly due to the fact that organizational change is usually slower than environmental change, and due to multiple path-dependent equilibria in adaptation processes, i. e. many different solutions to solving a problem, dependent also on the history of the adapting system (March 2008b). Organizations are complex systems (Bettis and Prahalad 1995), and Holland (1992) showed that complex adaptive systems do not reach 'end points' in being aligned with their environment. At best, temporary local optimums can be reached. Therefore, "improvement is usually much more important than optimization" (Holland 1992, p. 184).

2.8 National culture as an influencing factor on managerial decision-making

National culture forms a part of the environment in which organizations function. Therefore, it can have an influence on the behaviour of actors within organizations (Shane et al. 1995; Dickson et al. 2004). The main as-

sumption is that “being brought up in a particular country fundamentally influences people’s standings on a variety of psychological dimensions (e. g. values, beliefs, attributions, and decision-making tendencies)” (Brockner 2003, p. 334). Cultural immersion theory suggests that most people live significant parts of their lives in one single culture, within which they subconsciously develop shared schemas, common patterns of thinking, responding to and interpreting the stimuli they encounter (Dickson et al. 2004). For Schwartz (2007), culture is “the rich complex of meanings, beliefs, practices, symbols, norms, and values prevalent among people in a society” (p. 34), while Geletkanycz (1997) sees national culture as “a common frame of reference or logic by which members of a society view organizations, the environment, and their relations to one another” (p. 617). It is through a process of social reinforcement that individuals’ assumptions or preferences are aligned with those of their societies (Geletkanycz 1997). According to Javidan and Hauser (2004), culture reflects “the modal collective agreement on meanings and interpretations” (p. 103). Cultures differ in how people behave in the following domains: relationships between people, relationships to time, and relationships between people and the (natural) environment (Trompenaars 1996). In the context of strategic adaptation, it is interesting to note that several authors (e. g. Schein 1984; Hoffman 2007) explicitly pointed out that culture enables people to successfully adapt to their environment.

Informed by the above-mentioned authors but mainly following Schein’s (1984, p. 3) classical definition from the realm of organizational culture, national culture is redefined for the purpose of this research study as *a set of shared basic assumptions that members of a society use for solving problems of external adaptation and internal integration, which influence their thinking patterns, beliefs, values, norms, and behaviour*.

The term ‘national culture’ is actually an ambiguous construct, as many nations are multi-cultural (e. g. the U.S., Canada, or Switzerland, just to name a few salient examples). Most international strategic management research has not taken different subcultures within countries into account (Samiee and Athanassiou 1998). Cross-cultural research generally assumes that cultural differences are more significant between nations than within nations (Schneider 1989). On the other hand, cultures also are sometimes defined in a multinational way (e. g. notions of a ‘Western culture’ or an ‘Islamic culture’).

Trompenaars (1996) proposed an ‘onion model’ of culture (see Figure 2.4), with an outer layer of artefacts and products representing everything that is directly observable, such as language, symbols, rituals, or clothing. A middle layer includes norms (societal standards of what is considered as right

or wrong) and values (what a society considers as important and unimportant, and good or bad). The core contains the basic underlying assumptions or unconscious solutions to regular problems a society faces.

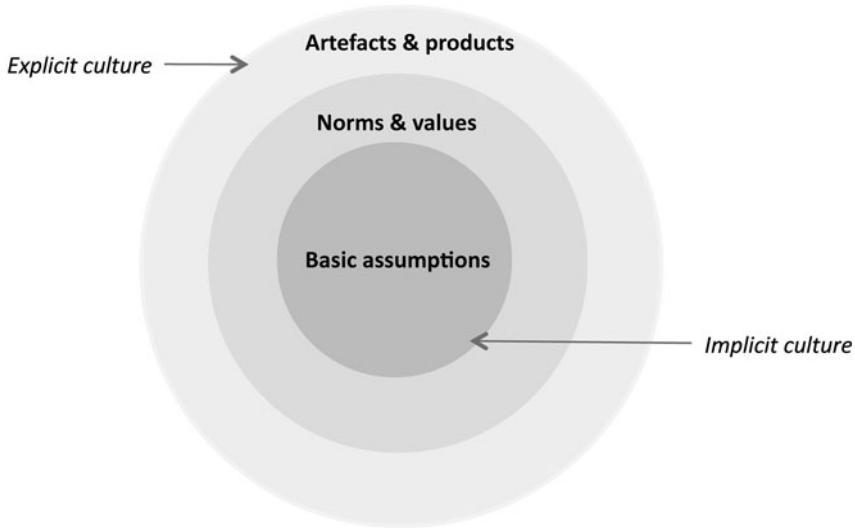


Fig. 2.4 The 'onion' model of culture

Source: Trompenaars 1996, p. 51. Copyright © 1996, John Wiley and Sons

National or societal culture, however, is not the only cultural factor influencing how individuals act in organizational contexts. Hofstede's classic definition sees culture as the "collective programming of the mind [...] the interactive aggregate of common characteristics that influence a human group's response to its environment" (Hofstede 1980, p. 25). As individuals belong to different groups at the same time (e. g. a nation, an organization, or a generation), they are also simultaneously influenced by several cultures. Different industry cultures (Chatman and Jehn 1994), professional cultures (e. g. cultural differences between technicians and marketing people), hierarchical cultures (e. g. cultural differences between managers and blue-collar workers), gender-specific cultures, and age or generation cultures also need to be taken into account (Kutschker and Schmid 2008). Each cultural sphere of influence instills its own set of values, beliefs, and basic assumptions, which may also contradict or be in conflict with each other (Schneider and Barsoux 1997). Cultural differences regarding age could have an important effect on organizational behaviour in Slovenia, for example. While the older generation was still raised and socialized in communist times, younger members of the society

have spent most of their lives after Slovenia's development into an independent state in 1991, therefore only being used to Western democratic structures and a market economy.

Also companies as social entities develop their own cultures. Organizational culture has been defined by Schein (1984) as "the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems" (p. 3). When companies become multinational, they span their influence, and thus also the influence of their organizational culture on their employees, across borders.

Calori et al. (1992) suggested an integrative model of influences on top managers' perceptions which is presented in Figure 2.5. It includes some main, however not all of the contextual and cultural influences discussed above.

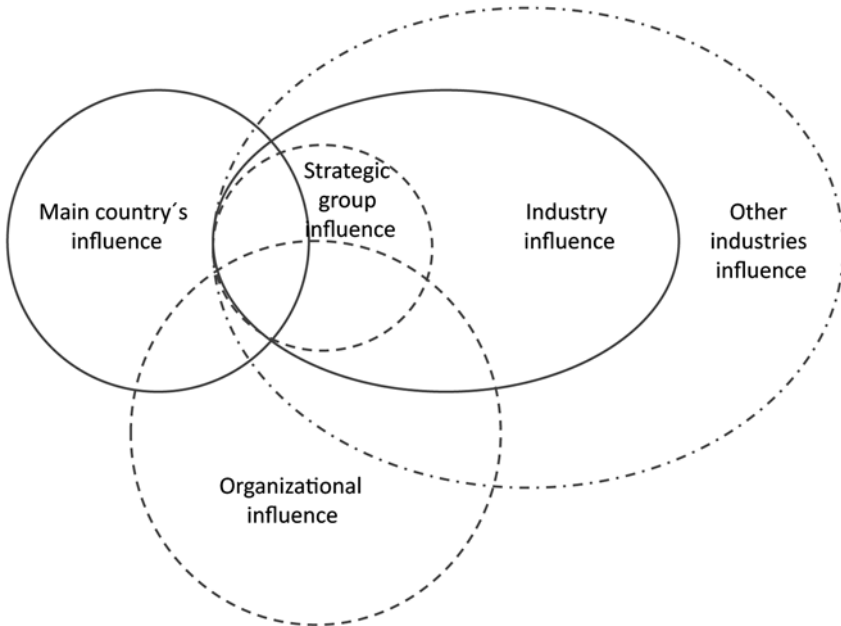


Fig. 2.5 An integrative model of influences on top managers' perceptions

Source: Calori et al. 1992, p. 63. Copyright © 1992, John Wiley and Sons

From a cognitive theory point of view, “culture determines a significant part of the well-learned beliefs and knowledge, including values, that are stored in the long-term memories of the people in a cultural group and, thus, provides culturally shared forms of perceiving and understanding their world” (Peterson and Wood 2008, p. 30). For Trompenaars (1996), “every human act is in some way or another a cultural process. So is strategy [...]” (p. 51). Therefore, to understand how managers decide and act in processes of strategic adaptation to major environmental change, culture needs to be considered as a potential influencing factor.

2.9 Summary of the key concepts

The aim of this book is to investigate whether national culture is influencing strategic adaptation to major environmental change. Decisions are deemed strategic when they are important in terms of resource commitment and effect on the overall scope and direction of a company. It was argued that in order to acknowledge the complexity of strategic decision-making processes, it makes sense to look at them not only from a rational-analytic perspective, but additionally also from an interpretive perspective, a creative perspective, and a political perspective.

Strategy comprises three dimensions: strategy content (the pattern of strategic actions companies set), strategy process (the way in which these strategic actions are conceived within the company), and strategy context (all internal and external factors that influence on the process of strategy-making). A major constituting element of strategy context is the environment in which an organization operates. Major changes within this environment are those events and developments external to the organization which considerably and structurally affect (a) the attainability of an organization’s strategic objectives and/or (b) the strategic choices open to the organization. The 2008–09 financial and economic crisis, which significantly affected numerous companies across various industries around the world, will serve as an example for such a major environmental change in this book. Strategic decision-making processes and subsequent strategic actions of Austrian and Slovene organizations in response to this crisis will be investigated in the empirical part.

Strategic adaptation has been defined as the process by which management actively aligns an organization to a changing environment through setting actions which involve high resource commitments and affect the organization’s overall scope and direction. Managers as the main actors in this process are

influenced in their perceptions and thereafter also in their actions by many different factors, presumably also by cultural ones.

Before we can proceed with the investigation on whether national culture affects strategic adaptation, the strategic decision-making processes which lie at the heart of strategic adaptation to major environmental change first need to be discussed.

References

- Anderson, C. R., & Paine, F. T. (1975). Managerial perceptions and strategic behavior. *Academy of Management Journal*, 18(4), 811–823.
- Ansoff, H. I. (1975). Managing strategic surprise by response to weak signals. *California Management Review*, 18(2), 21–33.
- Ansoff, I. (1965). *Corporate strategy*. New York: McGraw Hill.
- Bettis, R. A., & Prahalad, C. K. (1995). The dominant logic: Retrospective and extension. *Strategic Management Journal*, 16(1), 5–14.
- Bloodgood, J. M., & Morrow, J. L. (2003). Strategic organizational change: Exploring the roles of environmental structure, internal conscious awareness and knowledge. *Journal of Management Studies*, 40(7), 1761–1782.
- Bourgeois, L. J. (1980). Strategy and environment: A conceptual integration. *Academy of Management Review*, 5(1), 25–39.
- Bower, J. L., & Doz, Y. (1979). Strategy formulation: A social and political process. In D. Schendel, and C. Hofer (Eds.), *Strategic management: A new view of business policy and planning* (pp. 152–172). Boston: Little, Brown & Co.
- Brockner, J. (2003). Unpacking country effects: On the need to operationalize the psychological determinants of cross-national differences. *Research in Organizational Behavior*, 25, 333–367.
- Buchanan, D. A. (2008). You stab my back, I'll stab yours: Management experience and perceptions of organization political behaviour. *British Journal of Management*, 19(1), 49–64.
- Calori, R., Johnson, G., & Sarnin, P. (1992). French and British top managers' understanding of the structure and the dynamics of their industries: A cognitive analysis and comparison. *British Journal of Management*, 3(2), 61–78.
- Chakravarthy, B. S. (1982). Adaptation: A promising metaphor for strategic management. *Academy of Management Review*, 7(1), 35–44.
- Chatman, J. A., & Jehn, K. A. (1994). Assessing the relationship between industry characteristics and organizational culture: How different can you be? *Academy of Management Journal*, 37(3), 522–553.
- Child, J. (1997). Strategic choice in the analysis of action, structure, organizations and environment: Retrospect and prospect. *Organization Studies*, 18(1), 43–76.

- Daft, R. L., & Weick, K. E. (1984). Toward a model of organizations as interpretive systems. *Academy of Management Review*, 9(2), 284–295.
- De Wit, B., & Meyer, R. (2004). *Strategy: process, content, context: An international perspective* (3rd ed.). London: Thomson.
- Dervitsiotis, K. N. (2006). Building trust for excellence in performance and adaptation to change. *Total Quality Management & Business Excellence*, 17(7), 795–810.
- Dickson, M. W., BeShears, R. S., & Gupta, V. (2004). The impact of societal culture and industry on organizational culture. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 74–93). Thousand Oaks et al.: Sage.
- Dill, W. (1958). Environment as an influence on managerial autonomy. *Administrative Science Quarterly*, 2(4), 409–444.
- Duncan, R. B. (1972). Characteristics of organizational environments and perceived environmental uncertainty. *Administrative Science Quarterly*, 17(3), 313–327.
- Dutton, J. E., & Ashworth, S. J. (1993). Selling issues to top management. *Academy of Management Review*, 18(3), 397–428.
- Dutton, J. E., & Jackson, S. E. (1987). Categorizing strategic issues: Links to organizational action. *Academy of Management Review*, 12(1), 76–90.
- Dutton, J. E., Fahey, L., & Narayanan, V. K. (1983). Towards understanding strategic issue diagnosis. *Strategic Management Journal*, 4(4), 307–323.
- Eisenhardt, K. M., & Zbaracki, M. J. (1992). Strategic decision-making. *Strategic Management Journal*, 13(1), 17–37.
- Elbanna, S. (2006). Strategic decision-making: Process perspectives. *International Journal of Management Reviews*, 8(1), 1–20.
- Eunni, R. V., Post, J. E., and Berger, P. D. (2005). Adapt or adapt: Lessons for strategy from the US telecoms industry. *Journal of General Management*, 31 (1), 83–105.
- Eurostat (2010). Real GDP growth rate. <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsieb020>. Accessed 6 April 2010.
- Frishammar, J. (2006). Organizational environment revisited. *International Studies of Management & Organization*, 36(3), 22–49.
- Gandz, J., & Murray, V. V. (1980). The experience of workplace politics. *Academy of Management Journal*, 23(2), 237–251.
- Geletkanycz, M. A. (1997). The salience of ‘culture’s consequences’: The effects of cultural values on top executive commitment to the status quo. *Strategic Management Journal*, 18(8), 615–634.
- Geroski, P. A., & Gregg, P. (1994). Corporate restructuring in the UK during the recession. *Business Strategy Review*, 5(2), 1–19.
- Geroski, P. A., & Gregg, P. (1997). *Coping with recession: UK company performance in adversity*. Cambridge: Cambridge University Press.
- Guth, W. D. (1976). Toward a social system theory of corporate strategy. *Journal of Business*, 49(3), 374–388.

- Hannan, M. T., & Freeman, J. (1977). The population ecology of organizations. *American Journal of Sociology*, 82(5), 929–964.
- Hodgkinson, G. P., & Johnson, G. (1994). Exploring the mental mode of competitive strategists: The case for a processual approach. *Journal of Management Studies*, 31(4), 525–551.
- Hofer, C. W., & Schendel, D. (1978). *Strategy formulation: Analytical concepts*. St. Paul et al.: West Publishing.
- Hoffman, R. C. (2007). The strategic planning process and performance relationship: Does culture matter? *Journal of Business Strategies*, 24(1), 27–48.
- Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. Beverly Hills: Sage.
- Holland, J. H. (1992). *Adaptation in natural and artificial systems*. Cambridge, MA: MIT Press.
- Hrebiniak, L. G., & Joyce, W. F. (1985). Organizational adaptation: Strategic choice and environmental determinism. *Administrative Science Quarterly*, 30(3), 336–349.
- Iansiti, M., & Levien, R. (2004). Strategy as ecology. *Harvard Business Review*, 82(3), 68–78.
- Javidan, M., & Hauser, M. (2004). The linkage between GLOBE findings and other cross-cultural information. In House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., and Gupta, V. (eds.), *Culture, Leadership and Organizations: The GLOBE Study of 62 Societies*. Thousand Oaks et al.: Sage, pp. 102–121.
- Johnson, G., Scholes, K., & Whittington, R. (2008). *Exploring corporate strategy: Text and cases* (8th ed.). Harlow: Financial Times Prentice Hall.
- Julian, S. D., & Ofori-Dankwa, J. C. (2008). Toward an integrative cartography of two strategic issue diagnosis frameworks. *Strategic Management Journal*, 29(1), 93–114.
- Kacmar, K. M., & Carlson, D. S. (1997). Further validation of the perceptions of politics scale (POPS): A multiple sample investigation. *Journal of Management*, 23(5), 627–658.
- Kitching, J., Blackburn, R., Smallbone, D., & Dixon, S. (2009). *Business Strategies and Performance During Difficult Economic Conditions* (project report). <http://www.berr.gov.uk/files/file51879.doc>, Accessed 6 July 2010.
- Kutschker, M., & Schmid, S. (2008). *Internationales Management* (6. Aufl.). München: Oldenbourg.
- Laitinen, E. K. (2000). Long-term success of adaptation strategies: Evidence from Finnish companies. *Long Range Planning*, 33(6), 805–830.
- Lyles, M. A., & Mitroff, I. I. (1980). Organizational problem formulation: An empirical study. *Administrative Science Quarterly*, 25(1), 102–119.
- Madison, D. L., Allen, R. W., Porter, L. W., Renwick, P. A., & Mayes, B. T. (1980). Organizational politics: An exploration of managers' perceptions. *Human Relations*, 33(2), 79–101.

- March, J. G. (1962). The business firm as a political coalition. *Journal of Politics*, 24(4), 662–678.
- March, J. G. (2008a). Understanding organizational adaptation. In J. G. March (Ed.), *Explorations in organizations* (pp. 106–115). Stanford: Stanford University Press.
- March, J. G. (2008b). Learning and the theory of the firm. In J. G. March (Ed.), *Explorations in organizations* (pp. 79–95). Stanford, CA: Stanford University Press.
- McKiernan, P. (2006). Exploring environmental context within the history of strategic management. *International Studies of Management & Organization*, 36(3), 7–21.
- Meyer, A. D. (1982). Adapting to environmental jolts. *Administrative Science Quarterly*, 27 (4), 515–537.
- Miles, R. E., & Snow, C. C. (1978). *Organizational strategy, structure, and process*. New York: McGraw-Hill.
- Mintzberg, H., & Waters, J. A. (1985). Of strategies, deliberate and emergent. *Strategic Management Journal*, 6(3), 257–272.
- Mintzberg, H., Raisinghani, D., & Théorêt, A. (1976). The structure of ‘unstructured’ decision processes. *Administrative Science Quarterly*, 21(2), 246–275.
- Mintzberg, H., Ahlstrand, B., & Lampel, J. (2009). *Strategy safari: Your complete guide through the wilds of strategic management* (2nd ed.). Harlow: Financial Times Prentice Hall.
- Narayanan, V. K., & Fahey, L. (1982). The micro-politics of strategy formulation. *Academy of Management Review*, 7(1), 25–34.
- Nutt, P. C. (1984). Types of organizational decision processes. *Administrative Science Quarterly*, 29(3), 414–450.
- Pearce, J. A., & Michael, S. C. (2006). Strategies to prevent economic recessions from causing business failure. *Business Horizons*, 49(3), 201–209.
- Péli, G. (2009). Fit by founding, fit by adaptation: Reconciling conflicting organization theories with logical formalization. *Academy of Management Review*, 34(2), 343–360.
- Peterson, M. F., & Wood, R., E. (2008). Cognitive structures and processes in cross-cultural management. In P. B. Smith, M. F. Peterson, & D. C. Thomas (Eds.), *The handbook of cross-cultural management research* (pp. 15–33). Los Angeles/London/New Delhi/Singapore: Sage.
- Pettigrew, A. M. (1977). Strategy formulation as a political process. *International Studies of Management and Organization*, 7(2), 78–87.
- Pettigrew, A. M. (1992). The character and significance of strategy process research. *Strategic Management Journal*, 13(S2), 5–16.
- Pfeffer, J., & Salancik, G. R. (1974). Organizational decision making as a political process: The case of a university budget. *Administrative Science Quarterly*, 19(2), 135–151.
- Porter, M. (1985). *Competitive advantage*. New York: Free Press.
- Samiee, S., & Athanassiou, N. (1998). International strategy research: Cross-cultural methodology implications. *Journal of Business Research*, 43(2), 79–96.

- Schein, E. (1984). Coming to a new awareness of organizational culture. *Sloan Management Review*, 25(2), 3–16.
- Schein, E. H. (2004). *Organizational culture and leadership* (3rd ed.). San Francisco: Jossey-Bass.
- Schneider, S. C. (1989). Strategy formulation: The impact of national culture. *Organization Studies*, 10(2), 149–168.
- Schneider, S. C., & Barsoux, J.-L. (1997). *Managing across cultures*. Hemel Hempstead: Prentice Hall Europe.
- Schwartz, S. H. (2007). A theory of cultural value orientations: Explication and applications. In Y. Esmer, & T. Petterson (Eds.), *Measuring and mapping cultures: 25 years of comparative value surveys* (pp. 33–78). Leiden: Koninklijke Brill NV.
- Shane, S., Venkataraman, S., & MacMillan, I. (1995). Cultural differences in innovation championing strategies. *Journal of Management*, 21(5), 931–952.
- Simon, H. (1957). *Models of man: Social and rational*. New York: Wiley and Sons.
- Sminia, H. (2009). Process research in strategy formation: Theory, methodology and relevance. *International Journal of Management Reviews*, 11(1), 97–125.
- Teece, D. J. (2007). Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal*, 28(13), 1319–1350.
- The New Encyclopædia Britannica (2007). *Micropædia*, Volume 1, 15th ed. Chicago et al.: Encyclopædia Britannica, Inc.
- Trompenaars, F. (1996). Resolving international conflict: Culture and business strategy. *Business Strategy Review*, 7(3), 51–68.
- Tung, R. L. (1979). Dimensions of organizational environments: An exploratory study of their impact on organization structure. *Academy of Management Journal*, 22(4), 672–693.
- Tushman, M. L., & Anderson, P. (1986). Technological discontinuities and organizational environments. *Administrative Science Quarterly*, 31(3), 439–465.
- Tzu, S. (1971). *The art of war*. New York: Oxford University Press.
- Weick, K. E. (1985a). Sources of order in underorganized systems: Themes in recent organizational theory. In Y. S. Lincoln (Ed.), *Organizational theory and inquiry: The paradigm revolution* (pp. 106–136). Beverly Hills, CA: Sage.
- Weick, K. E. (1985b). The significance of corporate culture. In P. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, & J. Martin (Eds.), *Organizational culture* (pp. 381–390). Beverly Hills: Sage.
- Weick, K. E. (1995). *Sensemaking in organizations*. Thousand Oaks et al.: Sage.
- Whittington, R. (1988). Environmental structure and theories of strategic choice. *Journal of Management Studies*, 25(6), 521–536.
- Whittington, R. (1991). Recession strategies and top management changes. *Journal of General Management*, 16(3), 11–28.

Xia, J., Boal, K., & Delios, A. (2009). When experience meets national institutional change: Foreign entry attempts of U.S. firms in the Central and Eastern European region. *Strategic Management Journal*, 30(12), 1286–1309.

3 The strategic adaptation process: a literature review

Adaptation is a term that has been widely used in the strategy and organizational literature. In an effort to clarify terminology, Chakravarthy (1982) distinguished between three concepts of adaptation:

- (1) a *state of adaptation*, defined as a state in which an organization can survive the conditions of its environment – similar to the concept of ‘strategic fit’² (in its static sense);
- (2) *adaptive ability*, the capacity of an organization to react to changes within its environment and thus to maintain fit; and
- (3) the *process of adaptation*, which in turn can be categorized into a process of adaptive specialization (improving the environment-organization fit in a specific situation) and a process of adaptive generalization (enhancing the adaptive capacity of the firm).

The state of adaptation has been the research area of contingency theorists (Burns and Stalker 1961; Lawrence and Lorsch 1967). They investigated how different environments require different structures and mechanisms for an organization to survive and thrive. Later studies confirmed that organizations do adapt their strategies to major changes in their environment (e. g. Zajac and Shortell 1989; Zajac and Kraatz 1993).

‘Being adapted’ can have two meanings (Péli 2009): for newcomers, it means that their strategies and organizations are set up to specifically match the current environmental conditions, in other words, that there is a *fit* between strategy, the environment, and the organization that facilitates good utilization of resources to exploit environmental opportunities. On the other hand, for existing organizations, adaptation is the ability to cope with changing fundamental conditions within their environment through adopting new strategies.

Adaptation is necessary for survival and for achieving effectiveness, the capability of producing a desired effect. According to Hannan (1998), it can only be reached if it is possible to attain the “fit between an organization’s structural features and capabilities and the demand of its external environ-

2 The concept of *fit* has its roots in contingency theory (Ginsberg and Venkatraman 1985) and was later developed into a more dynamic concept (meeting the necessity to adapt with strategic change) by Zajac et al. (2000).

ment” (p. 145). The attainment of an environment-strategy co-alignment has systemic implications on an organization’s performance (Venkatraman and Prescott 1990). Anderson and Paine (1977) found that the success of strategy-making patterns varies across different *perceived* external and internal contexts.

Contingency approaches were criticized for their focus on a few environmental and structural variables while widely ignoring variables related to strategic choice, thus not adequately taking into account the complexities involved in the adaptation process (Miller and Friesen 1980b). On the other hand, adaptation itself is also a process which is taking place over time rather than being a static ‘snapshot’ (ibid.).

3.1 From environmental determinism to strategic choice

Adaptation on the aggregate level of populations of organizations has been a key concept in the *population ecology* approach (Hannan and Freeman 1977; Péli 2009), which, taking recourse to biological concepts, describes a Darwinian selection process that favours those organizations which fit the conditions of their environment. Following the ecological perspective, whole populations of organizations adapt to changing environmental conditions, either through the adaptive capacity of their members or through replacement of unfit organizations with newcomers, the latter having the advantage of having no adaptation costs. The main emphasis is on selection: environmental conditions favour certain types of organizations which survive while others fail: “Whether or not individual organizations are consciously adapting, the environment selects out optimal combinations of organizations” (Hannan and Freeman 1977, p. 940). From the population ecology point of view, strategy is mainly related to the scope of an organization and the breadth of its domain, as well as to the way that organizations exploit resource opportunities within their ecological niches (Zammuto 1988). Adaptation, on the other hand, is mainly seen in a deterministic way, as in ‘adapt or die’. Population ecology with populations of organizations as their natural unit of interest fails to account for the strategic adaptation processes going on *within* organizations.

Another rather deterministic approach to adaptation is provided by *institutional theorists*. They see organizations as being under pressure from institutions in their environment which they have to conform to and adjust to through imitation of structures and practices, also called isomorphism, which

comes in the form of mimetic isomorphism (through imitating the approach of successful competitors), normative isomorphism (through the influence that professional experts and norms exert), and coercive isomorphism (e. g. through standards, rules, or laws) (DiMaggio and Powell 1983). Institutional theorists assert that it is through these combined pressures that organizations are induced to adapt to major changes within their institutional environment. As with population ecology, this theoretical framework does not leave a lot of room for independent choice of decision-makers. If managers do not have any choice, why are they needed at all?

Managers' choices do matter for Child (1972) who introduced the concept of *strategic choice*. He acknowledged that there are processes within organizations in which decision-makers determine strategic action, which in turn has the potential to influence environmental features. Whittington (1988) points out that also environmental structures inform the content of strategic choice. For Mintzberg (1977), organizations develop a certain pattern to orient themselves towards the environment through a stream of decisions. This view of strategy as a series of strategic decisions is supported by Narayanan and Fahey (1982). For Miles and Snow (1978),

“adaptation occurs through a series of managerial decisions, the effectiveness of which hinges primarily on how consistently managers’ choices are integrated” (p. 153).

Hrebiniak and Joyce (1985) and Zammuto (1988) tried to reconcile the two perspectives, arguing that the environmental determination as in population ecology and institutional theory and strategic adaptation through managerial choice are not mutually exclusive but represent two aspects of organizational adaptation from two different points of view. This is also supported by Ginsberg and Buchholz (1990) who, in a study of health maintenance organizations in the U.S., found that following a major change in the environment, organizations under pressure were significantly faster to adapt to those changes, no matter whether this pressure was coming from external institutions, from market demands, or from internal actors.

3.2 Proactive versus passive adaptation

While Chakravarthy's (1982) categorization of concepts of adaptation covers 'being adapted' (the state of adaptation), 'to adapt' (the process of adaptation), and 'being able to adapt' (adaptive capacity/adaptability), it fails to

take into account that there are different approaches to the adaptation process, although he already explicitly referred to Miles and Snow. These two authors identified categories of firms termed ‘defenders’ which are suited for their environment only “to the extent that the world of tomorrow is similar to that of today” (Miles and Snow 1978, p. 47), ‘analyzers’ which have a stable core but are also able to scan the market and passively adapt themselves, and ‘prospectors’ that actively search for new market opportunities on a continuous basis and put an emphasis on product-market development. Chakravarthy only matched these different categories of strategic orientations with different states of adaptation in his framework, not with the process of adaptation.

Other authors acknowledged that there are also different process-related approaches to adaptation. Tung (1979), for example, noted that there are two strategies that managers can use to deal with perceived environmental uncertainty: (a) passively adapting to changing environmental conditions, or (b) actively managing and monitoring the environment to reduce the level of perceived uncertainty. She further points out that no organization can exclusively use one or the other strategy at all time.

Proactiveness versus passivity also lies at the heart of Miller et al.’s (1996) distinction between two models of adaptation:

- (1) A *passive model of adaptation*, displaying routine-driven, incremental behaviour focused on maintaining organizational stability and increasing competence in current activities. According to this model, adaptation only occurs in times when perceived environmental threats become so high that the routines are obviously outdated.
- (2) In contrast, an *opportunistic model of adaptation* is characterized by continuous search for new goals, processes, and technologies. Opportunistic adaptation does not only occur in the case of crisis, but also whenever an opportunity is spotted in the environment. According to Miller (1993a), opportunistic adaptation is most likely to be found in organizations facing turbulent and complex environments, and is usually accompanied by a more diverse repertoire of strategic actions.

It is therefore necessary to distinguish between a passive and a proactive approach to the process of adaptation. The difference lies in basic managerial attitude. The passive approach can be exemplified through Burns and Stalker’s (1961) following words:

“[...] effective organization of industrial resources, even when considered in its rational aspects alone, does not approximate to one ideal type of management system, but alters in important respects to conformity with changes in extrinsic factors. These extrinsic factors are all, in our view, identifiable as different rates of technical or market change. By changes we mean appearance of novelties: i. e., new scientific discoveries or technical inventions, and requirements for products of a kind not previously available or demanded.” (p. 96)

Burns and Stalker suggest that an organization must react and adapt when faced with changes in its environment. The proactive approach, on the other side, sees managers actively looking for opportunities within their environment and taking proactive action to exploit them. In both cases, managers perceive changes in their environment and react accordingly, no matter whether this perception was a consequence of active search or of passive reception. The outcome could theoretically be the same, if in the case of active search the findings of this search would reveal the same trends in environmental factors that were noticed passively. It would differ, however, when active search will direct attention to environmental events or trends that would not have been noticed passively.

March (2008b) sees the basis for adaptation in a “reproductive process that replicates success” (p. 174) as well as in the generation of variety, connected to the concepts of exploration (using what is already known and making it more efficient) and exploitation (trying out new things, experimenting). March (2008c) further points out that the balance between exploration and exploitation is a central concept of adaptive theories, arguing that any long-run adaptive processes need both, albeit in different distributions over time and space. Also Ginsberg and Buchholz (1990) found that maintaining efficiency and stability on the one hand and responsiveness to environmental change on the other hand are conflicting demands. March (2008a) summarized the trade-off as follows:

“It is clear that a strategy of exploitation without exploration is a route to obsolescence. It is equally clear that a strategy of exploration without exploitation is a route to elimination.” (p. 109)

3.3 Adaptability: real options and dynamic capabilities perspectives

The distinction between adaptation as a state ('being adapted') and adaptive ability, also referred to as *adaptability*, is a crucial one. While adaptation refers to the process of attaining fit with the environment, adaptability is a quality. The main behavioural tendency of firms with high strategic adaptability is reactivity (Green et al. 2008).

As Chakravarthy (1982) observed, an organization's adaptive ability is influenced by its organizational capacity and material capacity. Organizational capacity refers to the information processing abilities of the firm. Several authors (e. g. Bigley and Roberts 2001) have proposed organizational structures and systems that facilitate fast, flexible, and reliable responses in complex and dynamic environments. Material capacity indicates to what extent material resources are available to an organization, as well as the latitude of exploitation possibilities for these resources. The higher the level of environmental complexity a firm can handle, the better its level of adaptability and subsequently its chances for survival (Chakravarthy 1982). Higher environmental complexity can be processed by organizations if they concurrently expand their repertoires of information and their abilities to exploit these repertoires (Galbraith 1973).

Dervitsiotis (2006) additionally emphasizes the importance of building authentic trust between organizations and actors as a key prerequisite for developing organizations which are adaptive in rapidly changing and complex environments, with higher trust levels leading to lower necessity for formal procedures and higher quality communication and interaction, thus facilitating flexibility in adapting to changing external circumstances.

Adaptability has also been addressed in diverse fields of organizational and strategic research such as systems and complexity theory (e. g. Schneider and Somers 2006), or real options theory (e. g. Trigeorgis 1996).

Real options can be defined as resources that allow preferential access to future opportunities (Bowman and Hurry 1993). The concept of real options was developed to address the deficiencies of firm valuation approaches like discounted cash flow (DCF) or net present value (NPV) that "ignore or cannot properly capture management's flexibility to adapt and revise later decisions [...] when [...] future events turn out differently from what management expected at the outset" (Trigeorgis 1996, p. 152). Taking a real options perspective, the value as a firm taking into account the value of adaptability can be redefined as: "Expanded (strategic) NPV = Static (passive) NPV + Option

premium” (Trigeorgis 1996, p. 152). The creation and acquisition of real options increase the range of possible responses to changes in an organization’s environment (McGrath and Nerker 2004), thereby positioning the organization in period t for opportunities that may or may not materialize in period $t + 1$ (Bowman and Hurry 1993). Thus, real options increase an organization’s adaptive capacity to different future environmental states. Sirmon et al. (2007) argued that “[f]irms failing to consistently invest in and create real options are less capable of responding to environmental changes than those making such investments” (p. 280). Therefore, real options, for example different growth options (e. g. a minority stake in a business that includes the option to become a majority owner), options to expand or contract the business, options to defer investment, or options to switch the use of resources provide firms with both operating flexibility and strategic adaptability (Trigeorgis 1996).

Another of the recent major research streams which also focuses on adaptability is centered around the concept of *dynamic capabilities*. Building on the resource-based view of strategic management, which argues that valuable, rare, imperfectly imitable, and non-substitutable resources form the basis of a firm’s competitive advantage, the dynamic capabilities perspective focuses on the capacity of an organization to create, change, and renew its resource base (Ambrosini and Bowman 2009). The seminal paper on dynamic capabilities was presented by Teece and his colleagues (1997) who defined dynamic capabilities as “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” (p. 516). The authors emphasize “the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment” (ibid., p. 515).

Dynamic capabilities can be seen as managerial, organizational, and strategic processes or routines that impact on an organization’s resource base. Examples include product development processes, alliance and acquisition routines, strategic decision-making processes, organizational structure reconfiguration, or even ‘exit routines’ through which organizations abandon resources and resource combinations which no longer provide competitive advantage (Eisenhardt and Martin 2000; Ambrosini and Bowman 2009). Teece (2007) also mentioned the capacity to sense and shape opportunities and threats and the capacity to seize opportunities as dynamic capabilities next to the capacity to enhance and combine resources.

It was found that dynamic capabilities’ effectiveness differ under different environmental conditions. In moderately dynamic environments, for ex-

ample, where frequent changes do occur, albeit in a quite predictable and linear way, dynamic capabilities in the form of complex, analytic processes based on existing knowledge are more effective. In ambiguous, high-velocity environments, however, it is preferable to use simple rules and boundary conditions based on broad strategic intent, iteratively executed without locking them into too much of past experience and behaviours which might already be outdated (Eisenhardt and Martin 2000). Ambrosini et al. (2009) referred to dynamic capabilities which are used in essentially stable environments for continuous improvement as ‘incremental dynamic capabilities’, which they distinguish from ‘renewing dynamic capabilities’ used to refresh and renew the nature of the resource base, and ‘regenerative dynamic capabilities’, the purpose of which is the creation or renewal of dynamic capabilities themselves. Dynamic capabilities in high-velocity environments require real-time information and intensive communication of the actors involved, as they should allow for the rapid creation of multiple options and of new, situation-specific knowledge, for instance through early testing or prototyping (Eisenhardt and Martin 2000). Routines and processes used in high-velocity environments need to be adaptive to changing circumstances, which does not come without costs: “The price of that adaptability is unstable processes with unpredictable outcomes” (Eisenhardt and Martin 2000, p. 1117).

Interesting parallels can be found between both real options and dynamic capabilities theories on the one hand and military strategic thinking on the other hand. In a classic book on military strategy, B. H. Liddell Hart (1991) emphasized that “to ensure reaching an objective one should have *alternative objectives* [...] The absence of an alternative is contrary to the very nature of war”, quoting also Napoleon Bonaparte’s notion of “*faire son thème en deux façons*” (pp. 329–330, italics in the original). Alternative objectives, the military equivalent of real options in strategy, are assumed to be essential for military success. The U.S. Navy’s doctrine, acknowledging that military struggles always take place in a complex, dynamic, fluid, and uncertain environment, asserts that such an environment can only be encountered “by developing simple, flexible plans; planning for likely contingencies; developing standing operating procedures; and fostering initiative among subordinates.” (The United States Marine Corps 1994, p. 8) In other words: dynamic capabilities for high-velocity environments are as essential in business as they are for effective warfare.

Teece (2007) emphasizes the key role that managers play for an organization’s adaptability: “Dynamic capabilities reside in large measure with the enterprise’s top management team” (p. 1346). Both, how managers perceive and

interpret an organization's environment as well as their internal desires to change due to current dissatisfaction, can impact on whether and how dynamic capabilities are deployed (Ambrosini and Bowman 2009). Eggers and Kaplan (2009) based on their findings that CEO attention towards emerging technology as opposed to attention to existing technology leads to faster entry of established firms into new technological markets argue that managerial cognition should itself be regarded as a dynamic capability that can shape the adaptation of companies. In a study of how East German symphony orchestras were adapting to environmental changes following the collapse of the communist state, Allmendinger and Hackman (1996) found that competent leadership was likely to aid adaptation to the external changes. Ambrosini et al. (2009) assert that "it is vital that we place managers at the centre of the discussion on dynamic capabilities" (p. S 22).

The impact of managerial cognition on adaptation processes will be investigated in more detail in the following section of this chapter. Thereby, we follow Stubbart's (1989) enlightening conclusion that "[i]n a general sense, everyone recognizes that managers think" (p. 325).

3.4 Cognitive perspectives of the strategic adaptation process

While some basic models of environmental adaptation (like in contingency theory or population ecology) are based on the direct relationship of environmental changes and organizational response, others are more focused on the black box in between, the processes in organizations that lead to adaptive action. The actors in these processes are human beings and as such – having minds that are limited in their cognitive abilities – susceptible to bounded rationality (Simon 1957). More drastically stated by Stubbart (1989): "In total, a large body of research portrays human decision-makers as error-prone oversimplifiers" (pp. 338–339); thus rendering the model of the purely rational decision-maker inadequate.

Due to bounded rationality, only part of the changes that occur in the organization's environment are perceived, processed, and acted upon by managers. A crucial role is therefore attributed to managerial cognition (Schwenk 1984). Strategic decisions in organizations are made by combining cognitive capabilities of top management teams in interaction processes (Amason 1996).

Managerial perception and interpretation of environmental events constitute a vital link between environmental change and strategic change in organ-

izations. As Hatten and Schendel (1976) remarked, “in formulating strategy, management must cope with uncertainty and must rely on the accuracy of its perceptions” (p. 195). Strategic adaptation can only occur when environmental changes are accompanied by changes in managerial cognition (Huff et al. 2000). Fahey and Narayanan (1989) showed that environmental changes influence managers’ causal maps – assumptions they reveal about the causal interconnections in the environment. For Dutton and Duncan (1987), strategic issue analysis, the process of identifying and interpreting changes in the environment by the top level of an organization, is a key factor in the adaptation process. Acknowledging also the political perspective, Miles and Snow (1978) suggested that

“the dominant coalition largely enacts or creates the organization’s relevant environment. That is, the organization responds largely to what its management perceives; those environmental conditions that go unnoticed or are deliberately ignored have little effect on management’s decisions and actions.” (p. 20)

A central element of cognitive science is the idea of mental representation (Gardner 1985). It can be traced back philosophically to Descartes’ notion that “qualities of external objects can imprint various ideas on the brain through the mediation of the senses” (Descartes 1985, p. 139). Instead of forming a complete understanding of situations, managers develop subjective representations of the environment and their organization’s own competitive position which, in turn, determine the strategies and actions of the organization (cf. Daft and Weick 1984; Stubbart 1989; Bogner and Barr 2000). Decision-makers are using schemata – abstract conceptions or mental structures that serve to organize knowledge in a systematic way (Schwenk 1989) – thus making sense of the events and development in the environment.

Nadkarni and Barr (2008) classified subjective representations that managers develop about their environment into two categories: (a) *attention focus* – what aspects of the environment are perceived as being most important by managers, and (b) *environment-strategy causal logic* – how causal relationships between the environment and firm strategy are seen and interpreted. They propose that attention focus and environment-strategy causal logic act as filters determining how managers notice and react to changes within an organization’s environment.

3.4.1 Attention focus

Attention focus is based on the concept of *selective attention* whereby some events are perceived as relevant while others are perceived as irrelevant. Whether an environmental change or event has the potential to influence the strategic agenda and subsequent strategic action depends on the degree of attention it received by a manager in the first place (Dutton and Jackson 1987).

Which types of environmental stimuli are attended to has been the domain of psychological research, particularly Gestalt theory (e.g. Koffka 1935). Changes can attract attention due to their unusualness in a specific context. They stand out against the overall pattern of their background through characteristics like novelty, size, intensity, or contrast. The importance of background versus foreground in managerial perceptual filtering has been pointed out by Starbuck and Milliken (1988). Nadkarni and Barr (2008) argued that the following types of elements in the environment are expected to receive special managerial attention: (a) those that are unusual for this environment, (b) those that differ from managerial expectations, and (c) those that are perceived as relevant for the attainment of organizational goals.

Nadkarni and Barr's (2008) findings also show that in high-velocity industries (such as for instance semiconductors or cosmetics), which are characterized by rapid and unpredictable changes, managers show higher attention towards the immediate task environment. On the other hand, managers in low-velocity (e.g. aircraft engineering or petrochemicals) industry contexts, which are characterized by linearity, stability, and predictability, tend to be more attentive towards the developments in the macro or general environment.

That attention is the basis of all decision-making in organizations is the central assumption of Ocasio (1997) who promotes an *attention-based view of the firm*. Corporate strategy in this view is understood as a pattern of organizational attention, with decision-makers focusing their attention on a limited set of issues (derived from environmental stimuli) and responses (answers) to these issues. Further, Ocasio (1997) pointed out the influence of cultural processes on managerial and organizational attention, highlighting also the nature of issues and responses as cultural products, and the importance not only of managerial cognition but also of organizational systems and processes for directing the attention focus, as "the ability of a firm to adapt successfully to a changing environment is conditional on whether the firm's procedural and communication channels focus the attention of organizational decision-makers on an appropriate set of issues and answers" (p. 202).

3.4.2 Environmental-strategy causal logic

Attention alone is not sufficient to initiate action. Managers also have to form interpretations about causal relationships between environmental events or developments and possible strategic actions in response to them.

Nadkarni and Barr (2008) define the environmental-strategy causal logic not in the sense of objective causalities, but through beliefs that managers form about cause-effect-relationships, which take on a mediating role between perceived environmental changes and managerial action. This mediating role of the managerial perception of the environment was also considered by Yasai-Ardekani (1986), following the works of Lawrence and Lorsch (1967), Weick (1969), and Duncan (1972). In their study of how companies in the publishing industry respond to environmental events, Miles et al. (1974) observed that while in some companies environmental events were perceived as changes, in others these events were not recognized at all. These results suggest that managers in organizations can only respond to those external events that they perceive as being relevant and having a possible cause-effect-relationship concerning strategic decisions, while the ones which remain unnoticed or cognitively unconnected to strategic issues do not trigger any reactions from the organization.

Prahalad and Bettis (1986) introduced the term ‘dominant logic’ to define the way in which managers conceptualize their businesses and make major decisions in resource allocation. The main idea is that the dominant logic is acting as a filter in organizations, as the attention is mainly focused on data that is seen as relevant in the light of the dominant logic (Bettis and Prahalad 1995).

3.5 The sense-making process

Both attention focus and developing beliefs about the environmental-strategy causal logic are part of the sense-making process³, which is essential to adaptation, as Haeckel pointed out in his book on adaptive enterprises:

“Every adaptive system, whether an individual living creature, a computer virus, or a large organization, survives by making sense out of its environment and responding with appropriate action. It then repeats the cycle, factoring in

³ Weick (1995, pp. 64–76) provides a compact overview of the historical development of the sense-making perspective in organizational science.

the results with an appropriate action. In this circular and continuous process, the adaptive system senses its environment even as it acts. The distinguishing quality of humans and human organizations is their ability to make conscious decisions about what things to sense, how to interpret them, and how to respond to the interpretation.” (Haeckel 1999, p. 75)

When environmental changes occur, organizations have to go through a process of making sense of these emerging issues in order to be able to react and adapt to them. Managers put stimuli they receive from the environment into some kind of framework or *frame of reference* to be able to comprehend them and to subsequently act on them (cf. Starbuck and Milliken 1988; Weick 1995). Prior theory-building (e. g. by Daft and Weick 1984; Milliken 1990; Gioia and Chittipeddi 1991; Thomas et al. 1993; Weick 1995) led to a process definition of sense-making which includes four iterative steps:

- (1) noticing a change;
- (2) gathering additional information/‘scanning’;
- (3) interpreting the information about the change; and
- (4) taking subsequent action through making a decision (Anderson and Nichols 2007, p. 367).

The *noticing stage* is related mainly to the concept of attention focus described above. Whether environmental events are noticed determines whether managers will make sense of them and subsequently consider responding to them (Starbuck and Milliken 1988). “Sense-making is about the enlargement of small cues” (Weick 1995, p. 133) – therefore, it is highly important which of the small cues are noticed in the first place. Issues of strategic importance are not always noticed through formal institutional channels. Informal sources are often better suited for issue recognition than formal ones (Aguilar 1967). Results of empirical studies actually indicate that informal sensing is far more important than formal reporting systems in identifying strategic problems (Lyles and Mitroff 1980). What people notice is influenced by their beliefs (Starbuck and Milliken 1988). As beliefs, in turn, can be shaped by culture, it can be assumed that noticing is not independent of a perceiver’s cultural background.

Various researchers (e. g. O’Reilly 1980; Eisenhardt 1989) have brought forward the argument that gathering more information can lead to better performance. *Environmental scanning* is the search and monitoring mechanism by which an organization deliberately tries to gather information about important events and trends within the task and general environment (May et

al. 2000). Scanning can be broad or focused (Daft and Weick 1984), and based on designed systems or relying on informal, ad-hoc-scanning (Yasai-Ardekani and Nystrom 1996). It is still unclear whether differences in national institutional environments and national culture have an influence of organizations' scanning behaviour, as suggested by Schneider (1989). While May et al. (2000) found differences in the scanning behaviour of Russian and Western managers, Stewart et al. (2008), using a very similar methodology, could not determine significant differences between Indian and U.S. entrepreneurs' approaches to environmental scanning.

The *interpretations* managers make about the changes they notice in the environment have an important impact on organizational adaptation to environmental changes, also because these changes are often ambiguous and therefore open to interpretation rather than objective analysis (Chattopadhyay et al. 2001). The strategic responses that organizations form following unfamiliar environmental events are highly influenced by the interpretation managers develop about these changes (Barr 1998). Thomas et al. (1993), for example, observed that top managers in the U.S. hospital industry who interpreted strategic issues as controllable showed a tendency to add products and services to their existing offerings.

In his study of how hospitals in the San Francisco area reacted to a major environmental jolt (a doctors' strike), Meyer (1982) observed that if a sudden and unprecedented event in the environment was interpreted as a crisis, this could inject new energy to organizations as well as destabilize power structures and legitimize unorthodox acts. Khandwalla (1976) revealed that managers who perceive the environment their companies are operating in as rich in contingencies, i. e. more complex and uncertain, are more likely to formulate more elaborate and comprehensive strategies. Prospect theory (Tversky and Kahneman 1974) states that whether an issue is framed as a potential gain or loss situation may affect individuals' risk-seeking behaviour. Dutton and Duncan (1987) noted that "a major reason organizations respond differently to changes in the environment involves how strategic issues are triggered and interpreted by decision-makers" (p. 279). Interpretation can be seen as a "pivot point for decision making and subsequent action in organizations" (Shook et al. 2005, p. 162). It therefore makes sense to investigate strategic decision-making processes also from an interpretive perspective, as has already been suggested in chapter 2.

Different managers may interpret the same stimuli in different ways, based on different interpretation frameworks they use (Starbuck and Milliken 1988). Consequently, also organizational responses to one and the same en-

vironmental event can vary significantly, based on the perceptions of the actors involved (Smart and Vertinsky 1984). One example was given by Delmas and Toffel (2008): they found that organizations were generally more receptive to pressure from customers, suppliers, and competitors than to pressures from the government and other non-market institutions when considering adopting the environmental management standard ISO 14001. However, while customer, supplier, and competitor pressure were more often perceived as business drivers that needed to be acted upon by marketing departments, the legal departments in the studied organizations mainly perceived institutional regulations as most relevant, inducing the company to take action to avoid legal sanctions.

The different perceptions different actors within an organization can have on the same stimuli highlights the importance of recognizing that sense-making is not only taking place at an individual level, but that it is essentially a *social process*: “Sense-making is never solitary because what a person does internally is contingent on others” (Weick 1995, p. 40). A cross-understanding of each others’ mental models, of what others think and believe about certain issues, is important to build a common ground on which collective sense-making can take place (Huber and Lewis 2010).

Being a social process means that sense-making cannot be separated from the social environment individuals are part of. A major part of the social environment is societal culture. Thus, culture can be assumed to influence the process of sense-making in organizations. This is also supported by Weick (1995):

“Beliefs are an obvious anchor in organizational sense-making because they are found in ideologies, culture, scripts, and traditions” (p. 155).

Another important aspect is that the sense-making process interpretations are not independent of prior and parallel information gathering. Thomas et al. (1993) observed that different levels of information gathering through environmental scanning can influence the interpretation of strategic issues – higher levels of information were correlated with more positive interpretations.

Generally, acquiring additional information can have two different effects on interpretation: (a) it can lead to a more complex understanding of the problem or issue, thus encouraging revision and modification of initial interpretations, or (b) it can strengthen initial interpretations by providing further supportive evidence (Kuvaas 2002). In the latter case, it is however important not to fall victim to confirmation bias, the tendency to seek out confirming

evidence for one's own decisions while neglecting any information that would be critical or contradictory of it (Wright et al. 2004; Anderson and Nichols 2007). Confirmation bias is one of a number of cognitive deficiencies that can negatively influence the process of organizational adaptation to environmental change.

Cognitive deficiencies potentially affecting the adaptation process

The English anthropologist and social scientist Gregory Bateson (2000) in his famous work *Steps to an Ecology of Mind* noticed that

“[i]f consciousness has feedback upon the remainder of mind and if consciousness deals only with a skewed sample of the events in the total mind, then there must exist a systematic (i. e., non-random) difference between the conscious views of self and the world and the true nature of self and the world. Such a difference must distort the processes of adaptation.” (p. 450)

Organizations may be slow to adapt to environmental change due to different forms of bias in human decision-making. Cognitive biases can have a significant effect on strategic decision-making (Barnes 1984). Stubbart (1989) is of the opinion that “strategists’ reliance on simple, flawed, and biased inferential heuristics in making strategic decisions might be the culprit behind strategic decision errors” (p. 339)

Starbuck and Milliken (1988, p. 43) identified several distortions in managerial thinking or ‘perceptual filtering’, as they call it, which can appear in noticing, sense-making⁴, predicting, and in causal attributions. Following Wright et al. (2004), there are three major deficiencies in managerial thinking that can lead to over-reliance on existing routines and a preference for ‘leaving things the way they are’ which may render an organization’s strategy ineffective in the light of significant changes in the environment:

- *Hindsight bias*: the tendency to recollect one’s predictions about an event as more accurate as they actually were prior to the event (also known as the ‘I-knew-it-all-along’ effect).
- *Escalation of commitment*: committing further resources to turn a negative situation around which was based on a wrong decision (similar to the escalation of commitment of a gambler in a casino who has lost several times

4 Starbuck and Milliken (1988), unlike other authors, distinguish *noticing* and *sense-making* as two distinct phases rather than seeing the prior as a sub-phase of the latter.

and also raises the stakes by placing higher bets to subsequently win back what was lost).

- *Confirmation bias*: the tendency to seek out confirming evidence for one's own decisions, thereby confirming that the existing strategy still works well in present and will do so in future circumstances. Miller and Friesen (1980a) suggested a similar concept, *strategic momentum*, which comes into effect when decision-makers construct simplified models of the causes of past successes – thereby slowing the organization down in the process of adapting to changes in its environment. It was found that following success, the amount of information managers tried to obtain from unfavourable sources decreased, thus reinforcing the positive view about the effectiveness of past strategies and at the same time reducing the capacity to adapt to new environmental circumstances (Audia et al. 2000). Denrell and March (2008) further pointed out that the tendency to reproduce successes leads to a risk of falling victim to the 'competency trap' (based on the fact that new alternatives usually take some time before they become effective and are therefore often less considered than known and established alternatives) or of bias against risky alternatives. Mintzberg et al. (2009) argued that to organizations, existing strategies which function as certain mental sets can be like "blinders are to horses: they keep them going in a straight line but hardly encourage peripheral vision" (p. 19). To avoid confirmation bias, it makes sense to listen to Sun Tzu's (1971) ancient advice: "Therefore, when I have won a victory I do not repeat my tactics but respond to circumstances in an infinite variety of ways" (p. 100).

Another potential deficiency in managerial thinking lies in the use of heuristics – 'rules-of-thumb' or intuitive judgements which simplify complex problems and thereby potentially lead to severe and systematic error (Tversky and Kahnemann 1974). Problematic interpretations can also appear when managers are drawing simple analogies based on similarity at first sight, instead of making a deeper analysis of cause-and-effect links (Gavetti and Rivkin 2005).

Further danger for inadequate adaptation to environmental changes lies in the patterns that individuals use to cope with their internal conflicts. Opposing tendencies within individuals about which direction a decision should take are referred to as decisional conflict (Wright et al. 2004). When faced with a threat from the environment, decision-makers can experience this as stress. They often try to avoid the accompanying stress situations when faced

with a difficult decision by adopting coping patterns such as procrastination (delaying the decision), shifting responsibility (passing on the responsibility of the decision to others), or 'bolstering' (uncritical support of the option that seems to have the least severe consequences) (Janis and Mann 1977; Wright et al. 2004). Such coping patterns suppress stress levels and perceived environmental threats and can thus lead towards a tendency of deciding not to act on environmental changes, rendering the organization strategically inert, failing to initiate necessary adaptive action. Only if the gap between the environment and the strategic positioning of the company is too big for coping behaviours to still be effective, "will stark reality be faced" (Wright et al. 2004, p. 28).

In addition to individuals' cognitive deficiencies, there are also potential deficiencies in group decision-making. Denrell and March (2008) point out that "[a]daptation is also slowed by beliefs associated with such things as social legitimacy, ideology, and imagination" (p. 135). Probably the best-known deficiency in group decision-making is the often-cited phenomenon of groupthink (Janis 1982) which is found in highly homogeneous and cohesive groups that create an illusion of invulnerability, do not critically take into account ideas diverging from the group norm, are highly selective in gathering information, share stereotypes, and exercise pressure on group members who do not conform. Lack of honesty in communication can be another major obstacle to achieving decisions that are well thought through. Often, individuals do have reservations about certain courses of action that the group decides on but do not voice their doubts to avoid the potential conflict involved, as well as the risk of being rejected or even losing one's job (Wright et al. 2004). Likewise, when the most senior person in a group has voiced his or her opinion about an issue in an authoritative way, it is becoming less likely that this view will be strongly opposed.

To understand strategic adaptation processes, it was necessary to first outline the underlying cognitive processes that are at work when strategic decision-makers make sense of changes in an organization's environment and how they form beliefs about how to strategically respond to those changes. It has been pointed out that managerial sense-making is not always a chain of rational-analytic reasoning, but that it is subject to individual and collective noticing and interpretation processes prone to cognitive deficiencies.

Built on the idea that sense-making in the form of noticing and interpreting strategic issues in an organization's environment is a crucial element of strategic decision-making in response to major environmental change, a gen-

eral model of the strategic adaptation process will be presented in the following section.

3.6 A model of the strategic adaptation process

To investigate whether national culture influences strategic adaptation, it is important to find an appropriate framework for analyzing the strategic adaptation process first, decomposing the overall process into several phases from the identification of a major change within the environment to the implementation of strategic change within the company.

One such framework of how organizations adapt to major environmental variations (or ‘jolts’ as they were called by the author) was presented by Meyer (1982) (Figure 3.1). He suggested that in order to make sense of environmental variation, theories of action are developed through the selection and interpretation of stimuli. These theories of action are influenced by existing strategy and ideology. This first stage of the adaptation process is followed by organizational response to the selected stimuli. Organizational response can be based on exploiting slack resources. Here, Meyer built on the work of Bourgeois (1981) who suggested that an organization’s adaptive response capacity depends on the amount of slack resources or surpluses that it has amassed. A restraining factor in the response phase is seen in existing structures. Following organizational response, there are two possible organizational outcomes (or ‘readjustments’) (Meyer 1982):

1. Resiliency, the ability to recover and return to original form, which occurs when the environmental jolts can be ‘absorbed’ by the organization, for instance through loosening the coupling between the organization and the environment.
2. Retention, which occurs when responses lead to new causal relationships, new theory of action, and altered structures, slack resources, and behaviours.

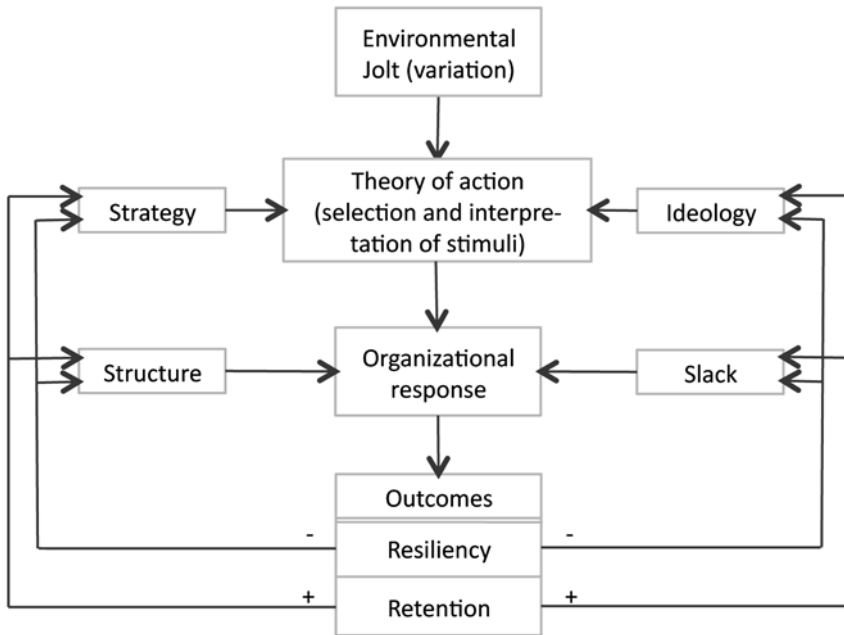


Fig. 3.1 Meyer's model of organizational adaptation to environmental jolts

Source: Meyer 1982, p. 520

Meyer's model is not fully suitable for investigating the major research question about how culture influences the strategic adaptation process for the following reasons:

- There have been significant research advances in the field of strategic issue diagnosis since Meyer's work. Therefore, it is appropriate to take all these new findings into account (e. g. Schneider and de Meyer 1991; Barr and Glynn 2004), thereby also recognizing the potential influences that culture has on strategic issue interpretation.
- While the model acknowledges that organizations respond to interpretations of the issues identified in the changing environment, it does not refer to how this response process works. Specifically, there is no clear separation between a phase in which possible response options are generated and a phase in which a decision for the most suitable options is made.
- Meyer's model is based on a combined rational-analytic and interpretive approach to the decision-making process. Neither the political nor the creative dimensions are explicitly addressed. Especially political behaviour could also be subject to cultural influences, which are not investigated

within this model. Another model of strategic change proposed by Huff et al. (2000) explicitly acknowledged that sense-making and coalition-building are both integral elements of strategic change.

- Using the existing strategy as an influencing variable in the strategic decision-making process is ambiguous because it is hard to define what the ‘existing strategy’ is if strategy formulation is seen as an ongoing, iterative process that involves a constant revision of goals in an incremental way (Chakravarthy 1982). If strategy is evolving in an ongoing stream of decisions (Mintzberg 1977; Narayanan and Fahey 1982), it is hard to identify one constant strategy as a reference point for the ‘existing strategy’.
- Meyer referred to Beyer’s (1981) definition of ideologies as “relatively coherent sets of beliefs that bind people together and explain their worlds in terms of cause-effect-relations” (p. 166). This definition bears resemblance to common definitions of culture like Schein’s (2004) “a pattern of shared basic assumptions that was learned by a group [...] to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.” (p. 17) or Hofstede’s (1980) “collective programming of the mind which distinguishes the members of one human group from another” (p. 25). Both, ‘shared basic assumptions’ and ‘collective programming of the mind’, can include ‘relatively coherent sets of beliefs that people bind together’. Therefore, because of the conceptual proximity, it would be quite impractical to measure culture and ideology as separate constructs and relate them to each other.
- The variables ‘structure’ and ‘slack’ do not overtly lend themselves to be linked to cultural influences.
- The outcomes of resiliency and retention are very broad concepts. In order to be able to assess more specifically which strategic action is taken by organizations in the light of major changes in their environment, or more concretely also how organizations respond to the 2008–09 financial and economic crisis, a more detailed classification of strategic action is desirable.

To address these shortcomings of the model in regard to our specific research question, a new model of the strategic adaptation process is proposed.

In reference to the four perspectives of a strategic decision-making process presented in chapter 2 and based on the idea that every decision-making process involves rational-analytic, interpretive, creative, and political elements, all of which can be present in every stage of the process, it is important to note that the steps described in the model should by no means be seen as

being simply sequential. This is in line with Mintzberg et al.'s (1976) caveat for their own three-phase model of the decision-making process (consisting of the *identification*, the *development*, and the *selection* phases). They also emphasize the complexity and dynamics of this process and the interdependent nature of the three phases in the model, following Witte's (1972) conclusion that (a) "human beings cannot gather information without in some way simultaneously developing alternatives" (p. 180) and that (b) "they cannot avoid evaluating these alternatives immediately, and in doing so they are forced to a decision" (*ibid.*). To cite Pffifner (1960):

"Actually, the decision-making process is not linear but more circular; it resembles 'the process of fermentation in biochemistry rather than the industrial assembly line'" (p. 129)⁵.

Likewise, also the phase model described below should be seen as an iterative and recursive one. Decision-makers can make various cycles including detours in the process of going through the stages of decision-making.

The model of strategic adaptation to major environmental change used in this study resembles Mintzberg et al.'s (1976) three phases model of the strategic decision-making process, albeit using different terminology, taking into account significant developments in research, for example in the field of strategic issue diagnosis.

The following phases can be identified in the strategic adaptation process:

- (1) *Strategic issue diagnosis*, the cognitive process of translating and focusing key environmental events into issues of strategic importance for key decision-makers within an organization (Dutton and Duncan 1987): This phase roughly resembles the identification stage in the model of Mintzberg and his colleagues.
- (2) *Creating strategic options*, the process of generating possible strategic solutions to address the identified strategic issue: Called 'the development phase' by Mintzberg et al. (1976), it includes search activities (finding existing solutions to the issue) and design activities (creating new solutions or modifying existing ones). Creating strategic options does not always only include finding or inventing completely new things – it can also mean abandoning things that existed before. Unlearning old dominant logics that were useful under former environmental conditions but can be rendered ineffective in the face of environmental change is also of-

5 Pffifner was referring to a quote from Nicolaidis (1960, p. 173).

ten an important creative form of strategic change (Bettis and Prahalad 1995).

- (3) *Selecting strategic options*, the process of deciding for those actions from the set of identified potential solutions that promise to be the most suitable to resolve the strategic issue: Normative and rational choice literature (e.g. Eisenführ and Weber 2003; Laux 2003) often uses choice criteria, modeling of preferences, risk analysis, and mathematical-logical deductions to determine which choice to make. Empirical studies, however, show that this analytic mode is rarely used in organizational decision-making processes. Deciding on strategic action is usually an iterative process involving judgements, iterative steps of deeper analysis, and political processes like bargaining (Mintzberg et al. 1976).

The output of the strategic adaptation process is *strategic action*, the process of ‘making change happen’. It involves the implementation of the chosen strategic option through changes in resource commitments, structures, systems, and human resources. Effective implementation of strategic decisions requires cooperation by other decision parties and team members (Child 1972). This means that the way that decisions are made (also including political processes) influences the effectiveness of implementation. Therefore, it is impossible to completely separate strategy formulation and strategy implementation (Hardy 1996). The external strategic action that an organization sets, in turn, has the potential to influence the organization’s environment.

Figure 3.2 presents the basic strategic adaptation process and refers to the equivalent concepts in Mintzberg et al.’s (1976) model of the decision-making process:

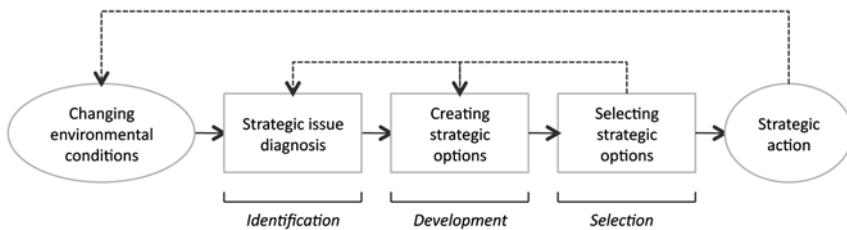


Fig. 3.2 The strategic adaptation process

Source: Author, including the identification, development, and selection phases from Mintzberg et al. 1976, p. 266

The main intention of the empirical research presented in this book is not to test the proposed model of strategic adaptation, but to determine whether there are cultural influences on the process and its output. It would go beyond

the scope of this study to investigate all phases of the process in detail. The number of variables involved and the length of a potential questionnaire for the empirical study would be extremely impractical. As strategic issue diagnosis is the phase that precedes the others, thus setting the framework for the creation and selection of strategic options, this phase will be the main area of focus for the following discussion regarding cultural influences on the strategic adaptation process. According to Mintzberg et al. (1976),

“[d]iagnosis is probably the single most important routine, since it determines in large part, however implicitly, the subsequent course of action” (p. 274).

Due to its roots in cognitive theory and its emphasis on individual and collective interpretation processes, strategic issue diagnosis also lends itself to be linked with cultural variables, as interpretations in the diagnosis phase are based on beliefs which in turn can be influenced by societal culture.

On the output level of the strategic adaptation process, potential cultural influences on strategic action will be investigated. The 2008–09 global financial and economic crisis will serve as a background for evaluating what strategic actions decision-makers in different countries took in response to one and the same environmental event. Therefore, the second focus of the research will be set on possible cultural differences regarding which strategic actions organizations eventually decided for when adapting to the financial and economic crisis.

As it was already noted in previous chapters, strategic decisions in organizations are rarely taken by one single person without any influence of others. In most cases, each single step in the process involves multiple actors. Therefore, intra-organizational political processes are of high importance in strategic decision-making (Guth 1976). To take the political perspective into account, the third focus of this study will be placed on potential cultural influences on political processes when different actors within an organization decide on how to strategically react in response to a changing environment.

Figure 3.3 shows the three main lines of investigation: the potential influence of national culture (1) on strategic issue diagnosis in strategic adaptation processes, (2) on political processes in strategic adaptation processes, and (3) on strategic action as the output of strategic adaptation processes.

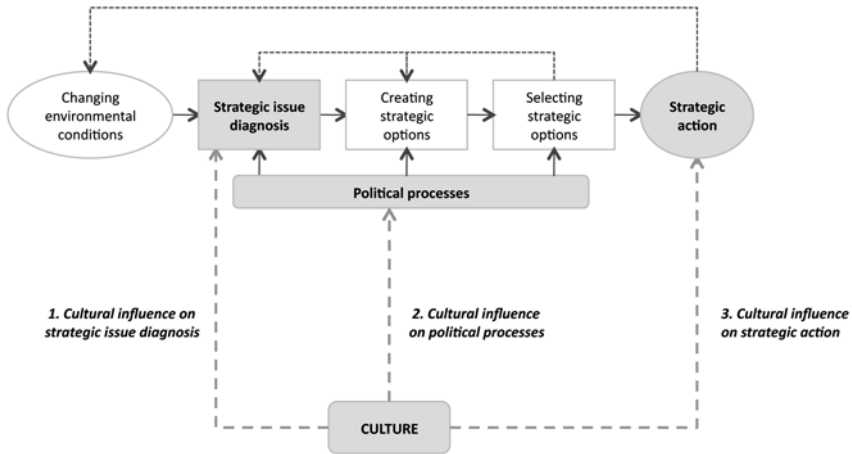


Fig. 3.3 The influence of national culture on strategic decision-making, political processes, and strategic action in strategic adaptation processes

Source: Author

Based on the overall model of strategic adaptation, the following sections in this chapter will elaborate on two of the three main areas of research interest, *strategic issue diagnosis* and *political processes* involved in strategic decision-making processes, with *strategic action* in response to the economic crisis being the topic of chapter 4.

3.7 Strategic issue diagnosis

Strategic adaptation is based on strategic decision-making, which in turn is hard to imagine without any form of diagnosis (Mintzberg et al. 1976). Using Ansoff’s (1975) term of ‘strategic issues’ for environmental trends and events that can have a major impact on an organization and its future strategy, Dutton et al. (1983) developed the concept of *strategic issue diagnosis*, which Julian and Ofori-Dankwa (2008) describe as “the assessment and infusion with meaning of issue-related data with a view to building organizational momentum to action” (p. 95) In other words, strategic issue diagnosis is centered on how decision-makers are distilling the essence out of the plethora of data and stimuli they are exposed to on a daily basis – an essence upon which strategic decisions and subsequent strategic actions are built.

Strategic issues diagnosis is a more comprehensive concept than strategic problem formulation, as it includes not only negative problem or threat cat-

egorizations but also positive interpretation in the form of opportunities (Dutton et al. 1983).

As was noted before, managers are – just like other human beings – subject to bounded rationality (March and Simon 1958). They are limited in their information-processing capacity and therefore unable to attend to every single stimulus within the environment. Decision-makers' cognitive bases and values influence those areas to which they direct their attention ('field of vision'), as well as what is perceived, and how the perceived bits of information are interpreted (Hambrick and Mason 1984). Strategic issue diagnosis forms the first step of the strategic adaptation process, making actors within the organizations aware of environmental changes and transforming them into recognized strategic issues which can have a major impact on the future of the organizations.

The way in which strategic issues are interpreted by decision makers influences what actions an organization will take (Meyer 1982; Dutton and Jackson 1987). Strategic issue diagnosis, describing how decision-makers make sense of events with possible strategic consequences, is a vital linking pin in understanding how individual and collective interpretation and judgement of environmental change affect the choice of strategies and organizational action.

Understanding strategic issue diagnosis is therefore essential for the ability to understand strategic adaptation to major environmental change. For Dutton and Duncan (1987), "a major reason organizations respond differently to changes in the environment involves how strategic issues are triggered and interpreted by decision-makers" (p. 279). Huff et al. (2000) point out that before organizations take strategic change action in response to environmental events and developments, 'old strategic frames', as they call it, which are no longer useful under the changed environmental circumstances, must change.

Dutton et al. (1983, p. 315) identified at least four issue-specific outputs of the strategic issue diagnosis process, both at an individual and a collective level: (a) assumptions, (b) cause-effect understandings, (c) predictive judgements, and (d) language and labels as an output of symbolic nature (e.g. labeling an issues as an 'opportunity' or a 'threat'). On the other hand, *cognitive maps* – which, referring to Axelrod (1976), Dutton and his colleagues defined as representations of concepts and beliefs held by individuals – are an important input factor to the process of strategic issue analysis, providing "a lens through which individuals view the world" (Dutton et al. 1983). Cognitive maps, in essence, consist of concepts and relationships between them (Tyler and Gnyawali 2009).

According to Dutton et al. (1983), strategic issues, at least at the beginning, are likely to be “broad, diffuse and ill-specified” (p. 308). Thus, their implications are also hard to understand, leading to a need of more intense cognitive attentiveness (Julian and Ofori-Dankwa 2008), or, as Dutton et al. (1983) put it, the need to “order, explicate and imbue with meaning” (p. 307) a high amount of “ambiguous data and vaguely felt stimuli” (ibid.).

Strategic issues first have to be recognized as such, either by active environmental scanning (Aguilar 1967) or passively through the accumulation of stimuli to such a level that an ‘action threshold’ is reached (Mintzberg et al. 1976). Once strategic issues are recognized, decision-makers are trying to make sense of them by way of interpretation, the process of “fitting [...] information into some structure for understanding and action” (Thomas et al. 1993, p. 241).

However, strategic issue diagnosis is not a linear process. Earlier interpretation can be overturned in the light of new data or a re-interpretation of old data. New participants as well as new points of view have the potential to change both the label and the importance that is placed on an issue. Summarized by Dutton et al. (1983):

“Data search does not unambiguously precede evaluation or interpretation; interpretations influence further search activities. In short, interpretation and search are interactive.” (p. 312)

Research has also shown that strategic issue analysis is not independent of the organizational context in which it takes place. Thomas and McDaniel (1990) found that both the prevalent strategy in an organization and the information-processing structure of the top management team have an influence on strategic issue interpretation. They concluded that a management team’s capacity to gather, process, and convey information has an effect on how strategic issues are interpreted (Thomas and McDaniel 1990).

Strategic issue diagnosis takes place at the top management level of an organization (Dutton and Duncan 1987; Barr 1998). Therefore, this study also focuses on how members of the top management team interpret and act upon perceived changes within an organization’s environment. In one of the most recent studies on strategic issue diagnosis, Plambeck and Weber (2010) found that the perception about how much control an organization has over its environment is linked to CEOs seeing new strategic issues in more ambivalent ways, noting that also culture may have an influence on how strategic issues are evaluated.

3.7.1 Opportunities and threats

One of the dominant models of understanding the interpretation and subsequent response to strategic issues is the opportunities and threats concept. Decision-makers categorize strategic issues in either of the two categories (Dutton and Jackson 1987). This notion of categorization of environmental factors is generally based on social categorization theory (Rosch 1975). People are “organizing objects into meaningful groups” (Dutton and Jackson 1987). These cognitive categories “are used by strategic decision makers because they help store information more efficiently and aid communication with others about ambiguous strategic issues” (Dutton and Jackson 1987, p. 78). Categories are employed by managers to channel their thoughts regarding strategic situations (Stubbart 1989; Reger and Palmer 1996). They reduce complexity, thereby enabling focused decision-making.

It is important to note that categorization usually means that managers spend little time and effort to fully understand issues (Dutton 1993), thus providing a ‘cognitive shortcut’ (Julian and Ofori-Dankwa 2008) when interpreting major events in the organization’s environment. This point was also emphasized by Mintzberg et al. (1976):

“Furthermore, the individual decision maker uses a number of problem solving shortcuts—satisficing’ instead of maximizing, not looking too far ahead, reducing a complex environment to a series of simplified conceptual ‘models.’”
(p. 247)

Reger and Palmer (1996) distinguished between an ‘automatic mode’ of information processing (described as mainly unintentional and occurring outside of awareness) and a ‘controlled mode’ of information processing (effortful and intentional), and connect categorization mainly to the former cognitive mode, which is also consistent with the ‘shortcut’ argument. Stubbart (1989) even went a step further, calling human information processors “lazy organisms” (p. 338).

While the conceptual model of a ‘threat’ can be defined as “a *negative* situation in which loss is likely and over which one has relatively *little control*”, an ‘opportunity’ is a “*positive* situation in which gain is likely and over which one has a fair amount of *control*” (Dutton and Jackson 1987, p. 80, italics in the original). As also Chattopadhyay et al. (2001) noted, there are actually two dimensions included in this definition: (a) the extent to which an environmental situation is interpreted on a possible gain – possible loss scale and (b) whether a situation is perceived as control-reducing or control-enhancing.

Dutton and Jackson's (1987) statement that threats imply reduced control over situations while opportunities describe perceptions about situations over which management has considerable control leads to Thomas et al.'s (1993) argument that in situations interpreted as a threat, management's attention is more focused on more easily controllable, internal action directed at enhancing efficiency (such as, for example, cost-cutting). Conversely, in situations interpreted as an opportunity, managers have a greater sense of control, which leads to a more risk-taking behaviour and a higher propensity to act on the outside (e. g. launching new products or endeavours on new markets). It was found that the interpretation of situations as controllable can lead to a propensity to change product/service-offers (Thomas et al. 1993) and to favouring more proactive strategies (Sharma 2000).

However, an opposite line of argumentation to that of Thomas and his colleagues also exists in prospect theory (Fiegenbaum and Thomas 1988): According to this reasoning, managers facing positive situations are more risk-averse because they can lose more than they can win. On the other hand, in situations interpreted as a threat, more risk-taking behaviour could emerge due to the feeling that there is little to lose. Chattopadhyay et al. (2001) suggested a synthesis of these two different point of views, drawing upon the possible gain versus possible loss and control-enhancing versus control-reducing dimensions of opportunities and threats. They hypothesized that organizational action is more likely to be internally directed when facing control-reducing threats or opportunities with possible gains, and more externally directed when facing control-enhancing opportunities and threats with a possible loss. Although the tendency towards more internally-directed action in the face of control-reducing threats was found in empirical analysis, no clear action pattern could be established in case of environmental opportunities (Chattopadhyay et al. 2001). The research also did not take threats and opportunities of different magnitudes into account.

Categorizing or labeling an issue as a threat or an opportunity can have an important effect on managerial action and thus of subsequent organizational performance (Dutton and Jackson 1987), as categorizations relate to human intentions, or, in the words of Stubbart (1989), "creating categories is closely tied to problem-solving activities" (p. 332). The results of a study by Staw et al. (1981) suggest that while opportunity interpretations lead to more offensive responses, threat interpretations tend to be associated with defensive responses or even no response. Nutt (1984) found that when issues are categorized as opportunities, this leads to a more open search for solutions and possible ways of action than when issues are perceived as threats.

The findings of an empirical study by Jackson and Dutton (1988) indicate that managers are more sensitive to information leading to the interpretation of ambiguous situations as threats than as opportunities. This is supported by psychological research which has found that negative feedback or threats are often more attended to than positive feedback or opportunities (Wofford and Goodwin 1990; Taylor 1991).

Interpretations as threats or opportunities are not always one-dimensional. Situations can be ambiguous and it is possible that they are seen as including both factors that pose threats to the organization and factors that open opportunities at the same time. Gilbert (2006) showed that opportunity and threat should be treated as two separate constructs for issue diagnosis instead of treating them as two ends of one continuum. In their study of how companies interpreted the environmental change of a significant increase in e-commerce, Anderson and Nichols (2007) found that threat and opportunity interpretations can also change over time. While the respondents in their study initially did not regard e-commerce as very threatening to their businesses, they adjusted their interpretations in the light of gathering more information to seeing the threat inherent in these new developments. This interpretation, in turn, was countered again when even more diverse information was gathered confirming their original hypothesis that e-commerce was not so much of a threat after all. On average, threat levels of the e-commerce issue were considered to be rather low by the managers questioned in this study, while opportunity levels were generally estimated to be much higher. Anderson and Nichols concluded that managers do not categorize events exclusively as opportunities and threats, but interpret issues as having different combinations of opportunity and threat levels (e. g. low threat – low opportunity, low threat – high opportunity, high threat – low opportunity, high threat – high opportunity).

Therefore, four issue interpretation possibilities can be distinguished in the opportunities and threats space: Situations that are neither interpreted as opportunities nor as threats do not constitute strategic issues under this categorization. In case one of the two factors dominates while the other only plays a negligible role, 'opportunity-dominant' or 'threat-dominant' issues can be distinguished. When the same issues are seen as both negative and positive at the same time, it is a case of interpretive ambivalence (Plambeck and Weber 2010). The following Figure 3.4 shows these four possibilities of opportunity/threat interpretation.

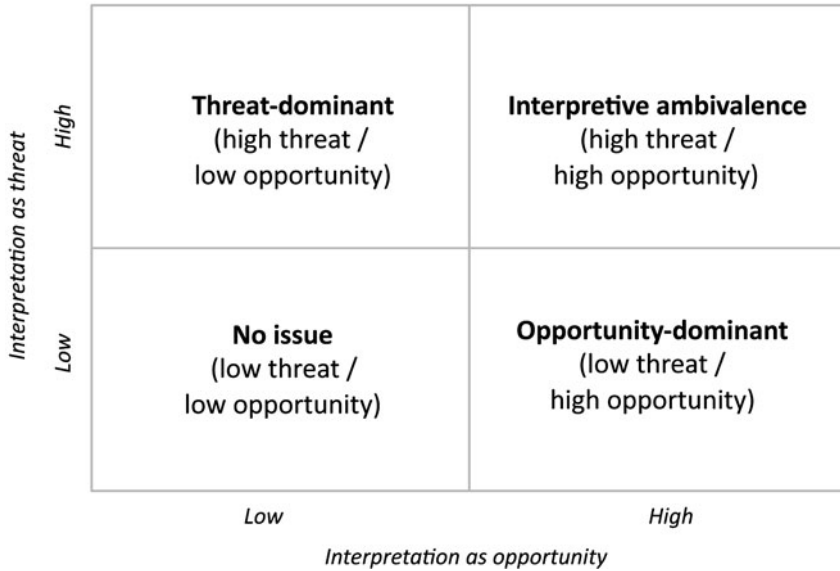


Fig. 3.4 The opportunity/threat issue interpretation space

Source: Author

In Chinese language, the word ‘crisis’ (‘weiji’), actually contains interpretive ambivalence, as it includes two meanings: ‘danger’ and ‘opportunity’ (Kim 1998). Lorange (2009) suggested to eliminate the term “crisis management” and replace it with “unexpected opportunity management”.

3.7.2 Urgency and feasibility

Dutton and Duncan (1987) introduced two additional major interpretation categories to the field of strategic issue diagnosis: *urgency* of taking action on a particular issue and the concept of *feasibility* of dealing with an issue, both of which are essential for creating momentum for change. They also play a determining role in whether organizations will decide for either more radical or more incremental responses to a strategic issue. When investigating strategic responses to technological change, Ginsberg and Venkatraman (1995) found that both urgency and feasibility shape response momentum.

Urgency, in the words of Dutton and Duncan, “captures the *perceived importance* of taking action on an issue” (1987, p.283, italics in the original). Ginsberg and Venkatraman (1995) add that also the converse has to be taken into account, the perceived cost of not taking action. Urgency is linked to the

perceived need or pressure to make (strategic) changes within an organization. High urgency interpretations of strategic issues are usually associated with time pressure, visibility to important internal and external stakeholders, and the extent of potential threat that an issue poses to the dominant coalition within the organization (Dutton and Duncan 1987). Urgency assessment is based both on rational considerations and on mental models of the involved decision-makers (Camillus and Datta 1991; Julian and Ofori-Dankwa 2008). Dutton et al. (1990) found that managers' assessment of issue urgency significantly correlated with giving an issue a priority on the divisional or corporate agenda. Thus, the higher the urgency perception of an issue of the management, the higher the chance that strategic action is taken by the organization in response to this issue.

To turn to the next category, assessing the feasibility of an issue means making judgements about the possibility to resolve it (Dutton and Duncan 1987). This assessment involves (a) understanding the issue, (b) the identification of means for resolving the issue, and (c) a perception of whether these means are available to and accessible for the organization (Dutton and Duncan 1987). The comprehension of causal relationships is as important for feasibility as having access to the means to carry out an adequate response to resolve the strategic issue (Milliken 1990; Julian and Ofori-Dankwa 2008). In short, issue feasibility is a function of *issue understandability* and *issue manageability* (Ginsberg and Venkatraman 1995).

Julian and Ofori-Dankwa (2008) revealed a positive correlation between urgency interpretations and threat as well as a negative one between urgency and opportunity, and a positive feasibility–opportunity as well as a negative feasibility–threat correlation. That means that issues were often seen as both urgent and threatening, while opportunities were more often seen as not so urgent. On the other hand, opportunities were perceived as more easily understandable and easier to manage than threats.

Diagnosing strategic issues as threats and opportunities as well as classifying them in terms of urgency and feasibility constitutes the first step in the process of strategic adaptation to environmental change.

3.8 Political behaviour and conflicts in strategic decision-making processes

For Narayanan and Fahey (1982),

“[f]undamentally, organizations are political entities: coalitions of interests and demands emanate from within and outside organizations. [...] [T]he content of strategic decisions is viewed as an outcome of transactions of power and influence.” (p. 26)

As pointed out in chapter 2, strategic decision processes also have a political dimension. Shook et al. (2005) noted that “focusing on issues from both the strategic and political perspectives may provide greater insight into the overarching concerns of top managers” (p. 164).

Many decisions in organizations are the outcome of group decision-making processes. Group decisions differ from individual ones in that they usually involve a greater diversity of opinions, attitudes, communication styles, and interests (Milch et al. 2009). Whenever diverging interests are involved, there is a tendency towards political behaviour, as interpreting issues as ‘political’ means that there are beliefs some members of the organization will gain at the expense of others (Shook et al. 2005). As an effect, self-interest and group interest are becoming more important than organizational interests (Buchanan 2008).

The important role politics plays in organizational decision-making processes is widely acknowledged in management and strategy research. Burns and Stalker (1961) argued that the form taken by any management system is affected by “the relative strength of individual commitments to political and status-gaining ends” (p. 96). Child (1972) suggested that strategic choice is essentially based on political processes in which powerful members of an organization decide upon different courses of strategic action, an assumption for which Mintzberg et al. (1976) also found empirical evidence. Similarly, Cyert and March (1992) acknowledged the influence of coalition-building and political processes on organizational decisions. Thus, dominant coalitions, their perceptions, and their political behaviour have an important influence on the process of adapting to the environment (Miles and Snow 1978).

Organizational politics can have an impact on the types of goals and objectives that an organization pursues (Quinn 1977). Furthermore, political behaviour can also affect an organization’s effectiveness. Eisenhardt and Bourgeois’ (1988) study, for example, showed a negative correlation between the extent of political engagement in a management team and organizational ef-

fectiveness. Possible reasons that were suggested included that political behaviour is time-consuming and restricts the flow of information (Eisenhardt and Bourgeois 1988). Political behaviour may also lead to situations in which some potentially beneficial alternatives are not considered due to being in conflict with powerful individuals' goals (Elbanna 2006). Therefore, the amount of political behaviour in the decision-making process can also play an important role in how effective an organization is in adapting to changing environmental circumstances. Eisenhardt (1999) argues that it is necessary to defuse political behaviour in organizations, as it often distorts the information base, thus leading to poor strategic decision-making processes.

Politics are intimately linked to *power*. In the definition of Eisenhardt and Bourgeois (1988), politics are "the observable, but often covert, actions by which executives enhance their power to influence a decision" (p. 738). Actually, a very short definition sees politics as "power in action" (Hardy 1996, p. S 3). Managers have two options if the prevailing power distribution in organization is not in line with the strategic decisions they prefer: (a) to adapt the decision that they favour, or (b) to change the distribution of power in the organization (Guth 1976). Power imbalance was also identified as a major reason for political behaviour in organizations (Eisenhardt and Bourgeois 1988). Hardy (1996) calls for taking political and power issues into account when discussing strategic change, as "[p]retending that power does not exist, does not make it go away" (p. S 14).

Finkelstein (1992) identified different *dimensions of top managers' power*: structural power based on hierarchical authority, ownership power managers have as agents on behalf of shareholders, expert power due to the ability to deal with environmental contingencies, and prestige power based on personal reputation or status. He also argues that top managers' power plays an important role in strategic choice (Finkelstein 1992).

Political processes in organizations do not only take place in the phase in which the actual decision on strategic action is taken. Political interests can already influence the way in which external events or developments are recognized (e.g. through withholding data) and interpreted (e.g. through processes like bargaining and negotiation) within an organization. Thus, politics can play an important role also in the issue diagnosis process (Dutton et al. 1983) described in section 3.7, especially when the players involved understand the link between issue diagnosis, subsequent strategic decision-making, and organizational action. Those who are able to influence which data or stimuli are attended to and how they are interpreted within the organization also have a significant influence on further decision-making. Political pro-

cesses taking place *within* the strategic issue diagnosis process are the domain of ‘issue selling’ (Dutton and Ashford 1993).

Also in the subsequent phases of the strategic decision-making process, politics can intrude. Individuals or coalitions can try to use political tactics to influence which strategic alternatives are actually discussed, which decision criteria are applied to decide between alternatives, as well as who decides and what decision processes are employed. Favoured strategic options will be supported and advocated, less favoured ones undermined. Strategic action in response to environmental change will thus be potentially affected by political behaviour at all stages of the strategic decision-making process (see also Figure 3.5). In a political model of organizations, “choice is a function of the organizational power distribution, as well as the relative effectiveness of the political tactics used by participants” (Dean and Sharfman 1993, p. 1071).

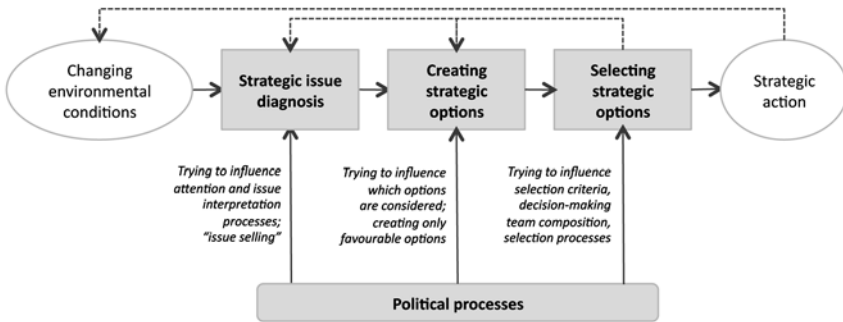


Fig. 3.5 Political influences on the strategic adaptation process

Source: Author

3.8.1 Political behaviour in organizations

Political behaviour in organization becomes manifest in many forms. Political processes take place in public (e. g. official meetings) or private (e. g. one-to-one appeals to powerful actors within the organization) settings (Dutton and Ashford 1993). Political actions include: bargaining, behind-the-scenes coalition formation, lobbying, cooptation attempts, withholding or distorting information, and controlling agendas, and can be contrasted with ‘non-political’ behaviour such as open discussions or full information sharing (Eisenhardt and Bourgeois 1988; Dean and Sharfman 1993).

In an empirical study conducted by Mintzberg et al. (1976), it was found that the political behaviour of *bargaining* appeared in more than half of all of

the decision processes under investigation. In Allen et al.'s (1979) study of political behaviour, the following tactics were the most cited ones: blaming and attacking others, use of information as a political tool, creating and maintaining a favourable image and developing a base of support (getting others to commit to an idea). The most common political behaviours that Buchanan (2008) found in his empirical study were network-building, inducing key influencers to support initiatives, making friends with influential people, 'bending the rule', and acts of self-promotion.

The main political instruments in the selection phase of strategic decision-making are bargaining and negotiation. Efforts are directed towards altering the organization's goal structure (e. g. through changing decision criteria), resource allocations (e. g. through demonstrating that organizational goals are supported by a specific allocation), and social reality (Narayanan and Fahey 1982). Bargaining is only possible between groups or individuals who have some control over essential resources, information, and/or choices.

It is important to notice that internal politics may also divert the attention of managers from potentially important environmental changes (Zahra 1987). Although the overall correlation between the intensity of organizational politics and performance levels of organizations was negative in Zahra's (1987) empirical study, also positive impacts on certain aspects of the strategic process could be observed, for instance on the quality of long-range planning or on effective strategy selection and implementation. One possible explanation is that political behaviour can lead to a more intense evaluation of different perspectives, similar to a potentially positive effect of cognitive conflicts on decision quality (Simons and Peterson 2000).

3.8.2 The role of conflicts

Although not all conflicts are necessarily linked with politics (Drory and Romm 1988), conflict plays a role in organizational politics (however, a not as crucial one as power imbalance) (Eisenhardt and Bourgeois 1988). Amason (1996) distinguished between two types of conflict that prevail in group decision-making: *cognitive conflict* and *affective conflict*. While cognitive conflict involves different judgements about how to achieve certain organizational goals based on different perspectives on the environment, affective conflict involves emotions and inter-personal problems. While cognitive conflict can significantly improve decision quality through taking a variety of perspectives into account in a dialectically-styled process, affective conflict usually

shows detrimental effects with strong negative sentiments of the participating parties impeding a high-quality decision-making process (Amason 1996). The essential role of cognitive conflict for quality in decision-making was also pointed out by Eisenhardt et al. (1997), who even advocated organizational tactics to purposefully induce more cognitive conflicts into an organization, for example through building heterogeneous teams, creating frequent interaction, cultivating distinct roles, and using multiple-lens heuristics such as multiple alternatives, multiple scenarios, competitor role plays, or overlapping sub-groups. Cognitive conflicts and affective conflicts are not necessarily independent from each other. They often occur together, as cognitive conflict may induce friction and affective conflict (Amason 1996).

Conflict is a universal characteristic of human social life. However, “there are important cultural differences in its levels and forms” (Ross 2000). Whether these cultural differences that are asserted by Ross also influenced conflict behaviour in the strategic adaptation process following the 2008–09 global financial and economic crisis will be tested in the empirical part of this book. Furthermore, possible cross-cultural differences in the extent of political behaviour during the strategic adaptation process will also be explored. Hambrick and Mason (1984) argued that organizational outcomes, especially organizational strategies, are based on the values and cognitive bases of *powerful actors* within the organization. Powerful actors within organizations usually employ political behaviour to become and remain powerful. If this behaviour is also based on their values and cognitive bases, and if, on the other hand, values and cognitive bases of the members of a society are influenced by culture, a possible influence of culture on political behaviour in strategic decision-making processes can be hypothesized.

3.9 Other variables with possible influence on the strategic adaptation process

In this book, the possible effect of national culture on the strategic adaptation process is investigated. More specifically, we focus on the potential cultural influences on one major phase in this process (strategic issue diagnosis), on one influencing factor on this process (political and conflict behaviour), and on the output of this process (strategic action in response to major environmental change). However, factors other than national culture could also have an influence on possible differences various organizations exhibit in their strategic adaptation process. Three salient factors that emerge from literature are

organizational size, industry, and slack. Therefore, these factors also need to be included in the design of the empirical research as control variables.

3.9.1 Organizational size

Welsh and White (1981) noted that “[a] small business is not a little big business” (p. 18). Larger organizations usually have more relationships with actors in their task and general environments. Consequently, they also gather and interpret more information about what is happening within the environment, leading to more extensive environmental scanning behaviour (Yasai-Ardekani and Nystrom 1996). Haveman (1993) found that firm size mediates organizational response to sudden major environmental changes. While smaller firms lacked the resources to rapidly expand and diversify, large organizations often showed inertia to react because of their bureaucratic structures, leading Haveman to the conclusion that medium-sized organization could be the ones in the best position to find the right balance between sufficient resources and flexibility to change.

This also illustrates the two main research streams, creating a situation in which there is no unanimous position among scholars on how size affects strategic response to environmental change. Size-related effects such as economies of scale and scope or experience effects have been identified as a basis for sustainable competitive advantage (Ghemawat 1986). Accordingly, with more experience and greater resource availability, larger companies should also have more capacity to adapt to environmental change. For example, Anderson and McAdam (2006) found that larger organizations implemented and applied business improvement methodologies more often than smaller and medium sized enterprises (SMEs) with their relative lack of resources, structure, and people. Larger organizations typically also hold more slack resources, putting them in a position to have more strategic options to change when faced with changing environmental conditions (Haveman 1993).

On the other hand, the flexibility and closeness to the market of smaller organizations were pointed out as major factors that positively influence a firm’s ability to adapt to changes within the environment (Peters 1992; Chen and Hambrick 1995; Dean et al. 1998). Smaller firms’ resource disadvantages also make them more sensitive to environmental change because they “lack the buffer to accommodate poor strategic choices” (Latham 2009, p. 182).

Larger organizations are associated with greater structural complexity, greater formalization of behaviour, more decentralized decision-authority,

and greater task-specialization (Haveman 1993). Lant and Mezias (1992) referred to greater organizational inertia that can be found in larger organizations due to their formal structures, longer communication lines, and hierarchies. SMEs, on the other hand, do not have to follow formal rules and routines in strategy formulation as is often the case in larger companies, which again increases smaller firms' adaptive capacity (Ebben and Johnson 2005). It is unclear whether this argument holds in the case of strategic decision-making, though. Ghobadian et al. (2008) could not find any significant differences between SMEs and large scale corporations in the formality of strategic planning. However, these particular findings on the formality of strategic planning do not influence the possible validity of the more general argument that, because of higher bureaucratic rigidity, larger organizations could tend to undertake change less readily than SMEs (Haveman 1993). Without the bureaucratic hurdles often found in larger corporations, small firms can achieve faster response cycles (Chen and Hambrick 1995).

Size-dependent differences in responses to economic recession have been determined by DeDee and Vorhies (1998), Shama (1993), Geroski and Gregg (1997), and Latham (2009). In his study of strategic responses to the 2001–03 economic recession in the US software industry, Latham found that larger corporations heavily relied on cost-reduction strategies while small start-up companies tended to focus on revenue generation and increasing or stabilizing their investments (Latham 2009). This might also be based on different interpretations of strategic issues. Larger firms perceived the recession as more detrimental to their business than smaller start-up firms (Latham 2009). Geroski and Gregg (1997) observed that small firms were less likely to focus on the core business (which is quite obvious, as very often they are one-business-only firms), less likely to change organizational structure, and less likely to close plants in times of recession than their larger counterparts.

3.9.2 Industry

Another control variable that needs to be included in the empirical study is the sector or industry an organization is primarily working in. Being part of a specific industry was found to influence the way that managers interpret certain events in their environment by Spender (1989) who used the term '*industry recipes*'. These shared understandings of how to react to certain environmental condition within an industry can be quite persistent (James 2000). In a study of the U.S. hospital industry, Zajac and Shortell (1989) observed that

in case of major environmental change, patterns of change in generic strategies could be found across organizations within one industry.

Thus, drawing general conclusions about relationships between variables from a cross-industry sample has potential pitfalls, especially also regarding cultural influences on strategy, as there is also the possibility that certain elements of industry culture can influence results. For example, the pharmaceutical industry with its long research & development (R&D) and investment cycles could show far higher values in the cultural dimension of future orientation than short-term-oriented industries such as hedge funds. Several researchers (e. g. Gordon 1991; Chatman and Jehn 1994) found that industry differences impose different demands on organizations, thus also leading to industry-related differences in organizational culture. In the GLOBE study (House et al. 2004), in which industry differences were accounted for, it was found that of 61 countries that were studied, on a scale of one (low) to seven (high), the cultural dimension of future orientation on average scored 2.98 for the finance industry and 4.63 for the food industry, showing that significant differences in how cultural dimensions manifest themselves exist between industries (Ashkanasy et al. 2004).

This, however, does not imply that there is one 'global' culture within every industry. Also within the same industry, high country-level differences are possible based on different political and economic systems, and variations in societal cultural factors (Dickson et al. 2004). Calori et al. (1992) discovered systematic differences in the way British and French managers saw their industry sectors. Schneider and Barsoux (1997) noted that "*[i]ndustry culture* is also driven by national culture, or the institutional environment" (p. 120, italics in the original).

Other studies showed consistency among the perceptions managers across several industries hold of their environment. In a study of managers' perceptions in six different Latin American countries, Miller (1993b) found that environmental uncertainty perceptions were widely shared across industries within the same country. In line with these findings, no significant industry differences were found in the Austrian subsample of the GLOBE study regarding cultural dimensions when comparing the data sets of the two investigated industries, food processing and financial services (Szabo and Reber 2007).

Furthermore, there are also research results that (a) show that major differences can occur in the mental models of managers of the same industrial sector (Hodgkinson and Johnson 1994) and (b) suggest that industry recipes lose their usefulness in conditions of high environmental dynamism (Reger and Palmer 1996).

Thus, as is the case with organizational size, it remains unclear whether industry has a systematic influence on the strategic adaptation process or not. Therefore, this variable needs to be included in the research design.

3.9.3 Slack resources

Managerial choice can be restricted by the amount of resources available for following different paths of action. If an organization holds and/or employs more resources than needed for working at full efficiency, these 'slack' resources can also widen the range of strategic options open to the firm. Several authors (e. g. Bourgeois 1981; Chakravarthy 1982; Sharma 2000) suggested that organizations' adaptive response capacity is influenced by the amount of slack resources or surpluses that an organization has amassed. This is also supported by Miller et al. (1996) who identified a positive correlation between the amount of absorbed slack and the breadth of the strategic repertoire of an organization. Slack, they suppose, allows some freedom from routines, thus enabling environmental scanning and experimentation which can lead to new options for strategic action. To summarize, "slack resources are needed to alter current capabilities or to create new ones in response to environmental changes" (Sirmon et al. 2007, p. 278).

Research shows that managerial choice is positively influenced by the amount of slack resources which becomes particularly relevant in times of major negative environmental developments. In a study of company strategies and performance in the Asian economic crisis of the late 1990s, Wan and Yiu (2009) determined a strong relationship between slack and firm performance in times of environmental jolt. Cyert and March (1992) see slack as a 'cushion' when the environment becomes less favourable, absorbing parts of the potential variability in the firm's environment. With slack, firms are more able to absorb adverse effects of environmental changes, leaving more options open of how to strategically respond to them. From a real options perspective, "organizational slack also forms a repository of options" (Bowman and Hurry 1993).

Although most authors assert a positive effect of slack on adaptive capacity, these findings were also doubted by Yasai-Ardekani (1986), who argued that slack can slow a firm's responsiveness to changing environments.

Because of this potential influences of slack on the adaptation capability of a firm and therefore also on processes of strategic adaptation, it needs to be taken into account as a control variable in the empirical part of this book.

3.10 Summary of the strategic adaptation process

Organizations, as was elaborated at the beginning of this chapter, can be in a *state of adaptation* with their environment (also termed ‘strategic fit’). Although such a state is usually very short-lived, they can have the capacity to adapt (*‘adaptability’*), or they can go through different phases of an *adaptation process*.

The process of adaptation is a strategic decision-making process in which actors with bounded rationality make sense of environmental events and developments, and create and select strategic options in response to them. Managerial cognition is a major factor in this process. What managers focus their attention on, how they notice and interpret environmental changes, and how they construct the environment-strategy causal logic considerably influences how strategic issues are perceived and subsequently acted upon. Strategic decision-makers are human beings and as such subject to cognitive deficiencies which then also potentially affect the strategic adaptation process.

Following strategy process research and incorporating concepts from cognitive theory, a three-phase *model of the strategic adaptation process* based on Mintzberg et al.’s (1976) general model of strategic decision processes was proposed. Changing environmental conditions first have to be noticed and infused with meaning by decision-makers in a *strategic issue diagnosis phase*. Strategic issues, those environmental trends and events that have a major impact on an organization and its environment (Ansoff 1975), can be interpreted as opportunities or threats (or both), as well as in terms of urgency and feasibility, the latter being an assessment of the possibility and ability to resolve an issue. The way in which an issue is interpreted has important repercussions on the second and third phases of the strategic adaptation process, the *creation* and *selection of strategic options*.

National culture influences people’s beliefs, values, and thinking patterns which, in turn, can affect managerial cognition and sense-making. Cognition and sense-making, on the other hand, are the basis for the first phase of the strategic adaptation process, strategic issue diagnosis. The potential effect of national culture on strategic issue diagnosis will be tested in the empirical part of this study. The remaining two phases of the adaptation process (creation and selection of strategic options) are outside the scope of the empirical work, thus leaving room for further research.

All three phases of the strategic adaptation process can be influenced by *political behaviour* of actors in an organization, thereby acknowledging the influence that coalition-building, power distribution, and conflicts can have on

strategic decision-making. It was also argued that managers' beliefs and values – and therefore also culture – can have an influence on the extent of political and conflict behaviour in strategic decision-making processes. This asserted influence of national culture on political processes will also be examined in the empirical study.

In addition to whether culture affects the process of strategic adaptation (and here specifically the important phase of strategic issue diagnosis) and one major influencing factor on this process (political behaviour in the decision-making process), the investigation will also cover the possible effects of national culture on the *output* of the strategic adaptation process (the strategic actions a firm takes in response to the major environmental change). For this purpose, the possible strategic responses to one exemplified major environmental change, a global economic crisis, will be analyzed first in the following chapter.

References

- Aguilar, F. (1967). *Scanning the business environment*. New York: Macmillan.
- Allen, R. W., Madison, D. L., Porter, L. W., Renwick, P. A., & Mayes, B. T. (1979). Organizational politics: Tactics and characteristics of its actors. *California Management Review*, 12(1), 77–83.
- Allmendinger, J., & Hackman, J. R. (1996). Organizations in changing environments: The case of East German symphony orchestras. *Administrative Science Quarterly*, 41(3), 337–369.
- Amason, A. C. (1996). Distinguishing the effects of functional and dysfunctional conflict on strategic decision making: Resolving a paradox for top management teams. *Academy of Management Journal*, 39(1), 123–148.
- Ambrosini, V. R., & Bowman, C. (2009). What are dynamic capabilities and are they a useful construct in strategic management?, *International Journal of Management Reviews*, 11(1), 29–49.
- Ambrosini, V. R., Bowman, C., & Collier, N. (2009). Dynamic capabilities: An exploration of how firms renew their resource base. *British Journal of Management*, 20(Supplement 1), S9–S24.
- Anderson, K., & McAdam, R. (2006). Choosing the best business improvement strategy: The effects of organizational size and sector on management decision-making. *Journal of General Management*, 32(1), 13–29.
- Anderson, M. H., & Nichols, M. L. (2007). Information gathering and changes in threat and opportunity perceptions. *Journal of Management Studies*, 44(3), 367–387.

- Ansoff, H. I. (1975). Managing strategic surprise by response to weak signals. *California Management Review*, 18(2), 21–33.
- Ashkanasy, N., Gupta, V., Mayfield, M. S., & Trevor-Roberts, E. (2004). Future orientation. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 282–342). Thousand Oaks et al.: Sage.
- Audia, P. G., Locke, E. A., & Smith, K. G. (2000). The paradox of success: An archival and a laboratory study of strategic persistence following radical environmental change. *Academy of Management Journal*, 43(5), 837–853.
- Axelrod, R. E. (1976). *Structure of decision: The cognitive maps of political elites*. Princeton: Princeton University Press.
- Barnes, J. H. (1984). Cognitive biases and their impact on strategic planning. *Strategic Management Journal*, 5(2), 129–138.
- Barr, P. S. (1998). Adapting to unfamiliar environmental events: A look at the evolution of interpretation and its role in strategic change. *Organization Science*, 9(6), 644–669.
- Barr, P. S., & Glynn, M. A. (2004). Cultural variations in strategic issue interpretation: Relating cultural uncertainty avoidance to controllability in discriminating threat and opportunity. *Strategic Management Journal*, 25(1), 59–67.
- Bateson, G. (2000). *Steps to an ecology of mind*. Chicago: University of Chicago Press.
- Bettis, R. A., & Prahalad, C. K. (1995). The dominant logic: Retrospective and extension. *Strategic Management Journal*, 16(1), 5–14.
- Beyer, J. M. (1981). Ideologies, values, and decision making in organizations. In P.C. Nystrom, & W. H. Starbuck (Eds.), *Handbook of organizational design, Volume 2* (pp. 166–202). New York: Oxford University Press.
- Bigley, G. A., & Roberts, K. H. (2001). The incident command system: High-reliability organizing for complex and volatile task environments. *Academy of Management Journal*, 44(6), 1281–1299.
- Bogner, W., & Barr, P. (2000). Making sense in hypercompetitive environments: A cognitive explanation for the persistence of high velocity competition. *Organization Science*, 11(2), 212–226.
- Bourgeois, L. J. (1981). On the measurement of organizational slack. *Academy of Management Review*, 6(1), 29–39.
- Bowman, E. H., & Hurry, D. (1993). Strategy through the options lens: An integrated view of resource investment and the incremental choice process. *Academy of Management Review*, 18(4), 760–782.
- Buchanan, D. A. (2008). You stab my back, I'll stab yours: Management experience and perceptions of organization political behaviour. *British Journal of Management*, 19(1), 49–64.
- Burns, T., & Stalker, G. M. (1961). *The management of innovation*. Oxford: Oxford University Press.

- Calori, R., Johnson, G., & Sarnin, P. (1992). French and British top managers' understanding of the structure and the dynamics of their industries: A cognitive analysis and comparison. *British Journal of Management*, 3(2), 61–78.
- Camillus, J. C., & Datta, D. K. (1991). Managing strategic issues in a turbulent environment. *Long Range Planning*, 24(2), 67–74.
- Chakravarthy, B. S. (1982). Adaptation: A promising metaphor for strategic management. *Academy of Management Review*, 7(1), 35–44.
- Chatman, J. A., & Jehn, K. A. (1994). Assessing the relationship between industry characteristics and organizational culture: How different can you be? *Academy of Management Journal*, 37(3), 522–553.
- Chattopadhyay, P., Glick, W. H., & Huber, G. P. (2001). Organizational actions in response to threats and opportunities. *Academy of Management Journal*, 44(5), 937–955.
- Chen, M.-J., & Hambrick, D. C. (1995). Speed, stealth, and selective attack: How small firms differ from large firms in competitive behavior. *Academy of Management Journal*, 38(2), 453–482.
- Child, J. (1972). Organizational structure, environment and performance: The role of managerial choice. *Sociology*, 6(1), 1–22.
- Cyert, R. M., & March, J. G. (1992). *A behavioral theory of the firm* (2nd ed.). Malden, MA: Blackwell.
- Daft, R. L., & Weick, K. E. (1984). Toward a model of organizations as interpretive systems. *Academy of Management Review*, 9(2), 284–295.
- Dean, J. W., & Sharfman, M. P. (1993). The relationship between procedural rationality and political behavior in strategic decision making. *Decision Sciences*, 24(6), 1069–1083.
- Dean, T. J., Brown, R. L., & Bamford, C. E. (1998). Differences in large and small firm responses to environmental context: Strategic implications. *Strategic Management Journal*, 19(8), 709–728.
- DeDee, J. K., & Vorhies, D. W. (1998). Retrenchment activities of small firms during economic downturn: An empirical investigation. *Journal of Small Business Management*, 36(3), 46–61.
- Delmas, M. A., & Toffel, M. W. (2008). Organizational responses to environmental demands: Opening the black box. *Strategic Management Journal*, 29(10), 1027–1055.
- Denrell, J., & March, J. G. (2008). Adaptation as information restriction. In J. G. March (Ed.), *Explorations in organizations* (pp. 116–146). Stanford: Stanford University Press.
- Dervitsiotis, K. N. (2006). Building trust for excellence in performance and adaptation to change. *Total Quality Management & Business Excellence*, 17(7), 795–810.
- Descartes, R., Cottingham, J. (Ed.), Stoothoff, R. (Ed.), & Murdoch, D. (Ed.) (1985). *The philosophical writings of Descartes*, Vol. 1. Cambridge: Cambridge University Press.

- Dickson, M. W., BeShears, R. S., & Gupta, V. (2004). The impact of societal culture and industry on organizational culture. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 74–93). Thousand Oaks et al.: Sage.
- DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, *48*(3), 147–160.
- Drory, A., & Romm, T. (1988). Politics in organization and its perception within the organization. *Organization Studies*, *9*(2), 165–179.
- Duncan, R. B. (1972). Characteristics of organizational environments and perceived environmental uncertainty. *Administrative Science Quarterly*, *17*(3), 313–327.
- Dutton, J. E. (1993). Interpretations on automatic: A different view of strategic issue diagnosis. *Journal of Management Studies*, *30*(3), 339–357.
- Dutton, J. E., & Ashworth, S. J. (1993). Selling issues to top management. *Academy of Management Review*, *18*(3), 397–428.
- Dutton, J. E., & Duncan, R. B. (1987). The creation of momentum for change through the process of strategic issue analysis. *Strategic Management Journal*, *8*(3), 279–295.
- Dutton, J. E., & Jackson, S. E. (1987). Categorizing strategic issues: Links to organizational action. *Academy of Management Review*, *12*(1), 76–90.
- Dutton, J. E., Fahey, L., & Narayanan, V. K. (1983). Towards understanding strategic issue diagnosis. *Strategic Management Journal*, *4*(4), 307–323.
- Dutton, J. E., Stumpf, S. A., & Wagner, D. (1990). Diagnosing strategic issues and managerial investment of resources. *Advances in Strategic Management*, *6*, 143–167.
- Ebben, J. J., & Johnson, A. C. (2005). Efficiency, flexibility, or both? Evidence linking strategy to performance in small firms. *Strategic Management Journal*, *26*(13), 1249–1259.
- Eggers, J. P., & Kaplan, S. (2009). Cognition and renewal: Comparing CEO and organizational effects on incumbent adaptation to technical change. *Organization Science*, *20*(2), 461–477.
- Eisenführ, F., & Weber, M. (2003). *Rationales Entscheiden* (4. Aufl.). Berlin/Heidelberg/New York: Springer.
- Eisenhardt, K. M. (1989). Making fast strategic decisions in high-velocity environments. *Academy of Management Journal*, *32*(3), 543–576.
- Eisenhardt, K. M. (1999). Strategy as strategic decision making. *Sloan Management Review*, *40*(3), 65–72.
- Eisenhardt, K. M., & Bourgeois III, L. J. (1988). Politics of strategic decision making in high-velocity environments: Toward a midrange theory. *Academy of Management Journal*, *31*(4), 737–770.
- Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, *21*(10–11), 1105–1121.

- Eisenhardt, K. M., Kahwajy, J. L., & Bourgeois III, L. J. (1997). Conflict and strategic choice: How top management teams disagree. *California Management Review*, 39(2), 42–62.
- Elbanna, S. (2006). Strategic decision-making: Process perspectives. *International Journal of Management Reviews*, 8(1), 1–20.
- Fahey, L., & Narayanan, V. K. (1989). Linking changes in revealed causal maps and environmental change: An empirical study. *Journal of Management Studies*, 26(4), 361–378.
- Fiegenbaum, A., & Thomas, H. (1988). Attitude towards risk and the risk-return paradox: Prospect theory explanations. *Academy of Management Journal*, 31(1), 85–106.
- Finkelstein, S. (1992). Power in top management teams: Dimensions, measurement, and validation. *Academy of Management Journal*, 35(3), 505–538.
- Galbraith, J. R. (1973). *Designing complex organizations*. Reading, Mass.: Addison-Wesley.
- Gardner, H. (1985). *The mind's new science: A history of the cognitive revolution*. New York: Basic Books.
- Gavetti, G., & Rivkin, J. W. (2005). How strategists really think. *Harvard Business Review*, 83(4), 54–63.
- Geroski, P. A., & Gregg, P. (1997). *Coping with recession: UK company performance in adversity*. Cambridge: Cambridge University Press.
- Ghemawat, P. (1986). Sustainable advantage. *Harvard Business Review*, 64(5), 53–58.
- Ghobadian, A., O'Regan, N., Thomas, H., & Liu, J. (2008). Formal strategic planning, operating environment, size, sector and performance: Evidence from the UK's manufacturing SMEs. *Journal of General Management*, 34(2), 1–19.
- Gilbert, C. G. (2006). Change in the presence of residual fit: Can competing frames coexist? *Organization Science*, 17(1), 150–167.
- Ginsberg, A., & Buchholz, A. (1990). Converting to for-profit status: Corporate responsiveness to radical change. *Academy of Management Journal*, 33(3), 445–477.
- Ginsberg, A., & Venkatraman, N. (1985). Contingency perspectives of organizational strategy: A critical review of the empirical research. *Academy of Management Review*, 10(3), 421–434.
- Ginsberg, A., & Venkatraman, N. (1995). Institutional initiatives for technological change: From issue interpretation to strategic choice. *Organization Studies*, 16(3), 425–448.
- Gioia, D. A., & Chittipeddi, K. (1991). Sensemaking and sensegiving in strategic change initiation. *Strategic Management Journal*, 12(6), 433–448.
- Gordon, G. G. (1991). Industry determinants of organizational culture. *Academy of Management Review*, 16(2), 396–415.
- Green, K. M., Covin, J. G., & Slevin, D. P. (2008). Exploring the relationship between strategic reactivity and entrepreneurial orientation: The role of structure–style fit. *Journal of Business Venturing*, 23(3), 356–383.

- Guth, W. D. (1976). Toward a social system theory of corporate strategy. *Journal of Business*, 49(3), 374–388.
- Haeckel, S. H. (1999). *Adaptive enterprise: Creating and leading sense-and-respond organizations*. Boston, MA: Harvard Business Press.
- Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, 9(2), 193–206.
- Hannan, M. T. (1998). Rethinking age dependence in organizational mortality: Logical formalizations. *American Journal of Sociology*, 104(1), 126–165.
- Hannan, M. T., & Freeman, J. (1977). The population ecology of organizations. *American Journal of Sociology*, 82(5), 929–964.
- Hardy, C. (1996). Understanding power: Bringing about strategic change. *British Journal of Management*, 7(Special issue), S3–S16.
- Hatten, K. and Schendel, D. E. (1976). Strategy's role in policy research. *Journal of Economics & Business*, 28(3), 195–202.
- Haveman, H. (1993). Organizational size and change: Diversification in the savings and loan industry after deregulation. *Administrative Science Quarterly*, 38(1), 20–50.
- Hodgkinson, G. P., & Johnson, G. (1994). Exploring the mental mode of competitive strategists: The case for a processual approach. *Journal of Management Studies*, 31(4), 525–551.
- Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. Beverly Hills: Sage.
- House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (Eds.) (2004). *Culture, leadership, and organizations: The GLOBE study of 62 societies*. Thousand Oaks/London/New Delhi: Sage.
- Hrebiniak, L. G., & Joyce, W. F. (1985). Organizational adaptation: Strategic choice and environmental determinism. *Administrative Science Quarterly*, 30(3), 336–349.
- Huber, G. P., & Lewis, K. (2010). Cross-understanding: Implications for group cognition and performance. *Academy of Management Review*, 35(1), 6–26.
- Huff, A. S., Huff, J. O., & Barr, P. S. (Eds.) (2000). *When firms change direction*. New York: Oxford University Press.
- Jackson, S. E., & Dutton, J. E. (1988). Discerning threats and opportunities. *Administrative Science Quarterly*, 33(3), 370–387.
- James, G. E. (2000). Industry-level learning and the social construction of recipes. In A. S. Huff, J. O. Huff, and P. S. Barr (Eds.), *When firms change direction* (pp. 148–175). New York: Oxford University Press.
- Janis, I. L. (1982). *Groupthink*. Boston: Houghton-Mifflin.
- Janis, I. L., & Mann, L. (1977). *Decision-making: A psychological analysis of conflict*. New York: Free Press.
- Julian, S. D., & Ofori-Dankwa, J. C. (2008). Toward an integrative cartography of two strategic issue diagnosis frameworks. *Strategic Management Journal*, 29(1), 93–114.

- Khandwalla, P. N. (1976). The techno-economic ecology of corporate strategy. *Journal of Management Studies*, 13(1), 62–75.
- Kim, L. (1998). Crisis construction and organizational learning: Capability building in catching-up at Hyundai Motor. *Organization Science*, 9(4), 506–521.
- Koffka, K. (1935). *Principles of gestalt theory*. New York: Harcourt, Brace.
- Kuvaas, B. R. (2002). An exploration of two competing perspectives on informational contexts in top management strategic issue interpretation. *Journal of Management Studies*, 39(7), 977–1001.
- Lant, T., & Mezias, S. (1992). An organizational learning model of convergence and reorientation. *Organization Science*, 3(1), 47–71.
- Latham, S. (2009). Contrasting strategic response to economic recession in start-up versus established software firms. *Journal of Small Business Management*, 47(2), 180–201.
- Laux, H. (2003). *Entscheidungstheorie* (5. Aufl.). Berlin/Heidelberg/New York: Springer.
- Lawrence P. R., & Lorsch, J. W. (1967). *Organization and environment*. Homewood, IL: Irwin.
- Liddell Hart, B. H. (1991). *Strategy* (2nd ed.). New York et al.: Meridian Printing.
- Lorange, P. (2009). Optimists have a bright future. <http://www.ft.com/reports/managingdownturn>, Accessed 6 July 2010.
- Lyles, M. A., & Mitroff, I. I. (1980). Organizational problem formulation: An empirical study. *Administrative Science Quarterly*, 25(1), 102–119.
- March, J. G. (2008a). Understanding organizational adaptation. In J. G. March (Ed.), *Explorations in organizations* (pp. 106–115). Stanford: Stanford University Press.
- March, J. G. (2008b). Rationality, foolishness, and adaptive intelligence. In J. G. March (Ed.), *Explorations in organizations* (pp. 167–190). Stanford, CA: Stanford University Press.
- March, J. G. (2008c). Learning and the theory of the firm. In J. G. March (Ed.), *Explorations in organizations* (pp. 79–95). Stanford, CA: Stanford University Press.
- March, J. G., & Simon, H. A. (1958). *Organizations*. New York: Wiley.
- May, C., Stewart, W. H., & Sweo, R. (2000). Environmental scanning behavior in a transitional economy: Evidence from Russia. *Academy of Management Journal*, 43(3), 403–427.
- McGrath, R. G., & Netrker, A. (2004). Real options reasoning and a new look at the R&D investment strategies of pharmaceutical firms. *Strategic Management Journal*, 25(1), 1–21.
- Meyer, A. D. (1982). Adapting to environmental jolts. *Administrative Science Quarterly*, 27(4), 515–537.
- Milch, K. F., Weber, E. U., Appelt, K. C., Handgraaf, M. J. J., & Krantz, D. H. (2009). From individual preference construction to group decisions: Framing effects and group processes. *Organizational Behavior & Human Decision Processes*, 108(2), 242–255.

- Miles, R. E., & Snow, C. C. (1978). *Organizational strategy, structure, and process*. New York: McGraw-Hill.
- Miles, R. E., Snow, C. C., & Pfeffer, J. (1974). Organization-environment: Concepts and issues. *Industrial Relations*, 13(3), 244–264.
- Miller, D. (1993a). The architecture of simplicity. *Academy of Management Review*, 18(1), 116–138.
- Miller, K. D. (1993b). Industry country effects on managers' perceptions of environmental uncertainty. *Journal of International Business Studies*, 24(4), 693–794.
- Miller, D., & Friesen, P. (1980a). Momentum and revolution in organizational adaptation. *Academy of Management Journal*, 23(4), 591–614.
- Miller, D., & Friesen, P. (1980b). Archetypes of organizational transition. *Administrative Science Quarterly*, 25(2), 268–299.
- Miller, D., Korn, H. J., Lant, T. K., & Milliken, F. J. (1996). The evolution of strategic simplicity: Exploring two models of organizational adaptation. *Journal of Management*, 22(6), 863–887.
- Milliken, F. J. (1990). Perceiving and interpreting environmental change: An examination of college administrators' interpretations of changing demographics. *Academy of Management Journal*, 33(1), 42–63.
- Mintzberg, H. (1977). Strategy formulation as a historical process. *International Studies of Management & Organization*, 7(2), 28–40.
- Mintzberg, H., Raisinghani, D., & Théorêt, A. (1976). The structure of 'unstructured' decision processes. *Administrative Science Quarterly*, 21(2), 246–275.
- Mintzberg, H., Ahlstrand, B., & Lampel, J. (2009). *Strategy safari: Your complete guide through the wilds of strategic management* (2nd ed.). Harlow: Financial Times Prentice Hall.
- Nadkarni, S., & Barr, P. S. (2008). Environmental context, managerial cognition, and strategic action: An integrated view. *Strategic Management Journal*, 29(13), 1395–1427.
- Narayanan, V. K., & Fahey, L. (1982). The micro-politics of strategy formulation. *Academy of Management Review*, 7(1), 25–34.
- Nicolaidis, N. G. (1960). *Policy-decision and organization theory*, John W. Donner Memorial Fund, Publication No. 11. Los Angeles: University of Southern California Bookstore.
- Nutt, P. C. (1984). Types of organizational decision processes. *Administrative Science Quarterly*, 29(3), 414–450.
- O'Reilly, C. A. (1980). Individuals and information overload in organizations: Is more necessarily better? *Academy of Management Journal*, 23(4), 684–696.
- Ocasio, W. (1997). Towards an attention-based view of the firm. *Strategic Management Journal*, 18(special issue), 187–206.
- Paine, F. T., & Anderson, C. R. (1977). Contingencies affecting strategy formulation and effectiveness: An empirical study. *Journal of Management Studies*, 14(2), 147–158.

- Péli, G. (2009). Fit by founding, fit by adaptation: Reconciling conflicting organization theories with logical formalization. *Academy of Management Review*, 34(2), 343–360.
- Peters, T. (1992). Rethinking scale. *California Management Review*, 35(1), 7–29.
- Pfiffner, J. M. (1960). Administrative rationality. *Public Administration Review*, 20(3), 125–132.
- Plambeck, N., & Weber, K. (2010). When the glass is half full and half empty: CEOs' ambivalent interpretations of strategic issues. *Strategic Management Journal*, 31(7), 689–710.
- Prahalad, C. K., & Bettis, R. A. (1986). The dominant logic: A new linkage between diversity and performance. *Strategic Management Journal*, 7(6), 485–501.
- Quinn, J. B. (1977). Strategic goals: Process and politics. *Sloan Management Review*, 19(1), 21–37.
- Reger, R. K., & Palmer, T. B. (1996). Managerial categorizations of competitors: Using old maps to navigate new environments. *Organizational Science*, 7(1), 22–39.
- Rosch, E. (1975). Cognitive reference points. *Cognitive Psychology*, 7(4), 532–547.
- Ross, M. H. (2000). The relevance of culture for the study of political psychology. In S. A. Reshon (Ed.), *Political psychology: Cultural and crosscultural foundations* (pp. 33–46). Houndmill/Basingstoke: Macmillan.
- Schein, E. H. (2004). *Organizational culture and leadership* (3rd ed.). San Francisco: Jossey-Bass.
- Schneider, M., & Somers, M. (2006). Organizations as complex adaptive systems: Implications of complexity theory for leadership research. *Leadership Quarterly*, 17(4), 351–365.
- Schneider, S. C. (1989). Strategy formulation: The impact of national culture. *Organization Studies*, 10(2), 149–168.
- Schneider, S. C., & Barsoux, J.-L. (1997). *Managing across cultures*. Hemel Hempstead: Prentice Hall Europe.
- Schneider, S. C., & De Meyer, A. (1991). Interpreting and responding to strategic issues: The impact of national culture. *Strategic Management Journal*, 12(4), 307–320.
- Schwenk, C. R. (1984). Cognitive simplification processes in strategic decision making. *Strategic Management Journal*, 5(2), 111–128.
- Schwenk, C. R. (1989). Linking cognitive, organizational and political factors in explaining strategic change. *Journal of Management Studies*, 26(2), 177–187.
- Shama, A. (1993). Marketing strategies during recession: A comparison of small and large firms. *Journal of Small Business Management*, 31(3), 62–72.
- Sharma, S. (2000). Managerial interpretations and organizational context as predictors of corporate choice of environmental strategy. *Academy of Management Journal*, 43(4), 681–697.
- Shook, C. L., Payne, G. T., & Voges, K. E. (2005). The “What” in top management group conflict: The effects of organizational issue interpretation on conflict among hospital decision makers. *Journal of Managerial Issues*, 17(2), 162–177.

- Simon, H. (1957). *Models of man: Social and rational*. New York: Wiley and Sons.
- Simons, T. L., & Peterson, R. S. (2000). Task conflict and relationship conflict in top management teams. *Journal of Applied Psychology*, 85(1), 102–111.
- Sirmon, D. G., Hitt, M. A., & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review*, 32(1), 273–292.
- Smart, C., & Vertinsky, I. (1984). Strategy and the environment: A study of corporate responses to crises. *Strategic Management Journal*, 5(3), 199–213.
- Spender, J.-C. (1989). *Industry recipes: An enquiry into the nature and sources of managerial judgement*. Oxford: Blackwell.
- Starbuck, W. H., & Milliken, F. J. (1988). Executives' perceptual filters: What they notice and how they make sense. In D. C. Hambrick (Ed.), *The executive effect: Concepts and methods for studying top managers* (pp. 35–65). Greenwich, CT/London: Jai Press.
- Staw, B., Sandelands, L., & Dutton, J. E. (1981). Threat rigidity effects in organisational behavior: A multilevel analysis. *Administrative Science Quarterly*, 28(4), 582–600.
- Stewart, W. H., May, R. C., & Kalia, A. (2008). Environmental perceptions and scanning in the United States and India: Convergence in entrepreneurial information seeking? *Entrepreneurship: Theory & Practice*, 32(1), 83–106.
- Stubbart, C. I. (1989). Managerial cognition: A missing link in strategic management research. *Journal of Management Studies*, 26(4), 325–347.
- Szabo, E., & Reber, G. (2007). Culture and leadership in Austria. In J. S. Chhokar, F. G. Brodbeck, & R. J. House (Eds.), *Culture and leadership across the world: The GLOBE book of in-depth studies of 25 societies* (pp. 109–146). Mahwah, NJ: Lawrence Erlbaum Associates.
- Taylor, S. E. (1991). Assymetrical effects of positive and negative events: The mobilization-minimization hypothesis. *Psychological Bulletin*, 110(1), 67–85.
- Teece, D. J. (2007). Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal*, 28(13), 1319–1350.
- Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509–533.
- The United States Marine Corps (1994). *Warfighting: The U.S. Marine Corps book of strategy*. New York et al.: Currency Doubleday.
- Thomas, J. B., & McDaniel, R. R. (1990). Interpreting strategic issues: Effects of strategy and the information-processing structure of top management teams. *Academy of Management Journal*, 33(2), 286–306.
- Thomas, J. B., Clark, S. M., & Gioia, D. A. (1993). Strategic sensemaking and organizational performance: Linkages among scanning, interpretation, action and outcomes. *Academy of Management Journal*, 36(2), 239–270.

- Trigeorgis, L. (1996). *Real options: Managerial flexibility and strategy in resource allocation*. Cambridge, MA: MIT Press.
- Tung, R. L. (1979). Dimensions of organizational environments: An exploratory study of their impact on organization structure. *Academy of Management Journal*, 22(4), 672–693.
- Tversky, A., & Kahneman, D. (1974). Judgement under uncertainty: Heuristics and biases. *Science*, 185, No. 4157, 1124–1131.
- Tyler, B. B., & Gnyawali, D. R. (2009). Managerial collective cognitions: An examination of similarities and differences of cultural orientations. *Journal of Management Studies*, 46(1), 93–126.
- Tzu, S. (1971). *The art of war*. New York: Oxford University Press.
- Venkatraman, N., & Prescott, J. E. (1990). Environment-strategy coalignment: An empirical test of its performance implications. *Strategic Management Journal*, 11(1), 1–23.
- Wan, W. P., & Yiu, D. W. (2009). From crisis to opportunity: Environmental jolt, corporate acquisitions, and firm performance. *Strategic Management Journal*, 30(7), 791–801.
- Weick, K. E. (1969). *The social psychology of organizing*. Reading, MA: Addison-Wesley.
- Weick, K. E. (1995). *Sensemaking in organizations*. Thousand Oaks et al.: Sage.
- Welsh, J., & White, J. (1981). A small business in not a little big business. *Harvard Business Review*, 59(4), 18–32.
- Whittington, R. (1988). Environmental structure and theories of strategic choice. *Journal of Management Studies*, 25(6), 521–536.
- Witte, E. (1972). Field research on complex decision-making processes – The phase theorem. *International Studies of Management & Organization*, 2(2), 156–182.
- Wofford, J. C., & Goodwin, V. L. (1990). Effects of feedback on cognitive processing and choice of decision style. *Journal of Applied Psychology*, 75(6), 603–612.
- Wright, G., Van Der Heijden, K., Bradfield, R., Burt, G., & Cairns, G. (2004). The psychology of why organizations can be slow to adapt and change. *Journal of General Management*, 29(4), 21–36.
- Yasai-Ardekani, M. (1986). Structural adaptations to environments. *Academy of Management Review*, 11(1), 9–21.
- Yasai-Ardekani, M., & Nystrom, P. C. (1996). Designs for environmental scanning systems: Tests of a contingency theory. *Management Science*, 42(2), 187–204.
- Zahra, S. A. (1987). Organizational politics and the strategic process. *Journal of Business Ethics*, 6(7), 579–587.
- Zajac, E. J., & Kraatz, M. S. (1993). A diametric forces model of strategic change: Assessing the antecedents and consequences of restructuring in the higher education industry. *Strategic Management Journal*, 14(Special Issue Summer 1993), 83–102.
- Zajac, E. J., & Shortell, S. M. (1989). Changing generic strategies: Likelihood, direction, and performance implications. *Strategic Management Journal*, 10(5), 413–430.

- Zajac, E. J., Kraatz, M. S., & Bresser, R. K. F. (2000). Modeling the dynamics of strategic fit: A normative approach to strategic change. *Strategic Management Journal*, 21(4), 429.
- Zammuto, R. F. (1988). Organizational adaptation: Some implications of organizational ecology for strategic choice. *Journal of Management Studies*, 25(2), 105–120.

4 Strategic action in response to economic crises

The output of an organization's strategic adaptation process, after going through the phases of strategic issue diagnosis, creation, and selection of strategic alternatives, is *strategic action*. As discussed in chapter 2, actions can be considered as strategic if they affect the overall scope and direction of the company or the positioning of the organization within its environment, and if they involve high resource commitments.

According to Miller et al. (1996), crisis situations such as a sudden decline in demand, subsequent cash shortages, and falling short of targeted performance levels lead to a need to broaden the strategic repertoire of managers as the success recipes of the past may no longer lead to desired outcomes. However, the strategic options that a company can pursue in order to adapt to a changing environment are restricted (a) by the material capacity of a firm – i. e. the resources it owns or is able to acquire as well as the number of different uses of these resources, (b) by the latitude of experimentation, which in turn is influenced by constant pressure on short-term performance, leaving less managerial capacity for strategic thinking, and (c) by the extent of financial risk managers are allowed to take (Chakravarthy 1982).

Several studies tried to identify what strategic actions companies take in response to economic crises, some also evaluating their effectiveness. Table 4.1 provides an overview of selected research findings from this field:

Table 4.1 Selected research results on strategic responses to economic crises and recession

Study	Research topic	Type	Sample	Main findings
Chastain (1982)	Strategically balancing resources during recession	Conceptional/heuristic	No empirical study	Organizations should have a balanced approach between appropriate short-term cost-cutting and long-term resource commitments in response to recession.
Smart and Vertinsky (1984)	Strategic response patterns to crises (any crisis, not only economic downturn)	Empirical (quantitative)	94 executives of large firms in diverse industries in the U.S. and in Canada	Different crisis response strategies are used in different environments (e. g. short-term, 'firefighting' strategies in highly complex and turbulent environments; entrepreneurial response in simple, controllable environments).

Study	Research topic	Type	Sample	Main findings
Whittington (1991)	Recession strategies of UK companies in the 1980s and their effects	Empirical (quantitative)	54 British manufacturing firms	Counter-cyclical protection or re-inforcement of existing resource bases lead to higher profitability in post-recession times; rationalization strategies (except cuts in manpower) had a negative effect on post-crisis firm performance.
Shama (1993)	Marketing strategies of small and large firms during the 1991 recession in the U.S.	Empirical (quantitative)	101 U.S. marketing managers	The results suggest that recession affects the perceived impact on pricing and promotion strategies with less reported impact on competitive strategies, marketing strategies, targeting, new product introduction, PR, R&D, consumer credit policies, and distribution.
Geroski and Gregg (1994; 1997)	Corporate strategies and performance in the UK during recession in the early 1990s	Empirical (quantitative)	614 firms in the UK (of various sizes and industries)	Functionally organized companies were less vulnerable to the effects of the recession; The main recession strategies were focusing on the core business, closing establishments, reducing employment, reducing employee wage growth, reducing headquarter costs, disposal of assets, and developing overseas markets.
Bohman and Lindfors (1998)	Strategic change in the 1990 economic crisis in Sweden, from a strategic and ideological perspective	Theoretical and empirical (qualitative)	Case study of 10 Swedish groups of companies/conglomerates in 1990–95	The process of strategic change in response to economic downturn in many companies is incremental and reactive, not anticipating or forward-looking. Certain features characterize the strategic context of firms that tend to perform better in times of crisis: globally balanced distribution of market risk, limited financial risk, ideological consistency, limited dependence on myths, professional political involvement, and analytical strategic actors.
DeDee and Vorhies (1998)	Retrenchment strategies of small firms during the 1989–92 U.S. economic downturn	Empirical (quantitative)	110 U.S. manufacturing firms in pro-cyclical industries	Organizational restructuring, focus on lower cost products, combined with careful management of R&D and product development in times of economic downturn can lead to improved performance for SMEs.

Study	Research topic	Type	Sample	Main findings
				Over-emphasis on cost-cutting is often counterproductive (particularly in sales and marketing).
Michael and Robbins (1998)	Retrenchment strategies of small U.S. firms during recession (1990–91)	Empirical (quantitative)	164 U.S. manufacturing SMEs	Retrenchment is a very common though not universal response of SMEs to recession. Small firms tend to retrench by cutting factors that are easily traded and have low asset specificity while hoarding factors that are not easily traded.
Laitinen (2000)	Medium and long-term success of adaptation strategies of Finnish companies during the recession of 1989–93	Empirical (quantitative)	750 Finnish companies; follow-up study about strategy effectiveness with 644 companies	Classified crisis response strategies into efficiency improvement, marketing improvement, short-term assets/expenses cut, debt restructuring and fixed assets realization, and share emitting strategies. Marketing improvement strategy (investment in customer acquisition, new product development, and marketing) proved to be the most effective adaptation strategy in the medium-term and in the long run; efficiency improvement strategies are also effective in the long-term.
Grewal and Tansuhaj (2001)	Evaluating the usefulness of organizational capabilities for managing the 1997 Asian economic crisis	Empirical (quantitative)	120 managers from SMEs in Thailand	Market orientation is useful for managing crises in conditions of high demand or technological change, while strategic flexibility is very important in managing in crisis environments with high competitive intensity.
Roberts (2003)	Effects of strategic investments during recession on company performance in the recovery (in the 1970s-1990s period)	Empirical (quantitative, based on PIMS data)	1,000 businesses from the PIMS database	Investment into marketing, new product/service innovation, and quality during recession tends to lead to higher company performance in recovery. High manufacturing and administration costs as well as investments in fixed and working capital during recessions were negatively correlated with firm performance during recovery.

Study	Research topic	Type	Sample	Main findings
Chou and Chen (2004)	Pricing strategies in response to the 1999–2002 Taiwanese economic crisis	Empirical (quantitative)	94 Taiwanese retail companies	The authors propose four pricing strategies in response to economic downturn: value strategy, retreat strategy, predatory strategy, and follower strategy. It was found that only resource-abundant firms have the capacity to choose from these strategies.
Pearce and Michael (2006)	Strategies to prevent economic recessions from causing business failure	Conceptual/heuristic	No empirical study	Prescriptive strategies to cope with a recession are proposed: e. g. positioning in multiple markets to diversify risks, turnaround plans with selected cutbacks, maintaining advertising, finding alternative to price cuts such as private labels, finding weak acquisition targets, or making attracting new customers a priority.
Lee et al. (2009)	Effects of the late 1990s Asian economic crisis on Korean firms' export intensity, incorporating the real options perspective	Empirical (quantitative)	283 Korean firms in the pre-crisis period, 292 Korean firms in the post-crisis period	Post-crisis, Korean companies have become more export intensive than pre-crisis.
Kitching et al. (2009)	Adaptation strategies to economic crisis	Theoretical	No empirical study	The authors distinguish between retrenchment, investment, and combined 'ambidextrous' strategies. There is no single 'best fit' strategy that guarantees survival. There is evidence, however, that 'ambidextrous' strategies are more likely to be successful.
Enderwick (2009)	Strategic possibilities to respond to the 2008 financial crisis with an emphasis on emerging markets	Conceptual/heuristic	No empirical study	In times of a crisis, companies can use the opportunities emerging markets offer, e. g. to reduce costs, to gain access to specialist resources, or to better understand new market segments.

Study	Research topic	Type	Sample	Main findings
Rhodes and Stelter (2009)	Simultaneously defensive and offensive strategies in a downturn	Conceptual/heuristic	No empirical study	The authors propose simultaneously defensive and offensive strategies in an economic downturn, including protecting the existing business (through both cost reduction and aggressively managing the top line), divesting non-core businesses on the one hand, investment in people and product development, and pursuing opportunities in M&A on the other hand.
Williamson and Zeng (2009)	Value-for-money strategies in times of recession	Conceptual/heuristic	No empirical study	The authors propose that in times of economic downturn, firms should use knowledge and experience from emerging markets to implement value-for-money strategies in developed countries.

Source: Author

To summarize some basic tendencies emerging from the studies on strategic responses to economic crises and recession investigated above:

- Firms are using a range of (sometimes contradicting) strategic actions in response to an economic crisis, including retrenchment strategies to gain short-term efficiency and pro-active marketing strategies to seize market opportunities, strategies of focusing on the core business to concentrate on strengths and diversification strategies to spread risks, internal optimization strategies and external market-oriented strategies, and changes in pricing strategy.
- Short-term retrenchment and cost-cutting strategies are very common in recessions.
- An over-emphasis on retrenchment strategies can be counterproductive in the medium and long run.
- Firms that invest into market improvement strategies (investments in sales, marketing, new customer acquisition, customer retention) are better equipped for higher performance during recovery.
- A balanced approach covering both short-term (cost-)efficiency improvements and selective market-oriented investments ('ambidextrous' strategies in the words of Kitching et al. 2009) tends to have a higher chance of success, both during as well as after the crisis.

In addition to the literature specifically addressing adaptation strategies in economic crisis situations, there are a number of studies on turnaround strategies for companies that face decline (e. g. Schendel et al. 1976; Hambrick and Schechter 1983; O'Neill 1986; Hoffman 1989; Robbins and Pearce 1992). As an example, Robbins and Pearce (1992) distinguish between strategies in the re-trenchment stage (liquidation, divestment, improving operational efficiency, product elimination, head count cuts) and strategies in the recovery stage (market penetration, re-concentration and segmentation, entering new markets, acquisitions, or new product development).

As strategic action in response to economic crisis is manifold, it seems appropriate to make a classification effort also in this area. Chattopadhyay et al. (2001) distinguished between *externally directed action* (e. g. developing a new market niche) and *internally directed action* (e. g. modifying structure or processes within the organization), the latter often being favoured by managers due to lower risk, ease of implementation, and more control that can be exerted. In another attempt to classify strategies, specifically in times of economic downturn, Whittington (1991) proposed two dimensions along which strategic action can be placed: he distinguished between *rationalization* and *protection/pre-emption* strategies on the one hand, and between *diversification* and *focus* strategies on the other hand.

The three dichotomies of possible strategic action in response to sudden economic downturn are displayed in Figure 4.1 and will be further elaborated on in the following sections.

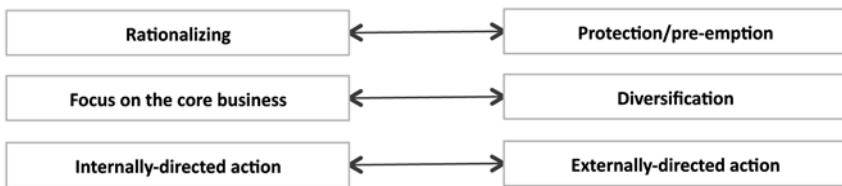


Fig. 4.1 Dichotomies in strategic responses to sudden economic downturn

Source: Author, based on concepts of Whittington (1991) and Chattopadhyay (2001)

It needs to be pointed out that each individual strategic action is not exclusively allocated to one dichotomy only, but can be placed in different dimensions. Acquiring a company as part of a diversification effort, for example, is (a) externally directed, as well as (b) an action of diversification, and (c) an action of pre-emption. However, not every strategic action is necessarily assigned to a distinctive position on every dimension. Laying off workforce, to take another example, is an internally-directed, rationalizing action. On the

dimension of diversification versus focus on the core business, layoffs are *per se* neutral.

Strategies which are mainly financial (e. g. debt restructuring, getting new share capital) rather than strategic in the pure sense are not covered in this study. Laitinen (2000), who also provides an overview of possible financial strategies, found that these were the least effective responses to economic downturn.

4.1 Rationalizing versus protection/pre-emption strategies

The first of the dimensions proposed by Whittington (1991) distinguishes *rationalizing (or retrenchment) strategies* in which reductions of costs and fixed and current assets prevail, and *protection and pre-emption (or anticipation) strategies* which are characterized by holding on to existing resources or even pro-active investment. Cost cutting strategies are one of the most 'natural' responses of companies to economic crises (Bigelow and Chan 1992). A major component of cost-cutting programmes during recessions is usually a reduction in labour costs (Geroski and Gregg 1997). Short-term 'fire-fighting' was found to be one of the most common crisis response strategies in highly complex and turbulent environments (Smart and Vertinsky 1984).

Bohman and Johansson Lindfors (1998) tried to explain the negative consequences of a downward spiral when the emphasis of strategic action lies solely on rationalizing action through proposing a phase model of organizational decline after major recessions, with the phases including (1) few adaptations in the shape of small cost reductions, followed by (2) a deteriorating situation of the company, (3) concentration on the core business and cost reductions, (4) focus on the financial situation of the company and accompanying contraction of the business and reduction in total assets, and finally (5) restructuring and exiting from the business through a merger, selling off or bankruptcy.

There is a trade-off between the financial risk of investment and the competitive risk of divesting (Latham 2009). DeDee and Vorhies (1998) found that too much focus on cost cutting – specifically in sales and marketing – can be counterproductive, having a negative effect on overall company performance. Through the evaluation of data from the PIMS study, Roberts (2003) could determine a clear connection between increased marketing spending during recession and profit increases in the subsequent recovery period. Srinivasan et al. (2005) also found positive immediate in-recession effects of proactive marketing in addition to those in post-recession recovery.

The growth direction of a firm in times of economic downturn does not necessarily have to be a negative one. A bad general economic situation can still hold possibilities for growing a business. Penrose (1995) asserted that “depression is sometimes looked on as a good time to expand: costs are low, plant can be constructed and equipment bought cheaply” (p.244). Investments can be particularly attractive in times of economic crises. For example, companies that are targeted for acquisition may be weakened in a recession, therefore being less expensive to acquire (Pearce and Michael 2006). Studying the strategic acquisition behaviour of companies during the Asian economic crisis of the late 1990s, Wan and Yiu (2009) found that acquisitions during times of major environmental change were positively related to company performance. Also, returns on marketing investments, especially in terms of a growing market share, can be high in times of a recession (Pearce and Michael 2006). A statement of IKEA’s President and CEO Anders Dahlvig provides a good example of this counter-cyclical approach: referring to his company’s expansive strategy in an economic downturn in the years 2002–03, he voiced his opinion that “if you have an offensive strategy in a downturn, like we have, it is an opportunity to distance yourself from your competition” (Dahlvig 2009, p. 13).

Companies can therefore follow different strategic directions in a recession – maximizing short-term efficiency by cutting costs, including the risk of losing out when demand rises again during recovery, or hoarding resources during the recession for future economic boom times, thus allowing short-term cost inefficiencies (Whittington 1991). In Whittington’s terminology, *recessionary rationalisers* and *counter-cyclical hoarders* can be distinguished. Counter-cyclical strategies thereby typically involve higher risks than rationalization strategies (Whittington 1991), however, they also have the potential to show significant positive results when recovery sets in (Mascarenhas and Aaker 1989; Whittington 1991).

In discussing rationalization versus protection/pre-emption strategies, it is necessary also to take a major research stream in strategic management into account, the resource-based view (RBV) of the firm (Wernerfelt 1984; Barney 1991), which in its origins can be traced back to Penrose’s (1995) theory of the growth of the firm from the late 1950s.

In the introduction to this book, we started with the notion that strategic adaptation is necessary to create and maintain value in an organization in the face of changing environmental conditions. According to the RBV, the basis of value creation is the control over and exploitation of resources which are valuable, rare, imperfectly imitable, and non-substitutable (Barney 1991). Re-

sources in Barney's (1991) original sense include not only a firm's assets, but also attributes, information, knowledge, and organizational processes. Resources are bundled to form capabilities, while capabilities in turn are leveraged to take advantage of opportunities on the market and to outperform competitors through processes such as mobilizing, coordinating, and deploying, thus creating value for both customers and owners (Sirmon et al. 2007).

Some authors argue that all these resource-based processes are affected by the environmental context (Sirmon et al. 2007). Andries and Debackere (2006), on the other hand, also acknowledge the potential effects of different resource types on adaptation, especially pointing out the positive role that technological resources (e. g. broadness of technological platform or in-depth know-how about technology) and human resources (e. g. experience in different functional backgrounds) play in making organizations more adept to adapting their business models to environmental changes.

In response to perceived changes within their environments, organizations can change their resource base. Managers who make decisions on whether to acquire, hold, or rationalize/divest resources therefore determine the organization's capabilities for future value creation.

Resource investments and divestments can be made in various areas of the organization along the value chain. Table 4.2 provides an overview of possible rationalizing and protection/pre-emption strategies:

Table 4.2 Rationalizing versus protection/pre-emption responses to sudden economic downturn

Rationalizing strategies	Protection/pre-emption strategies
Cutting costs/divesting in ...	Holding/investing in ...
R&D	R&D
Technology	Technology
Quality	Quality
HR	HR
Production	Production
Marketing	Marketing
Sales	Sales
Customer service	Customer service
Administration	Administration

Source: Author

Kitching et al. (2009) who distinguish between retrenchment (cost-cutting and divestment of non-core assets) and investment strategies suggest that organizations can and also do combine these two approaches into 'ambidex-

trous' strategies, following cost-cutting and selective investment at the same time, thus combining short-term and longer-term perspectives.

4.2 Focus on the core business versus diversification strategies

The second of Whittington's (1991) dimensions of categorizing strategic responses in economic downturns distinguishes between *focus on the core business* and *diversification* strategies. Whether a firm should focus or diversify into other domains was also identified to be a major strategic decision in times of recession by Bigelow and Chan (1992).

Being diversified, especially internationally, can have the advantage that declines in demand in one market can potentially be offset with more positive developments in other markets (Geroski and Gregg 1997). On the other hand, focus on the core business was the single most frequently mentioned strategic reaction to recession in Geroski and Gregg's (1997) study of UK firms' coping actions when faced with economically adverse conditions. This is consistent with March's (2008c) proposition that very often exploitation tends to prevail over exploration, as it yields returns that are closer in time and space. It also reflects the general idea that companies concentrating on their core business can focus on the centres of their competitive advantage, in this way also strengthening their competitiveness, which is especially important under adverse general economic conditions (Whittington 1991).

On the other hand, Enderwick (2009), using examples from the automotive industry, argues that exploitation of opportunities in new markets, specifically emerging markets, could also improve the competitive situation of a company in response to the global economic crisis, for instance through cost reduction effects, gaining access to specialist resources and capabilities, creating opportunities to serve new market segments or having the chance to learn about dynamic market shifts. Using market techniques that were originally developed in emerging markets also in developed markets during times of economic crisis was also advocated by Williamson and Zeng (2009).

A framework that lends itself well to exploring whether an organization takes a focus or diversification approach in strategic response to an economic crisis is Ansoff's (1965) classic product/market grid which was originally developed to classify strategic options for growing a business (market penetration, product development, market development, diversification). This matrix is a useful concept to describe actions of strategic adaptation, as it

comprises the dynamics of development rather than the description of static strategies ‘as they are’, such as, for example, Porter’s (1980) generic strategies (differentiation, cost leadership, and focus). Ansoff, however, only considered one direction – growth.

<i>New products</i>	<ul style="list-style-type: none"> + Investing in new products/ product lines - Divesting of products/ Product lines 	<ul style="list-style-type: none"> + Diversifying the business - Reducing to the core business
<i>Existing products</i>	<ul style="list-style-type: none"> + Market penetration - Selling the business 	<ul style="list-style-type: none"> + Investing in new markets - Withdrawing from markets
	<i>Existing markets</i>	<i>New markets</i>

Fig. 4.2 Strategic growth and divestment responses

Source: adapted from Ansoff 1965, p. 109

In times of recession, firms often choose (or in fact, are forced to choose) the opposite direction – divestment. Thus, Ansoff’s matrix can be used as a basis to distinguish between eight product/market-related strategic moves, four growth strategies (penetrating in the existing product/market domain, investing in new products or product lines, investing in new markets, diversifying the business), and four divestment strategies (selling the business, divesting of products or product lines, withdrawing from markets, and reducing to the core business). Figure 4.2 provides an overview of these eight product/market-related strategies that companies can take in response to economic crises.

4.3 Internally-directed versus externally-directed strategies

The third dimension of the classification of strategic responses to economic crisis distinguishes whether strategic action is mainly directed towards internal changes (e. g. through changing the organizational structure, systems, or resource base), or towards influencing the market or other parts of the external environment. This general dichotomy of strategic action has been proposed by several scholars:

- by Chattopadhyay *et al.* (2001) as *internally-directed* versus *externally-directed*;
- by Dutton and Jackson (1987) as *internal* versus *external responses* to strategic issues;
- by Ginsberg and Venkatraman (1995) as *intra-organizational* and *inter-organizational* action.

The latter authors divide intra-organizational responses into enhancing technological and administrative adaptive competences, and inter-organizational responses into current product-market domain responses and new domain responses. The last sub-distinction resembles the focus on the core business versus diversification strategy dichotomy described in the section 4.2.

Externally-directed action includes the product/market-based growth and divestment responses discussed in the previous section, specifically strategies that are more oriented towards diversification (investing in new products/product lines, investing in new markets, diversifying the business either through organic growth or through mergers & acquisitions) and towards focus on the core business (divesting of products/product lines, withdrawing from markets, and fully reducing to the core business), as well as market penetration strategies which are neutral on the diversification versus reduction to the core business dimension. Market penetration strategies are active top-line development strategies focused on the current product/market domain and include focusing on customer acquisition and customer retention, implementing changes in the distribution policy, and improving existing products. Further externally-oriented strategies include decisions on changes in pricing strategy and putting pressure on suppliers (cf. Whittington 1991; Laitinen 2000). Regarding pricing, Chou and Chen (2004) noticed that only resource-abundant companies have the capacity to choose between different strategies. Others will have little alternative to following the market.

Applying external responses usually means less control and higher dependence on others (Dutton and Jackson 1987). On the other hand, in a study con-

ducted among Finnish companies by Laitinen (2000), external strategies – especially in the form of customer-focused market penetration strategies (investment in new customer acquisition, new product development and marketing) – have proved to be the most effective recession strategies in the medium and long run.

Major *internally-directed* actions in situations of economic downturn include (in addition to cost- and asset-reduction actions discussed along with the rationalization versus protection/pre-emption strategic dimension): tightening control systems (centralization of decision-making, working-capital control, performance control), improving business processes, and changes in the management of the company (cf. Geroski and Gregg 1997; Laitinen 2000). Figure 4.3 provides an overview of internally-directed and externally-directed response strategies to economic crises, thereby also covering the strategies from the previous sections:

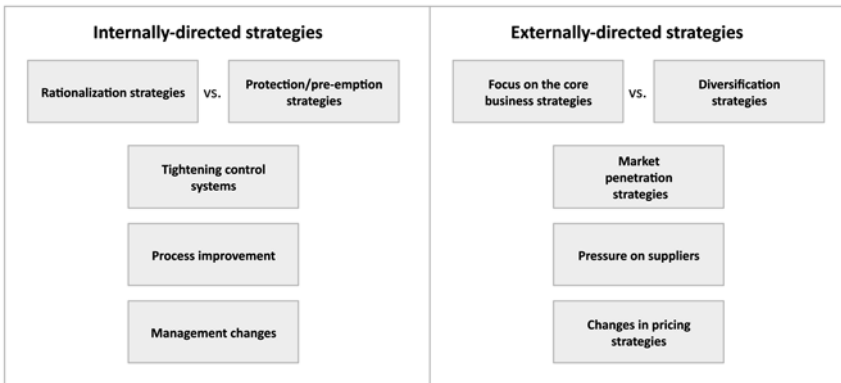


Fig. 4.3 Internally-directed and externally-directed strategic responses to sudden economic downturn

Source: Author

4.4 Summary of adaptation strategies in response to economic crises

The review of the literature on companies' strategies in response to economic crises and downturns revealed a very heterogeneous picture. Firms use a diverse range of strategic actions which can be categorized along three dimensions:

- *Rationalizing strategies versus protection/pre-emption strategies:* Rationalizing or retrenchment strategies are very commonly used in times of economic downturn in order to gain short-term efficiency. An over-emphasis on cutting costs and divesting assets, however, can be counter-productive for the performance during economic recovery. Several researchers (e. g. DeDee and Vorhies 1998; Laitinen 2000; Roberts 2003; Kitching et al. 2009) showed that ambidextrous strategies, which combine short-term efficiency improvement strategies with market-oriented investments to exploit the opportunities a crisis holds in the competitive sphere, tend to be more successful in the medium and long run.
- *Focus on the core business versus diversification strategies:* Both focus on the core business (through strengthening efficiency and competitiveness in the main market) and diversification (with the associated spread of market risk) can have potential benefits but also risks when an organization faces adverse economic conditions. Although there is some empirical evidence that companies are inclined to follow strategies of focusing on the core business in times of economic downturn (Geroski and Gregg 1994; 1997), organizations actually have a range of strategic options to choose from which either bring them closer to a diversified business (e. g. investing in new products or product lines, investing in new markets, investing in new product/market combinations) or to a more focused portfolio (divesting of product/product lines, withdrawing from markets, or divesting of entire business areas). As there are arguments for and against both strategic orientations, organizations will make situation-specific decisions on which direction to follow.
- *Internally-directed strategies versus externally-directed strategies:* Adaptive strategic action in response to economic crises can be (a) more focused on the organization itself (including the cost and asset reduction strategies on the rationalizing versus protection/pre-emption dimension, tightening control systems, process improvement strategies, or changes in the management), or (b) more directed towards influencing the environment (including changes in the product/market combination on the focus on the core business versus diversification dimension, employing several market penetration strategies such as more aggressive customer acquisition or customer retention, changes in the pricing strategy, or putting pressure on suppliers).

In most cases, organizations use a combination of strategies when they are faced with a major economic downturn based on the evaluation of the internal and external situation by the key decision-makers.

4.5 Hypotheses on the link between strategic issue analysis and strategic action in response to economic crises

The model of strategic adaptation presented in chapter 3 proposes that the way in which strategic issues are noticed and interpreted can have a significant influence on subsequent decision-making and therefore on the choice of strategic action. The reasoning is that diagnosis implicitly determines the course of action taken by the decision-makers (Mintzberg et al. 1976; Meyer 1982; Dutton and Jackson 1987). A few hypotheses are presented in this section about the possible influence of strategic issue diagnosis on strategic action in response to economic crises.

As has been discussed before in this chapter, a crisis can hold opportunities, however mainly in the long run (Mascarenhas and Aaker 1989; Whittington 1991). Diversifying into new markets could improve the competitive situation of a company (Enderwick 2009). Following Thomas et al.'s (1993) argument, the interpretation of a situation as controllable and as an opportunity can also lead to more risk-taking behaviour and to more proactive product/market development strategies (Thomas et al. 1993). Also Staw et al. (1981) suggest that opportunity interpretations usually lead to more offensive responses.

Investments can make particular sense in recession times if one sees the possibility to buy cheap (Penrose 1995), to acquire competitors that are under severe pressure, or to grow market share (Pearce and Michael 2006). It can therefore be hypothesized that the interpretation of a crisis as an opportunity can lead to an inclination of management to diversify and invest in recession times:

Hypothesis 1a: Higher levels of opportunity interpretation of the crisis will lead to more diversification as a strategic reaction.

Hypothesis 1b: Higher levels of opportunity interpretation of the crisis will lead to higher degrees of investment as a strategic reaction.

When an environmental situation is perceived as a threat, on the other hand, fear of loss prevails (Dutton and Jackson 1987). In such a situation, according to Thomas et al. (1993), decision-makers are focused on more easily control-

lable, internal action and on enhancing efficiency. Chattopadhyay et al. (2001) assert that organizational action is more likely to be internally-directed in the case of experiencing control-reducing threats in the environment. Staw et al. (1981) also find that threat interpretation is usually associated with more defensive responses.

Therefore, the following three hypotheses propose a link between strategic issue diagnosis of a situation as a threat and defensive, efficiency-improving, and control-enhancing strategic action:

Hypothesis 1 c: Higher levels of threat interpretation of the crisis will lead to higher degrees of focus on the core business as a strategic reaction.

Hypothesis 1 d: Higher levels of threat interpretation of the crisis will lead to higher degrees of rationalization as a strategic reaction.

Hypothesis 1 e: Higher levels of threat interpretation of the crisis will lead to higher degrees of control-enhancing action as a strategic reaction.

Perceiving a need for control-enhancing action might not only be linked to the concept of threat, but also to the interpretation of an issue as urgent, i. e. as including both high stakes and immediate time pressure. The need for real-time decision data can also trigger a need for rapid, tight control. Therefore, the following hypothesis is proposed, linking urgency perception and the propensity to decide for control-enhancing action in crises situations.

Hypothesis 1 f: Higher levels of urgency interpretation of the crisis will lead to higher degrees of control-enhancing action as a strategic reaction.

Figure 4.4 summarizes the hypotheses on the influence of strategic issue interpretations on decisions for certain directions of strategic action in response to economic crises.

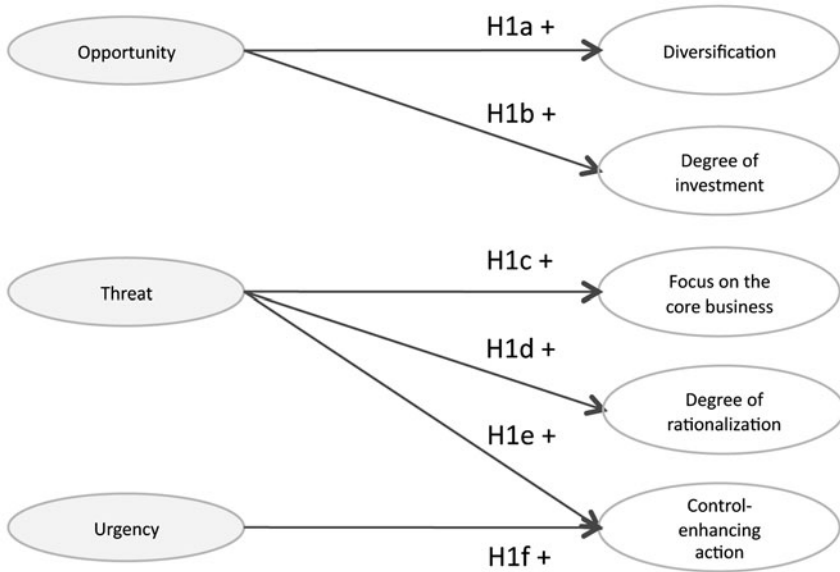


Fig. 4.4. Hypotheses on the relationship between strategic issue diagnosis and strategic action in response to the economic crisis

Source: Author

References

- Andries, P., & Debackere, K. (2006). Adaptation in new technology-based ventures: Insights at the company level. *International Journal of Management Reviews*, 8(2), 91–112.
- Ansoff, I. (1965). *Corporate strategy*. New York: McGraw Hill.
- Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
- Bigelow, R., & Chan, P. S. (1992). Managing in difficult times: Lessons from the most recent recession. *Management Decision*, 30(8), 34–42.
- Bohman, H., & Lindfors, M. B. J. (1998). Management for change: On strategic change during recession. *Journal of Business Research*, 41(1), 57–70.
- Chakravarthy, B. S. (1982). Adaptation: A promising metaphor for strategic management. *Academy of Management Review*, 7(1), 35–44.
- Chastain, C. E. (1982). Strategic-planning and the recession. *Business Horizons*, 25(6), 39–44.
- Chattopadhyay, P., Glick, W. H., & Huber, G. P. (2001). Organizational actions in response to threats and opportunities. *Academy of Management Journal*, 44(5), 937–955.

- Chou, T.-J., & Chen, F.-T. (2004). Retail pricing strategies in recession economies: The case of Taiwan. *Journal of International Marketing*, 12(1), 82–102.
- Dahlgvig, A. (2009). A counterintuitive downturn strategy. In Fifty Lessons Limited (Ed.), *Crisis as opportunity* (pp. 9–13). Boston, MA: Harvard Business School Publishing.
- DeDee, J. K., & Vorhies, D. W. (1998). Retrenchment activities of small firms during economic downturn: An empirical investigation. *Journal of Small Business Management*, 36(3), 46–61.
- Dutton, J. E., & Jackson, S. E. (1987). Categorizing strategic issues: Links to organizational action. *Academy of Management Review*, 12(1), 76–90.
- Enderwick, P. (2009). Responding to global crisis: The contribution of emerging markets to strategic adaptation. *International Journal of Emerging Markets*, 4(4), 358–372.
- Geroski, P. A., & Gregg, P. (1994). Corporate restructuring in the UK during the recession. *Business Strategy Review*, 5(2), 1–19.
- Geroski, P. A., & Gregg, P. (1997). *Coping with recession: UK company performance in adversity*. Cambridge: Cambridge University Press.
- Ginsberg, A., & Venkatraman, N. (1995). Institutional initiatives for technological change: From issue interpretation to strategic choice. *Organization Studies*, 16(3), 425–448.
- Grewal, R., & Tansuhaj, P. (2001). Building organizational capabilities for managing economic crisis: The role of market orientation and strategic flexibility. *Journal of Marketing*, 65(2), 67–80.
- Hambrick, D. C., & Schecter, S. (1983). Turnaround strategies for mature industrial-product business units. *Academy of Management Journal*, 26(2), 231–248.
- Hoffman, R. C. (1989). Strategies for corporate turnarounds: What do we know about them? *Journal of General Management*, 14(3), 46–66.
- Kitching, J., Blackburn, R., Smallbone, D., & Dixon, S. (2009). *Business Strategies and Performance During Difficult Economic Conditions* (project report). <http://www.berr.gov.uk/files/file51879.doc>, Accessed 6 July 2010.
- Laitinen, E. K. (2000). Long-term success of adaptation strategies: Evidence from Finnish companies. *Long Range Planning*, 33(6), 805–830.
- Latham, S. (2009). Contrasting strategic response to economic recession in start-up versus established software firms. *Journal of Small Business Management*, 47(2), 180–201.
- Lee, S. H., Beamish, P. W., Lee, H. U., & Park, J. H. (2009). Strategic choice during economic crisis: Domestic market position, organizational capabilities and export flexibility. *Journal of World Business*, 44(1), 1–15.
- March, J. G. (2008c). Learning and the theory of the firm. In J. G. March (Ed.), *Explorations in organizations* (pp. 79–95). Stanford, CA: Stanford University Press.
- Mascarenhas, B., & Aaker, D. A. (1989). Strategy over the business cycle. *Strategic Management Journal*, 10(3), 199–210.

- Meyer, A. D. (1982). Adapting to environmental jolts. *Administrative Science Quarterly*, 27 (4), 515–537.
- Michael, S. C. and Robbins, D. K. (1998). Retrenchment among small manufacturing firms during recession. *Journal of Small Business Management*, 36(3), 35–45.
- Miller, D., Korn, H. J., Lant, T. K., & Milliken, F. J. (1996). The evolution of strategic simplicity: Exploring two models of organizational adaptation. *Journal of Management*, 22(6), 863–887.
- Mintzberg, H., Raisinghani, D., & Théorêt, A. (1976). The structure of ‘unstructured’ decision processes. *Administrative Science Quarterly*, 21(2), 246–275.
- O’Neill, H. M. (1986). Turnaround and recovery: What strategy do you need? *Long Range Planning*, 19(1), 80–88.
- Pearce, J. A., & Michael, S. C. (2006). Strategies to prevent economic recessions from causing business failure. *Business Horizons*, 49(3), 201–209.
- Penrose, E. (1995). *The theory of the growth of the firm* (2nd ed.). Oxford: Oxford University Press.
- Porter, M. E. (1980). *Competitive strategy: techniques for analyzing industries and competitors*. New York: Free Press.
- Rhodes, D., & Stelter, D. (2009). Seize advantage in a downturn. *Harvard Business Review*, 87(2), 50–58.
- Robbins, D. K., & Pearce II, J. A. (1992). Turnaround: Retrenchment and recovery. *Strategic Management Journal*, 13(4), 287–309.
- Roberts, K. (2003). What strategic investments should you make during a recession to gain competitive advantage in the recovery? *Strategy & Leadership*, 31(4), 31–39.
- Schendel, D. E., Patton, G. R., & Riggs, J. (1976). Corporate stagnation and turnaround. *Journal of Economics and Business*, 28(3), 236–241.
- Shama, A. (1993). Marketing strategies during recession: A comparison of small and large firms. *Journal of Small Business Management*, 31(3), 62–72.
- Sirmon, D. G., Hitt, M. A., & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review*, 32(1), 273–292.
- Smart, C., & Vertinsky, I. (1984). Strategy and the environment: A study of corporate responses to crises. *Strategic Management Journal*, 5(3), 199–213.
- Srinivasan, R., Rangaswamy, A., & Lilien, G. L. (2005). Turning adversity into advantage: Does proactive marketing during a recession pay off? *International Journal of Research in Marketing*, 22(2), 109–125.
- Staw, B., Sandelands, L., & Dutton, J. E. (1981). Threat rigidity effects in organizational behavior: A multilevel analysis. *Administrative Science Quarterly*, 28(4), 582–600.
- Thomas, J. B., Clark, S. M., & Gioia, D. A. (1993). Strategic sensemaking and organizational performance: Linkages among scanning, interpretation, action and outcomes. *Academy of Management Journal*, 36(2), 239–270.

- Wan, W. P., & Yiu, D. W. (2009). From crisis to opportunity: Environmental jolt, corporate acquisitions, and firm performance. *Strategic Management Journal*, 30(7), 791–801.
- Wernerfelt, B. (1984). The resource-based view of the firm. *Strategic Management Journal*, 5(2), 171–180.
- Whittington, R. (1991). Recession strategies and top management changes. *Journal of General Management*, 16(3), 11–28.
- Williamson, P. J., & Zeng, M. (2009). Value-for-money strategies for recessionary times. *Harvard Business Review*, 87(3), 66–74.

5 Cultural differences between Austria and Slovenia

Austria and Slovenia share a long common history. Both countries were inhabited by Celtic people and the Romans. Slavic toponyms can still be found in the South of Austria, up to the Enns river area in the middle of the country, thus indicating that a significant part of Austria was populated by Slavic people, especially in the times between the barbarian migration and the formation of the Frankish Empire. From 1335 to 1918, both countries were under Habsburg rule, sharing not only princes and emperors, but also social, cultural, and institutional developments (e. g. the simultaneous introduction of compulsory schooling by Empress Maria Theresia in 1774 in both countries). Watzlawick (1983) vividly described the environment that both countries were part of:

“In the heart of Europe there was once a great empire. It was composed of so many and so widely different cultures that no commonsense solution to any problem could ever be reached, and absurdity became the only possible way of life. Its inhabitants – the Austro-Hungarians, as the reader may already have suspected – thus were proverbial not only for their inability to cope reasonably with the simplest problems, but also for their ability to achieve the impossible somehow almost by default.” (p. 9)

The common heritage also manifests itself in religious beliefs. While the official census data for 2001 shows that 73.6 per cent of the Austrian population was Roman-Catholic (Statistik Austria 2010), the same statistics for Slovenia was 71.6 per cent in 2002 (Statistični urad Republike Slovenije 2010c).

However, also significant differences between the two countries exist. An obvious one is the language difference: while Austria is predominantly German-speaking, Slovenia is part of the Slavic language area. Secondly, while Austria has been a part of the ‘Western world’ with democratic institutions and a generally capitalist market system since the end of World War II, Slovenia was an integral part of the former communist state of the Federal People’s Republic of Yugoslavia between 1946 and 1991. After its declaration of independence in the beginning of the nineties of the last century, Slovenia became a transition economy characterized by a transformation from a centrally-planned economy and communist system with limited private enterprise to freer markets, privatization of enterprises, and more democratic institutions (McKenzie and Merrilees 2008).

Although certain cultural similarities can be found in post-communist transition economies based on shared experiences in a similar political, economic, and social system (McKenzie and Merrilees 2008) and on the adaptation of people to the life circumstances under communist rule (Schwartz et al. 2000), it is dangerous to treat all Central and Eastern European transition countries as a homogeneous group (Kolman et al. 2003; Skinner et al. 2008). In comparison to other former communist countries, Slovenia performed the transition period at a very rapid pace, joining the European Union as a full member state in 2004. Slovenia also showed a high vertical social class mobility during transition times (Jereb and Ferjan 2008). However, “change is slow” (Schwartz 2007, p. 35). Fast changes in the political and economic system do not necessarily lead to changes of societal habits and beliefs at the same pace (Howard 2002). McKenzie and Merrilees (2008) noted:

“[...] within transition economies, the political and economic landscape may have changed, but the majority of people’s daily lives were shaped under the previous economic and political system. The implication is that the communist way of thinking, and one’s perception of society and how it works may not have been changed.” (p. 124)

Zver et al. (2004) found that significant differences in ‘economic culture’ (values and beliefs of people about the economic system and behaviours) exist between Central and Eastern European transition countries and long-standing EU members. Gulev (2009) observed that the level of trust employees in Slovenia show towards their fellow employees and the level of confidence in institutions, for example, were significantly lower than the interpersonal and institutional trust levels of their Austrian counterparts.

Numerous scholars have conducted research aimed at identifying cultural differences between societies that can have a possible impact on behaviour within organizations. Most of them worked with ‘cultural dimensions’, trying to reduce the complexities of culture to usually bipolar constructs. This categorization has also been critically termed “sophisticated stereotyping” (Osland and Bird 2000). Some of the best-known studies in this field are those of Hall (1960; 1976), Hall and Hall (1990), Hofstede (1980), Trompenaars and Hamden-Turner (1998), and House et al. (2004).

Although Hofstede’s study conducted among 116,000 employees of IBM in 60 different countries is arguably the most famous and the most cited of the cross-cultural studies, its findings are not suitable for our research purpose. First, because the data is approximately 40 years old (the survey was carried out at end of the 1960s and the beginning of the 1970s), so it was con-

ducted at a time when Slovenia was still under a communist political and economic system. Second, and even more importantly, it includes data on Austria but not specifically on Slovenia. At the time of the study, Slovenia was still part of the state of Yugoslavia, representing considerably less than nine per cent of the total population of this former state. Although Yugoslavia was included in Hofstede's research, the differences between the former republics and regions in terms of religion, language, level of Europeanization, just to cite a few, are far too big and the changes that Slovenia has undergone in the meantime are far too substantial for former Yugoslav data to yield any meaningful conclusions in relation to data on the strategic adaptation processes gathered today. Even Hofstede himself, as the co-author of a study on cross-cultural differences in Central Europe (Kolman et al. 2003), pointed out that the political and economic transformation processes that the former communist countries underwent may have led to strong shifts in value orientations. Barr and Glynn (2004), themselves using Hofstede's framework to assess links between national culture and strategic decision-making, explicitly called upon other researchers to look at the impact of cultural values and dimensions other than Hofstede's.

The most appropriate data for the objective of this research could be found in House et al.'s (2004) GLOBE study. This is a relatively recent study on national cultural differences, conducted among managers around the globe which includes data on both Austria and Slovenia. Austria was represented in the study with a sample of $n = 169$ managers, Slovenia with a sample of $n = 254$ managers (Brodbeck et al. 2000). 170 researchers from 62 cultures⁶ participated in the Global Leadership and Organizational Behaviour Effectiveness research program (GLOBE), collecting data from more than 17,000 managers in 951 organizations during the years 1994–97 (House et al. 2004). Culture has been defined for the GLOBE project as “*shared motives, values, beliefs, identities, and interpretations of meanings of significant events that result from common experiences of members of collectives that are transmitted across generations*” (House et al. 2004, p. 15, italics in the original). Middle managers answered survey questions that operationalized cultural dimensions, one time rating the current practices in the society as they saw it (*As-Is*), a second time providing their view on what they thought the practices on the cultural dimensions should ideally be like in their society (*Should be*) (House et al. 2004).

6 The data on 61 of those cultures were eventually reported.

Possible shortcomings of the GLOBE study should however not be left unnoticed:

- (a) Generally, researchers adhering to a more 'emic' perspective (focusing on cultural distinctions meaningful to the members of the particular society under investigation) argue that quantitatively reducing cultures to just a few dimensions removes all the complexity that is inherent in cultures, thus leading to over-simplifications (Sivakumar and Nakata 2001).
- (b) Hofstede (2006) criticized the high inter-correlation between the different cultural dimensions of the GLOBE study.
- (c) Peterson (2004) pointed out an 'unfortunate choice of terminology', as he called it, as 'values' in GLOBE's terms is used for respondents' personal values while 'practices' is used for perceived societal values. He therefore voiced concerns about measure equivalence in different translations and about the process of developing measures.
- (d) It has been pointed out by Graen (2006) that countries and cultures cannot be equaled in every case, as many countries have significant subcultures which are not adequately addressed by the GLOBE study. Regarding Austria and Slovenia, this does not pose an important problem, as both societies – compared to many others – are relatively homogeneous with only very small minorities.
- (e) The whole study was conducted by surveying middle managers. It is generally possible that other groups within societies differ from them in their beliefs, values, or practices. However, in our particular case, as the topic of this book is strategic adaptation processes in organization, in which managers are the main actors, this cannot be seen as a major disadvantage, but rather as an advantage.

As pointed out above, the GLOBE study has its critics, although it has also been assessed as "probably the most sophisticated project undertaken in international business research" (Leung 2006, p. 881). Just as Hofstede's framework, also the GLOBE study has been the subject of an ongoing debate both on its validity and usefulness (e. g. Hofstede 2006; Javidan et al. 2006; Earley 2006; Smith 2006; Peterson and Castro 2006; Hanges and Dickson 2006; Maseland and van Hoorn 2008; Taras et al. 2010; Hofstede 2010; Venaik and Brewer 2010). Detailed information on the nature of the research design and the nature of GLOBE scales are presented in Javidan et al. (2006), Hanges and Dickson (2006), and on the GLOBE study's website (GLOBE 2010). Although Hofstede's dimensions still dominate in cross-cultural management research, the GLOBE dimensions have also been used in recent cross-cultural studies

(e. g. Fu et al. 2004; Brock et al. 2008; Parboteeah et al. 2008). Venaik and Brewer (2010) concluded that both Hofstede's and the GLOBE's "cultural models are supported by powerful arguments as to their validity, and there is no consensus in the research community on which model should be preferred" (p. 17).

Another global project that includes both Austria and Slovenia is the World Values Survey which was initiated at the University of Michigan, collecting a host of data on various value- and belief-related topics (Inglehart et al., 1998). Its disadvantage regarding the particular research questions of this study is that the sample for the World Values Survey was taken from all parts of the society, not specifically from managers who are involved in strategic decision-making processes. There has been some empirical support that managers might represent a culturally distinct sub-population compared to the average population (Thompson and Phua 2005). Furthermore, values, shared conceptions about what is 'good' or 'bad' within a society represent "cultural ideals" (Schwartz 2007, p. 34). Assuming that strategic decision-making practices will be less shaped by cultural ideals (what 'should be') than by cultural practices (what actually 'is'), solely value-oriented studies are less suitable for the research purpose. The GLOBE study, however, clearly distinguishes between cultural values and cultural practices in different societies, thus allowing a comparison between actual cultural *practices* and strategic decision-making *practices* in strategic adaptation processes.

A general caveat, however, is that whenever we categorize, it involves a propensity to stereotype. Every human being is different. Thus, also every strategic decision-maker is different. Not every person who lives in a specific country displays the 'average' cultural behaviour that is ascribed to it. It actually makes sense to see culture as a "normal distribution" (Trompenaars and Hamden-Turner 1998, p. 25), where wide deviations from the average norms and values exist.

In the following sections of this chapter, five cultural dimensions which exhibit the most significant differences in societal practices between Austria and Slovenia in the GLOBE study (performance orientation, future orientation, assertiveness, in-group collectivism, uncertainty avoidance, gender egalitarianism) are more closely evaluated, also with reference to the results of recent qualitative studies about cultural differences between Austria and Slovenia.

5.1 Performance orientation

Building on McClelland's motivational concept of need for achievement defined as the need to do better all the time (McClelland 1987), the team of the GLOBE study investigated the cultural dimension of performance orientation. In the GLOBE study, it was defined as "the extent to which a human community encourages and rewards setting challenging goals, innovation, and performance improvement" (Javidan 2004, p. 276). Societies which rank high on the performance orientation dimension generally value and reward individuals and groups who want to meet higher standards and goals and strive to generate results and achieve accomplishments in their assignments (Javidan 2004).

Target-orientation, the tendency to use formal performance review and reward systems, a high 'sense of control' of individuals, and having a sense of urgency are linked to the concept of performance orientation (Javidan 2004). It has also been linked to the use of 'low-context language' (Hall 1960), characterized by being direct and explicit – in contrast to 'high-context language' in which communication is more vague and subtle, based on understanding context and relationships rather than just the plain words. In addition to the use of 'high-context language', societies that score low on performance orientation tend to emphasize tradition, seniority and experience, value loyalty, relationships and a cooperative spirit, and have a low sense of urgency (Javidan 2004).

Regarding the extent to which a society engages in performance orientation, Austria was part of the first quartile of the 61-countries GLOBE study with a score of 4.44 on a scale of 1 (low) to 7 (high), while Slovenia scored lower at 3.66, placing it into the fourth quartile of the countries under investigation (Javidan 2004). Similar differences were also confirmed when testing performance orientation as a leadership characteristic, reflecting a leader's orientation towards excellence. Austria again scored in the first quartile for performance-oriented leadership, Slovenia in the last quartile (*ibid.*). In a recent qualitative study, Meierewert (2009) also found significant differences between Austria and Slovenia regarding some of the characteristics that are associated with performance orientation: while Austrians showed a strong identification with the task (associated with high performance orientation), Slovenians tended to identify more with the team (in line with the tendency to emphasize loyalty and relationships in societies with low performance orientation). Results of the European Values Survey (EVS foundation/Tilburg University 2010) showed that not having too much pressure in the job was

important for 54.7 per cent of the Slovenian respondents versus only 30.3 per cent of the Austrians. Somewhat contradicting, however, in the same study it was also found that ‘achieving something’ in the job is more important for Slovenians (75.4 per cent) than for Austrians (56.5 per cent).

Meierewert’s (2009) study also showed a more direct communication style in Austria (consistent with the value of being more direct and explicit in communication in societies with higher performance orientation), and a more indirect communication style in Slovenia. Similarly, a study by Erten et al. (2006) involving 68 qualitative interviews conducted in Austria and Slovenia also found a tendency towards more indirect communication – involving ‘hidden signals’ like remaining silent or just missing agreed deadlines instead of open opposition – in Slovenia, and towards more direct and also more formal, especially more written communication in Austria.

The GLOBE researchers generally found significant differences between current perceived levels of performance orientation (‘As-Is’) and the level of performance orientation the managers interviewed in the study would desire in their society (‘Should-Be’). This is especially true for Slovenia, which ranks among the top five in the category ‘Society *values* performance orientation’, while being among the lowest 25 per cent in the category ‘Society *practices* performance orientation’. Reasons for these deviations may lie in a more universal human need of wanting to be associated with success, or may be connected with social desirability bias (Javidan 2004).

In between-countries comparison, performance orientation as it was measured in the GLOBE study did not show any significant correlation to the extent of socialist thinking in political ideology (Javidan 2004).

Table 5.1 provides an overview of the GLOBE scores on the cultural dimension of performance orientation for Austria and Slovenia.

Table 5.1 GLOBE performance orientation values for Austria and Slovenia (Scales 1–7, higher value means higher performance orientation)

	‘As-Is’	Quartile	‘Should-Be’	Quartile
61-countries average (mean)	4.10		5.94	
61-countries range	3.20–4.94		4.92–6.58	
Austria	4.44	1	6.10	2
Slovenia	3.66	4	6.41	1

Data source: Javidan 2004

5.2 Future orientation

The cultural dimension of future orientation defined as the degree to which a society values future-oriented behaviour such as planning or delaying gratification as opposed to immediate satisfaction of needs has been widely discussed⁷ and used in studies of cultural differences between societies, both explicitly and implicitly, as, for example, in Trompenaars and Hamden-Turner's (1998, p. 130) 'time orientation' dimension or in Hall's (1960) conceptualization of monochronic and polychronic societies. Connections also exist with Hofstede and Bond's cultural dimension called 'Confucian Dynamism' which they characterized as a "dynamic, future-oriented mentality" (Hofstede and Bond 1998, p. 12). A few years after the original study, Hofstede himself re-interpreted 'Confucian Dynamism' as a measure of long-term orientation (Hofstede 2001).

The concept of future orientation is based on the work of Lewin (1942) who distinguished future orientation from other classifications of time (past orientation, present orientation). Highly future-oriented cultures are characterized by a strong capability and willingness to imagine future contingencies and to develop goals and strategies to meet these goals, with a strong inclination towards long-term strategic orientation and long-term success. In cultures with low future orientation, however, less connection is seen between current behaviour and its influence on the future, with members of such societies being less inclined to plan for and to invest in their future (Ashkanasy et al. 2004).

Future orientation is an important factor in organizational decision-making, as it has an impact on the allocation of resources over time (Ashkanasy et al. 2004). More future-oriented managers might show more inclination to invest in initiatives and projects which reap their benefits in a more distant future as opposed to solely focusing on short-term profits.

Out of the GLOBE study's sample of 61 countries, Austria ranks sixth on future orientation with a score of 4.46 while Slovenia is among the last third with a score of 3.59 (Ashkanasy et al. 2004; see Table 5.2 for further details). Trompenaars and Hamden-Turner (1998) also found Austria to be among the five most long-term oriented countries in their study of 42 nations (Slovenia was not included in this particular study). The difference in future orientation between Austria and Slovenia was confirmed by Meierewert (2009). It has been shown that passiveness, lack of voice, and the important role of the gov-

7 For an overview see for example Seijts (1998).

ernment were significantly negatively linked to future orientation (Ashkanasy et al. 2004). All of those factors were more present in Slovenia under communist rule than in Austria, which could provide a possible explanation for the value differences on this cultural dimension. Koopman et al. (1999) supposed that social and organizational circumstances in Western Europe allow for a longer planning horizon while managers in Central and Eastern European transition countries might be more preoccupied with coping with immediate, day-to-day demands of an economy in transformation.

As in the dimension of performance orientation, GLOBE study researchers found that also in future orientation, the ranking of Austria and Slovenia is upside down when it comes to assessing the *desired* levels of future orientation as opposed to the societal practices in this dimension. Low 'As-Is' levels were found to be negatively correlated with high 'Should-Be' levels. Ashkanasy et al. (2004) interpreted this phenomenon in a way that societies suffer from effects of low future orientation such as uncertainty and unpredictability, so that the wish for a more long-term orientation turns out to be the strongest there.

Table 5.2 GLOBE future orientation values for Austria and Slovenia (Scales 1–7, higher value means higher future orientation)

	'As-Is'	Quartile	'Should-Be'	Quartile
61-countries average (mean)	3.85		5.48	
61-countries range	2.88–5.07		4.33–6.20	
Austria	4.46	1	5.11	4
Slovenia	3.59	3	5.42	3

Data source: Ashkanasy et al. 2004

5.3 Assertiveness

The cultural dimension of assertiveness describes the extent to which assertive, aggressive, dominant or 'tough' behaviour in social relationships is accepted and valued within a society (Den Hartog 2004). Assertiveness also plays an important role in Hofstede's masculinity/femininity dimension, in which more masculine societies are associated with more assertive interests such as placing high importance on earnings and advancement (Hofstede 1980), representing also typical stereotypes about gender differences. Austria was among the most 'masculine' of the societies investigated by Hofstede

(1980), while former Yugoslavia ranked among the most 'feminine' ones (Slovenia did not yet exist as an independent state at the time of Hofstede's research).

The degree of assertiveness has an effect on relationships individuals, groups, and societies have towards their environment. In the words of Den Hartog (2004), assertive societies "tend to take the view of dominance. This view reflects the assumption that nature can be controlled and manipulated [...]" (p. 402). The environment is seen as a controllable entity that can be influenced actively, rather than a 'given fact' which people need to adapt to passively.

High values on the assertiveness dimension have been associated with valuing dominant and tough behaviour, competition, success, and progress, a 'can-do' mentality, taking initiative, and trying to control the environment, while societies with lower assertiveness scores tend to value modesty and tenderness, warm relationships, loyalty, tradition, and harmony with the environment rather than control over it (Den Hartog 2004). A tendency towards feeling 'in control' was observed by Trompenaars and Hamden-Turner (1998) for the Austrian society, which ranked among the top third of countries where people believe (a) that it is worth trying to control nature, and (b) that what happens to them is their own doing. Slovenia was not included in that study.

The GLOBE study results show a higher assertiveness level for Austria (rank 6 out of 61 countries) than for Slovenia (rank 40) (Den Hartog 2004). Interestingly, Austria ranks on the one but last place in the *desired* level of uncertainty, while Slovenia is one of the top 10 countries in valuing assertive behaviour (Den Hartog 2004). This discrepancy could be explained by the fact that societies which are characterized by high assertiveness levels tend to long for a social environment which is less aggressive and less threatening, due to negative experience with dominant behaviour of others. A somewhat contradicting result can also be found in the 2008 wave of the European Values Study (EVS foundation/Tilburg University 2010) in which 48.7 per cent of the respondents from Slovenia agreed with the statement that humans were meant to rule over nature (associated with the assumption of dominance and control over the environment as a typical feature of societies with high assertiveness levels) versus only 22 per cent of Austrians.

Assertiveness practices did not show any significant relationships with religious values and political ideology in the GLOBE study (Den Hartog 2004). Schwartz et al. (2000), however, observed that values such as ambition, active self-assertion, or attempts to change the status quo were inappropriate in

communist societies in Eastern Europe, while conformity to role expectations had an outstanding importance. It was also found that in Central Eastern Europe in general (Fink and Meierewert 2004) as well as in Slovenia specifically (Meierewert 2009), there is a tendency towards harmony and ‘face-saving’ behaviour, with a direct implication on decision-making processes: “Avoiding decision making is the easiest way to show resistance without outright destroying harmony” (Fink and Meierewert 2004, p. 74). A stronger relationship orientation of Slovenes in comparison to Austrians was also determined in a study using the cultural standards method by Erten et al. (2006): “Such relationships are characterized by a high degree of reciprocity that features a higher proportion of private communication, the exchange of gifts and higher intensity of contacts” (p. 115).

The GLOBE values on the assertiveness dimension for Austria and Slovenia are presented in Table 5.3.

Table 5.3 GLOBE assertiveness values for Austria and Slovenia (Scales 1–7, higher value means higher assertiveness)

	‘As-Is’	Quartile	‘Should-Be’	Quartile
61-countries average (mean)	4.14		3.82	
61-countries range	3.38–4.89		2.66–5.56	
Austria	4.62	1	2.81	4
Slovenia	4.00	3	4.59	1

Data source: Den Hartog 2004

5.4 In-group collectivism

Collectivism versus individualism has been an extensively researched dimension in sociological and cultural research⁸. Most of the research, however, was devoted to the societal level. Hofstede (1991), for instance, stated that individualism “pertains to societies in which the ties between individuals are loose” while collectivism “as its opposite pertains to societies in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout people’s lifetime continue to protect them in exchange for unquestioning loyalty” (p. 51).

⁸ For an overview see Gelfand et al. (2004).

In the GLOBE study, collectivism was split into two concepts, *societal collectivism* (on which Austria and Slovenia did not show any major differences), and *in-group collectivism*. If values are high on the latter, also called ‘collectivism at the organizational level’, it points to cultures in which the members of an organization see themselves as highly interdependent with their organization. They also feel more attached to it in a way that the organization could eventually become an important part of an individual’s self-identity (Gelfand et al. 2004). Individuals in collectivist societies are expected to place the interests of the group before the individual interests (Earley and Gibson 1998). More individualistic cultures, on the other hand, are characterized by people who see themselves as very independent of the organizations they work for (Gelfand et al. 2004).

Chatman et al. (1998) suggested that also organizational cultures can be more individualistic or more collectivistic, with membership being an extremely important category in the latter type. Conformity tends to be higher in collectivist cultures (Bond and Smith 1996), and it was observed that higher levels of collectivism are also related to more cooperative behaviour (Wagner 1995; Eby and Dobbins 1997). A selection of important characteristics of higher collectivism at the organizational level are

- that important decisions tend to be made by groups;
- that contributions, duties, and obligations towards the group are more important determinants of behaviour than personal needs; and
- that avoiding, compromising, and accommodating conflict resolution tactics are preferred to direct and solution-oriented conflict resolution tactics (Gelfand et al. 2004).

Slovenia scored higher on in-group collectivism than Austria in the GLOBE study, both in the societal practices (‘As-Is’) and also in what is valued within the societies (‘Should-be’) (Gelfand et al. 2004). This is in line with a general trend towards higher group-orientation in Eastern Europe in measured current practices as well as also in the desire for a continuation of strong group collectivism (Bakacsi et al. 2002). Other former communist states like Georgia, Albania, Russia, or Poland also rank higher than Austria on collectivism, while the top places on the individualist end of the scale are held by ‘Western’ countries such as Denmark, Sweden, New Zealand, the Netherlands, Switzerland, and Germany (Gelfand et al. 2004), thus pointing to a possible influence of the communist heritage. The political-economic system of former Yugoslavia, of which Slovenia was a constituent republic until its declaration of independence in 1991, laid particular emphasis on workers’ self-management in

companies and other institutions. Despite significant transitions that the country underwent in the meantime, this collective experience could still have an effect on Slovenia's culture. Also Gulev's (2009) research showed that Austrians are scoring higher than Slovenes on values variables which indicate that a society rewards more individualistic behaviour. In Hofstede's (1980) dimensions, Austria had a medium score on the individualism-collectivism index, albeit more on the individualistic side. Slovenia was not included in the study. Former Yugoslavia was ranked among the more collectivist societies.

Table 5.4 provides an overview of GLOBE scores for Austria and Slovenia on the in-group collectivism dimension.

Table 5.4 GLOBE in-group collectivism values for Austria and Slovenia (Scales 1–7, higher value means higher in-group collectivism)

	'As-Is'	Quartile	'Should-Be'	Quartile
61-countries average (mean)	5.13		5.66	
61-countries range	3.53–6.36		4.94–6.52	
Austria	4.85	3	5.27	4
Slovenia	5.43	2	5.71	2–3

Data source: Gelfand et al. 2004

In-group collectivism is also linked to the extent of intra-group conflicts. These conflicts are not seen as a threat in Austria but rather as a possibility to solve a problem in a positive way (Szabo and Reber 2007). Being a 'win-win-problem solver' and an 'effective bargainer' were identified as outstanding leadership characteristics by Austrian respondents (Szabo and Reber 2007).

5.5 Uncertainty avoidance

Uncertainty avoidance as a cultural dimension describes the extent to which predictability, orderliness, rules, and formalized procedures are preferred by members of a society as opposed to tolerating uncertainty (Sully de Luque and Javidan 2004). The concept of uncertainty avoidance on an organizational level was introduced by Cyert and March (1963). Hofstede (1980) popularized it in the domain of cross-cultural research. While Hofstede's uncertainty avoidance emphasizes the importance of stress measures such as, for example, the amount of nervousness and tenseness at work, the salient characteristic of

the GLOBE study's uncertainty avoidance dimension is 'rule orientation' – the importance of rules, order, and consistency (Venaik and Brewer 2010). These differences in measurement also manifest themselves in significant differences of scores between Hofstede's uncertainty avoidance dimension where Austria scored close to the average of all the countries that were investigated (Hofstede 1980) and the GLOBE study's uncertainty avoidance practices (Venaik and Brewer 2010). The notion of 'security' as a possible determining factor of uncertainty avoidance has been addressed by neither of the two studies⁹.

Societies with higher uncertainty avoidance levels tend to use more formalized modes of interaction, rely on policies, rules, and procedures, and show stronger resistance to change, while low scores on uncertainty avoidance are associated with more informal interactions, less concern for rules and documentation, more risk-taking behaviour, and less resistance to change (Sully de Luque and Javidan 2004).

Uncertainty avoidance is the one dimension within the GLOBE study which shows the most significant differences between Austria and Slovenia. While Austria is among the top ten per cent of nations regarding uncertainty avoidance, Slovenia ranks in the last third. There is also a general trend which shows that 'Germanic Europe' (a geographic region defined in the GLOBE study as including Austria, Germany, the Netherlands, and Switzerland) had a far higher average score on uncertainty avoidance (5.12 on the 1–7 scale) than 'Eastern Europe' (which included Slovenia, Albania, Hungary, Poland, Russia, Kazakhstan, Greece, and Georgia) with an average score of 3.56 (Sully de Luque and Javidan 2004). This is consistent with the idea that in former communist societies there is still a considerable degree of skepticism towards anything formal, while the circumvention of formal rules and procedures through informal relationships are not uncommon (Grødeland 2007).

Austrian managers working in East Central Europe (including Slovenia) also pointed out the importance of sympathy, friendship, and family ties over formal, contractual agreements (Fink and Meierewert 2004). The higher degree of formalization which is associated with higher uncertainty avoidance countries is also mirrored in the way information is exchanged within organizations – while Austrians rely more on written information, Slovenes exchange information predominantly in oral form (Meierewert 2009).

9 Results of the European Values Survey (EVS foundation/Tilburg University 2010), for example, showed that job security is valued by both Slovenes (73.6 per cent of the respondents mentioned its importance) and Austrians (71.8 per cent).

The levels of uncertainty avoidance in Austria and Slovenia as they were reported in the GLOBE study are presented in Table 5.5.

Table 5.5 GLOBE uncertainty avoidance values for Austria and Slovenia (Scales 1–7, higher value means higher uncertainty avoidance)

	'As-Is'	Quartile	'Should-Be'	Quartile
61-countries average (mean)	4.16		4.62	
61-countries range	2.88–5.37		3.16–5.61	
Austria	5.16	1	3.66	4
Slovenia	3.78	3	4.99	2

Data source: Sully de Luque and Javidan 2004

5.6 Gender egalitarianism

Hofstede (1980) introduced the masculinity/femininity dimension to international cross-cultural research. He was referring to traits often associated with men or women, for example, assertiveness, 'toughness', and competition (masculine), or nurturance, cooperation, and modesty (feminine). The dimension was criticized for its emphasis on conventional gender roles (Fagenson 1990) as well as for its 'non-intuitiveness' (Emrich et al. 2004). The GLOBE study (House et al. 2004) took a different approach to gender issues in national cultures by measuring 'gender egalitarianism' related to beliefs that societies hold about the roles that the sexes play in their homes, in organizations, and in communities (Emrich et al. 2004). High gender egalitarianism thereby means minimized role differences, and societies with high gender egalitarianism tend to have more women in positions of authority, both in business and in the community (Emrich et al. 2004).

Results of the GLOBE study ranked Slovenia among the top four countries (out of 61) on gender egalitarianism, while Austria was placed on rank 45 only (Emrich et al. 2004) (see also Table 5.6 for a more detailed overview).

It remains, however, outside the scope of this research to account for gender-related differences in strategic adaptation processes. A study by Sonfield et al. (2001) did not show any relevant gender-specific differences in strategic decision-making. Therefore, the potential impact of gender issues on organizations' strategic adaptation to major environmental changes will not be investigated in this study, thus leaving room for further research in this field.

Nevertheless, gender was included in the quantitative empirical study as a control variable.

Table 5.6 GLOBE gender egalitarianism values for Austria and Slovenia (Scales 1–7, higher value means higher gender egalitarianism)

	'As-Is'	Quartile	'Should-Be'	Quartile
61-countries average (mean)	3.37		4.51	
61-countries range	2.50–4.08		3.18–5.17	
Austria	3.09	3	4.83	2
Slovenia	3.96	1	4.83	2

Data source: Emrich et al. 2004

5.7 Cultural dimensions without significant differences between Austria and Slovenia

Table 5.7 summarizes the scores of Austria and Slovenia on the nine cultural dimensions of the GLOBE study (House et al. 2004). Those dimensions in which the two countries showed a considerable difference (absolute differences > 0.50) were described above. They form the basis for the further analysis of the influence of cultural differences on the strategic adaptation process. Gender egalitarianism, albeit showing a significant difference, is left out of the analysis for the reasons described in the section above.

Table 5.7 Differences in cultural dimensions between Austria and Slovenia in the GLOBE study (Scales 1-low to 7-high)

	Austria	Slovenia	Difference
Performance orientation	4.44	3.66	0.78
Future orientation	4.46	3.59	0.87
<i>Gender egalitarianism</i>	3.09	3.96	0.87
Assertiveness	4.62	4.00	0.62
Societal institutional collectivism	4.30	4.13	0.17
In-group collectivism	4.85	5.43	0.58
Power distance	4.95	5.33	0.38
Humane orientation	3.72	3.79	0.07
Uncertainty avoidance	5.16	3.78	1.38

Data source: House et al. 2004

In three cultural dimensions, Austria and Slovenia ranked very closely, showing no significant differences. These dimensions are therefore not taken into account for the further analysis in this study. As a matter of completeness, however, their GLOBE study scores are presented below.

The three cultural dimensions on which Austria and Slovenia ranked closely are:

- *Societal institutional collectivism*, the extent to which people in a society are embedded in groups versus acting as ‘autonomous individuals’ (Gelfand et al. 2004).
- *Power distance*, reflecting the extent to which a society accepts authority, power differences, and status privileges (Carl et al. 2004). It has to be pointed out that Austria had the lowest power distance score of all countries in Hofstede’s (1980) study, in which Slovenia was not included.
- *Humane orientation*, defined as the degree to which a society values and encourages kind, altruistic, fair, caring, and kind behaviour (Kabasakal and Bodur 2004).

The details on the scores for these three cultural dimensions are presented in tables 5.8, 5.9, and 5.10.

Table 5.8 GLOBE societal institutional collectivism values for Austria and Slovenia (Scales 1–7, higher value means higher societal institutional collectivism)

	‘As-Is’	Quartile	‘Should-Be’	Quartile
61-countries average (mean)	4.25		4.72	
61-countries range	3.25–5.22		3.83–5.65	
Austria	4.30	2	4.73	2–3
Slovenia	4.13	3	4.38	3

Data source: Gelfand et al. 2004

Table 5.9 GLOBE power distance values for Austria and Slovenia (Scales 1–7, higher value means higher power distance)

	‘As-Is’	Quartile	‘Should-Be’	Quartile
61-countries average (mean)	5.17		2.75	
61-countries range	3.89–5.80		2.04–3.65	
Austria	4.95	3	2.44	4
Slovenia	5.33	2	2.57	3

Data source: Carl et al. 2004

Table 5.10 GLOBE humane orientation values for Austria and Slovenia (Scales 1–7, higher value means higher humane orientation)

	'As-Is'	Quartile	'Should-Be'	Quartile
61-countries average (mean)	4.09		5.42	
61-countries range	3.18–5.23		4.49–6.09	
Austria	3.72	3	5.76	1
Slovenia	3.79	3	5.25	4

Data source: Kabasakal and Bodur 2004

5.8 Summary of cultural differences between Austria and Slovenia

Despite of their geographical closeness, similar religious background, and common history, several studies (e. g. Inglehart et al. 1998; House et al. 2004; Meierewert 2009) also found significant cultural differences between Austria and Slovenia. Due to the sample (managers), relative recency, research method (quantitative study), and contents (widely acknowledged cultural dimensions), the further analysis on possible cultural influences on the strategic adaptation process is based on the findings of the GLOBE study (House et al. 2004). A summary of five major cultural dimensions from the GLOBE study on which Austria and Slovenia show considerable differences is presented in Table 5.11. Following Peng et al.'s (1991) advice, the differences between the two countries on the GLOBE scores are dichotomized, as the ordinal nature of responses is generally more dependable than their interval aspects.

Table 5.11 Summary of major cultural differences between Austria and Slovenia in the GLOBE study

Cultural dimension	Score Austria	Score Slovenia	High score is associated with	Low score is associated with
Performance orientation	HIGH	LOW	Target & results orientation Rewarding performance Valuing competitiveness 'Sense of control' High sense of urgency Use of 'low context language' (direct, explicit)	An emphasis on seniority and experience Valuing loyalty, relationship, and a cooperative spirit Low sense of urgency Use of 'high context language' (more subtle and ambiguous)

Cultural dimension	Score Austria	Score Slovenia	High score is associated with	Low score is associated with
Future orientation	HIGH	LOW	Imagining future contingencies Developing long-term goals and strategies Orientation towards long-term success	Less connection between current behaviour and implications for the future Less planning Less investment into the future Short-term orientation
Assertiveness	HIGH	LOW	Dominant and tough behaviour Valuing competition Importance of success and progress Taking initiative Trying to control the environment	Valuing modesty Importance of tenderness, warm relationships, loyalty, and tradition Harmony with the environment rather than control over it
In-group collectivism	LOW	HIGH	Group interest comes first Higher conformity levels More cooperative behaviour Important decisions made by the group Conflict tactics: avoiding, compromising, resolving	Individual interest comes first More independence from the organization Competitive behaviour Important decisions made by individuals Conflict tactics: direct, solution-oriented
Uncertainty avoidance	HIGH	LOW	More formalized modes of interaction Relying on policies, rules, procedures Stronger resistance to change More risk-aversity	More informal interaction Less concern for rules and documentation Less resistance to change More risk-taking

Data source: House et al. 2004

References

- Ashkanasy, N., Gupta, V., Mayfield, M. S., & Trevor-Roberts, E. (2004). Future orientation. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 282–342). Thousand Oaks et al.: Sage.
- Bakacsi, G., Sándor, T. C., András, K. C., & Viktor, I. (2002). Eastern European cluster: Tradition and transition. *Journal of World Business*, 37 (1), 69–80.
- Barr, P. S., & Glynn, M. A. (2004). Cultural variations in strategic issue interpretation: Relating cultural uncertainty avoidance to controllability in discriminating threat and opportunity. *Strategic Management Journal*, 25(1), 59–67.
- Bond, R., & Smith, P. B. (1996). Culture and conformity: A meta-analysis of studies using Asch's (1952b, 1956) line judgement task. *Psychological Bulletin*, 119(1), 111–137.
- Brock, D. M., Shenkar, O., Shoham, A., & Siscovick, I. C. (2008). National culture and expatriate deployment. *Journal of International Business Studies*, 39(8), 1293–1309.
- Brodbeck, F. C., Frese, M., Akerblom, S., Audia, G., Bakacsi, G., Bendova, H., Bodega, D., Bodur, M., Booth, S., Brenk, K., Castel, P., Hartog, D. D., Donnelly-Cox, G., Gratchev, M. V., Holmberg, I., Jarmuz, S., Jesuino, J. C., Jorbenadse, R., Kabasakal, H. E., & Keating, M. (2000). Cultural variation of leadership prototypes across 22 European countries. *Journal of Occupational & Organizational Psychology*, 73 (1), 1–29.
- Carl, D., Gupta, V., & Javidan, M. (2004). Power distance. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 513–563). Thousand Oaks et al.: Sage.
- Chatman, J. A., Polzer, J. T., Barsade, S. G., & Neale, M. A. (1998). Being different yet feeling similar: The influence of demographic composition and organizational culture on work processes and outcomes. *Administrative Science Quarterly*, 43(4), 749–780.
- Cyert, R. M., & March, J. G. (1963). *A behavioral theory of the firm*. Englewood Cliffs: Prentice Hall.
- Den Hartog, D. N. (2004). Assertiveness. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 395–436). Thousand Oaks et al.: Sage.
- Earley, P. C. (2006). Leading cultural research in the future: A matter of paradigms and taste: Commentary. *Journal of International Business Studies*, 37(6), 922–931.
- Earley, P. C., & Gibson, C. B. (1998). Taking stock in our progress on individualism-collectivism: 100 years on solidarity and community. *Journal of Management*, 24 (3), 265–304.
- Eby, L. T., & Dobbins, G. H. (1997). Collectivistic orientation in teams: An individual and group-level analysis. *Journal of Organizational Behavior*, 18(3), 275–295.

- Emrich, C. G., Denmark, F. L., & Den Hartog, D. N. (2004). Cross-cultural differences in gender egalitarianism: Implications for societies, organizations, and leaders. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 343–394). Thousand Oaks et al.: Sage.
- Erten, C., Meierewert, S., & Balazic, R. (2006). Slovenia and Austria: Culture standards and their impact in the context of management. *European Journal of Cross-Cultural Competence and Management*, 4(1), 97–126.
- EVS foundation/Tilburg University (2010), *European Values Study 2008*, 4th wave, integrated dataset. Gesis Cologne, Germany, za45800 data file version 1.0.0 (2010–06–30) doi:10.4232/1.10059.
- Fagenson, E. A. (1990). Perceived masculine and feminine attributes examined as a function of individuals' sex and level in the organizational power hierarchy: A test of four theoretical perspectives. *Journal of Applied Psychology*, 75(2), 204–211.
- Fink, G., & Meierewert, S. (2004). Issues of time in international, intercultural management: East and Central Europe from the perspective of Austrian managers. *Journal of Eastern European Management Studies*, 9(1), 61–84.
- Fu, P. P., Kennedy, J., Tata, J., Yukl, G., Bond, M. H., Tai-kuang, P., Srinivas, E. S., Howell, J. P., Prieto, L., Koopman, P., Boonstra, J. J., Pasa, S., Lacassagne, M.-F., Higashide, H., & Cheosakul, A. (2004). The impact of societal cultural values and individual social beliefs on the perceived effectiveness of managerial influence strategies: A meso approach. *Journal of International Business Studies*, 35(4), 284–305.
- Gelfand, M. J., Bhawuk, D. P. S., Nishii, L. H., & Bechtold, D. J. (2004). Individualism and collectivism. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 437–512). Thousand Oaks et al.: Sage.
- GLOBE (2010). GLOBE instruments. http://www.thunderbird.edu/sites/globe/globe_instruments/index.htm. Accessed 4 August 2010.
- Graen, G. B. (2006). In the eye of the beholder: Cross-cultural lessons in leadership from project GLOBE. *Academy of Management Perspectives*, 20(4), 95–101.
- Grødeland, Å. B. (2007). 'Red mobs', 'yuppies', 'lamb heads' and others: Contacts, informal networks and politics in the Czech Republic, Slovenia, Bulgaria and Romania. *Europe-Asia Studies*, 59(2), 217–252.
- Gulev, R. E. (2009). Are national and organizational cultures isomorphic? Evidence from a four country comparative study. *Managing Global Transitions*, 7(3), 259–279.
- Hall, E. T. (1960). The silent language of overseas business. *Harvard Business Review*, 38(3), 87–96.
- Hall, E. T. (1976). *Beyond cultures*. New York: Anchor Books.
- Hall, E. T., & Hall, M. R. (1990). *Understanding cultural differences*. Yarmouth: Inter-cultural Press.

- Hanges, P. J., & Dickson, M. W. (2006). Agitation over aggregation: Clarifying the development of and the nature of the GLOBE scales. *Leadership Quarterly*, 17(5), 522–536.
- Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. Beverly Hills: Sage.
- Hofstede, G. (1991). *Culture and organizations*. New York: McGraw-Hill.
- Hofstede, G. (2001). *Culture's consequences: Comparing values, behaviors, institutions, and organizations across nations* (2nd ed.). Thousand Oaks: Sage.
- Hofstede, G. (2006). What did GLOBE really measure? Researchers' minds versus respondents' minds. *Journal of International Business Studies*, 37(6), 882–896.
- Hofstede, G. (2010). The GLOBE debate: Back to relevance. *Journal of International Business Studies*, 41(8), 1339–1346.
- Hofstede, G., & Bond, M. H. (1998). The Confucius connection: From cultural roots to economic growth. *Organizational Dynamics*, 16(4), 4–21.
- House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (Eds.) (2004). *Culture, leadership, and organizations: The GLOBE study of 62 societies*. Thousand Oaks/London/New Delhi: Sage.
- Howard, M. M. (2002). Postcommunist civil society in comparative perspective. *Demokratizatsiya*, 10(3), 285–305.
- Inglehart, R., Basanez, M., and Moreno, A. (1998). *Human Values and Beliefs: A Cross-cultural Sourcebook*. Ann Arbor: University of Michigan Press.
- Javidan, M. (2004). Performance orientation. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 239–281). Thousand Oaks et al.: Sage.
- Javidan, M., House, R. J., Dorfman, P. W., Hanges, P. J., & Sully de Luque, M. (2006). Conceptualizing and measuring cultures and their consequences: A comparative review of GLOBE's and Hofstede's approaches. *Journal of International Business Studies*, 37(6), 897–914.
- Jereb, E., & Ferjan, M. (2008). Social classes and social mobility in Slovenia and Europe. *Organizacija*, 41(6), 197–200.
- Kabasakal, H., & Bodur, M. (2004). Humane orientation in societies, organizations, and leader attributes. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 564–601). Thousand Oaks et al.: Sage.
- Kolman, L., Noorderhaven, N. G., Hofstede, G., & Dienes, E. (2003). Cross-cultural differences in Central Europe. *Journal of Managerial Psychology*, 18(1), 76.
- Koopman, P. L. et al. (1999). National culture and leadership profiles in Europe: Some results from the GLOBE study. *European Journal of Work and Organizational Psychology*, 8(4), 503–520.
- Leung, K. (2006). Editor's introduction to the exchange between Hofstede and GLOBE. *Journal of International Business Studies*, 37(6), 881.

- Lewin, K. (1942). Time perspective and moral. In G. Watson (Ed.), *Civilian morale* (pp. 48–70). Boston: Houghton Mifflin.
- Maseland, R., & van Hoorn, A. (2008). Explaining the negative correlation between values and practices: A note on the Hofstede-GLOBE debate. *Journal of International Business Studies*, 40(3), 527–532.
- McClelland, D. C. (1987). *Human motivation*. Cambridge: Cambridge University Press.
- McKenzie, B., & Merrilees, B. (2008). Cross-cultural research in transition economies – A marketing perspective: From theory to practice. *Journal of East-West Business*, 14(2), 119–146.
- Meierewert, S. (2009). Cultural standard research and its implications for managing multinational teams: Cooperation with Croatians and Slovenes – the Austrian perspective. *European Journal of Cross-Cultural Competence and Management*, 1(1), 119–135.
- Osland, J., & Bird, A. (2000). Beyond sophisticated stereotyping: Cultural sensemaking in context. *Academy of Management Executive*, 14(1), 65–79.
- Parboteeah, K. P., Hoegl, M., & Cullen, J. B. (2008). Managers' gender role attitudes: A country institutional profile approach. *Journal of International Business Studies*, 39(5), 795–813.
- Peng, T. K., Peterson, M. F., & Shyi, Y.-P. (1991). Quantitative methods in cross-national management research: Trends and equivalence issues. *Journal of Organizational Behavior*, 12(2), 87–107.
- Peterson, M. F. (2004). Book review of "Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies" by Robert J. House *et al.* Thousand Oaks, CA: Sage, 2004. *Administrative Science Quarterly*, 49(4), 641–647.
- Peterson, M. F., & Castro, S. L. (2006). Measurement metrics at aggregate levels of analysis: Implications for organization culture research and the GLOBE project. *Leadership Quarterly*, 17(5), 506–521.
- Schwartz, S. H. (2007). A theory of cultural value orientations: Explication and applications. In Y. Esmer, & T. Petterson (Eds.), *Measuring and mapping cultures: 25 years of comparative value surveys* (pp. 33–78). Leiden: Koninklijke Brill NV.
- Schwartz, S. H., Bardi, A., & Bianchi, G. (2000). Value adaptation to the imposition and collapse of communist regimes in Eastern Europe. In S. A. Renshon, & J. Duckit (Eds.), *Political psychology: cultural and crosscultural perspectives* (pp. 217–237). London: Macmillan.
- Seijts, G. H. (1998). The importance of future time perspectives in theories of work motivation. *The Journal of Psychology*, 132(2), 154–168.
- Sivakumar, K., & Nakata, C. (2001). The stampede toward Hofstede's framework: Avoiding the sample design pit in cross-cultural research. *Journal of International Business Studies*, 32(3), 555–574.

- Skinner, H., Kubacki, K., Moss, G., & Chelly, D. (2008). International marketing in an enlarged European Union: Some insights into cultural heterogeneity in Central Europe. *Journal of Eastern European Management Studies*, 13(3), 193–215.
- Smith, P. B. (2006). When elephants fight, the grass gets trampled: The GLOBE and Hofstede projects: Commentary. *Journal of International Business Studies*, 37(6), 915–921.
- Sonfield, M., Lussier, R., Corman, J., & McKinney, M. (2001). Gender comparisons in strategic decision-making: An empirical analysis of the entrepreneurial strategy matrix. *Journal of Small Business Management*, 39(2), 165–173.
- Statistični urad Republike Slovenije (2010c). Population by religion and type of settlement, Slovenia, census 1991 and 2002. http://www.stat.si/popis2002/en/rezultati/rezultati_red.asp?ter=SLO&st=8. Accessed 5 April 2010.
- Statistik Austria (2010). Bevölkerung nach dem Religionsbekenntnis und Bundesländern 1951 bis 2001. http://www.statistik.at/web_de/statistiken/bevoelkerung/volkszaehlungen_registerzaehlungen/bevoelkerung_nach_demographischen_merkmalen/022885.html. Accessed 5 April 2010.
- Sully de Luque, M., & Javidan, M. (2004). Uncertainty avoidance. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 602–653). Thousand Oaks et al.: Sage.
- Szabo, E., & Reber, G. (2007). Culture and leadership in Austria. In J. S. Chhokar, F. G. Brodbeck, & R. J. House (Eds.), *Culture and leadership across the world: The GLOBE book of in-depth studies of 25 societies* (pp. 109–146). Mahwah, NJ: Lawrence Erlbaum Associates.
- Taras, V., Steel, P., & Kirkman, B. L. (2010). Negative practice-value correlations in the GLOBE data: Unexpected findings, questionnaire limitations and research directions. *Journal of International Business Studies*, 41(8), 1330–1338.
- Thompson, E. R., & Phua, F. T. T. (2005). Are national cultural traits applicable to senior firm managers? *British Journal of Management*, 16(1), 59–68.
- Trompenaars, F. and Hamden-Turner, C. (1998). *Riding the waves of culture: Understanding cultural diversity in global business* (2nd ed.). New York: McGraw Hill.
- Venaik, S., & Brewer, P. (2010). Avoiding uncertainty in Hofstede and GLOBE. *Journal of International Business Studies*, 41(8), 1294–1315.
- Wagner, J. A. I. (1995). Studies of individualism-collectivism: Effects on cooperation in groups. *Group and Organization Studies*, 11(3), 280–304.
- Watzlawick, P. (1983). *The situation is hopeless, but not serious: The pursuit of unhappiness*. New York: Norton.
- Zver, M., Živko, T., & Bobek, V. (2004). Is there a gap in economic culture between EU countries and the transition economies? *Managing Global Transitions*, 2(1), 31–40.

6 Cultural influences on the adaptation process

According to Gilbert and Lorange (1994), “strategy can be characterized as the outcome of the perceptions among the managers in question” (p. 415). Perceptions are part of the sense-making process and are influenced by the values and beliefs managers hold (Hambrick and Mason 1984; Geletkanycz 1997). Executives’ values affect strategic action in two ways: first, direct influence occurs when top managers select courses of action due to their individual preferences; second, and indirectly, values influence how individuals perceive stimuli in their environment while these perceptions then shape action (Hambrick and Brandon 1988). The beliefs, values, and thinking patterns managers hold, in turn, can be influenced by the national culture that an individual has been socialized in (Brockner 2003; Dickson et al. 2004). Therefore, it can be suggested that a link exists between culture and strategic action over the values, beliefs, and thinking patterns of managers which influence their sense-making and decision-making processes. This is supported by Gilbert and Lorange (1994) who assess that “national differences are likely to impact on how a business strategy is formulated and implemented” (p. 415).

Figure 6.1 presents the suggested chain of influence: national culture as a set of shared basic assumptions in a society can influence the beliefs, values, and thinking patterns of managers who have been socialized in this culture; these general cognitive predispositions affect how managers make sense of events and developments going on in their organizations and their environments; managerial sense-making in the form of noticing, perceiving, and interpreting strategic issues, in turn, influences strategic decision-making processes and their outcome, strategic action.

Schneider and Barsoux (1997) agreed that strategy and strategy-making are dependent on culture. They referred to the following example: While a rational-analytic approach to strategy-making (mainly through using ‘tools’ and ‘techniques’) prevails in the Western world, this view is by no means universal. The authors illustrated this point by providing an excerpt from a speech of a CEO who adheres to Islamic principles in managing his international bank:

“Strategy is a dynamic process, not a static perception, which is energized through feelings. It is not a bundle of facts, figures, and ideas assembled in order by the logical mind. Planning is the reflection of the flow of collective psyche synthesized with Purpose.” (Schneider and Barsoux 1997, p. 108)

Samiee and Athanassiou (1998) noted that the effect of national culture on strategic decision-making processes has not yet been widely investigated in strategy research. Some papers remain on a conceptual level, such as Brock et al.'s (2000) theoretical work on the possible influence of national culture on planning processes in multinational companies. How national culture influences the strategy formulation process was explicitly addressed in another conceptual paper by Schneider (1989):

“As national culture is based upon assumptions regarding the relationships among people, country differences can be expected in approaches to strategy formulation” (p. 155).

These differences, according to Schneider, can be assumed to play a role in the fields of environmental scanning behaviour, selection of relevant information, the way that strategic issues are interpreted, validation of decisions (including political processes), and establishing priorities.

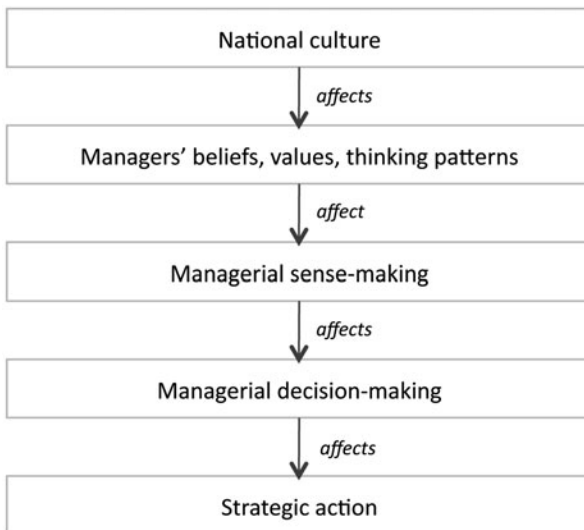


Fig. 6.1 Cultural influences on strategic decisions

Source: Author

There are also some examples of empirical studies determining correlations between cultural traits and strategy. Hennart and Larimo (1998) found a connection between national culture and strategies of multinational companies. In a 7-nations-study, Steensma et al. (2000) concluded that entrepreneurs are influenced in their strategic thinking by cultural characteristics of their so-

ciety. Haiss (1990) found that national differences exist in strategic planning process characteristics in a research project focusing on banks in several different countries. U.S. banks, for example, had shorter planning horizons than German ones. In another research in the financial services sector, Brouthers et al. (2000) concluded from their single-nation study (in the Netherlands), when comparing their results with findings from a U.S. context, that Dutch managers' decision-making differs from North American managers' decision-making. In a limited sample study (n=75) of manufacturing firms in eight European countries and the United States, Hegarty and Hoffman (1990) observed cross-cultural differences in planning horizons and in commitment to using the planning system. A more comprehensive study by the same authors (Hoffman and Hegarty 1993) showed that culture moderates top management influence on innovation processes regarding administrative innovations, while on the other side no such connection could be established regarding product/market innovation.

Culturally-induced differences in strategic approaches were also observed between the U.S. and Japan. Kagono et al. (1985), for example, distinguished between four types of environmental adaptation strategies of organizations: (a) the 'H' (from 'human') type which emphasizes inductive and incremental adaptation with a heavy relative weight on the human factor; (b) the 'V' (from 'venture') type, which mainly adapts through creative innovation; (c) the 'B' (from 'bureaucratic') type, in which organizations adapt mainly through production efficiency and cost reductions; and (d) the 'S' (from 'strategy') type in which environmental opportunities and threats are anticipated through rational-analytic strategic planning and heavy reliance on resource deployments as a means of adaptation; asserting that Japanese companies, largely due to cultural biases, are closer to the 'H' model, while the 'average' American company adopts the 'S' model of adaptation to the environment. In another study including the same countries, a relationship between national culture and managerial preferences towards different generic strategies could be determined (Kotha et al. 1995). In an in-depth study of hotel managers in Hong Kong, Gamble and Gibson (1999) observed that culture can also have an effect on information flows.

Table 6.1 provides an overview of empirical studies on cultural influences on strategic planning and decision-making processes.

Table 6.1 Overview of empirical studies exploring cross-cultural differences in the strategic decision process

Study	Research topic	Type	Sample	Main findings
Kagono et al. (1985)	Cultural differences in U.S. and Japanese firms' adaptation strategies; differences in U.S. and Japanese strategies and organizations	Quantitative	227 U.S. and 291 Japanese firms	Major differences were found in the strategies and strategy-making approaches of U.S. companies (e.g. specific definitions of their domain, financial management approach, logical deductive reasoning) and Japanese companies (e.g. broad direction, human resource-orientation, inductive, incremental reasoning); There are also major differences in how organizations adapt to their environment in the two countries.
Sullivan and Nonaka (1988)	Cultural difference in strategic issue categorization	Quantitative	Senior managers (75 from the U.S. and 422 from Japan)	Americans managers tend to categorize strategic issues as opportunities, Japanese managers as problems.
Haiss (1990)	Cultural influences on strategic planning in banks	Qualitative and quantitative	Qualitative: 28 American bank executives; quantitative: 501 chief planning managers and senior executives of banks on 4 continents (except Africa)	Planning systems and processes vary among cultures.
Hegarty and Hoffman (1990)	Cultural differences in strategic planning and performance	Quantitative	75 manufacturing firms in 9 countries	Some support was found for cross-cultural differences in (a) the planning horizon and (b) the commitment to using planning systems.
Schneider and DeMeyer (1991)	Cultural influence on strategic issue interpretation	Quantitative	134 MBA students and 169 executives from 16 countries	National culture has an influence on how strategic issues are interpreted (especially on the interpretations as a crisis, threat, difficult, urgency, and certainty). Culture also affects strategic responses.

Study	Research topic	Type	Sample	Main findings
Hoffman and Hegarty (1993)	Cultural differences in top management influence on innovation	Quantitative	361 top managers from 97 manufacturing business units in 9 countries	Top management influence on innovations is explained more by executive characteristics than by environmental factors. Culture has a moderating effect on administrative innovations, but not on product/market innovations.
Kotha, Dunbar, and Bird (1995)	Cultural differences in emphasis on generic competitive methods	Quantitative	160 managers in the U.S. and Japan	While U.S. managers emphasize a narrow range of competitive methods to differentiate, the Japanese use a much broader range of competitive methods in their strategies.
Shane, Venkatraman, and MacMillan (1995)	Cultural differences in innovation championing Strategies	Quantitative	1,228 individuals from 30 countries (members of 4 different firms)	A relationship between cultural values and innovation championing strategies was found.
Hitt, Dacin, Tyler, and Park (1997)	Cultural differences in executives' strategic orientation	Quantitative	199 top executives from the U.S. and Korea	Cultural differences in strategic orientation between the U.S. and Korea exist: U.S. executives emphasize discounted cash-flow, ROI and projected demand; Koreans emphasize growth and expansion.
Geletkanycz (1997)	Cultural influence on executives' commitment to the strategic status quo	Quantitative	1,540 managers from 20 nations	Individualism, uncertainty avoidance, power distance, and short-term orientation were found to be correlated with executives' commitment to the status quo.
Hennart and Larimo (1998)	National origin influences on multinational strategies	Quantitative (based on secondary data)	401 Japanese and Finnish companies that entered the U.S. market	Cultural characteristics of the home country were not found to exert significant influence on international subsidiary ownership strategies.
Harris and Ghauri (2000)	Differences in strategy formation based on national differences in values	Qualitative (exploratory in-depth case)	CEOs of one Dutch and one Scottish firm (medium-sized; from the electronic hardware	Considerable differences were found in how business leaders in the two countries see overall strategic aims. These differences were associated with national

Study	Research topic	Type	Sample	Main findings
		examination)	and software industry)	values. There were less marked differences in strategy content.
Markóczy (2000)	Cultural differences in strategy-related beliefs	Qualitative (multiple case design)	5 Hungarian companies recently acquired by Anglo-Saxon partners	National culture has no major effect on strategy-related beliefs.
Steensma, Marino, and Weaver (2000)	Cultural differences in attitudes towards cooperative strategies	Quantitative	1,846 SMEs in 7 countries	Entrepreneurs from more masculine and more individualistic societies have lower appreciation for cooperative strategies.
Parnell (2004)	Cultural differences in strategic philosophy between American and Mexican managers	Quantitative	402 middle and upper level managers from Texas (U.S.) and Mexico	There are cultural differences in managers' strategic philosophies (e. g. U.S. managers see strategy more as an art, Mexican managers more as a science; American managers were more likely to emphasize strategic flexibility, Mexican ones strategic consistency). No significant differences were found in risk perceptions and process control.
Barr and Glynn (2004)	Cultural differences in strategic issue interpretation	Quantitative	276 participants of MBA and executive education programs in the U.S., the United Kingdom, and Austria	Differences in controllability perception in situations interpreted as threat and opportunity were found between cultures with different uncertainty avoidance levels. No such association could be determined for other cultural dimensions such as individualism, masculinity, or power distance.
Hoffman (2007)	Cultural influence on the strategic planning process and performance relationship	Quantitative	75 managers from manufacturing firms in 9 countries	Culture had little direct or independent relationship to planning. The strength of the planning-performance relationship, however, varied by culture.
Ayoun and Moreo (2008)	Influence of the cultural dimension of uncertainty avoid-	Quantitative	248 hotel top managers from the U.S., Thailand,	The cultural dimension of uncertainty avoidance showed no significant influence on the approach

Study	Research topic	Type	Sample	Main findings
	ance on strategy development		Malaysia, and Turkey	that managers adopt towards developing business strategies.
Stewart, May, and Kalia (2008)	Cultural differences in environmental perceptions and scanning	Quantitative	103 entrepreneurs from single-business firms in the United States and India	No significant differences in environmental perception and scanning behaviours between U.S. and Indian entrepreneurs could be determined.

Source: Author

As can be seen from Table 6.1, empirical studies remain inconclusive as to whether national culture does have an influence on strategic decision-making processes (as was found, for instance, by Schneider and De Meyer 1991; Geletkanycz 1997) or not (supported, for example, by the research of Markóczy 2000; or Hoffman 2007), leading a proponent of the latter opinion to pose the question: “Are Cultural Differences Overrated?” (Markóczy 2000, p. 438, *capital letters in the original*).

A more differentiated conclusion was made in Papadakis et al.’s (1998) study of contextual factors’ influence on strategic decision-making processes: While some of their findings support the ‘culture-free’ argument, others, like the role and relevance of decision-specific characteristics (for instance the magnitude of impact of a decision, frequency/familiarity, or perceived threat), can be interpreted as ‘culture specific’. So the argument is that whether culture has an influence or not depends on the type and characteristics of a strategic decision.

On the other hand, the findings of Barr and Glynn (2004) imply that while some cultural dimensions have an effect on strategic decision-making processes, others do not. Therefore, hypotheses on possible cultural influences on the strategic adaptation process are proposed on the level of individual cultural dimensions.

6.1 Hypotheses on cultural influences on strategic issue diagnosis

As discussed in chapter 3, managers make sense of the stimuli from an organization’s environment through the process of strategic issue diagnosis (Dutton et al. 1983). Issues can be interpreted as opportunities and threats (Dutton and Jackson 1987), with both categories not being mutually exclusive

(Gilbert 2006). Further interpretations of strategic issues include urgency (the perceived importance and time-pressure of taking action) and feasibility (the perceived possibility to resolve an issue) (Dutton and Duncan 1987). It was pointed out by Barr and Glynn (2004) that although studies on cultural influences on opportunity/threat interpretations exist, there is a research deficit in testing cultural variations on other strategic issue labels.

Through the strategic issue diagnosis process, meaning is put on environmental events or developments. Dutton et al. (1983) suggested that individuals' beliefs and the way they 'view the world' affect the process of strategic issue analysis. The way in which individuals view the world, the values and beliefs held by them, in turn, are influenced by national culture (Brockner 2003; Dickson et al. 2004). Thus, it was concluded by Schneider and De Meyer (1991) that national culture has an impact on the interpretation of and response to strategic issues. Particularly, they also detected influences of national culture on whether an issue is seen as a crisis, or whether it is seen as a threat (Schneider and De Meyer 1991). In one additional example of research supporting these results, Sullivan and Nonaka (1988) observed that Japanese managers are more likely to interpret issues as threats than their U.S. American counterparts.

In chapter 5, differences in national cultural dimensions between Austria and Slovenia were presented. Building on these findings, hypotheses on potential differences between the two countries in strategic issue diagnosis are derived.

It was revealed that Austria has a higher score on the performance orientation dimension than Slovenia. This suggests a stronger tendency towards thriving to meet high standards, setting challenging goals, and having both a sense of urgency and a greater sense of control (Javidan 2004). The higher sense of urgency can be directly linked to the strategic issue diagnosis concept of 'urgency'. Therefore,

Hypothesis 2a: Urgency interpretations of economic crises will be higher in cultures with a higher degree of performance orientation.

The strategic issue interpretation category of 'feasibility' includes whether causal relationships regarding the issues are understood and if they are perceived as manageable or controllable (Ginsberg and Venkatraman 1995). It can be assumed that individuals who generally have a greater sense of control over their environment also show a tendency towards seeing strategic issues as more controllable. As having a sense of control is another major factor of the performance orientation cultural dimensions, this leads to:

Hypothesis 2b: Feasibility interpretations of economic crises will be higher in cultures with a higher degree of performance orientation.

Trying to assert control over the environment rather than being in harmony with the environment has also been strongly associated with the cultural dimension of assertiveness, on which Austria also scored higher than Slovenia (Den Hartog 2004). The hypothesis presented above can thus be complemented as follows:

Hypothesis 2c: Feasibility interpretations of economic crises will be higher in cultures with a higher degree of assertiveness.

The cultural dimension of future orientation describes the propensity towards delaying instant gratification in exchange for more long-term success and a tendency towards longer-term strategic and planning orientation (Ashkanasy et al. 2004). In the short run, major economic crises tend to negatively impact on businesses (with the notable exception of counter-cyclical businesses such as insolvency lawyers) due to negative demand effects. Therefore, it can be assumed that if an economic crisis is just viewed from a short-term perspective, it will rather be seen as a threat than as an opportunity. Recessions, however, can also hold opportunities. Investing more than the competition on the lower end of the business cycle can lead to significant gains in market share (Pearce and Michael 2006), for example, and also competitive firms may be available for acquisitions at low market prices in an economic downturn. The potential gains of recessions, however, usually only manifest themselves during the time of recovery. A more long-term orientation is therefore needed to recognize them as opportunities. Seeing opportunities in economic crises can thus be linked to a higher level of future orientation. Therefore, the next hypothesis is:

Hypothesis 2d: Opportunity interpretations of economic crises will be higher in cultures with a higher degree of future orientation.

People who do not like uncertainty will most likely interpret any radical changes – and negative ones in particular – as a threat. Societies with high uncertainty avoidance levels were found to be more risk-averse and less in favour of change (Sully de Luque and Javidan 2004). A major global economic crisis implies a high degree of uncertainty and risk. Therefore, it can be assumed that it will be perceived as a threat in societies with high levels of uncertainty avoidance. The last hypothesis on cultural influences on strategic issue diagnosis is proposed as follows:

Hypothesis 2e: Threat interpretations of economic crises will be higher in cultures with a higher degree of uncertainty avoidance.

Figure 6.2 summarizes the hypotheses on the influence of cultural dimensions on strategic issue diagnosis.

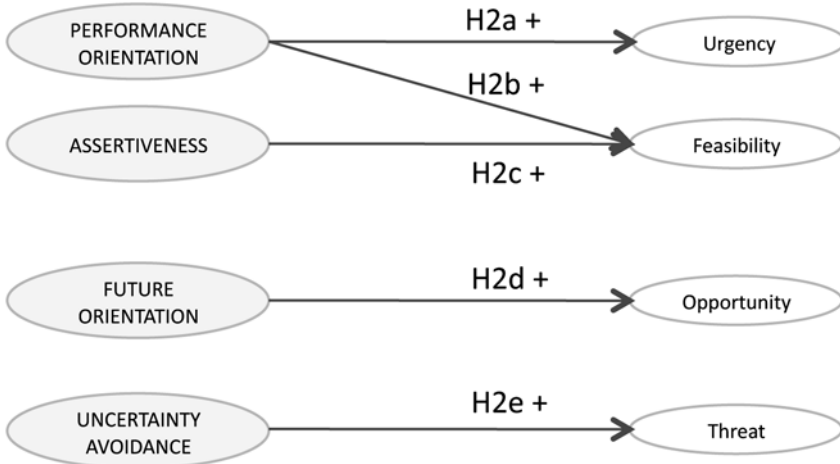


Fig. 6.2 Hypotheses on cultural influences on strategic issue diagnosis

Source: Author

6.2 Hypotheses on cultural influences on strategic action in response to the economic crisis

Schneider and De Meyer (1991) found that national culture appears to have an effect on both internally-directed and externally-directed strategic responses to environmental change. A global economic crisis as an example for a major environmental change can lead to a number of strategic reactions of organizations, which were described in more detail in chapter 4. They were classified into (a) rationalization versus protection/pre-emption strategies, (b) focus on the core business versus diversification strategies, and (c) internally-directed versus externally-directed strategies.

To point out one specific area of internally-directed strategic action which may be susceptible to cultural influence, control systems can be tightened in the face of a crisis. Inclination towards tighter control has been associated with two cultural dimensions: performance orientation (with a tendency to use more formal performance review and rewards systems (Javidan 2004))

and uncertainty avoidance (as societies with higher levels of uncertainty avoidance tend to use more rules and formalized modes of interaction (Sully de Luque and Javidan 2004)). It can therefore be assumed that managers from societies that score higher on these both dimensions (like Austria did compared to Slovenia¹⁰) will also be more likely to resort to control-enhancing action when faced with major environmental change in form of an economic crisis:

Hypothesis 3a: Control-enhancing strategic action in economic crises will be more common in cultures with a higher degree of performance orientation.

Hypothesis 3b: Control-enhancing strategic action in economic crises will be more common in cultures with a higher degree of uncertainty avoidance.

Effects of differences in uncertainty avoidance levels on strategic decision-making have also been identified in other domains of strategic research. In an empirical study, Shane et al. (1995) found that the lower the level of uncertainty avoidance, the higher the preference for overcoming organizational inertia to innovation by violating organizational norms, rules, and procedures. Kogut and Singh (1988) found that higher levels of uncertainty avoidance in an investor's home country led to a preference for greenfield investments over acquisitions. Uncertainty avoidance has been related not only to a higher degree of formalization, but also to managerial resistance to change (Geletkanycz 1997) and lower willingness to take risks (Sully de Luque and Javidan 2004). Strategies involving new markets and new products – or diversification strategies according to Ansoff's (1965) famous matrix – are by definition strategies that involve major changes in the product/market domain. Thus, although diversification as such is often associated with a spread of risk, the *step* of diversifying also includes risks, as companies step on new, unknown terrain. These strategic changes and the risks involved might be unattractive for people who show a higher degree of uncertainty avoidance and who therefore presumably feel more comfortable in a known product and market environment. This leads to the following:

Hypothesis 3c: In cultures with a higher degree of uncertainty avoidance, focus on the core business will be a more common strategy when facing a situation of economic crisis.

10 cf. chapter 5.

Hypothesis 3d: In cultures with a higher degree of uncertainty avoidance, diversification strategies will be less common when facing a situation of economic crisis.

Future orientation can also have an impact on the choice of strategic action in times of a crisis. In his study of recession strategies, Whittington (1991) suggested a link between low future orientation and the use of rationalization strategies, which are most likely to yield immediate results. Higher future orientation, on the other hand, favours counter-cyclical (protection or pre-emption) strategies, as their success is usually only visible after a recovery of the economy. Therefore, it is only possible to see the value of these strategies if a long-term perspective is adopted. Building on Whittington's argument, the following hypothesis can be proposed:

Hypothesis 3e: A higher degree of future orientation in a society will lead to a higher use of protection or pre-emption strategies when facing a situation of economic crisis.

The cultural dimension of future orientation could also be linked with the propensity of an organization to diversify during times of economic crisis. A higher degree of diversification as it was defined for the purposes of this book means investing into new products or product categories, entering new markets with existing products, or also opening up new product/market combinations. All of these ventures usually do not show short-term results, but are strategic steps which reap profits only after the new products or markets are developed. A long-term perspective is needed to see the potentials of diversification strategies in times of economic crisis. Therefore,

Hypothesis 3f: The use of diversification strategies in economic crises will be more common in cultures with a higher degree of future orientation.

Figure 6.3 provides an overview of the hypotheses on cultural influences on strategic action in response to the economic crisis.

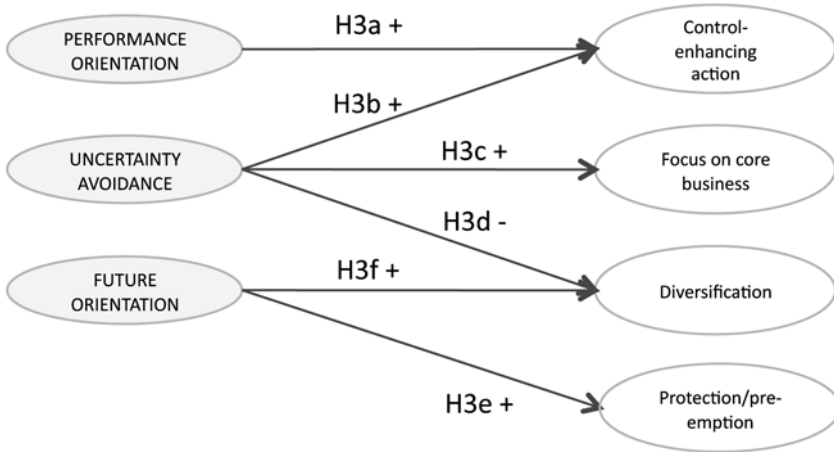


Fig. 6.3 Hypotheses on cultural influences on strategic responses to the economic crisis

Source: Author

6.3 Hypotheses on cultural influences on political and decision behaviour in strategic decision-making processes

Culture influences political prioritization in a way that it affects (a) what people consider as valuable and worth fighting for, (b) the context of disputes, and (c) the ‘rules’ of politics (Ross 2000). Laurent (1983) found that national differences exist in how strongly managers perceive their organizations as political systems: while the political role is strongly emphasized, for instance, in France and Italy, Danish and British managers, on the other hand, showed a significantly lower political orientation. In this section, possible cultural influences on the political dimension of group decision processes in strategic adaptation processes are hypothesized. Following the argumentation about political behaviour in subchapter 3.8, strategic decision processes differ (a) in whether the decisions are made by individuals or by groups; (b) in the amount of cognitive and affective conflict involved; (c) in the amount of political behaviour (i. e. forming coalitions to ‘push through’ a favoured strategy) involved; and (d) whether mainly formal or informal ways are used to influence decision-making. In the following, the potential influence of differences in cultural dimensions on these political characteristics of decision-making processes will be evaluated.

High levels of performance orientation are associated with valuing competitiveness and a drive to achieve targets, while societies with lower scores on this cultural dimension tend to value loyalty, relationship, and co-operative spirit (Javidan 2004). It can be assumed that in a social environment in which competitiveness is more important than loyalty and co-operation, we can also find a higher level of political behaviour as a means to reach individual and group targets. Consideration of effects of political behaviour on relationships would also be less important in high performance orientation cultures. Therefore,

Hypothesis 4a: A higher degree of performance orientation in a will lead to a higher amount of political behaviour in strategic decision-making processes.

Loyalty, warm relationships, modesty, and tenderness are also linked with societies that show a low level of assertiveness, with dominant and tough behaviour and competition being more valued in high assertiveness societies (Den Hartog 2004). Therefore, also because there is no contradiction as Austria scores higher than Slovenia on both dimensions, performance orientation and assertiveness, we can complement the hypothesis above with:

Hypothesis 4b: A higher degree of assertiveness in a society will lead to a higher amount of political behaviour in strategic decision-making processes.

The different levels of assertiveness which were determined between Austria and Slovenia could also lead to different ways of handling conflict. The results of Meierewert's (2009) study indicate that while in the Austrian business culture, mistakes are openly discussed and revised and conflicts need to be resolved, in Slovenia a tendency towards indirectly indicating mistakes and conflict avoidance prevails, reflecting the high value the society places on harmonious relationships. According to Meierewert (2009), Slovenes "are amazed about the fact that Austrians criticise each other, that employees openly criticise their bosses [...] Slovenes distinguish between fact and person, but if they are criticised (by Austrians for example), they feel personally attacked" (p. 130). To test whether higher assertiveness levels in societies lead to higher levels of (open) conflict in strategic decision-making processes, the following hypotheses are proposed:

Hypothesis 5a: A higher degree of assertiveness in a society will lead to a higher amount of affective conflict in strategic decision-making processes.

Hypothesis 5b: A higher degree of assertiveness in a society will lead to a higher amount of cognitive conflict in strategic decision-making processes.

It can be assumed that one cultural dimension which particularly affects political processes within organizations is in-group collectivism versus individualism. In a seven-countries study of 1,846 SMEs, Steensma et al. (2000) found that individualism had a negative influence on how co-operative strategies were appreciated by entrepreneurs. A recent study of 41 societies including Slovenia showed that higher levels of individualism were negatively related to organizationally beneficial ethics (Ralston et al. 2009). Gulev's (2009) research indicated that, compared to Austria, in Slovenia there is a tendency towards more long-term and closer connections between group members, leading to a stronger sense of unity, favouring group decision making. It was also observed that the most-used leadership style of Slovene managers is one in which subordinates are consulted before making a decision, with a subsequent expectation that everyone – regardless of their prior preference – would commit to the execution of the decision (Kovač and Jesenko 2003). The cultural dimension of in-group-collectivism has been generally related to more collective group decision-making in important situations on the one hand, and to avoiding, compromising, or accommodating behaviour in potential conflict situations as opposed to favouring direct and open conflict (Gelfand et al. 2004). Therefore, the following relationships are suggested:

Hypothesis 6a: A higher degree of in-group collectivism in a society will lead to a higher amount of group decisions in strategic decision-making processes.

Hypothesis 6b: A higher degree of in-group collectivism in a society will lead to a lower amount of affective conflict in strategic decision-making processes.

Hypothesis 6c: A higher degree of in-group collectivism in a society will lead to a lower amount of cognitive conflict in strategic decision-making processes.

Hypothesis 6d: A higher degree of in-group collectivism in a society will lead to a lower amount of political behaviour in strategic decision-making processes.

Researchers of the GLOBE study established a link between higher uncertainty avoidance in societies and the level of using more formalized interaction based on rules and procedures (Sully de Luque and Javidan 2004). Consistent with the low uncertainty avoidance level in Slovenia, Grødeland (2007) found that informal contacts and networks play an important role in Slovene politics and business. Lower degrees of uncertainty avoidance in societies were also linked with a preference to violate organizational norms and rules for achieving innovative change (Shane et al. 1995). Informal behaviour is one way to circumvent the existing formal decision-making procedures in

an organization. It can therefore be suggested that also in strategic decision processes, informal ways of influencing prevail in societies with lower uncertainty avoidance levels, leading to the following:

Hypothesis 7: In societies with a lower degree of uncertainty avoidance, informal ways of influencing will be more common in strategic decision-making processes.

An overview of the hypotheses on cultural influences on political and decision behaviour in strategic decision-making processes when adapting to major environmental changes is presented in Figure 6.4.

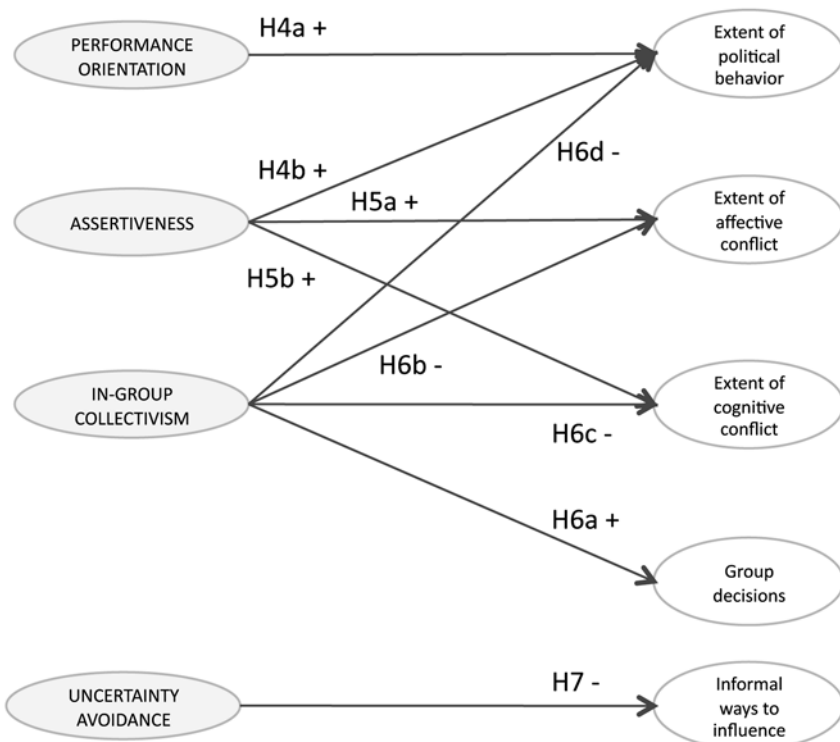


Fig. 6.4 Hypotheses on cultural influences on political and decision behaviour in strategic decision-making processes

Source: Author

In order to test the hypotheses about possible cultural influences on strategic adaptation processes, a quantitative study was conducted among managers in Austria and Slovenia. Its methodology and results are presented in chapters 8

and 9. Before that, mainly for two reasons, (a) to check the plausibility of the developed models and hypotheses, and (b) to gather additional empirical information before the final design of the quantitative study, a preliminary qualitative study was conducted, consisting of 12 personal interviews with top managers in Austria and Slovenia about the strategic adaptation processes to the 2008–09 financial and economic crisis within their organizations. The following chapter 7 reports on the methodology and results of this preliminary study.

References

- Ansoff, I. (1965). *Corporate strategy*. New York: McGraw Hill.
- Ashkanasy, N., Gupta, V., Mayfield, M. S., & Trevor-Roberts, E. (2004). Future orientation. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 282–342). Thousand Oaks et al.: Sage.
- Ayoun, B. M., & Moreo, P. J. (2008). The influence of the cultural dimension of uncertainty avoidance on business strategy development: A cross-national study of hotel managers. *International Journal of Hospitality Management*, 27(1), 65–75.
- Barr, P. S., & Glynn, M. A. (2004). Cultural variations in strategic issue interpretation: Relating cultural uncertainty avoidance to controllability in discriminating threat and opportunity. *Strategic Management Journal*, 25(1), 59–67.
- Brock, D. M., Barry, D., & Thomas, D. C. (2000). “Your forward is our reverse, your right, our wrong”: Rethinking multinational planning processes in light of national culture. *International Business Review*, 9(6), 687–701.
- Brockner, J. (2003). Unpacking country effects: On the need to operationalize the psychological determinants of cross-national differences. *Research in Organizational Behavior*, 25, 333–367.
- Brouthers, K. D., Brouthers, L. E., & Werner, S. (2000). Influences on strategic decision-making in the Dutch financial services industry. *Journal of Management*, 26(5), 863–883.
- Den Hartog, D. N. (2004). Assertiveness. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 395–436). Thousand Oaks et al.: Sage.
- Dickson, M. W., BeShears, R. S., & Gupta, V. (2004). The impact of societal culture and industry on organizational culture. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 74–93). Thousand Oaks et al.: Sage.

- Dutton, J. E., & Duncan, R. B. (1987). The creation of momentum for change through the process of strategic issue analysis. *Strategic Management Journal*, 8(3), 279–295.
- Dutton, J. E., & Jackson, S. E. (1987). Categorizing strategic issues: Links to organizational action. *Academy of Management Review*, 12(1), 76–90.
- Dutton, J. E., Fahey, L., & Narayanan, V. K. (1983). Towards understanding strategic issue diagnosis. *Strategic Management Journal*, 4(4), 307–323.
- Gamble, P. R., & Gibson, D. A. (1999). Executive values and decision making: The relationship of culture and information flows. *Journal of Management*, 36(2), 217–240.
- Geletkanycz, M. A. (1997). The salience of ‘culture’s consequences’: The effects of cultural values on top executive commitment to the status quo. *Strategic Management Journal*, 18(8), 615–634.
- Gelfand, M. J., Bhawuk, D. P. S., Nishii, L. H., & Bechtold, D. J. (2004). Individualism and collectivism. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 437–512). Thousand Oaks et al.: Sage.
- Gilbert, C. G. (2006). Change in the presence of residual fit: Can competing frames coexist? *Organization Science*, 17(1), 150–167.
- Gilbert, X., & Lorange, P. (1994). National approaches to strategic management: A resource-based perspective. *International Business Review*, 3(4), 411–423.
- Ginsberg, A., & Venkatraman, N. (1995). Institutional initiatives for technological change: From issue interpretation to strategic choice. *Organization Studies*, 16(3), 425–448.
- Grødeland, Å. B. (2007). ‘Red mobs’, ‘yuppies’, ‘lamb heads’ and others: Contacts, informal networks and politics in the Czech Republic, Slovenia, Bulgaria and Romania. *Europe-Asia Studies*, 59(2), 217–252.
- Gulev, R. E. (2009). Are national and organizational cultures isomorphic? Evidence from a four country comparative study. *Managing Global Transitions*, 7(3), 259–279.
- Haiss, P. R. (1990). *Cultural influences on strategic planning: Empirical findings in the banking industry*. Heidelberg: Physica-Verlag.
- Hambrick, D. C., & Brandon, G. L. (1988). Executive values. In D. C. Hambrick (Ed.), *The executive effect: Concepts and methods for studying top managers* (pp. 3–34). Greenwich, Connecticut/London: Jai Press.
- Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, 9(2), 193–206.
- Harris, S., & Ghauri, P. (2000). Strategy formation by business leaders: Exploring the influence of national values. *European Journal of Marketing*, 34(1/2), 126–142.
- Hegarty, W. H., & Hoffman, R. C. (1990). The relationship between strategic planning and performance among three cultures. *Academy of Management Best Papers Proceedings*, 106–110.

- Hennart, J.-F., & Larimo, J. (1998). The impact of culture on the strategy of multinational enterprises: Does national origin affect ownership decisions? *Journal of International Business Studies*, 29(3), 515–538.
- Hitt, M. A., Dacin, M. T., Tyler, B. B., & Park, D. (1997). Understanding the differences in Korean and U.S. executives' strategic orientations. *Strategic Management Journal*, 18(2), 159–167.
- Hoffman, R. C. (2007). The strategic planning process and performance relationship: Does culture matter? *Journal of Business Strategies*, 24(1), 27–48.
- Hoffman, R. C., & Hegarty, W. H. (1993). Top management influence on innovations: Effects of executive characteristics and social culture. *Journal of Management*, 19(3), 549–574.
- House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (Eds.) (2004). *Culture, leadership, and organizations: The GLOBE study of 62 societies*. Thousand Oaks/London/New Delhi: Sage.
- Javidan, M. (2004). Performance orientation. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 239–281). Thousand Oaks et al.: Sage.
- Kagono, T., Nonaka, I., Sakakibara, K., & Okumura, A. (1985). *Strategic vs. evolutionary management: A U.S.–Japan comparison of strategy and organization*. New York, Oxford: North-Holland.
- Kogut, B., & Singh, H. (1988). The effect of national culture on the choice of entry mode. *Journal of International Business Studies*, 19(3), 411–432.
- Kotha, S., Dunbar, R. L. M., & Bird, A. (1995). Strategic action generation: A comparison of emphasis placed on generic competitive methods by U.S. and Japanese managers. *Strategic Management Journal*, 16(3), 195–220.
- Kovač, J., & Jesenko, M. (2003). Values and leadership styles of managers in Slovenia. *Journal of Eastern European Management Studies*, 8(3), 346–360.
- Laurent, A. (1983). The cultural diversity of Western conceptions of management. *International Studies of Management & Organization*, 13(1/2), 75–96.
- Markóczy, L. (2000). National culture and strategic change in belief formation. *Journal of International Business Studies*, 31(3), 427–442.
- Meierewert, S. (2009). Cultural standard research and its implications for managing multinational teams: Cooperation with Croatians and Slovenes – the Austrian perspective. *European Journal of Cross-Cultural Competence and Management*, 1(1), 119–135.
- Papadakis, V. M., Lioukas, S., & Chambers, D. (1998). Strategic decision-making processes: The role of management and context. *Strategic Management Journal*, 19(2), 115–147.
- Parnell, J. A. (2004). Variations in strategic philosophy among American and Mexican managers. *Journal of Business Ethics*, 50(3), 267–278.
- Pearce, J. A., & Michael, S. C. (2006). Strategies to prevent economic recessions from causing business failure. *Business Horizons*, 49(3), 201–209.

- Ralston, D. A. et al. (2009). Ethical preferences for influencing superiors: A 41-society study. *Journal of International Business Studies*, 40(6), 1022–1045.
- Ross, M. H. (2000). The relevance of culture for the study of political psychology. In S. A. Reshon (Ed.), *Political psychology: Cultural and crosscultural foundations* (pp. 33–46). Houndmill/Basingstoke: Macmillan.
- Sullivan, J., & Nonaka, I. (1988). Culture and strategic issue categorization theory. *Management International Review*, 28(3), 6–10.
- Samiee, S., & Athanassiou, N. (1998). International strategy research: Cross-cultural methodology implications. *Journal of Business Research*, 43(2), 79–96.
- Schneider, S. C. (1989). Strategy formulation: The impact of national culture. *Organization Studies*, 10(2), 149–168.
- Schneider, S. C., & Barsoux, J.-L. (1997). *Managing across cultures*. Hemel Hempstead: Prentice Hall Europe.
- Schneider, S. C., & De Meyer, A. (1991). Interpreting and responding to strategic issues: The impact of national culture. *Strategic Management Journal*, 12(4), 307–320.
- Shane, S., Venkataraman, S., & MacMillan, I. (1995). Cultural differences in innovation championing strategies. *Journal of Management*, 21(5), 931–952.
- Steensma, H. K., Marino, L., & Weaver, K. M. (2000). Attitudes toward cooperative strategies: A cross-cultural analysis of entrepreneurs. *Journal of International Business Studies*, 31(4), 591–609.
- Stewart, W. H., May, R. C., & Kalia, A. (2008). Environmental perceptions and scanning in the United States and India: Convergence in entrepreneurial information seeking? *Entrepreneurship: Theory & Practice*, 32(1), 83–106.
- Sully de Luque, M., & Javidan, M. (2004). Uncertainty avoidance. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 602–653). Thousand Oaks et al.: Sage.
- Whittington, R. (1991). Recession strategies and top management changes. *Journal of General Management*, 16(3), 11–28.

7 Qualitative study: management interviews about strategic adaptation to the financial and economic crisis

Before the main quantitative study, a qualitative pre-study was conducted among twelve top managers of Austrian and Slovene companies, following Peng et al.'s (1991) recommendation that a qualitative approach should always complement a quantitative study to deal with the cultural subtleties involved in cross-cultural research.

A guided, semi-structured face-to-face interview design was used in order to make sure that, on the one hand, all relevant topics of the subsequent quantitative study will also be covered in the qualitative pre-study, while, on the other hand, also leaving room for a more in-depth investigation of the strategic adaptation processes in the individual companies. The questions were grouped around three main topics: (a) the perception of the 2008–09 financial and economic crisis in both Austrian and Slovene companies; (b) the strategic actions organizations in both countries were taking in response to the crisis, and (c) the extent and types of political behaviour and conflict in the decision-making processes of strategic adaptation to the crisis.

7.1 Sample and data collection of the qualitative study

Qualitative pre-studies should ideally be conducted with a set of interviewees similar to the respondents of the main quantitative study (Davis 2000). Therefore, the interviews were equally split between six Austrian managers and six Slovene managers. Also, to account for possible size effects, half of the interviews were conducted with representatives from small and medium-sized companies with less than 50 million Euro annual turnover and less than 500 employees, the other half with top managers from large corporations with more than 100 million Euro turnover and more than 1,000 employees. In order to avoid across-country effects, it was made sure (a) that respondents were of the same nationality as the company they were working for, and (b) that only companies with a majority ownership held in their own country were included in the sample. A variety of industries was included from both the manufacturing and services sectors, thus favouring width of possible crisis issue interpretations and strategies over strict statistical comparability, following the nature of a qualitative pre-study as opposed to the subsequent quantitative study designed to test the hypotheses.

7 Management interviews about strategic adaptation to the financial and economic crisis

All interview partners were assured full anonymity and confidentiality. Therefore, the companies' names are not disclosed but coded, indicating the location ('AUT' for Austria, 'SLO' for Slovenia) and the size of the organization ('S' for small and medium-sized enterprise, 'L' for large-scale corporation). Table 7.1 provides an overview of the interviewees and their company affiliation.

Table 7.1 Overview of the companies and interviewees of the qualitative study

Company code	Nationality	Size	Industry	Interviewee
AUT-S 1	Austrian	SME (< 50 mio. EUR turnover, < 500 employees)	Service	Deputy managing director
AUT-S 2	Austrian	SME (< 50 mio. EUR turnover, < 500 employees)	Service	CEO
AUT-S 3	Austrian	SME (< 50 mio. EUR turnover, < 500 employees)	Production	CEO
AUT-L1	Austrian	LARGE (> 100 mio. EUR turnover, $> 1,000$ employees)	Financial service	CEO
AUT-L2	Austrian	LARGE (> 100 mio. EUR turnover, $> 1,000$ employees)	Financial service	CEO
AUT-L3	Austrian	LARGE (> 100 mio. EUR turnover, $> 1,000$ employees)	Production & service	Member of the management board
SLO-S 1	Slovene	SME (< 50 mio. EUR turnover, < 500 employees)	Production	Member of the management board
SLO-S 2	Slovene	SME (< 50 mio. EUR turnover, < 500 employees)	Production & service	CEO
SLO-S 3	Slovene	SME (< 50 mio. EUR turnover, < 500 employees)	Retail	CEO
SLO-L1	Slovene	LARGE (> 100 mio. EUR turnover, $> 1,000$ employees)	Retail	Member of the management board
SLO-L2	Slovene	LARGE (> 100 mio. EUR turnover, $> 1,000$ employees)	Service	CEO
SLO-L3	Slovene	LARGE (> 100 mio. EUR turnover, $> 1,000$ employees)	Production	Managing director

Source: Author

The twelve semi-structured interviews were voice-recorded and transcribed. All interviews were conducted in May–July 2010 by the author at the company locations in Austria and Slovenia. While the interviews with Slovene managers were taken in English, the interviews in Austria were conducted in German and then translated by the author into English for further analysis.

As all the interviews were conducted by the same researcher, possible ethnocentric researcher bias needs to be taken into consideration. This is mitigated by the fact that the author worked as a managing director himself in both countries, Austria and Slovenia. Being of Austrian nationality, however, culturally induced bias cannot be completely ruled out.

7.2 Methodology of analysis of the qualitative study

Content analysis was chosen as the method to analyze the qualitative data. The core of the content analysis approach is the creation of categories which, in this case, are derived from the theoretical framework of this study. The categories need to be based on the contents and constructs of the hypotheses, should be unambiguous as well as independent and delineated from each other (Atteslander 2008). The 7-step content analysis technique of ‘structuring’ as suggested by Mayring (1994) was applied:

1. First, the key structuring dimensions were defined, based on the theoretical concepts described in chapters 3 and 4. Threat and opportunities, feasibility, and urgency were set as the basic categories for the strategic issue diagnosis part. The strategic reactions to the financial and economic crisis were categorized into (a) protection/pre-emption versus rationalizing action; (b) focus on the core business versus diversification action; and (c) other internally-directed actions (tightening control systems, process improvement, and management changes) and other externally-directed actions (market penetration strategies, pressure on suppliers, and changes in pricing strategy). Further categories include the extent of political behaviour in the strategic decision-making process, the extent of conflict in the strategic decision-making process, individual versus group decision-making, and the extent of informal influence in the strategic decision-making process.
2. Second, parameter values were set for each of the categories (as shown in Table 7.2).

3. Definitions were found for each parameter value, together with anchor statements and rules for cases ‘at the border’ of the parameter values. This provided a guideline for the coding process.
4. The transcribed material was scanned for statements which fall into the categories described above.
5. The statements were assessed according to the coding guideline, thus determining the parameter value for the individual categories. If it was not possible to identify any statements for a certain category, this was marked with ‘N/A’ in the results table.
6. The category system was iteratively adapted during the process.
7. The results of the content analysis process were set out in tables, which also contain illustrative example statements from the interviews.

Table 7.2 Overview of categories and parameter values for the qualitative content analysis

Area of analysis	Category	Parameter values
Strategic issue diagnosis	Opportunity	Low, Medium, High
	Threat	Low, Medium, High
	Feasibility	Low, Medium, High
	Urgency	Low, Medium, High
Political behaviour & conflict	Extent of political behaviour	Low, Medium, High
	Extent of conflict	Low, Medium, High
	Individual/group decisions	Mainly individual decisions, Mainly group decisions
	Informal ways to influence	Low, Medium, High
Strategic action	Protection/pre-emption	Research & development, technology, quality, human resources, production, logistics, marketing, sales, customer service, administration (multiple allocation possible)
	Rationalizing	Research & development, technology, quality, human resources, production, logistics, marketing, sales, customer service, administration (multiple allocation possible)

Area of analysis	Category	Parameter values
	Focus on core business/ diversification	Reduce to the core business New markets New products/product lines New products in new markets (multiple allocation possible)
	Other internally-directed action	Control-enhancing action (performance control, working capital control, centralization of decision- making) Business process improve- ment Changes in the management team (multiple allocation possible)
	Other externally-directed action	Market penetration strategies (customer acquisition, customer retention, changes in the distribution policy, improving existing products), Pressure on suppliers Changes in pricing (decrease, hold, increase) (multiple allocation possible)

Source: Author

7.3 Results of the qualitative study

In this sub-chapter, the results of the qualitative study are presented. In the first part, it is evaluated how managers in Austria and Slovenia noticed and interpreted the 2008–09 global financial and economic crisis. This is followed by a more in-depth investigation of the processes of deciding for strategic action in response to the crisis and of possible political behaviour within these processes. Finally, the different strategic actions taken by the companies when facing the major change in their organization’s environment are discussed.

7.3.1 Strategic issue diagnosis in Austrian and Slovene companies

Threat perception of the financial and economic crisis

How the financial and economic crisis was perceived in terms of threat and opportunity is reported in Table 7.3. Threat perceptions varied considerable between the individual firms from quite low (“*We saw the crisis negatively only for a short time*” (AUT-S 2)) to very high (“*... we assessed the threat potential as very high*” (AUT-L1)). The economic downturn as a major environmental change was perceived either

- (a) through external observation of negative impacts on other companies or the economy as a whole both domestically or internationally (e. g. “*One of our main partners in a deal was massively affected*” (AUT-L2); “*... in spring 2009 when the first companies started to fire people [...] That was the first time that we thought that maybe this could touch us.*” (SLO-S 3); “*We actually saw the crisis coming because we have a lot of contacts abroad through different associations.*” (SLO-L1)); or
- (b) through internal impacts on company performance before any outside developments were noticed (e. g. “*... results went down. And I asked myself what we did wrong [...] And then we heard that everything around is the same. And we then found out that it’s not our fault, that we are not the only one.*” (SLO-S 2); “*The first signal was a problem with cash flow.*” (SLO-S 1)).

No clear patterns of differences in threat perceptions emerge between Austrian and Slovene companies or between SMEs and larger corporations. Only in the financial services industry, a consistent perception of the crisis as a development with a very high threat potential could be determined.

Opportunity perception of the financial and economic crisis

As with threat perception, also the assessment of potential opportunities opening up in the wake of the financial and economic crisis situation differed significantly between the individual companies. Some general trends that emerge from the opportunity assessments of Austrian and Slovene managers are:

- Although both Austrian and Slovene managers varied in their opinions on the crisis as an opportunity, four out of five assessments of the crisis bearing low or low to medium opportunity were made by Slovene managers while three out of four high opportunity assessments were made by Austrian managers.

Table 7.3 Threat and opportunity perception of the financial and economic crisis in Austrian and Slovene companies

Perception of the crisis as a threat	AUT-S1 (Service)	AUT-S2 (Service)	AUT-S3 (Production)	AUT-L1 (Financial service)	AUT-L2 (Financial service)	AUT-L3 (Production & service)	SLO-S1 (Production)	SLO-S2 (Production & service)	SLO-S3 (Retail)	SLO-L1 (Retail)	SLO-L2 (Service)	SLO-L3 (Production)
Typical statements	MEDIUM	LOW	MEDIUM	HIGH	HIGH	MEDIUM	MEDIUM – HIGH	MEDIUM	LOW – MEDIUM	MEDIUM	MEDIUM	HIGH
	<p>"And then we thought that when large companies start laying off people, this means for us that consumers have less money that they can invest with us. So we saw that in sum, we would have to adapt ourselves to harder times."</p>	<p>"We saw the crisis negatively only for a short time." "We saw the crisis not as positive, but as neutral."</p>	<p>"We already noticed in 2008 that 2009 something would be approaching us. The reaction was changing consumption behaviour." "We always assessed that 2010 will be worse than 2009. And we were right."</p>	<p>"We considered the risk to be very high. [...] And we assessed the threat potential as very high. [...] our people [...] assessed the threat scenario as extremely uncertain and certain and very high." "In the course of a few weeks, the markets were dead."</p>	<p>"The situation became a dramatic one with the breakdown of Lehman." "The threat potential is still considerable."</p>	<p>"We saw the crisis negatively only for a short time." "Our CEO saw it from the beginning as an extremely big threat. But he is more pessimistically disposed. By us others, it was also out of habit, it was seen as not that big a threat. But the signal that we've seen internally made us conscious very fast."</p>	<p>"We expected at that time that our monthly income will be 15–20 per cent less. It means that some machinery will be empty, so the capacity usage decreased from 75–76 per cent to 50–60 per cent."</p>	<p>"The first part of the year 2008 was normal, and after that, the results went down. And I asked myself what we did wrong [...] And then we heard that everything around is the same. And we then found out that it's not our fault, that we are not the only one."</p>	<p>"So for us it was not as good, but it was not as bad either." "We felt that we had to adapt, that we had to change some things, but it wasn't a killer for us."</p>	<p>"Overall, in Slovenia there were two waves of the strike on consumption. The first one was right in the beginning of 2009, which was really psychological. We felt it very much on postponing the purchase." "Not only the fear was there, but something has changed."</p>	<p>"Our consumers react on the crisis. Also end users feel this crisis." "Let's say so: I am not expecting that this curve will go up before the end of 2010."</p>	<p>"The crisis was seen as quite threatening." "Our sales dropped at the peak of the crisis for 25 per cent, and you can imagine you cannot adapt so quickly to the 25 per cent drop in sales and gross margin."</p>

Perception of the crisis as an opportunity	AUT-S1 (Service)	AUT-S2 (Service)	AUT-S3 (Production)	AUT-L1 (Financial service)	AUT-L2 (Financial service)	AUT-L3 (Production & service)	SLO-S1 (Production)	SLO-S2 (Production & service)	SLO-S3 (Retail)	SLO-L1 (Retail)	SLO-L2 (Service)	SLO-L3 (Production)
Typical statements	HIGH "Every crisis also bears opportunities. We looked at the competition around us: who is weaker than we are? Where can we use this potential? And then we tried to launch some attacks."	MEDIUM "We saw the crisis not as positive, but as neutral [...] There are areas where it was possible to earn disproportionately high also in the crisis."	HIGH "We saw the crisis rather as an opportunity." "We also used the crisis as an opportunity to get rid of certain burdens of the past."	LOW – MEDIUM (opportunity only for internal change) "At the beginning, it was primarily a threat scenario, as no-one knew how it would evolve." "In the course of the crisis, we saw that the crisis also has its chances, especially regarding internal changes in the company. We used this point in time for example for process changes."	MEDIUM "I saw rather limited opportunities in the crisis. The disadvantages were clearly higher." "There are areas in which opportunities came up. The labour market developed very positively [...] because other industries were more active in laying off people."	HIGH "The crisis was always seen as a great opportunity. First, as an opportunity to realize a lower cost structure [...] Under normal conditions we would not be able to achieve this cost structure [...] And secondly, we anticipated that some of our strong products and brands would become crisis winners."	MEDIUM "The positive side of the crisis is [...] bad companies will disappear, the good companies will stay. [...] Payment, cash flow and discipline and everything will be much easier in the future."	LOW – MEDIUM (opportunity only for internal change) "I see also an opportunity in the crisis because we can decrease our costs. [...] I have a very good excuse."	HIGH "We knew that if we were smart and we were flexible and quick we could use this crisis as an opportunity in terms of our relations to our competitors." "If nothing else, a crisis is a good excuse to do cost-cutting, because people are more open to changes."	LOW "Of course it was more a threat than an opportunity. Of course. Whoever says differently... I don't know. Maybe someone who is really adaptable to that segment of consumers. But we are too big not to feel the lowering of the consumption."	LOW Answer to the question whether the crisis has something positive sides also: "Hmmm ? positive ... ? [silence]"	LOW – MEDIUM (opportunity only for internal change) "But when the crisis started everybody was willing really to do everything what's needed and necessary. And we managed to cut a lot of costs."

Source: qualitative interviews

- Likewise, four out of five low or low-medium opportunity statements were made in large companies while three out of four interviewees who saw high opportunity in the crisis were managing SMEs.
- The companies that sensed opportunities in the crisis mainly saw them in the weaknesses of the competition and therefore in the chance to gain market share and in the possibility to enforce internal changes.
- Six companies (AUT-S 3, AUT-L1, AUT-L3, SLO-S 2, SLO-S 3, SLO-L3) mentioned that the crisis bears the opportunity to change cost structures or internal processes – changes that would otherwise be difficult to enforce. Typical statements illustrating this point include:

“We also used the crisis as an opportunity to get rid of certain burdens of the past.” (AUT-S 3);

“I see also an opportunity in the crisis because we can decrease our costs. [...] I have a very good excuse.” (SLO-S 2);

“If nothing else, a crisis is a good excuse to do cost-cutting, because people are more open to changes.” (SLO-S 3)

Thus, the crisis was also used as an argument in the ongoing internal, political struggle for change. It could be used against the forces which are resisting change within an organization. This was emphasized by a manager of one of the leading Slovene production firms:

“Cost saving programs were running all of the time – but nobody wanted really to cooperate [...] But when the crisis started, everybody was willing really to do everything what’s needed and necessary. And we managed to cut a lot of costs.” (SLO-L3)

This observation shows that alternatively to the general adaptation process model presented in chapter 3 (comprising strategic issue diagnosis following major environmental change, the creation and selection of strategic alternatives, as well as subsequent strategic action), another process could also be at work when companies experience major changes in their environment: Dominant coalitions, who already have strategic alternatives in mind that were politically not realizable in a certain environment, could use the environmental change as a catalyzer for change. This could work in the following way: members of the dominant as well as other coalitions who before resisted a change agree on a common diagnosis of a strategic issue (for instance: there is a high threat potential for the organization due to economic crisis). This common issue diagnosis then facilitates the political feasibility and therefore the enforceability of unpopular strategic change that was desired by the dom-

inant coalition. Figure 7.1 visually presents this alternative model of strategic adaptation.

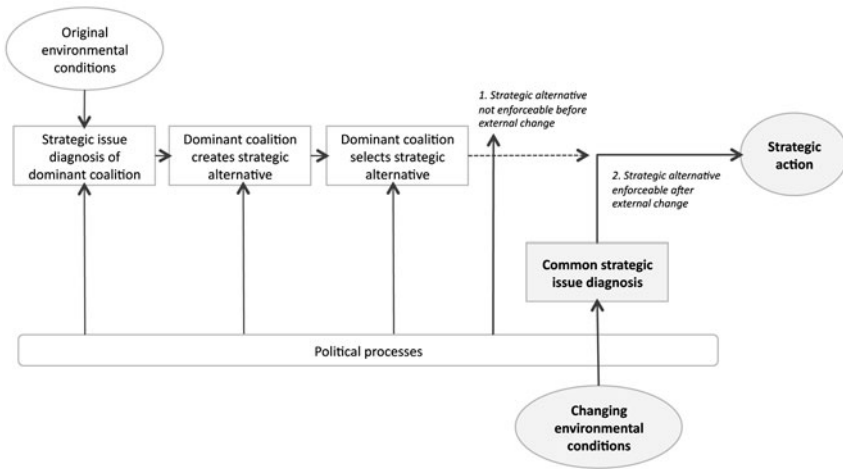


Fig. 7.1 Major environmental change as a catalyzer for enabling strategic change

Source: Author

Feasibility perception of the financial and economic crisis

The most striking result of the feasibility interpretation of the crisis is that out of six interviewees who saw the crisis as a resolvable situation (thus indicating a high level of feasibility interpretation), five were Austrian. In all Austrian companies except one, the financial and economic crisis was perceived as an issue that is perfectly manageable.

A representative statement for this attitude of being in control was provided by a board member of a large Austrian company: “We were convinced that we can do something against the crisis” (AUT-L3). There was only one exception to this general attitude in Austria – a financial institution that was caught in the middle of the maelstrom of the financial crisis. The following statement of the company’s CEO provides an insight into the low-feasibility interpretation within the financial industry:

“We did all that we can do. We cannot influence the stock market. The dependency on external factors was so high that the frame of action for the own company to protect our balance sheet was getting smaller. It was like sitting in a cottage and a hurricane is approaching. You know exactly, you cannot do anything against the hurricane. You can just set measures to ensure that the roof of the cottage is not falling down. Or you can go to the basement. These

types of things you can do, but you cannot do anything against the hurricane itself – and it was a hurricane – it was not controllable any more. The market conditions in these volatile times were in no way controllable any more, especially also in the derivatives markets.” (AUT-L2)

In Slovenia, on the other hand, only one out of six interviewees was of the opinion that there was a high degree of manageability of the crisis. The others saw at least some degree of environmental determinism in the crisis:

“Not like something that would go by us or that we can’t do anything, but we did not see it as something that we can change thoroughly as well” (SLO-L1)

Due to the limited representativeness of the sample, however, it cannot yet be concluded that Austrian managers generally see crisis situation as more ‘manageable’ than their Slovene colleagues. The respective hypotheses about the link between cultures with a higher degree of performance orientation and assertiveness and the prevalence of high feasibility interpretations will be tested in the quantitative study. An overview of feasibility interpretations and also of urgency interpretations of the financial and economic crisis by the interviewed Austrian and Slovene managers is presented in Table 7.4.

Urgency perception of the financial and economic crisis

With only two exceptions (both in Austria), all interviewed managers saw the crisis as a very urgent issue, calling for timely and rapid action. There were no major differences between Austrian or Slovene companies or between large and small companies. Although the timing of the first perception of the crisis was different (for example “early summer 2008” for AUT-L2 versus “end of 2008” for SLO-L2), as soon as the issue was generally interpreted as a crisis within the organization, most of the companies saw it as a very urgent issue which required them to take immediate action:

“We wanted to do something urgently. [...] The crisis also gave us a kick in the ass to start doing something new immediately” (SLO-S3)

Table 7.4 Feasibility and urgency perception of the financial and economic crisis in Austrian and Slovene companies

Feasibility perception of the crisis	AUT-S1 (Service)	AUT-S2 (Service)	AUT-S3 (Production)	AUT-L1 (Financial service)	AUT-L2 (Financial service)	AUT-L3 (Production & service)	SLO-S1 (Production)	SLO-S2 (Production & service)	SLO-S3 (Retail)	SLO-L1 (Retail)	SLO-L2 (Service)	SLO-L3 (Production)
Typical statements	HIGH	HIGH	HIGH	LOW	HIGH	HIGH	MEDIUM	MEDIUM	HIGH	LOW-MEDIUM	LOW-MEDIUM	LOW-MEDIUM
	"Regardless of the crisis, we stick to the strategies that we agreed upon. We continue on our way."	"But then, in the second phase, we relatively quickly thought about what we can do, how we can go against the trends."	"In 2008 we knew exactly what we will do in 2009, 2010, and 2011."	"The dependency on external factors was so high that the frame of action for the own company to protect our balance sheet was getting smaller. It was like sitting in a cottage and a hurricane is approaching."	"We thought that if (the crisis) was manageable and that we can do something against it."	"We were convinced that we can do something against the crisis."	"I saw that as a challenge how to work and how to continue our work under such conditions." "They say in Slovene language: 'What does not kill you, will strengthen you more.'"	"And then we heard that everything around is the same. And we then found out that it's not our fault, that we are not the only one." "We started immediately. Because we thought that it is our fault, not the crisis around."	"We noticed the crisis that was hitting other companies hard and we said that it is going to make an impact on us [...]. But it is upon us to decide how much we want to react and we had the luxury of having a bit more time to think about it and then to react [...]. Even if nothing happened directly to us [...]. We wanted to engage, we wanted to be proactive."	"For us, it was a necessity to be alert. Not like something that would go by us or that we can't do anything, but we did not see it as something that we can change thoroughly as well."	"I read that others in our industry are also falling down. All other companies around Europe also."	"The crisis started and suddenly it dragged everything down and basically it was quite a depression." "We knew we had to do something but our biggest problem was actually the big portion of fixed costs. [...] we have the labor force, we have the whole infrastructure, which is 80% located here in Slovenia. Simply, you could not react so fast."

Urgency perception of the crisis	AUT-S1 (Service)	AUT-S2 (Service)	AUT-S3 (Production)	AUT-L1 (Financial service)	AUT-L2 (Financial service)	AUT-L3 (Production & service)	SLO-S1 (Production)	SLO-S2 (Production & service)	SLO-S3 (Retail)	SLO-L1 (Retail)	SLO-L2 (Service)	SLO-L3 (Production)
Typical statements	LOW-MEDIUM "The first thought when we heard about the crisis was: Will it hit us at all? [...] This is maybe something in the financial sector. We did not really believe that it would also affect the 'real' sector of the economy." "How to deal with hard times? First of all we have to accelerate, we have to 'run more'."	LOW-MEDIUM "At first we did not really realize or feel it. In Austria, 2008 was still a relatively good year for our industry." "In a crisis, long-term thinking is needed." "But then, in the second phase, we relatively quickly thought about what we can do."	HIGH "Talking regarding the crisis was a number one priority for us."	HIGH "We had to act very quickly."	HIGH "It was very, very urgent to take action in our area. [...] Acting immediately"	HIGH "From our point of view, we started very early to react to the crisis, to institute actions." "We decided on the measures in the beginning of November 2008, when most of the companies just started to think about whether the crisis will come."	HIGH "We started [with action] immediately." "We did this changes with double speed because of the crisis, to be prepared for the situation."	HIGH "How fast decisions are made is maybe different than before. We have to decide very quick. [...] Time is very quick. [...] It was necessary to accept very quick decisions. [...] I have seen things as very urgent also."	HIGH "We wanted to do something urgently. [...] The crisis also gave us a kick in the ass to start doing something new immediately."	HIGH "We found it quite urgent. As I said we were quite lucky that we prepared the changes already in 2008 and we started early in 2009. That was very critical that the company started showing that they are doing something."	N.A. No clear statement about urgency	HIGH "It was seen as very urgent." "Everybody knew we have to do it. If we don't do it quick we will go out of business."

Source: qualitative interviews

7.3.2 Political, conflict, and informal behaviour in Austrian and Slovene companies

Political behaviour in strategic decision-making

The extent of political behaviour varied widely between different companies in both countries.¹¹ No clear country- or size-related patterns emerged. Those interviewees who assessed lower amounts of perceived political behaviour generally emphasized consensus-orientation within the management team, as for example

“In most issues we are on one line within the management team.” (AUT-S 1);
“It [political behaviour] is not a significant problem. Otherwise the orientation towards consensus would not work.” (AUT-L2);
“I would never organize a meeting of shareholders where I wanted a formal vote on something, and not having them informed and having their opinion [...] and trying to make sure that we are all ‘on the same page.’” (SLO-S 3).

In one case, it was pointed out that in the particular situation of the financial and economic crisis there was *“no time for playing any games”* (AUT-L3). Managers of other companies in both countries saw political behaviour as commonplace in their organizations, also in times of the crisis.

The variety of political behaviour includes the spreading of rumours (SLO-S 2), *“getting ammunition for your board meetings”* (AUT-S 2) and trying *“to find some other ways to put some pressure on other people”* (SLO-S 1). One interesting comment was provided by a Slovene manager: referring to a tendency in his company to put relationships over business interests, he remarked, *“We are still a little bit in the former system regarding this part of the business. [...] Especially on the higher level of management”* (SLO-L3), thus indicating that he is of the opinion that certain behavioural patterns that exist in Slovene companies still have their roots in the communist culture in which many managers were socialized. In contrast, the CEO of a large Austrian corporation attributed the rather low perceived level of political behaviour in his organization not to national characteristics, but to organizational culture:

“It is important to see decision processes from the point of view of our organizational culture: I am in the board for 25 years, and there was only one deci-

11 See Table 7.5 for details on political behaviour and conflict in strategic decision-making processes of adapting to the financial and economic crisis in Austrian and Slovene companies.

Table 7.5 Extent of political behaviour and conflict in strategic adaptation to the crisis in Austrian and Slovene companies

Extent of political behaviour	AUT-S1 (Service)	AUT-S2 (Service)	AUT-S3 (Production)	AUT-L1 (Financial service)	AUT-L2 (Financial service)	AUT-L3 (Production & service)	SLO-S1 (Production)	SLO-S2 (Production & service)	SLO-S3 (Retail)	SLO-L1 (Retail)	SLO-L2 (Service)	SLO-L3 (Production)
Typical statements	LOW "In our size it is working like in a family-owned company. In most issues we are on one line within the management team. [...] People know each other quite well."	HIGH "When everything is running smoothly, you make more compromises. In times of crisis, you need more ammunition for your board meetings." "I am asking people who have been in the company for a longer time, to be more armed and ready for the talk with my colleague who has been in the company for 15 years."	LOW-MEDIUM "Within the company, my impression is that there is not a lot of political behaviour, but from the outside, they try play the two board members off against each other. But we know one thing: if we do not act in concert, we are both gone."	HIGH "Political behaviour is probably occurring all the time." "Of course, in a financial institution, in a crisis, the risk manager gets special importance. And his opinion always counts. [...] In a crisis, you can hardly do decisions against the risk manager."	LOW "To say that political behaviour does not exist would be naive. But the amount of it is negligible. It is not a significant problem. Otherwise, the orientation towards consultants would not work in the long run."	LOW "There was no time for playing any games."	HIGH "Political behaviour is important from my point of view, based on some experiences in the past. It is important for me and my colleague as director to find some other ways to put some pressure on other people or to lobby, to make some informal approaches how to solve one problem."	HIGH "There were a lot of rumours in this time. Maybe because decisions were very quick and we could not inform the whole company. So we found out that they started with the rumours. This was not good for the company. Also, they went out. It caused a lot of problems, a lot of questions outside, so this was not good."	HIGH "I would never organize a meeting of shareholders where I wanted a formal vote on something, and not [...] having their opinion and adapting the information to what they me and trying to make sure that we are all on the same page and that the voting process is just going to be a formality."	MEDIUM "When I think about it thoroughly, yes I think that there are informal influences. Of course, people always talk. Not only internally, but also outside the company."	N.A.	HIGH "Also now, some people should leave the company but nobody is willing to take the decision. [...] Although it is fun if you work with somebody that you also have a good relationship with – but when it comes hard on hard, then it gets problematic."

7 Management interviews about strategic adaptation to the financial and economic crisis

	AUT-S 1 (Service)	AUT-S 2 (Service)	AUT-S 3 (Production)	AUT-L1 (Financial service)	AUT-L2 (Financial service)	AUT-L3 (Production & service)	SLO-S 1 (Production)	SLO-S 2 (Production & service)	SLO-S 3 (Retail)	SLO-L1 (Retail)	SLO-L2 (Service)	SLO-L3 (Production)
Extent of conflict in strategic decision-making processes	LOW	HIGH	MEDIUM	MEDIUM	LOW	HIGH	MEDIUM	LOW	LOW	MEDIUM	LOW	LOW
Typical statements	"In most issues we are on one line within the management team."	"There were some points where we had friction in the management team about how to judge the strategic situation, and subsequently also about where to invest, in which product areas to invest." "In the crisis, you face more challenges in the management board. In good times, it is easier to agree to something."	"We had some 'hot' discussions with our owners. It is not like that, that we propose something, and the owner just agrees." "The bigger decisions were relatively conflict-free." "Of course we have a match with each other."	"[...] regarding the measures to take, there was a strong consensus." "In the difficult decisions [...] no one dared to say that this is a nonsense." "Where there are conflicts regarding new business, [...] should we make new business in the crisis when the risk is even higher than in normal times."	"Decision processes were generally harmonious. There are different perceptions, but there are no conflicts. If there were five real conflicts in 25 years, then that was it. This is due to the very consensual culture."	"There were a lot of conflicts over decisions. There was a lot of incomprehension. But at the bottom line, the positive effect prevailed. The negative effects in motivation and in taking away autonomy and responsibility." "In the board, we had an upfront discussion what we should do ourselves. There were surely two, three directions."	"There are some quarrels of course. [...] The main quarrels were going on in how to see the future, the development of our businesses. [...] of our core business, there were mainly unanimous decisions about all core topics."	"There was not a lot of conflict involved."	"The owners have been together for the last eight years or even more. [...] We do have our differences in specific situations, but we always resolve them. [...] Usually, we get a unanimous decision at the end. [...] We never one that has to change, and the others – where are you?"	"It was not serious conflict, but sometimes there are debates about priorities [...] So usually the debates are like that – somebody feels hurt that his area of business is always the one that has to change, and the others – where are you?"	"Until now, we really discussed this crisis in a good manner. [...] So they are aware of the situation and there are no conflicts."	"There was not so much conflict in the management team. Everybody knew we have to do it. If we don't do it quick we will go out of business."

Source: qualitative interviews

sion that was not taken unanimously. That means, the culture is that we want to achieve unanimity. If we do not agree with each other in the board before, we make one round more, and another round more – or we leave it altogether.” (AUT-L2)

To summarize, the extent of political behaviour during times of an economic crisis varies between companies within both countries under investigation. The underlying reasons are manifold and not easily discernable.

Amount of conflict in strategic decision-making

As with political behaviour, also the amount of conflict was attributed to company culture by some respondents:

“There are different perceptions, but there are no conflicts. If there were five real conflicts in 25 years, then that was it. This is due to the very consensual culture.” (AUT L-2)

“Usually, we get a unanimous decision at the end. [...] We never outvoted anybody for anything. [...] That’s the culture of the company.” (SLO-S 3)

In Austria, the amount of conflict within organizations in the strategic decision-making processes in reaction to the 2008–09 financial and economic crisis varied from low (“*Decision processes were generally harmonious.*” (AUT L-2)) to very high (“*There were a lot of conflicts over decisions. There was a lot of incomprehension.*” (AUT-L3)), with a low conflict perception in two out of six companies. In Slovenia, on the other hand, four out of six interviewed managers said that there was not a lot of conflict involved in the process of deciding on strategic action. Basically, this is in line with hypotheses 5a and 5b (that there will be more cognitive and affective conflict in societies with a higher level of assertiveness) and hypotheses 6b and 6c (that there will be less cognitive and affective conflict in societies with a higher level of in-group collectivism), as well as with the results of Meierewert’s (2009) study which indicated that conflicts are more openly addressed in the Austrian business culture, while conflict avoidance prevails in Slovenia, thus reflecting the high value society places on harmonious relationships. However, the results are ambiguous, as there are high and low levels of conflict experienced in both countries. Even if conflict on the management level regarding strategic decisions was low, as in the case of SLO-L3, there were other types of conflicts reported in the same organization:

“The problem here in the house was that the board relied on their agreements and their communication with the labour union. But the labour union actually did not know that they had a strike. The workers actually fired their union people. The management did not go into the communication deeper to the factory to the regular worker [...] This was one of the few mistakes the management made in this crisis period – overestimating the power of this union.” (SLO-L3)

Furthermore, it is interesting to notice that some managers reported that the crisis situation generally increased the level of nervousness in the management board, thereby also triggering more contentious behaviour:

“Maybe everybody is a little bit more nervous to get the result. [...] Everybody is under pressure – of course, to get the figures, that we come to the point that we promised at the beginning of the year. So I would say, if times are tough, it’s of course more nerves involved. A little bit more conflict – yes, I would say so.” (SLO-L2)

“In the crisis, you face more challenges in the management board. In good times, it is easier to agree to something. In crisis times, you do not say ‘100 per cent yes’ so fast.” (AUT-S 2)

Overall, conflict levels seem to rise across countries in the face of a major economic crisis.

Individual or group decision-making

Regarding the question whether the decisions on actions taken to strategically adapt to the crisis were mainly individual or group decisions, one of the most interesting results was that some of the statements were very ambiguous, indicating that both individual and group decision-processes occurred simultaneously in some organizations. Table 7.6 provides examples of such ambiguous statements.

Table 7.6 Ambiguous statements about individual and group decision-making

Company	Statements that indicate group decision-making	Statements that indicate individual decision-making
AUT-S 3	<i>"We have a strict 4-eyes principle in the board."</i>	<i>"I trust the decisions of my colleague in his area, as well as he trusts me in the market investment area."</i>
AUT-L2	<i>"[...] the culture is that we want to achieve unanimity."</i>	<i>"The board member responsible for the specific area carries the main responsibility [...] Of course there is more weight of the CEO in board decisions."</i>
SLO-S 2	<i>"It's group or team decisions."</i>	<i>"Being only one director is good for the decisions. It's good to have people around to discuss, but whenever it is necessary to take decisions, it should be one."</i>
SLO-S 3	<i>"What I try to do is to empower the middle management to be as strategic as possible."</i>	<i>"Sometimes you have to be the general that decides."</i>

Source: data analysis

There are two possible reasons for this ambiguity in decision-making processes: either (a) the general management style is a participative one which turns more authoritarian in times of a crisis – thus a situation-specific style is adopted; or (b) there is a discrepancy between what managers think are socially accepted values (e. g. *"What I try to do is to empower the middle management"* (SLO-S 3)) and managers' underlying individual values, which might be much more self-centered and authoritarian (*"Sometimes you have to be the general that decides."* (SLO-S 3)). The same Slovene manager who made these two ambiguous statements also further elaborated on his decision-making style:

"I like to take suggestions from people who worked in different companies or managed them. So I usually talk to a lot of people and then make up my own mind. I get an idea what I would do, then I talk to other people and see if they give me the same idea – then it is o.k. If not, I listen to them, pitch my idea and see their reaction and then kind of try to see. But sometimes, you do not have the luxury of time to do that. And then, I rely on my guts. It's better to decide something and then change it if you see it's not good than not to decide at all." (SLO-S 3)

Although it is not easy to discern cultural differences on the individual-group decision-making dimension, all Slovene managers (also the ones who gave

ambiguous answers) – consistent with the usually ascribed preferences of a more collectively-oriented culture (cf. Gelfand et al. 2004) – pointed out the importance of group decision-making, while in two out of six Austrian companies (AUT-S2, AUT-L2), the CEO was described as the clear ultimate decision-maker (in sharp contrast to the statement of the CEO of one of Slovenia's largest companies that *"I am really just one here."* (SLO-L2)). Although this is generally in line with hypothesis 6a (there will be more group decision-making in societies with higher levels of in-group collectivism), due to the low number of respondents, it is of course not possible to make any general conclusions out of that.

A more detailed account of interviewees' answers on whether decision-processes were more individual or group-based can be seen in Table 7.7. The same table also provides insights into the degree of informality in the strategic decision-making processes in Austria and Slovenia.

Degree of informality in decision-making

All respondents from the Slovene sample of the qualitative study assessed a high degree of informality in decision-making processes within their companies. In Austria, on the other hand, only one interviewee pointed out a lot of informal behaviour in strategic decision-making processes. This supports – with the usual lack of representativeness caveat – hypothesis 7 (societies with lower uncertainty avoidance levels will show higher degree of informality in decision-making) and confirms findings in other research indicating rather extensive informal behaviour in Slovenia and other former communist societies (Grødeland 2007; Fink and Meierewert 2004; Meierewert 2009). Some Slovene managers also provided explanations for the high amount of informality in decision-making processes in their country:

"In a smaller country like Slovenia, these [informal] influences might be bigger." (SLO-L1)

"We are not formal enough. I do not know why. Maybe we can say that we are still in Balkans." (SLO-S2)

"You have the formal way of ordering stuff, of pricing negotiations, on IT support, plus the sales conferences – and then you have the informal thing when those guys who are really good at this, with a couple of bottles of whisky know exactly to which responsible guy they have to go to get something they need – and then they get it. And the other guys who don't know how to do it, they don't get it. This is not good. It is a problem." (SLO-L3)

Table 7.7 Decision-making behaviour and informality in strategic adaptation to the crisis in Austrian and Slovene companies

	AUT-S1 (Service)	AUT-S2 (Service)	AUT-S3 (Production)	AUT-L1 (Financial service)	AUT-L2 (Financial service)	AUT-L3 (Production & service)	SLO-S1 (Production)	SLO-S2 (Production & service)	SLO-S3 (Retail)	SLO-L1 (Retail)	SLO-L2 (Service)	SLO-L3 (Production)
Mainly individual or group decision-making	GROUP	INDIVIDUAL	AMBIGUOUS	GROUP	AMBIGUOUS	INDIVIDUAL	GROUP	AMBIGUOUS	AMBIGUOUS	GROUP	GROUP	GROUP
Typical statements	"Decisions are usually taken together in the management team. Also our employees who are involved in the areas where they are affected in a discussion process. Also the suggestions for saving are coming from our people themselves. We do not have to do this things by decree."	"It was good that I have become CEO. Because of this function I could follow my own way, diving and investing and optimizing in the traditional products area. [...] questioning all contracts, and investing more into the future."	"We have a strict four-eyes principle in the board." "I trust the decisions of my colleague in his area, as well as he trusts me in the market investment area. [...] And then, we together go with this decision to the supervisory board, and we together advocate our decision towards the supervisory board."	"Especially in a financial institution, there are no individual decisions." " [...] We do not even have the four-eyes principle, but in effect an eight-eyes principle."	" [...] the culture is that we want to achieve unanimity."	"The CEO was the ultimate consequence, there are CEO decisions. Up front, there is a discussion, at least among board members, or under participation of important staff functions. [...] But in the end, there are CEO decisions."	"The board of owners have among them also two guys who are also the owners who are responsible for the investments, and they lead all the investments."	"It's group or team decisions. We always go somewhere else [...] sit together for a few days, discuss, and focus on the strategy, write it down – and this is it. It's team decisions." "Being only one director is good for the decisions. [...] whenever it is necessary to take decisions, it should be one."	"What I try to do is to empower the middle management to be strategic as possible. Especially in times of crisis you can't always rely on that. Sometimes you have to be general that decides." "Any bigger strategic moves were before and even now are always discussed with the owners."	"I would say that usually, there are board decisions. But of course everybody has to accept it. It has to be bought by the management level then as well. But do not include them before, but afterwards."	"It is certainly usually group decisions." "I am really just one here. But, I have direct-ors of this four departments: technology, commercial, financial, legal issues, HR, and common business. [...] And then we have our supervisory board."	"The main decisions were done by the board member responsible for the business area with his team of 10-15 leading managers [...] And a combination of me and this board member also decided on various measures in the network, mainly also focusing on cost-cutting in the net-work."

7 Management interviews about strategic adaptation to the financial and economic crisis

Degree of informality in strategic decision-making processes	AUT-S 1 (Service)	AUT-S 2 (Service)	AUT-S 3 (Production)	AUT-L1 (Financial service)	AUT-L2 (Financial service)	AUT-L3 (Production & service)	SLO-S 1 (Production)	SLO-S 2 (Production & service)	SLO-S 3 (Retail)	SLO-L1 (Retail)	SLO-L2 (Service)	SLO-L3 (Production)
Typical statements	N.A.	HIGH	MEDIUM	LOW	MEDIUM	LOW	HIGH	HIGH	HIGH	HIGH	HIGH	HIGH
No clear statement about formality/informality of decision-making processes	No clear statement about formality/informality of decision-making processes	"Using informal ways is very important and important decisions."	"Of course there are some informal stories also going on, but not on our [board] level."	"The main strategic decisions are always decisions of the board. In the case of the crisis and high volume decisions also including the confirmation by the supervisory board."	"If things get more complex, then there are more informal talks up front. But there are always formal ways formal decisions. [...] There is a clear formal foundation."	"I think we reacted very fast. There was no time for anyone for using informal channels."	"Of course, regular communication with all of the owners is important. [...] So activities like lunch or special meetings with them are very important because all of them are very important in decision-making."	"People try to influence also informally." "We are not formal enough. I do not know why. Maybe we can say that we are still in Balkans. [...] But we also started all the procedures also in an informal way."	"The formal decisions that we make are usually only when I need to cover my back as a CEO, not making a decision that someone is going to tell me in two years. You did that on your own. [...]" "If something is not completely fixed, I usually organize at least an informal meeting"	"Yes I think that there are informal influences. Of course, people always talk with [...] Not only internally, but also outside the company. [...] There are of course always connections like that." "In a smaller country like Slovenia, these [informal] influences might be bigger."	"Before we put our plans on the supervisory board, we are discussing with [...] people. Of course, we have some relationships, contacts." "So, it is a lot of connections, a lot of discussion, and so on before."	"Decisions are quite often taken informally, or some resolutions are found outside the official meeting."

Source: qualitative interviews

The last two statements show that the high degree of informality is not always seen as positive by Slovene managers, as they express their wish for more formal decision-making processes.

In addition to cultural influences, also industry effects can be observed in the particular case of the financial sector. The representatives from this industry specifically pointed out the high degree of formalization that is prevalent in their companies:

“The decision processes are very formalized and are incomparable with an industrial company [...] We have our internal rules of procedure, rules of competency. [...] We do not have the four-eyes principle, but in effect an eight-eyes principle.” (AUT-L1)

“There is a clear formal foundation.” (AUT-L2)

7.3.3 Strategic action in response to the 2008–09 financial and economic crisis in Austrian and Slovene companies

Rationalization versus protection/pre-emption strategies

All companies of the sample in both Austria and Slovenia reported measures of rationalization in response to the economic crisis (Table 7.9). Although some mentioned ‘across-the-board’-cost cutting (*“At that time we started with reducing all costs.” (SLO-S 1); “We issued a minus 20% rule on the cost side.” (AUT-L3)*), there were specific areas of focus mentioned by each of the interviewees. As can be seen from Table 7.8, there are no significant country-specific differences in rationalization measures. Also, no size or industry effects could be determined.

Some cost-cutting measures which were not specifically categorized are associated with the ‘small things’ in organizations such as *“lunches, drinks, material costs” (SLO-L1)*. These costs are often cut as a symbolic act, *“to show the people that something is going on – that they take it seriously” (SLO-L1)*. The same kind of rationale was also used in an Austrian corporation: *“This went to the point that every flight travel had to be approved by the board.” (AUT-L3)*.

Table 7.8 Frequency of occurrence of specific rationalization strategies

Area of rationalization	Austria	Slovenia	Total
HR	4	5	9
Marketing	3	2	5
Production (material costs)	1	2	3
Customer service	–	2	2
Quality	1	–	1
Assets	1	–	1

Source: data analysis

The most important area of rationalization in both Austria and Slovenia were HR costs. This comprises measures such as:

- Lay-offs (“We decreased our employees for almost 100 people in one year. We had around 430, now we have 330.” (SLO-S 2));
- Not replacing jobs (“We only reduced a bit in HR, less than 10 per cent, mainly through not replacing jobs.” (AUT-S 2));
- Early retirement (“We thought about and implemented a very strict HR management. [...] We thought about possibilities to send employees to retirement earlier. We closely cooperated with the workers’ council.” (AUT-S 3));
- Reduction of holidays and overtime (“We checked holidays and overtime. We talked with the workers’ council to try to work together on accruals for vacation, sending people to vacation, trying to decrease overtime.” (AUT-S 3));
- Reduction of working hours (“We went from 40 hours to 36 hours and then one part of the plant even to 32 hours.” (SLO-L3));
- Flexible working hours (“We did – which is for sure revolutionary in our industry – a change from variable to flexible working hours, that means that we do not pay overtime any more. There is only an account balance over a whole year. [...] This yields a lot in terms of HR costs.” (AUT-L1));
- Cutting costs of HR development (“We had one year without working on developing young managers” (AUT-L3)).

The results confirm that cutting HR costs is one of the most common methods of ‘short-term firefighting’ (Smart and Vertinsky 1984) in response to a crisis. There are potential negative effects of this strategy that were also pointed out by the interviewees:

“There were some issues on the labour as well. But that is very backfiring. So we had a little bit of problems also in 2009 and 2010 at that.” (SLO-L2)

Table 7.9 Rationalization and protection/pre-emption strategies in Austrian and Slovene companies

	AUT-S1 (Service)	AUT-S2 (Service)	AUT-S3 (Production)	AUT-L1 (Financial service)	AUT-L2 (Financial service)	AUT-L3 (Production & service)	SLO-S1 (Production)	SLO-S2 (Production & service)	SLO-S3 (Retail)	SLO-L1 (Retail)	SLO-L2 (Service)	SLO-L3 (Production)
Rationalizing	MARKETING	HR	HR, MARKETING	HR, ASSETS	PRODUCTION (Material costs)	HR, MARKETING, QUALITY	HR	HR, PRODUCTION CUSTOMER SERVICE	PRODUCTION (Material costs)	HR, MARKETING	HR	HR, MARKETING, CUSTOMER SERVICE
Typical statements	"In marketing, we checked all cost blocks, especially those with low margins. [...] We tried to sustain our marketing pressure while saving costs at the same time."	"We only reduced a bit in HR, less than 10%, mainly through replacing jobs, but there was no organized program in this area."	"One of the most important topics for us on the cost side was HR. We said that the worst thing that can happen would be if we could not reduce employee levels on the 'national way' but when we would have to lay them off. We did both."	"Main blocks at the cost side are back office processes and the staff areas." "Because it [the future] was unclear for us, [...] portfolio, we began to sell positions, partly with a loss. [...]" Everyone said "You're crazy!" but we said that we will do that, we will reduce our risk."	"Material costs were the most affected area. [...] Material costs are usually not such a big amount in the financial services area. [...] You can improve your business ratios there, but you do not save the company."	"We issued a minus 20 per cent rule on the cost side." "[...] Costs of goods sold was the biggest part, the second I would say in marketing, the third in human resources. [...] Cost of goods sold were controlled primarily through less contents in the products."	"When we started to put together all services, we found out that we do not need so many employees. So we started also to reduce the number of employees with respect of all laws. It is at the moment approximately 25 per cent less."	"We decreased our employees for almost 100 people in one year. We had around 430, now we have 330." "Material costs are the main costs in our structure. We decreased also this costs in quantity." "We also decreased the costs in service."	"We did analysis of how much the boxes that we ship in cost us. [...] We went to the suppliers and said that we want lower prices. And we got some."	"But as a marketer I still think that 5 per cent of cut in marketing cost does no harm. So for me, it was o.k. to cut the marketing budget as well." "There were some issues on the labour as well. But that is very backfiring. So we had a little bit of problems also in 2009 and 2010 at that."	"We are not raising our salaries. They are constant. Of course, I am pressing to decrease our number of employees."	"We saved [...] related to the [...] cost of services, [...] we had a reduction of payroll – voluntarily, the whole management reduced their salaries." "Easiest thing – the whole marketing issue was decreased"

Protection/pre-emption	AUT-S1 (Service)	AUT-S2 (Service)	AUT-S3 (Production)	AUT-L1 (Financial service)	AUT-L2 (Financial service)	AUT-L3 (Production & service)	SLO-S1 (Production)	SLO-S2 (Production & service)	SLO-S3 (Retail)	SLO-L1 (Retail)	SLO-L2 (Service)	SLO-L3 (Production)
Typical statements	<p>HR, PRODUCTION</p> <p>"There were no changes in HR."</p> <p>"We built a new hall last year, and in the face of the crisis situation [...] we said that for the long-term development of our company we need this hall. So we invested according to our long-term concept. Also to set a positive sign in harder times."</p>	<p>SALES, TECHNOLOGY</p> <p>"In sales, we were interested in getting new salespeople."</p> <p>"We did not invest a lot in existing technologies, but in new electronic advertising vehicles, which have a future, although in this phase it still costs more than it yields in one year, but can get a lot more in the long-term, we did invest a lot."</p>	<p>CUSTOMER RETENTION, TECHNOLOGY</p> <p>"We also did market investments. These are [...] long-term delivery contracts [...] and we said we want to invest in customer retention."</p> <p>"We invested in technology. [...] We invested despite of the crisis."</p>	<p>SALES</p> <p>"In the sales areas we were holding the costs. In this area, we put quality before quantity. We gave the department managers the possibility to lay off mediocre or bad personnel, and to recruit new good employees."</p>	<p>HR</p> <p>"We managed to get by without layoffs."</p>	<p>SALES, TECHNOLOGY</p> <p>"Requests for additional salespeople tended to be more approved."</p> <p>"I think that in sales, we were sure did not reduce."</p> <p>"[...] also in the digital area we were more willing to prove more investments and more costs."</p>	<p>PRODUCTION</p> <p>"In 2008, we had quite a lot of courage because we invested in a new [...] machine. [...] actually we found out that without that – if at that time we would not decide for a new machine – that the times would be even harder for us in 2009 and 2010."</p>	<p>SALES, LOGISTICS</p> <p>"We invested in sales because it is necessary that you have a sales force but we are still not satisfied with the sales force."</p> <p>"We have some new people who cover logistics in the company."</p>	<p>SALES, HR, MARKETING, CUSTOMER SERVICE, R&D</p> <p>"Whatever drives our sales, we don't want to cut cost there. So we did not cut marketing, we did not cut R&D and we did not cut people in sales, we did not cut anyone from support and customer service."</p> <p>"We did not have to cut many people."</p>	<p>UNSPECIFIED</p> <p>"I would not say that we particularly invested in one area."</p>	<p>UNSPECIFIED</p> <p>"There are no capital expenditure cuts because of the crisis. [...] But [...] there is also no need, no force to invest more than we did."</p>	<p>QUALITY</p> <p>"We did not invest in sales. Just simply run more."</p> <p>"We said that we invest in 2009–2010 only really in the product."</p>

Source: qualitative interviews

“There was one point where we went too far, where we had this strike for two or three days. And this was really the point when we said ‘Now we did too much’ [...] It was really the one point where we said we cannot press any more on the salary part or on the payroll part, that we have to search for other things.” (SLO-L3)

“We did one mistake. We had one year without working on developing young managers. [...] We see that a whole generation is lost.” (AUT-L3)

The second-most applied rationalization strategy was cutting marketing costs – another short-term strategy that is seen as a ‘quick win’ (*“But as a marketer I still think that 5% of cut in marketing cost does no harm.” (SLO-L2)*). However, there was also some awareness that this might not be the best strategy in a longer-term perspective. The same executive who said that *“usually we have a [marketing] budget of 25 million. We reduced this to 10 million or even less. This is the easiest short-term measure.” (SLO-L3)* continued to acknowledge: *“But yes, if the sales go down, you should increase the marketing – but yeah ...” (SLO-L3)*.

In addition to cost-cutting, generating enough sales to sustain the company was seen as a crucial factor (*“We will not succeed with the cutting of costs. We will succeed with revenues. That’s the way out.” (SLO-L2)*). Keeping sales expenses at the same level or even investing in sales was therefore also the most-used protection/pre-emption strategy in the sample in both countries (see Table 7.10).

Table 7.10 Frequency of occurrence of specific protection/pre-emption strategies

Area of protection/pre-emption	Austria	Slovenia	Total
Sales	3	2	5
Technology	3	–	3
HR	2	1	3
Production	1	1	2
Customer retention	1	–	1
Customer service	–	1	1
Logistics	–	1	1
Quality	–	1	1
Marketing	–	1	1
R&D	–	1	1

Source: data analysis

Generally, a low disposition to invest in crisis times could be observed in both countries. This is exemplified by statements such as:

“We were cautious on the investment side.” (AUT-L-2)

“We were reducing investments. [...] We do not invest in bricks, in the building. [...] We have everything.” (SLO-L3)

The only major country-specific difference in protection/pre-emption strategies can be found in the investment into technology, which was mentioned by 50 per cent of the Austrian interviewees. One of the reasons cited was that new technology is cheaper in times of a crisis:

“In this time, we could get this electronic advertising vehicles also a lot cheaper, approximately 20–25 per cent in package solutions.” (AUT-S 2)

In Slovenia, in the meantime, none of the interviewees pointed out that there were major investments into new technology (one company, SLO-S 1, invested into a new machine, though staying with the same basic technology).

Focus on the core business versus diversification strategies

No clear pattern emerged on whether in response to the economic crisis companies rather focus on the core business or rather diversify their portfolio (Tables 7.11, 7.12). In both countries, Austria and Slovenia, companies applied all kinds of strategies from a clear focus on the core business (e. g. *“We are reducing more to the core business [...] Everything else, for a good price, can also be sold.” (SLO-L3)*) to new product development (*“We invested into new things. In Austria, we introduced a new very cost-intensive special product offer.” (AUT-S 3)*), entering new markets (*“We started to be much more aggressive in Austria and compete with Austrian companies and we are also much more with our offers in Croatia.” (SLO-S 1)*) and combined product/market diversification.

Table 7.11 Frequency of focus on the core business versus diversification strategies

Use of strategy	Austria	Slovenia	Total
Focus on the core business	2	2	4
New products	2	1	3
New markets	0	1	1
Diversification	1	1	2
No change	1	2	3

Source: data analysis

Table 7.12 Focus on the core business versus diversification strategies in Austrian and Slovene companies

	AUT-S1 (Service)	AUT-S2 (Service)	AUT-S3 (Production)	AUT-L1 (Financial service)	AUT-L2 (Financial service)	AUT-L3 (Production & service)	SLO-S1 (Production)	SLO-S2 (Production & service)	SLO-S3 (Retail)	SLO-L1 (Retail)	SLO-L2 (Service)	SLO-L3 (Production)
Focus on core business versus diversification strategies	NO CHANGE	NEW PRODUCTS	DIVERSIFY	NEW PRODUCTS	FOCUS ON CORE BUSINESS	FOCUS ON CORE BUSINESS	NEW MARKETS	FOCUS ON CORE BUSINESS	NO CHANGE	NEW PRODUCTS	NO CHANGE	FOCUS ON CORE BUSINESS
Typical statements	"We preserved our portfolio. We also did not do any product adaptation."	"We invested into new things. In Austria, we introduced a new very cost-intensive product of fer."	"On the sales side we said that we did not want to stay only in our own region, but that we have to look 'beyond our own nose' and to go to other areas, especially Italy and Vienna." "Developing new markets [was important]." "We said that we need a diversification in the product area." "We not only try to expand the market, but we also try to get customers with new products."	"For company clients, we went strongly into the hedging and protection markets, like interest rate hedging, interest caps, and swaps [...] and currency exchange hedging. All sorts of insurance and hedging businesses. [...] We achieved great revenues in this area last year." "We did not actively, strategically go into new markets. We do however follow our customers, for example, for ex-ample to South America."	"We stopped the ongoing acquisition processes." "We did not go into new markets, we clearly fo-cused on existing mar-kets." "Clear focus on the exist-ing core business." "There were no significant product innovations."	"We did not go out of markets, but we set our geographical expansion program on slow mode. [...] Serbia was a topic and under normal economic conditions we would have gone to Serbia. Knowing that we were in the middle of a crisis, we did not do it." "The product offer generally stayed the same."	"We did not go out of markets, but we set our geographical expansion program on slow mode. [...] Serbia was a topic and under normal economic conditions we would have gone to Serbia. Knowing that we were in the middle of a crisis, we did not do it." "The product offer generally stayed the same."	"We started to be much more aggressive in Austria and compete with Austrian companies and we are also much more with our of-fers in Croatia."	"We split our [prod-uct and service] programs from twelve be-fore to four [...] This was the first reaction."	"We did no big changes in our product offer other than usual. I would not say there was a strategic move in any way except for that we had to change the way in which we present the information." "We said that this is probably not the best time to go to new markets; be-cause if we do not have this market stable in the sense that it is giving us a constant stream of below-the-line earnings, we should not risk en-tering new markets and jeopardizing what we have here."	"We are constantly bringing new prod-ucts to the markets. All no differ-ence whether it is crisis or not. We want to keep this reputation as a technically advanced company. We are lucky that nothing cru-cial or revo-lutionary is happening regarding technol-ogy."	"We are in the more lucky position that we are able to sell some properties, which are not of use for the core busi-ness." "We are re-acting more to the core busi-ness [...] Everything good price, can also be sold."

Source: qualitative interviews

It is interesting to note that not only within countries, but even within the same industries in one country, alternative approaches exist. In the Austrian financial industry, for example, one company (AUT-L3) strictly focused on the core business, while another one tried to capitalize on the new needs of the market through offering new products which were particularly relevant in a crisis situation:

“For company clients, we went strongly into the hedging and protection markets, like interest rate hedging, interest caps, swaps [...] and currency exchange hedging. All sorts of insurance and hedging businesses. [...] We achieved great revenues in this area last year.” (AUT-L2)

Similarly, while one of the retail companies in Slovenia (SLO-S3) did not change their product/market strategy, a second one – in line with the market demand for lower-priced products¹² – focused on the development of new private label product offers:

“There were some changes in our own label products. We made more effort and more attention to the lower-priced lines [...] because in crisis, those come good as well. So for us, own labels were quite a big issue now in these past two years.” (SLO-L2)

So we can see both passive approaches (no change, or change that is ‘forced’ upon the company; for example, SLO-S1 started to market more aggressively abroad as they saw that they could not reach their domestic revenue targets), and very active approaches of trying to find offers which are covering needs that emerge specifically in times of crises.

In this sample, it did not depend on country, industry, or size whether a company focused on the core business or diversified in response to the economic crisis. There was also no correlation between the opportunity and feasibility perceptions of the crisis on the one hand, and the strategies on the focus on the core versus diversification dimension on the other hand. Other factors could be involved, such as, for instance, personal characteristics of executives. A more in-depth investigation into how personal characteristics of decision-makers influence strategic action in response to major environmental changes could be an interesting path for further research.

12 DeDee and Vorhies (1998) found that a focus on lower cost products can have a positive performance effect in times of economic downturn.

Other internally-oriented strategies

No clear country-specific patterns emerged in the use of internally-oriented strategies other than the rationalization or holding/pre-emption strategies described above. The two most common strategies were control-enhancing action and process improvement (see Tables 7.13, 7.15). Control-enhancing action thereby comprised:

- More intense use of existing controlling tools (*“We more strongly questioned things, and more strongly used controlling.”* (AUT-S 2); *“We did analysis of basically everything that we do.”* (SLO-S 3));
- Shorter reporting cycles (*“The reports from the treasury which we have got once per week before, we then got three times per week. We introduced a daily reporting, a daily valuation of all assets.”* (AUT-L1); *“When there were monthly reports enough before, we quickly changed to weekly and in specific areas even to daily reporting to early sense trends and developments.”* (AUT-L2));
- Tighter open receivables management (*“Cash was an important topic for us. We tried to focus on due dates for payment and days of payments overdue.”* (AUT-L3); *“The account receivables management was considerably tightened. [...] We made the payment behaviour of certain customers a board level task. We directly talked to some bigger customers. Told them about the problem and asked them how to solve it together. The customers were very thankful that we called them to solve the payment problems together rather than sending a letter from the lawyer – and we found that we improved the relationship with them.”* (AUT-S 3));
- Centralization of decision-making (*“We are generally a very decentralized company where decision-making lies in the operative units. For this phase, however, we withdraw some of the decision competences from the operative units and made it compulsory to have them approved by the board. [...] Many of the usual operating expenses like flight travel or educational expenses were made contingent of prior board approval.”* (AUT-3));
- Putting an emphasis on discipline (*“We had to do a lot on discipline. We started on that.”* (SLO-S 2)).

More intense use of controlling tools and tightening of open receivables management were the most cited control-enhancing action.

Table 7.13 Frequency of occurrence of other internally-oriented strategies

Other internally-oriented action	Austria	Slovenia	Total
Control-enhancing action	5	3	8
Process improvement	2	4	6
Changes in organizational structure	1	3	4
Management change	1	1	2

Source: data analysis

Process optimization was used in half of the interviewed companies. One reason not to use process improvement in times of a crisis was given by the CEO of a large Austrian institution from the financial services sector: *“In the main processes, we did not change anything. We tried to keep calm there.”* (AUT-L2) This indicates a view that in an already very uncertain environment, it might not be the best response to add further uncertainty through instigating new major changes within the organization.

Changes in organizational structure and management changes were less frequently employed internal actions in response to the financial and economic crisis. The CEO of a medium-sized Slovene production company, however, decided to change almost the whole top management in the company. She remarked:

“Also, I decided to change the management. [...] because I thought that this management would not be able to work in a new situation. [...] In our country, we can say that we are some social system still. And this is difficult. If you think in another way, in capitalism, this is totally different than in socialism. So this was the reason.” (SLO-S2)

The main reason for the change in management can be interpreted as a ‘cultural’ one. The statement indicates an attempt to exchange managers which were socialized in the former, communist system with others that have been used to a more ‘capitalist way of thinking’.

Other externally-oriented strategies

Externally-oriented strategies other than those that change the product/market domain discussed under the focus in the core business versus diversification dimension include market penetration strategies, pressure on suppliers, and changes in pricing strategies (see Tables 7.14, 7.15). Again, as with other

internally-oriented strategies, no major correlations to either country or size could be determined.

Table 7.14 Frequency of occurrence of other externally-oriented strategies

Other externally-oriented action	Austria	Slovenia	Total
Market penetration strategies	4	4	8
Pressure on suppliers	4	3	7
Changes in pricing strategy	1	3	4

Source: data analysis

Market penetration strategies are those strategies within the existing product/market domain which actively focus on increasing sales and/or market share. They include:

- New customer acquisition (“We had to try to win new customers, which is also very difficult in such times.” (AUT-S 1); “We started to work hard to get some other projects, some other jobs.” (SLO-S 1));
- Customer retention (“We decided to start a loyalty program. [...] Try to get them locked in as soon as possible because we are able to provide a service to them that others are not.” (SLO-S 2));
- General emphasis on sales (“We concentrated on a sales offensive.” (AUT-S 2); “We try to think about how we can make revenues in all areas.” (AUT-S 3)) and marketing (“We started to advertise our new capacity and we were more aggressive on the market last year.” (SLO-S 1)).

Almost equally important to market penetration strategies – strategies focused on customers – were actions directed towards the suppliers. Seven out of twelve respondents reported that they put higher pressure on their suppliers, with actions ranging from contract (re-)negotiations to actual change of suppliers. The following statement exemplifies how the pressure companies experienced due to lower demand levels in the crisis was pushed backwards through the value chain: “We went back to the suppliers and said: ‘Come on, guys. We can’t work with these margins anymore.’” (SLO-S 3). A special arrangement with suppliers was made by another company in Slovenia:

“If they decided to cooperate with us we obliged ourselves to buy in their shops products in a certain amount. We agreed with the company union that instead of monthly payment we will give them special coupons for that shop.” (SLO-S 1)

Table 7.15 Other internally- and externally-directed strategies in response to the crisis in Austrian and Slovene companies

	AUT-S1 (Service)	AUT-S2 (Service)	AUT-S3 (Production)	AUT-L1 (Financial service)	AUT-L2 (Financial service)	AUT-L3 (Production & service)	SLO-S1 (Production)	SLO-S2 (Production & service)	SLO-S3 (Retail)	SLO-L1 (Retail)	SLO-L2 (Service)	SLO-L3 (Production)
Other internally-oriented action	UNSPECIFIED	CONTROL	CONTROL, PROCESS, MANAGEMENT CHANGE, STRUCTURE	CONTROL, PROCESS	CONTROL	CONTROL	PROCESS, STRUCTURE	CONTROL, PROCESS, MANAGEMENT CHANGE	CONTROL	PROCESS, STRUCTURE	STRUCTURE	CONTROL, PROCESS
Typical state-ments	"An economical way of doing business has always been a general business principle in our company. So we did not have to enhance control in the crisis."	"We more strongly questioned things, and more strongly used controlling."	"The internal control system is well established, but we tightened it in certain areas. [...] the account receivables management was considerably tightened." "The process organization in the company changed considerably. [...] We restructured one business area."	"The main actions were asset reduction and the enhancement of reporting." "In one area, in sales management, we centralized." "We used this point in time for example for process changes. We introduced new forms of collaboration – the 4 x 4-concept."	"The controlling and reporting in the investment area was set much shorter. When there were monthly reports enough before, we quickly changed to weekly and in specific areas even to daily reporting to early sense trends and developments."	"Cash was an important topic for us. We tried to focus on due dates for payments and over-due." "We are generally a very decentralized company [...]. For this phase, however, we withdrew some of the decision competences from the operative units and made board approvals compulsory."	"We did not implement anything special in control systems." "I believe that we can find some reserves in the company, e.g. how to achieve faster set-up times." "We have two companies with similar products [...]. We started to find all synergies on all levels like sales department, like purchase department [...]."	"We had to do a lot on discipline. We started on that." "Also, I decided to change the management. [...] this management would not be able to work in a new situation." "We have some new people who cover logistics in the company. Not only logistics in production but the whole system. In sales department, in the purchase department. Everywhere."	"We were always used to measuring. But after last year, we started measuring even more." "We did analysis of basically everything that we do." "So what changed for us this year was basically that we reorganically that we followed information, to keep an eye on numbers much more than we used to."	"[...] processes, switching people between locations, defining the targets differently – so there was quite a lot done." "A lot of things were done a little bit more rationally." "And now – I think also because of the crisis there was the reorganization – that people were more focused on their business."	"Reconstruction of the group / is one of the occupations this year" "In the meantime we should of course think about our efficiency, organization, staff, price policy, packages policy."	"All the controls already existed. We actually used them more. [...] Now, we confirm the budget, but when it comes to the investment, it goes again to the board." "Another part of the story was the liquidity issue. [...] we optimized the stock and the whole working capital." "All the processes that were not optimized were cleaned out in this year."

	AUT-S1 (Service)	AUT-S2 (Service)	AUT-S3 (Production)	AUT-L1 (Financial service)	AUT-L2 (Financial service)	AUT-L3 (Production & service)	SLO-S1 (Production)	SLO-S2 (Production & service)	SLO-S3 (Retail)	SLO-L1 (Retail)	SLO-L2 (Service)	SLO-L3 (Production)
Other externally-oriented action	PRESSURE ON SUPPLIERS, PENETRATION	PRESSURE ON SUPPLIERS, PENETRATION	PRESSURE ON SUPPLIERS, PENETRATION	Pricing	UNSPECIFIED	PRESSURE ON SUPPLIERS, PENETRATION	PENETRATION	PENETRATION, PRICING	PRESSURE ON SUPPLIERS, PENETRATION	PRESSURE ON SUPPLIERS, PENETRATION, PRICING	PRESSURE ON SUPPLIERS, PRICING	UNSPECIFIED
Typical statements	"Like many companies, we took the crisis as an excuse to put pressure on our suppliers." "First of all we have to accelerate, we have to 'run more' in acquisition [...] We had to try to win new customers."	"We checked where we have expensive contracts. [...] We let expire some contracts or closed considerably more favorable contracts. [...] We negotiated with everyone." "We concentrated on a sales offensive."	"We changed some suppliers where we found out that in the past they sometimes charged too high prices." "We try to think about how can we make revenues in all areas."	"In pricing, a lot changed because the liquidity costs increased so much. Passing on liquidity costs to the customers was a major topic in this phase."	N.A.	"Pressure on suppliers was a topic as part of the overall cost reduction strategy." "The first step was to fully realize on the cost side what is realizable, and then fully focus on the revenues, and to push fully there."	"We started to work hard to get some other projects, some other jobs." "We started to advertise our new capacity and we were more aggressive on the market last year to offer all the additional facilities which this new machine has."	"We know that we can do something against the crisis on two fields: one field is of course sales. [...] And also we increased the number of our customers. For the same turnover, we have 20 per cent more customers." "We increased the prices – but not enough."	"We went back to the suppliers and said: 'Come on, guys. We can't work with these margins anymore.'" "We decided to start a loyalty program. [...] Try to get them locked in as soon as possible."	"[...] savings that we could make in the distribution chain. Not only negotiations, but I would say more focused negotiations." "We dealt a lot with sales." "We both lowered our prices and put an emphasis on price communication."	"We are negotiating with our vendors on prices, payments, conditions and so on." "I think at the end, customers will pay all this. We will be forced to raise our prices."	N.A.

Source: qualitative interviews

Pricing was a topic for almost all of the interviewees. For most of them, however, setting prices was not a strategic act in the crisis. Rather, they either went with the flow of the general market (*“Generally, price levels fell down in one year for 15–20 per cent because of the market.”* (SLO-S 1)), or they tried to maintain price levels despite the market pressures (*“We did not do price dumping, but kept our prices at the same level. [...] Keeping the prices was not easy in times of falling revenues”* (AUT-S 2)). Only a third of the interviewed companies changed their pricing strategy purposefully rather than just following the market trends. While one retailer decreased prices, three other companies increased their price levels in response to the crisis. One Slovene manager was of the opinion that *“at the end, end customers will pay all this. We will be forced to raise our prices.”* (SLO-L2).

7.4 Summary of the findings of the qualitative study

Perceptions of the 2008–09 financial and economic crisis varied widely across the observed companies. While no significant between-country differences could be determined in the interpretation of the crisis as a threat, Austrian managers tended to see it more as an opportunity than their Slovene counterparts. Opportunities were mainly seen in the weaknesses of the competition and the chances to gain market share, and in the possibility to enforce unpopular changes within the organization. Building on the insight that external change can be conducive to achieving internal change, the general model of strategic adaptation which follows a logical chain of reasoning – from diagnosing an environmental change as a strategic issue to creating and selecting alternatives and implementing strategic action – had to be complemented by a second alternative: it is possible that dominant coalitions already have a particular change in mind that they are unable to enforce, for example for internal political reasons. The change in the external environment, however, can then work as a catalyzer for enabling strategic change, as all the former opposing parties involved realize its necessity, for instance due to a crisis situation on the market.

Differences in strategic issue diagnosis were also found in the perception of the crisis as something that is ‘manageable’ by a company. Five out of the six interviewees who saw a high level of feasibility in the face of the crisis were Austrians. However, these results need to be treated with caution, as the qualitative study is by no means representative. No major differences, on the other hand, were found in urgency perceptions. In the majority of companies in

both countries, it was seen as very urgent to take strategic action in response to the crisis.

As with strategic issue diagnosis, there were also considerable differences between companies in the extent of political behaviour, conflicts, and informal behaviour during strategic decision-making processes following the major change in the external environment. While no country-specific tendencies could be determined in the amount of political behaviour, ranging from very low (“[...] *no time for playing any games*” (AUT-L3)) to very high (“*It is important [...] to find some other ways to put some pressure on other people or to lobby*” (SLO-1)) in both countries, more conflicts were reported by Austrian than by Slovene managers. Thus, the hypotheses on the possible influences of cultural differences in performance orientation, assertiveness, and in-group collectivism on intra-group behaviour in strategic decision-making were only partially supported in the area of managerial conflict.

All Slovene managers (as well as some of the Austrians) pointed out the importance of group decision-making on strategic issues. However, there was some ambiguity involved, as several of the interviewees emphasized both the importance of team decisions as well as the need for the top decision-makers to decide on their own. These differences could be due to a change of management style from participative to more authoritarian in times of a crisis, or due to discrepancies between socially accepted values (‘We should have group decisions’) and managers’ individual perceptions (‘The boss needs to decide’).

A high degree of informality in strategic decision-making processes was reported especially by Slovene managers, while some were simultaneously also expressing the wish for more formality. Industry effects could also be observed. More formal decision-making processes could be found in the financial sector, for example.

The most frequently used strategic answer to the 2008–09 crisis – regardless of the country – was taking measures of rationalization. Cutting HR costs in a variety of forms from lay-offs to reduced or flexible working hours as well as reduction of holidays and overtime was by far the most common rationalization measure, although some managers also addressed the possible downsides of this short-term strategy. On the other hand, the importance of generating revenues was also acknowledged, with sales being the area in which resources were most frequently held on the same level or were even increased. In most other areas, there was a low inclination to invest. The only country-specific difference on the rationalization versus holding/pre-emption dimension could be observed in the tendency of Austrian companies to invest more

into technology also in times of the crisis. This, however, could also be due to industry effects, as some industries are more technology-driven than others.

Strategies of diversification and strategies that focus on the core business were quite evenly distributed, with no major national, industry, or size-specific differences. Likewise, country-specific differences were low in internally-oriented strategies such as enhancing control, changing organizational structure and processes, or changes in the management team. Control-enhancing action, mostly in the form of tighter controlling and reporting systems, tighter open receivables management, and more centralized decision-making were very widely used across both countries, followed by process optimization initiatives, which were employed by half of the interviewed companies.

Externally-oriented strategies directed towards customers (focus on sales, customer acquisition, and customer retention) and suppliers (putting pressure on them and negotiating more favourable terms) were also common in both countries, with no major differences being observed.

Overall, a rich and diversified picture emerges of how companies in Austria and Slovenia strategically adapted to the financial and economic crisis. While there were a lot of individual differences, a few patterns are discernible: Similarities between the two countries could be observed in the perception that urgent action was needed in response to the crisis and in the widespread use of rationalization strategies (mainly cost-cutting in HR), control-enhancing action, process improvement initiatives, market penetration strategies, and putting pressure on suppliers. Possible country-specific differences, on the other hand, could be determined (a) in the perception of the crisis as an opportunity (higher in Austria); (b) in the perception of feasibility – the extent to which the crisis is seen as something that is ‘manageable’ (higher in Austria); (c) in the amount of conflict involved in the strategic decision-making process (higher in Austria), and (d) in the degree of informal influence (higher in Slovenia). The only considerable difference in strategic rationalization or investment action in response to the crisis was found in the higher propensity of Austrian companies to invest into new technology also in difficult economic times.

The qualitative pre-study has significant limitations: There is limited comparability between the Austrian and Slovene sub-samples. Although the sub-samples in both countries include the same number of SMEs and large enterprises, the interviewees are from different industries. Thus, industry effects could overlay or neutralize country-effects. This helped – in line with the more explorative character of the qualitative pre-study – to observe some industry-specific differences within countries. However, it once more has to be pointed out that the results of the study cannot be generalized.

Therefore, in addition, a broader quantitative study is needed to explore and test whether the hypotheses developed in chapter 6 about the assumed relationships between national cultural dimensions and the strategic adaptation process can be supported or not.

References

- Atteslander, P. (2008). *Methoden der empirischen Sozialforschung* (12. Aufl.). Berlin: Erich Schmidt Verlag.
- Davis, D. (2000). *Business research for decision making*. Pacific Grove, CA: Duxbury.
- DeDee, J. K., & Vorhies, D. W. (1998). Retrenchment activities of small firms during economic downturn: An empirical investigation. *Journal of Small Business Management*, 36(3), 46–61.
- Fink, G., & Meierewert, S. (2004). Issues of time in international, intercultural management: East and Central Europe from the perspective of Austrian managers. *Journal of Eastern European Management Studies*, 9(1), 61–84.
- Gelfand, M. J., Bhawuk, D. P. S., Nishii, L. H., & Bechtold, D. J. (2004). Individualism and collectivism. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 437–512). Thousand Oaks et al.: Sage.
- Grødeland, Å. B. (2007). ‘Red mobs’, ‘yuppies’, ‘lamb heads’ and others: Contacts, informal networks and politics in the Czech Republic, Slovenia, Bulgaria and Romania. *Europe-Asia Studies*, 59(2), 217–252.
- Mayring, P. (1994). Qualitative Inhaltsanalyse. In A. Böhm, A. Mengel, & T. Muhr (Eds.), *Texte verstehen: Konzepte, Methoden, Werkzeuge* (pp. 159–175). Konstanz: Universitätsverlag Konstanz.
- Meierewert, S. (2009). Cultural standard research and its implications for managing multinational teams: Cooperation with Croatians and Slovenes – the Austrian perspective. *European Journal of Cross-Cultural Competence and Management*, 1(1), 119–135.
- Peng, T. K., Peterson, M. F., & Shyi, Y.-P. (1991). Quantitative methods in cross-national management research: Trends and equivalence issues. *Journal of Organizational Behavior*, 12(2), 87–107.
- Smart, C., & Vertinsky, I. (1984). Strategy and the environment: A study of corporate responses to crises. *Strategic Management Journal*, 5(3), 199–213.

8 Methodological overview of the quantitative empirical study

Based on the findings of the literature review and the previous qualitative pre-study, a quantitative study was conducted with an online survey designed to gather primary data on how managers in Austria and Slovenia perceived and interpreted the 2008–09 financial and economic crisis as a strategic issue, which strategic responses were taken in their organizations, and to what extent informal and political behaviour were involved in the strategic decision-making process. This chapter provides an overview of the methodology of the quantitative study including sample and data collection, instrument design, methods for analysis, and measures introduced to minimize bias.

8.1 Sample and data collection

To ensure cross-cultural comparability, the sample was taken from a limited number of the same industries in both countries. As noted by Samiee and Athanassiou (1998), establishing some level of equivalence in industry compositions is important in cross-cultural research. More generally, in order to achieve meaningful results in cross-cultural research, country samples must be comparable.

The three industries *printing and reproduction of recorded media*, *manufacturing of machinery and equipment*, and *travel agency/tour operator reservation service and related activities* were selected to include both the production and services sectors, and were all considerably affected by the economic crisis (see Table 8.1).

Table 8.1 Change in industry turnover index (nominal) from 2008 to 2009

	AUT 2008–09	SLO 2008–09
Printing and reproduction of recorded media	–10.1%	–12.5%
Manufacturing of machinery and equipment	–24.5%	–27.9%
Travel agency, tour operator reservation service and related activities	– 8.6%	–18.8%

Source: Statistik Austria 2010a; 2010b, Statistični urad Republike Slovenije 2010a; 2010b

The PIRS (Slovenia) and Compnet (Austria) databases were used to identify managing directors and board members of companies within these three industries. One-man businesses were excluded from the list. After the pre-test and subsequent adaptations, a link to the online survey was distributed via email to managing directors of Austrian and Slovene companies active in the three sample industries – printing, construction of machinery, and travel agencies. The procedure followed the multiple contact method suggested by Dillman (2007). A first e-mail was sent out in September 2010 with a direct link to the survey. Six days later, a ‘thank you note’ was distributed to all recipients of the survey, expressing gratitude to those who already responded and once again providing the link to the survey for those who had not filled out the questionnaire yet. Following another of Dillman’s (2007) pieces of advice, all correspondence was personalized with the name of the managing director and reference to the specific industry. The e-mails also described the importance of the response for a positive research outcome. Full anonymity and confidentiality were assured to the respondents. If participants wanted to receive a summary of the results upon completion of the research, they were offered to provide their e-mail addresses.

1,667 managers were contacted. The 346 responses received represent a 20.8 per cent gross response rate (see also Table 8.2). Respondents which were not of Austrian or Slovene nationality were excluded, as were those working for foreign companies (local subsidiaries of foreign companies remained included). Therefore, only individuals with Slovene nationality working for Slovene companies and with Austrian nationality working for Austrian companies remained included in the analysis, thereby avoiding possible cultural overlaps. Also respondents who had been working for their present company for less than two years were excluded as they did not go through the whole decision process regarding the strategic responses to the 2008–09 financial and economic crisis. Questionnaires which were insufficiently filled out were also left out. Finally, 257 questionnaires were valid and usable for further analysis (157 from Austria, 100 from Slovenia). The final rate of usable responses was therefore 15.4 per cent, which lies above the typical 10–12 per cent response rates for studies targeting higher-level managers in organizations (Geletkanycz 1997). The sample size of $n = 257$ also exceeds the average sample size of empirical studies published in the *Strategic Management Journal*, which was found to be $n = 175$ (Phelan et al. 2002).

Table 8.2 Survey response rates

	Austria	Slovenia	Total
Companies contacted	1021	646	1667
Responses received	203	143	346
Gross response rate	19.9%	22.1%	20.8%
Valid questionnaires	157	100	257
Eventual response rate	15.4%	15.5%	15.4%

Source: Author

Sample equivalence is of major concern in cross-national studies. It was proposed by Tsui et al. (2007) to conduct statistical tests of sample demographics. In their review of 93 cross-cultural studies, Tsui et al. (2007) found that only 11 per cent concluded that there were no significant differences in demographic characteristics between their samples. T-tests of variables between the two countries showed that while there were no major significant differences in individual characteristics such as respondents' age or gender, the size of the responding firms did significantly differ between the two countries. Company size therefore specifically needs to be included as a control variable in the subsequent analyses.

8.2 Instrument design

Considerable effort was put into the design of the survey instrument. The questionnaire was developed in a three-step process. First, literature was reviewed for existing and tested constructs that represent the key issues and concepts. Second, the initial instrument was reviewed by five management researchers for content validity regarding the concepts that it ought to measure. Third, as conducting qualitative interviews with members of the target population is seen as vital to ensure content validity for the development of a scale used in quantitative research (Johnson and Harris 2003), managing directors of six companies in Austria and Slovenia were interviewed, asking them about face validity, clarity, and meaningfulness of the questions, thus pre-testing both the relevance of the questions and the clarity and comprehensiveness of the questionnaire. The instrument was subsequently modified with minor changes according to the additional input gained from both management researchers and practicing managers.

The questionnaire consisted of four main sections: the first part measured strategic issue diagnosis constructs, the second part identified strategic responses to the 2008–09 financial and economic crisis, and the third part measured the extent of informal, political, and conflict behaviour in the decision-making process to determine strategic responses to this major environmental change. As the attention of respondents is likely to decrease towards the end of the questionnaire, the final section of the instrument was designed to obtain statistical information on the respondents and their organizations (such as, for example, firm size, or an individual's tenure in a firm).

Measuring strategic issue diagnosis constructs

In line with Gilbert's (2006) findings, opportunity and threat were measured as two different constructs, not as opposing ends on a continuum. Thomas and McDaniel (1990) developed a 15-item scale for measuring threat and opportunity perceptions. As 15 items seemed impractical regarding the overall length of the questionnaire, the example of Julian and Ofori-Dankwa (2008) was followed by taking a subset of three characteristic items, each representing opportunities and threats from the positive/negative, loss/gain and controllable/uncontrollable dimensions from Thomas and McDaniel's list of 15 items.

Table 8.3 presents the set of items adapted from Julian and Ofori-Dankwa (2008) which was used to measure the extent to which the 2008–09 financial crisis was seen as an opportunity and/or as a threat by the respondents.

Table 8.3 Overview of items of the opportunity and threat constructs

Construct	Original items from Julian and Ofori-Dankwa (2008, p. 108)	Adapted items
Opportunity		<i>"When confronted crisis we thought that ..."</i>
	"Our firm could gain a great deal from CEC"	O1: "... our firm could gain a great deal from the crisis"
	"CEC represents something positive for our firm"	O2: "... the crisis represents something positive for our firm"
	"Able to control effect of CEC on our organization"	O3: "... our firm would be able to control the effect of the crisis on our organization"

Construct	Original items from Julian and Ofori-Dankwa (2008, p. 108)	Adapted items
Threat		<i>"When confronted with the crisis we thought that ..."</i>
	"CEC have negative implications for our firm's future"	T1: "... the crisis would have negative implications on our firm"
	"CEC will lead to a loss for our firm"	T2: "... the crisis will lead to a reduction of profits for our firm"

Source: Author

* CEC = current economic conditions

A major adaptation in item formulation was made in item T2. As was found in the pre-test interviews, 'loss' is an ambiguous term with two meanings: (a) loss in the sense of negative profits in the income statement and balance sheet, or (b) loss in the terms of less profit (but still with profit remaining positive in absolute terms). As a negative environmental development does not necessarily lead to actual losses in financial statements, interpretation (b) is more universally suitable for the purposes of this study and was therefore explicitly adopted.

A third item of the threat construct that was intended to measure to what extent the crisis was considered as being of limited controllability ("When confronted with the crisis we thought that dealing successfully with the crisis is out of our firm's control") was originally included in the questionnaire but had to be excluded for the subsequent analysis out of reliability concerns. The resulting two-item construct for the threat construct showed a Cronbach's alpha value of 0.822, the three-item opportunity construct an $\alpha=0.776$. Values for Cronbach's alpha above 0.7 usually indicate that the scale is internally consistent (Johnson and Harris 2003). Values exceeding 0.6 are usually seen as sufficient for exploratory research (Latham 2009). Also, Cronbach's alpha values should not increase when items are deleted from the scale (Johnson and Harris 2003).

The items of the construct of feasibility were based on those suggested by Dutton et al. (1990) (F1) and by Julian and Ofori-Dankwa (2008) (F2, F3). The three-item scale the latter authors used was, in turn, based on original items from Ginsberg and Venkatraman (1995) and Denison et al. (1996). As suggested by Ginsberg and Venkatraman (1995), both aspects of feasibility, issue manageability (F1, F2) and issue understandability (F3), were taken into

account with these three items. As it was found that the issue understandability aspect was not reliably associated with the first two items, however, F3 (“When confronted with the crisis we thought that it was difficult to decide which action was likely to be the most effective” – reverse coded) was dropped from the analysis. The feasibility construct ($\alpha=0.654$) thus measured the manageability aspect only.

Issue urgency was measured with two items based on those proposed by Dutton et al. (1990). A third item had to be dropped for the reason that cross-national factor equivalence could not be provided. The resulting two-item construct had an $\alpha=0.713$. Following the example of the items for the opportunities and threats constructs, also the items for feasibility and issue urgency were adapted to the specific situation of the financial and economic crisis (see Table 8.4).

Table 8.4 Overview of items of the feasibility and urgency constructs

Construct	Original items from previous literature	Adapted items
Feasibility		<i>“When confronted with the crisis we thought that ...”</i>
	“Was it possible for management to take actions to begin to resolve this issue?” (from Dutton et al. 1990, p. 164)	F1: “... it would be possible for us to take actions to resolve the crisis”
	“Able to manage CEC* with current resources” (from Julian and Ofori-Dankwa 2008, p. 108)	F2: “... our company would be able to manage the crisis with its current resources”
Urgency		<i>“When confronted with the crisis ...”</i>
	“Was there likely to be substantial benefit for taking quick action?” (from Dutton et al. 1990, p. 164)	U1: “... there was likely to be substantial benefit for taking quick action”
	“Did the issue demand attention?” (from Dutton et al. 1990, p. 164)	U2: “... the crisis demanded high attention”

Source: Author

* CEC = current economic conditions

In accordance with the recommendation of Hinkin (1998), all the strategic issue diagnosis items in the questionnaire were based on a 5-point Likert-type

scale. Although there is no prove that the intervals between the answers are equidistant, it is usually considered that this kind of data, also sometimes referred to as scalar data, has a higher level than pure ordinal data (Johnson and Harris 2003). The scores for each construct were calculated as an average of the item scores that together constitute the construct.

Measuring strategic responses to the crisis

The selection of items measuring strategic responses to the financial and economic crisis is based on the three-dimensional framework described in chapter 4 (diversifying versus focus on the core business strategies; rationalizing versus protection/pre-emption strategies; internally directed versus externally-directed strategies) and is informed both by previous research on strategies in recession (e. g. Whittington 1991; Geroski and Gregg 1997) and by the information on strategic reactions to the crisis gained from the qualitative interviews with top managers in Austria and Slovenia.

Specifically, the different categories of strategic crisis responses were measured as follows:

- (a) *Diversifying versus focus on the core business strategies*: the direction into which a company changed its scope of activities according to the model described in chapter 4 was based on Ansoff's (1965) classic product/market grid. For the purpose of this study, 'diversifying strategies' were not used in a narrow sense of investing into new products in new markets *at the same time*, but in the broader sense that also Whittington (1991) used in his study of recession strategies of UK companies, as "redeploying resources into new diversificatory ventures" (p. 14), which can be either investments in new products or new product lines *or* investments in new markets *or* diversifying the business into new products/product lines in new markets. The focus on the core business construct, on the other hand, includes items measuring the extent of a company's divestment of products or product lines, withdrawal from markets, and reduction to the core business. To what extent the different strategies were used was measured on a 5-point Likert-type scale with the anchors 1 ('not used at all') and 5 ('highly used'). Cronbach's alpha of the three-item diversification construct was 0.771, and 0.655 for the three-item focus on the core business construct.
- (b) *Rationalizing versus protection/pre-emption strategies*: these were measured by directly asking respondents to what extent the company invested, held,

or cut costs in the following main functional and resource areas along the value chain: research & development, technology, product/service quality, human resources, production, logistics, marketing, sales, customer service, and administration, using a 5-point bipolar scale ranging from strong investment to strong rationalization. The two constructs rationalization and investment (which directly oppose one another) are based on ten items each, with an $\alpha=0.826$.

- (c) *Internally-directed versus externally-directed strategies*: internally-directed action is divided into control-enhancing action (with the three items: centralization of decision-making, introducing tighter control systems, and introducing tighter open receivables management; $\alpha=0.785$), business-process optimization (single item), and changes in the management team (single item). Externally-directed strategies include pressure on suppliers, stronger focus on customer acquisition, stronger focus on customer retention, changes in the distribution policy, acquisitions, cooperation with other organizations, outsourcing, and insourcing. The extent to which these different internally and externally-directed strategies were used was measured on a 5-point Likert-type scale with the anchors 1 ('not used at all') and 5 ('highly used'). One question on the pricing strategy during the crisis (5-point scale from considerable price reductions to considerable price increases) was also included.

Each category score was calculated as an average score of the items in the category, whereby all the items carried the same weight.

Measuring political processes and conflicts in decision-making

An established scale for measuring political behaviour in organizations is the 'Perception of Politics Scale' (POPS) developed by Kacmar and Ferris (1991) and Kacmar and Carlson (1997). It seemed impractical for the purpose of this study, however, as the scale is primarily based on items measuring pay and promotion policies and 'Go-along-to-get-ahead'-behaviour on a more general level in the organization, not specifically addressing political behaviour in decision-making processes (ibid.).

To measure the extent of political behaviour during the process of making decisions about how to strategically react to the major change in the environment, it therefore seemed to be more appropriate to resort to an adapted version of Dean and Sharfman's (1993) four-item construct of political behav-

ious. The authors reported a coefficient alpha of 0.66 (Dean and Sharfman 1993). However, as no sufficient reliability could be reproduced for the construct in this study of managerial behaviour in Austria and Slovenia (with an alpha of only 0.504), a one-item solution was preferred: “During the decision process about how to strategically react to the crisis, members of the management team were primarily concerned with their own goals, or with the goals of the company?” (coded into 5=own goals, 1=goals of the company). This approach follows Buchanan’s (2008) suggestion that political behaviour in organizations means that self and group interests take priority over organizational interests. Consequently, the variable is not called ‘political behaviour’ any more but ‘following own interest’.

Following Amason (1996) seven items were used that were originally developed by Jehn (1994) to measure *cognitive and affective conflict* (see Table 8.5). The items were adapted to the specific situation of strategic reactions to the environmental change triggered by the financial and economic crisis. The items are measured on a 5-point Likert-type scale. The anchors were 1=‘none’ and 5=‘a great deal’. The reliability coefficients were measured at $\alpha=0.910$ for cognitive conflict (3 items) and $\alpha=0.928$ for affective conflict (4 items).

Table 8.5 Overview of conflict items

Construct	Items from Amason (1996, p. 133)	Adapted items
Affective conflict		<i>“During the decision process about how to strategically react to the crisis ...”</i>
	“How much anger was there among the group over this decision?”	AC1: “... how much anger was there among the management team?”
	“How much personal friction was there in the group during this decision?”	AC2: “... how much personal friction was there in the management team?”
	“How much were personality clashes between group members evident during this decision?”	AC3: “... how much were personality clashes between members of the management team evident?”
	“How much tension was there in the group during the decision?”	AC4: “... how much tension was there in the management team?”

Construct	Items from Amason (1996, p. 133)	Adapted items
Cognitive conflict		<i>"During the decision process of how to strategically react to the crisis ..."</i>
	"How many disagreements over different ideas about this decision were there?"	CC1: "... how many disagreements were there in the management team over different ideas about these decisions?"
	"How many differences about the content of this decision did the group had to work through?"	CC2: "... how many differences about the content of the decisions did the management team had to work through?"
	"How many differences of opinion were there within the group over this decision?"	CC3: "... how many differences of opinion were there within the management team over the decisions?"

Source: Author

The extent to which informal influencing behaviour affected the decision process about how to strategically react to the financial and economic crisis was measured using three items asking the respondents how often (on a 5-point scale anchored with 'never' and 'very often') during the strategic decision-making process managers in the organization (a) used informal ways to influence the decisions, (b) used personal relationships to exert influence on the decisions, and (c) were seeking possibilities to discuss the strategic options outside the formal management meetings. Cronbach's alpha for the informal behaviour construct was measured as $\alpha=0.810$.

The scores for the conflict and informal behaviour constructs were calculated as the averages of the equally-weighted items that together constitute the individual construct.

Whether strategic decisions on how to adapt to the crisis were predominantly group decisions rather than mainly taken individually by the top decision-maker in the organization was directly measured with a single 5-point item ("The decisions of how to strategically respond to the crisis were mainly group decisions" coded from 1 = 'I highly disagree' to 5 = 'I highly agree').

Values for dimensions of national culture

In line with prior cross-cultural studies (e.g. Geletkanycz 1997; Barr and Glynn 2004), national cultural values were not explicitly surveyed but assigned to respondents from a widely recognized study. Geletkanycz (1997) argued that taking cultural values from an existing study has the advantage that potential problems of common-method bias are mitigated. Furthermore, cultural values are group-level phenomena, thus they are best measured at a group level, not at an individual level (Geletkanycz 1997).

Although most studies conducted earlier rely on Hofstede's (1980) scores, these were not deemed as suitable for the research purpose, as Slovenia was not yet included in Hofstede's study as an independent country. Therefore, the scores on the cultural dimensions of performance orientation, future orientation, assertiveness, in-group collectivism, and uncertainty avoidance were assigned to the respondents using the practices values from the GLOBE study (House et al. 2004). The fact that the data on cultural differences was collected several years prior to this study is not detrimental to the purpose of this research, following Fu's (2004) argumentation that cultural values are usually rather stable.

Taking into account the methodological criticism of the GLOBE study that was discussed in chapter 5, the resulting scores on the different cultural dimensions of the GLOBE study were not taken at face value, but were dichotomized into 'high' and 'low' for Austria and Slovenia, and also cross-checked and validated with other cross-cultural studies.

Control variables

It was discussed before (in chapter 3) that company size and industry are possible influencing factors on how strategic issues are interpreted and acted upon. Both were therefore included as control variables in the instrument.

The availability of slack resources has repeatedly been pointed out as a factor affecting strategic issue analysis and was therefore also included as a control variable, following the example of former research (e.g. Sharma 2000; Julian and Ofori-Dankwa 2008). Denison et al. (1996), for example, showed that organizations with stronger capabilities are more likely to classify an issue as an opportunity, and less likely to classify it as a threat. To measure the extent of slack resources, the two-item self-report scale developed by Chattopadhyay et al. (2001) was used (Cronbach's alpha was measured at $\alpha = 0.786$).

A control variable also had to be introduced to identify individual firm tenure of the respondents, because interpretations may vary significantly between those respondents who went through the financial and economic crisis inside the firm in which they currently work and those who joined the organization later, thus only able to provide ex-post interpretation of events. The latter group was excluded from the subsequent analysis. Following the suggestion of Samiee and Athanassiou (1998), it was also investigated whether firms were in local or foreign ownership.

Tyler and Gnyawali (2009) found that both functional roles as well as hierarchical positions within a company can have effects on managerial cognition of the organization's environment, thereby also confirming prior research results by Hodgkinson and Johnson (1994). The role of top managers in their organization requires a more integrated understanding of the environment as well as of internal factors of strategic relevance (Tyler and Gnyawali 2009). Therefore, position in the company (owner, board member or managing director; middle management; specialist) was also included in the questionnaire.

8.3 Bias minimization steps

Various precautionary measures were taken to minimize the risk of bias in the research. Some of them explicitly concern biases that are specific in cross-cultural research, such as translation bias, cultural equivalence bias, and ethnocentric bias. Other types of bias that had to be addressed were of a more general nature such as reliance on retrospective self-report data, non-response bias, and common method bias.

Translation bias

An important issue in cross-cultural research is the use of translations. Cultural and language differences must be taken into account in the process (Sechrest et al. 1972). Hofstede et al. (1990) noted that "national idiosyncrasies and nuances of questionnaire translation weigh heavily in a two-, three- or four country study" (p. 288). The instrument had originally been developed in English and was subsequently translated by the author into his mother tongue German, thereby ensuring that the original meaning remained. The translation was additionally checked by a linguist. The transla-

tion into Slovene language was conducted by a Slovene native speaker who is also a faculty member at an Austrian university and therefore has an insight into both cultures. This linguist was provided with both the English original and the German translation, so that the Slovene translation could take all possible nuances of meaning into account. In line with other cross-cultural studies (e. g. Shane et al. 1995; Geletkanycz 1997), also back-translation (by another translator) was employed as a means of minimizing translation problems. Following Adler (1983), equivalence of language was preferred to literally identical translation. Minor corrections were made where the back-translation did not exactly lead to the same words as in the original text.

Cross-cultural equivalence

A major factor that has to be considered in research which involves respondents from more than one country is cross-cultural equivalence, the comparability of data generated across cultures, which Leung (2008) divided into of three sub-concepts: (a) conceptual equivalence – the equivalence of the meanings of constructs; (b) scalar equivalence (or full score comparability) – scales and the absolute and relative relations of the individual data points on the scale should not be interpreted differently in different cultural groups; and (c) methodological equivalence – using the same method of data collection in all countries in which the research is conducted.

Conceptual equivalence means that “similar activities have similar meanings in different settings” (Peng et al. 1991, p. 98). Back-translation procedures for instruments can be useful to ensure a minimum level of conceptual equivalence (Leung 2008).

Scalar equivalence can be achieved when the following conditions are met: the item content in the instrument is relevant and representative of the construct for each of the both sets of respondents; the internal relationship between items are similar across the investigated groups; and the scales have the same metric and identical meaning across cultural groups (Fontaine 2008). These conditions were focused on in the pre-test interviews with members of the target group (top managers from both Austria and Slovenia), in which it was assessed whether the respondents in both countries understood the meaning of the items, constructs, and scales in a similar way. The questionnaire was slightly adapted due to the input received from the pre-test interviews, thus trying to minimize cross-cultural equivalence bias.

To ensure methodological equivalence, the procedure that was used for obtaining data was the same in both Austria and Slovenia. Data was also ob-

tained at the same time. Furthermore, it is important that the respondents from different cultures share the same background characteristics, which can be achieved either through matching samples according to their demographic characteristics (which was done with surveying managers from the same industries in both countries) and/or in controlling for the effects of demographic characteristics in statistical analysis (multiple regression) (Leung 2008) – which was also done.

Retrospective reports

Retrospective reports of managers on events can be inaccurate or biased. Following Huber and Power (1985), the following steps were taken to minimize the influence of this bias: (1) using the most appropriate persons as informants – as members of the management board or managing directors are likely to be the most knowledgeable persons on strategic issues, they were directly targeted with the research; (2) allaying the fear of the research having possible adverse effects on the respondents' interests through ensuring full anonymity to the participating managers; and (3) using pretested questions in the instrument.

Non-response bias

To mitigate the risk of non-response bias, early and late respondents were compared, as it has been found that late respondents often react similarly to non-respondents (cf. Armstrong and Overton 1977; Ghobadian et al. 2008). Mean responses taken from the first quartile of responses were compared with the fourth quartile for each variable using a T-test. No significant differences at a level of $p < 0.05$ were determined for the key variables between the first and the fourth quartile of respondents. The absence of major differences signals a low threat of non-response bias.

Common method bias

Common method bias can come into effect when two or more variables are collected with one instrument from the same respondents. Podsakoff and Organ (1986) propose the use of Harman's single-factor as one means to address common method bias. In Harman's single-factor test, an unrotated fac-

tor analysis of all variables of interest is conducted. The number of factors necessary to account for the variance in the variables is assessed, with common method variance being detected if either a single factor emerges from the factor variance or if one general factor accounts for the majority of the covariance in the variables (Podsakoff and Organ 1986). Both criteria were not met in the unrotated factor analysis conducted. Multiple factors emerged and the first and largest factor accounted for less than 13 per cent of the variance. With no single factor accounting for the majority of variance, the results suggest that common method bias is not likely to threaten validity.

8.4 Statistical analysis

The data was analyzed using the PASW/SPSS software package in its 17.0 version. Correlations were tested with Spearman's rho rather than Pearson's coefficient, as there were not only interval scaled data in the variables included in the analysis. Eta squared values were used for the association between nominal and interval-scaled data, for example when testing the association of industry (nominal scale) with the strategic issue diagnosis and strategic action constructs (interval scale).

Both T-tests (following Levene's test for equality of variances) and Mann-Whitney-U-tests as a non-parametric alternative (as T-tests generally assume normally distributed populations with equal variances and interval scales) were employed to determine whether group differences exist between Austrian and Slovene respondents on the strategic issue diagnosis and strategic action variables.

As using univariate statistical techniques alone is generally seen as inappropriate for cross-cultural studies (Adler 1983), multivariate methods were employed. In order to examine the possible effects of the control variables, multiple hierarchical regression was applied to the data. Regression methods (including hierarchical and moderated regression) are the most frequently used method in cross-cultural organizational behaviour research (Tsui et al. 2007). The models started with age group and gender, company size (measured by the number of employees), industry (dummy-coded), and organizational slack as predictor variables in the first four blocks. Strategic issue diagnosis variables (only in the case of testing strategic action) and culture/country variables were added in further blocks in order to determine whether they have a significant influence on the dependent variable (which, according to the hypotheses, was either a strategic issue diagnosis category or a strategic

action variable) even after controlling for the variables that had been inserted in the blocks before.

Tolerance for all regression models was ≥ 0.4 , the variance inflation factor (VIF) ≤ 2.3 , thus showing no severe signs of multicollinearity in the models (following Clark-Carter's (2010) threshold values of tolerance > 0.1 and VIF < 10 as well as Urban and Mayerl's (2006) tighter recommendations that tolerance should be higher than 0.20–0.25 and VIF should not exceed 5.0). No signs for heteroskedasticity and no curvilinear patterns were found in the residual plots for the dependent variables which also revealed that the mass of residual values fell into the plus/minus two standard deviations range.

References

- Adler, N. J. (1983). Cross-cultural management research: The ostrich and the trend. *Academy of Management Review*, 8(2), 226–232.
- Amason, A. C. (1996). Distinguishing the effects of functional and dysfunctional conflict on strategic decision making: Resolving a paradox for top management teams. *Academy of Management Journal*, 39(1), 123–148.
- Ansoff, I. (1965). *Corporate strategy*. New York: McGraw Hill.
- Armstrong, J., & Overton, T. (1977). Estimating non-response bias in mail surveys. *Journal of Marketing Research*, 14(3), 396–402.
- Barr, P. S., & Glynn, M. A. (2004). Cultural variations in strategic issue interpretation: Relating cultural uncertainty avoidance to controllability in discriminating threat and opportunity. *Strategic Management Journal*, 25(1), 59–67.
- Buchanan, D. A. (2008). You stab my back, I'll stab yours: Management experience and perceptions of organization political behaviour. *British Journal of Management*, 19(1), 49–64.
- Chattopadhyay, P., Glick, W. H., & Huber, G. P. (2001). Organizational actions in response to threats and opportunities. *Academy of Management Journal*, 44(5), 937–955.
- Clark-Carter, D. (2010). *Quantitative psychological research: A student's handbook* (3rd ed.). Hove/New York: Psychology Press.
- Dean, J. W., & Sharfman, M. P. (1993). The relationship between procedural rationality and political behavior in strategic decision making. *Decision Sciences*, 24(6), 1069–1083.
- Denison, D. R., Dutton, J. E., Kahn, J. A., & Hart, S. L. (1996). Organizational context and the interpretation of strategic issues: A note on CEO's interpretation of foreign investment. *Journal of Management Studies*, 33(4), 453–474.
- Dillman, D. A. (2007). *Mail and internet surveys: The tailored design method* (2nd ed.). Hoboken, NJ: Wiley.

- Dutton, J. E., Stumpf, S. A., & Wagner, D. (1990). Diagnosing strategic issues and managerial investment of resources. *Advances in Strategic Management*, 6, 143–167.
- Fontaine, J. R. J. (2008). Traditional and multilevel approaches in cross-cultural research: An integration of methodological frameworks. In F. J. R. van de Vijver, D. van Hemert, & Y. H. Poortinga, (Eds.), *Multilevel analysis of individuals and cultures* (pp. 65–92). New York: Lawrence Erlbaum Associates.
- Fu, P. P., Kennedy, J., Tata, J., Yukl, G., Bond, M. H., Tai-kuang, P., Srinivas, E. S., Howell, J. P., Prieto, L., Koopman, P., Boonstra, J. J., Pasa, S., Lacassagne, M.-F., Higa-shide, H., & Cheosakul, A. (2004). The impact of societal cultural values and individual social beliefs on the perceived effectiveness of managerial influence strategies: A meso approach. *Journal of International Business Studies*, 35(4), 284–305.
- Geletkanycz, M. A. (1997). The salience of ‘culture’s consequences’: The effects of cultural values on top executive commitment to the status quo. *Strategic Management Journal*, 18(8), 615–634.
- Geroski, P. A., & Gregg, P. (1997). *Coping with recession: UK company performance in adversity*. Cambridge: Cambridge University Press.
- Ghobadian, A., O’Regan, N., Thomas, H., & Liu, J. (2008). Formal strategic planning, operating environment, size, sector and performance: Evidence from the UK’s manufacturing SMEs. *Journal of General Management*, 34(2), 1–19.
- Gilbert, C. G. (2006). Change in the presence of residual fit: Can competing frames coexist? *Organization Science*, 17(1), 150–167.
- Ginsberg, A., & Venkatraman, N. (1995). Institutional initiatives for technological change: From issue interpretation to strategic choice. *Organization Studies*, 16(3), 425–448.
- Hinkin, T. R. (1998). A brief tutorial on the development of measures for use in survey questionnaires. *Organizational Research Methods*, 1(1), 104–121.
- Hodgkinson, G. P., & Johnson, G. (1994). Exploring the mental mode of competitive strategists: The case for a processual approach. *Journal of Management Studies*, 31(4), 525–551.
- Hofstede, G. (1980). *Culture’s consequences: International differences in work-related values*. Beverly Hills: Sage.
- Hofstede, G. B., Neuijen, B., Ohayv, D. D., & Sanders, G. (1990). Measuring organizational cultures: A qualitative and quantitative study across twenty cases. *Administrative Science Quarterly*, 35(2), 286–316.
- House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (Eds.) (2004). *Culture, leadership, and organizations: The GLOBE study of 62 societies*. Thousand Oaks/London/New Delhi: Sage.
- Huber, G. P., & Power, D. J. (1985). Retrospective reports of strategic-level managers: Guidelines for increasing their accuracy. *Strategic Management Journal*, 6(2), 171–180.

- Jehn, K. A. (1994). Enhancing effectiveness: An investigation of advantages and disadvantages of value-based intragroup conflict. *International Journal of Conflict Management*, 5(3), 223–238.
- Johnson, P., & Harris, J. (2003). Qualitative and quantitative issues in research design. In P. David (Ed.), *Essential skills for management research* (pp. 99–116). London/Thousand Oaks/New Delhi: Sage.
- Julian, S. D., & Ofori-Dankwa, J. C. (2008). Toward an integrative cartography of two strategic issue diagnosis frameworks. *Strategic Management Journal*, 29(1), 93–114.
- Kacmar, K. M., & Carlson, D. S. (1997). Further validation of the perceptions of politics scale (POPS): A multiple sample investigation. *Journal of Management*, 23(5), 627–658.
- Kacmar, K. M., & Ferris, G. R. (1991). Perceptions of organizational politics scale (POPS): Development and construct validation. *Educational and Psychological Measurement*, 51(1), 193–205.
- Latham, S. (2009). Contrasting strategic response to economic recession in start-up versus established software firms. *Journal of Small Business Management*, 47(2), 180–201.
- Leung, K. (2008). Methods and measurements in cross-cultural management. In P. B. Smith, M. F. Peterson, & D. C. Thomas (Eds.), *The handbook of cross-cultural management research* (pp. 59–73). Los Angeles/London/New Delhi/Singapore: Sage.
- Peng, T. K., Peterson, M. F., & Shyi, Y.-P. (1991). Quantitative methods in cross-national management research: Trends and equivalence issues. *Journal of Organizational Behavior*, 12(2), 87–107.
- Podsakoff, P. M., & Organ, D. W. (1986). Self-reports in organizational research: Problems and prospects. *Journal of Management*, 12(4), 531–544.
- Samiee, S., & Athanassiou, N. (1998). International strategy research: Cross-cultural methodology implications. *Journal of Business Research*, 43(2), 79–96.
- Sechrest, L., Fay, T. L., & Zaidi, S. M. H. (1972). Problems in translation in cross-cultural research. *Journal of Cross-Cultural Psychology*, 3(1), 41–56.
- Shane, S., Venkataraman, S., & MacMillan, I. (1995). Cultural differences in innovation championing strategies. *Journal of Management*, 21(5), 931–952.
- Sharma, S. (2000). Managerial interpretations and organizational context as predictors of corporate choice of environmental strategy. *Academy of Management Journal*, 43(4), 681–697.
- Statistični urad Republike Slovenije (2010a). Turnover by industry – nominal indices by activities according to NACE rev.2. <http://www.stat.si/pxweb/Database/Economy/Economy.asp>. Accessed 17 September 2010.
- Statistični urad Republike Slovenije (2010b). Value indices of turnover in service activities NACE rev. 2. <http://www.stat.si/pxweb/Database/Economy/Economy.asp>. Accessed 17 September 2010.

- Statistik Austria (2010a). Konjunkturstatistik Dienstleistungen. http://www.statistik.at/web_de/statistiken/handel_und_dienstleistungen/konjunkturdaten/index.html. Accessed 17 September 2010.
- Statistik Austria (2010b). Umsatzindex im produzierenden Bereich. http://www.statistik.at/web_de/statistiken/produktion_und_bauwesen/konjunkturdaten/umsatzindex/index.html. Accessed 17 September 2010.
- Thomas, J. B., & McDaniel, R. R. (1990). Interpreting strategic issues: Effects of strategy and the information-processing structure of top management teams. *Academy of Management Journal*, 33(2), 286–306.
- Tsui, A. S., Nifadkar, S. S., & Yi Ou, A. (2007). Cross-national, cross-cultural organizational behavior research: Advances, gaps, and recommendations. *Journal of Management*, 33(3), 426–478.
- Tyler, B. B., & Gnyawali, D. R. (2009). Managerial collective cognitions: An examination of similarities and differences of cultural orientations. *Journal of Management Studies*, 46(1), 93–126.
- Urban, D., & Mayerl, J. (2006). *Regressionsanalyse: Theorie, Technik und Anwendung* (2. Aufl.). Wiesbaden: VS Verlag für Sozialwissenschaften.
- Whittington, R. (1991). Recession strategies and top management changes. *Journal of General Management*, 16(3), 11–28.

9 Results of the quantitative empirical study in Austria and Slovenia

9.1 Overview of respondents' characteristics

87.5 per cent of all respondents were owners, board members, or managing directors of their companies. 81.1 per cent of respondents were male, 18.9 per cent female. Company sizes ranged from 1–50 employees (66.5 per cent), 51–250 employees (21.8 per cent), 251–500 employees (7.0 per cent) to more than 500 employees (4.7 per cent). This corresponds with the general structure of business sizes in both countries, in which small and medium size enterprises prevail. In Table 9.1, more detailed information about the demographics of the respondents and their firms is provided, also on a country level. Demographic characteristics were similar in both countries with the exception of company size and respondents' education, where significant differences could be determined.

Table 9.1 Respondents' and their firms' demographic characteristics

	Austria		Slovenia		Total	
	No. of valid responses	%	No. of valid responses	%	No. of valid responses	%
Company: Number of employees						
1-50	157	100.0%	100	100.0%	257	100.0%
51-250	92	58.6%	79	79.0%	171	66.5%
251-500	41	26.1%	15	15.0%	56	21.8%
more than 500	13	8.3%	5	5.0%	18	7.0%
	11	7.0%	1	1.0%	12	4.7%
Company: Industry	155	100.0%	100	100.0%	255	100.0%
Construction of machinery	51	32.9%	28	28.0%	79	31.0%
Travel agency	42	27.1%	25	25.0%	67	26.3%
Printing	42	27.1%	32	32.0%	74	29.0%
Other	20	12.9%	15	15.0%	35	13.7%
Company: Ownership	153	100.0%	99	100.0%	252	100.0%
Public limited company	15	9.8%	7	7.1%	22	8.7%
Other private ownership	137	86.3%	85	85.9%	222	86.1%
Public/state ownership	6	3.9%	7	7.1%	13	5.2%
Respondent: Role in the company	155	100.0%	100	100.0%	255	100.0%
Owner, board member or managing director	138	89.0%	85	85.0%	223	87.5%
Other management function	15	9.7%	8	8.0%	23	9.0%
Specialist	2	1.3%	7	7.0%	9	3.5%
Respondent: Education	155	100.0%	100	100.0%	255	100.0%
University degree (technical)	22	14.2%	36	36.0%	58	22.7%
University degree (business)	33	21.3%	23	23.0%	56	22.0%
University degree (law)	3	1.9%	1	1.0%	4	1.6%
University degree (other)	3	1.9%	16	16.0%	19	7.5%
High school	59	38.1%	14	14.0%	73	28.6%
Other	35	22.6%	10	10.0%	45	17.6%
Respondent: Gender	154	100.0%	100	100.0%	254	100.0%
Male	131	85.1%	75	75.0%	206	81.1%
Female	23	14.9%	25	25.0%	48	18.9%
Respondent: Age group	154	100.0%	98	100.0%	252	100.0%
Under 30 years old	2	1.3%	4	4.1%	6	2.4%
30-50 years old	92	59.7%	59	60.2%	151	59.9%
More than 50 years old	60	39.0%	35	35.7%	95	37.7%

Source: Author

9.2 Descriptive statistics

9.2.1 Descriptive statistics on strategic issue analysis

Figure 9.1 and Table 9.2 show how Austrian and Slovene managers diagnosed the 2008–09 global financial and economic crisis as a strategic issue. We can see that in both countries, the crisis was strongly perceived as a threat rather than as an opportunity. However, threat perceptions *and* opportunity perceptions were generally higher in Slovenia, confirming Gilbert's (2006) proposition that opportunity and threat are two different constructs rather than opposite ends of a continuum.

Respondents in both countries alike rated the crisis as an urgent matter. There were also only small variations in the extent to which the crisis was seen as feasible, i. e. in the possibility for the company to actively manage it.

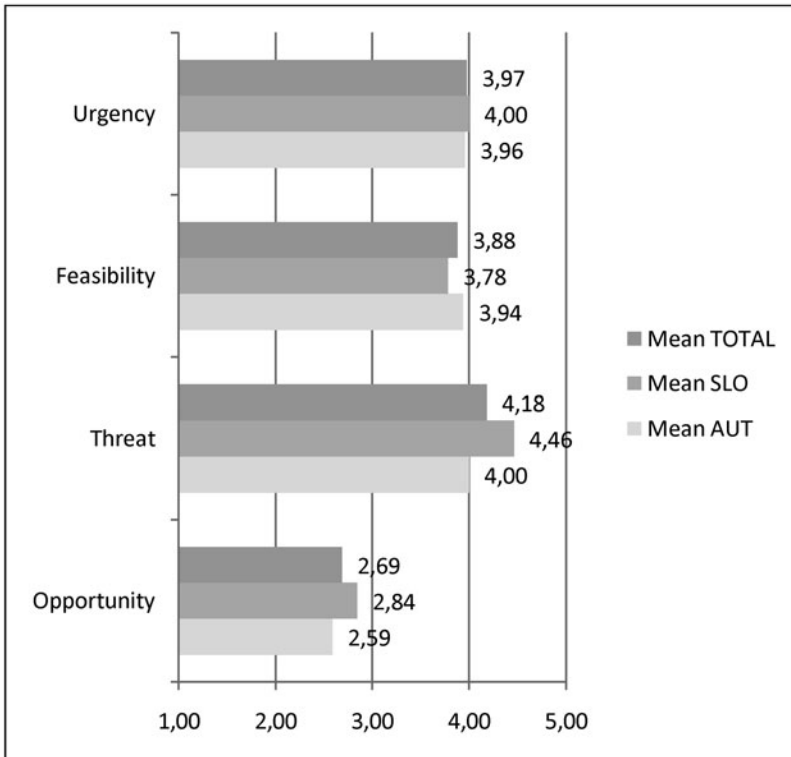


Fig. 9.1 Results of strategic issue perceptions of the 2008–09 financial and economic crisis (1: very low; 5: very high)

Source: Author

Table 9.2 Statistics on strategic issue diagnosis of the 2008–09 financial and economic crisis in Austria and Slovenia

Variable		n	Mean*	S.d.	Std. error	95% confidence interval for mean	
						Lower	Upper
Opportunity	Austria	157	2.588	0.9944	0.0794	2.4314	2.7449
	Slovenia	100	2.843	1.0631	0.1063	2.6324	3.0543
	Total	257	2.687	1.0272	0.0641	2.5612	2.8136
Threat	Austria	156	4.000	0.9722	0.0778	3.8462	4.1538
	Slovenia	99	4.465	0.6517	0.0655	4.3347	4.5946
	Total	255	4.180	0.8900	0.0557	4.0706	4.2902
Feasibility	Austria	155	3.942	0.8412	0.0676	3.8085	4.0754
	Slovenia	100	3.780	0.9596	0.0960	3.5896	3.9704
	Total	255	3.878	0.8912	0.0558	3.7685	3.9883
Urgency	Austria	155	3.958	1.0335	0.0830	3.7941	4.1220
	Slovenia	99	4.000	0.9035	0.0908	3.8198	4.1802
	Total	254	3.974	0.9832	0.0617	3.8529	4.0959

Source: Author

* On a 5-point Likert-type scale from 1 (do not agree at all) to 5 (fully agree)

9.2.2 Descriptive statistics on crisis response strategies

Figure 9.2 and the accompanying Table 9.3 show the results on the main categories of crisis response strategies.

None of the strategic crisis response categories were particularly often employed. Three of them (diversification, rationalization, and control-enhancing action) on average scored close to 3 on a 5-point Likert-type scale, thus not showing any extreme use or non-use of these strategies. Only strategies that were focused on reducing to the core business were considerably less common in both countries. Therefore, no dominant category of crisis response strategies could be determined.

The picture becomes more diverse if individual measures of crisis response are taken into account (see Figure 9.3). While improving existing products was the most commonly used strategy in this domain, the figures also clearly show that strategies of market and product development were more common than withdrawal from markets or divesting of products and product lines. This result is contrary to Geroski and Gregg's (1997) findings. In their study of UK firms' action in response to recession, focus on the core business strat-

egies were the most cited. However, both diversification and focus to the core business strategies have an average mean of < 3, meaning that they were both not too aggressively used (favouring the third option of leaving the scope of the business unchanged).

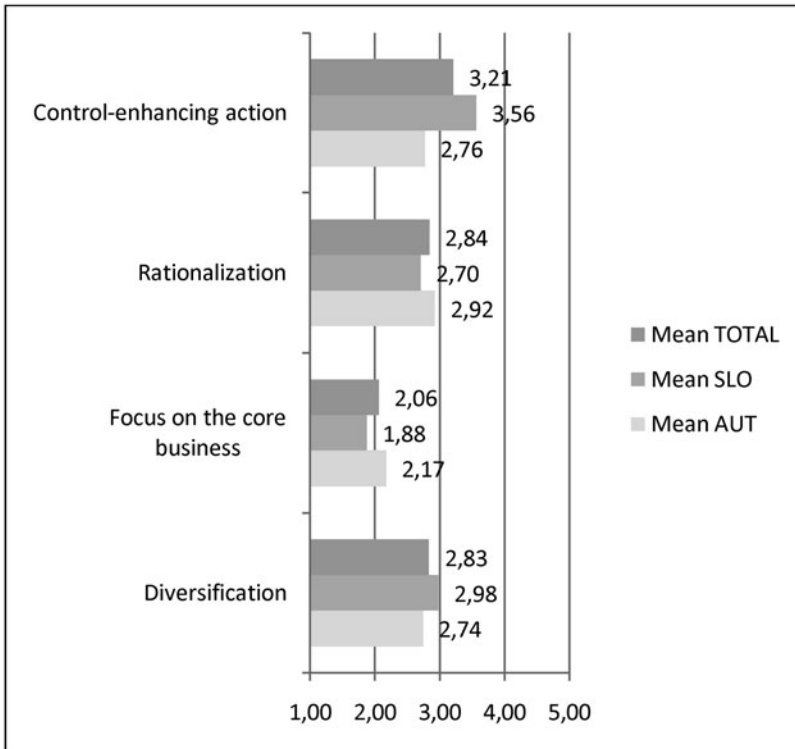


Fig. 9.2 Strategic responses to the 2008–09 financial and economic crisis (categories) (1: do not agree at all; 5: fully agree)

Source: Author

Table 9.3 Statistics on strategic responses to the 2008–09 financial and economic crisis (categories)

Variable		n	Mean*	S.d.	Std. error	95% confidence interval for mean	
						Lower	Upper
Diversification	Austria	156	2.739	1.0970	0.0878	2.566	2.913
	Slovenia	100	2.980	1.1805	0.1181	2.746	3.214
	Total	256	2.833	1.1341	0.0709	2.694	2.973
Focus on the core business	Austria	156	2.171	0.9538	0.0764	2.020	2.322
	Slovenia	99	1.875	0.9092	0.0914	1.694	2.057
	Total	255	2.056	0.9460	0.0592	1.940	2.173
Rationalization	Austria	156	2.924	0.5642	0.0452	2.835	3.014
	Slovenia	100	2.699	0.6633	0.0663	2.568	2.831
	Total	256	2.836	0.6136	0.0384	2.761	2.912
Control-enhancing action	Austria	155	2.763	1.0812	0.0868	2.805	3.148
	Slovenia	100	3.563	0.9852	0.0985	3.368	3.759
	Total	255	3.207	1.0815	0.0677	3.073	3.340

Source: Author

* On a 5-point Likert-type scale from 1 (do not agree at all) to 5 (fully agree)

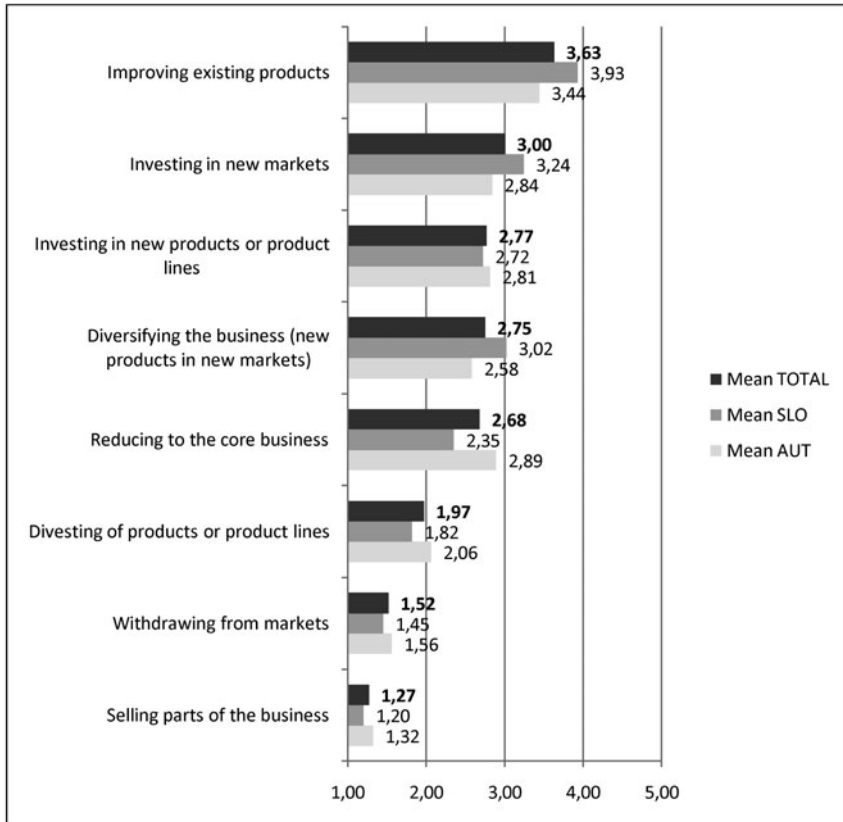


Fig. 9.3 Strategic action on the diversification versus focus on the core business dimension (1: very low; 5: very high)

Source: Author

Individual measures of crisis response that were more strongly used can be found in Figure 9.4, which shows strategic action that can be categorized under the internally- versus externally-directed dimension. Focus on the customer (in terms of customer acquisition and customer retention, as well as on open receivables control) featured prominently as a crisis response in both countries. It is interesting to note, however, that in the first ten out of thirteen strategic actions, Slovenia rates higher than Austria. It is possible that a generally stronger feeling of a need of strategic reaction (of any kind) is present in one country in comparison to another, maybe triggered by more 'intense' issue interpretations (as was found out before, Slovenes had a stronger interpretation of the crisis as both a threat and an opportunity). Testing these rela-

tionships of ‘stronger’ reactions due the propensity to interpret a strategic issue more ‘radically’ is outside of the scope of this study, might however constitute an area of further research.

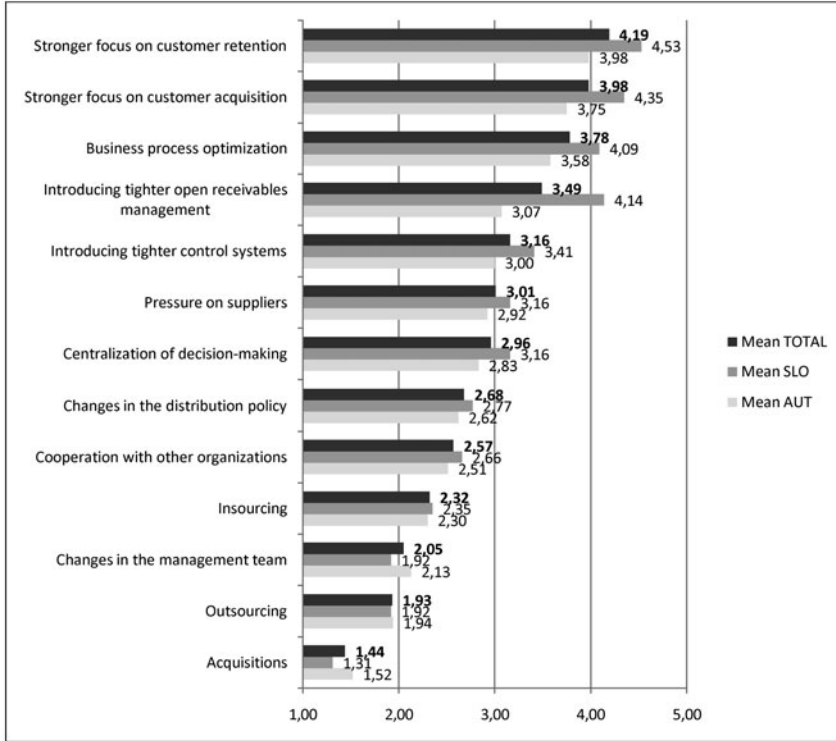


Fig. 9.4 Strategic action on the internally- versus externally-directed dimension (1: very low; 5: very high)

Source: Author

Statistics about where companies in both countries rationalized and in what areas they invested in the crisis are presented in Table 9.4. In both countries, administration and human resources were among the first areas which management turned to for cost-cutting, while in customer-related fields such as product/service quality, sales, or customer service, the tendency was closer to investment than to rationalization. This confirms the above-mentioned results that companies in both Austria and Slovenia strongly concentrated on their customers as a primary pattern of response to the economic crisis.

Table 9.4 Rationalization versus investment in response to the crisis

	Mean AUT*	Mean SLO*	Mean TOTAL*
Administration	3.54	3.52	3.53
Human resources	3.40	2.97	3.24
Logistics	3.12	3.12	3.12
Production	3.18	2.93	3.08
Research & development	2.88	2.59	2.77
Technology	2.71	2.58	2.66
Marketing	2.76	2.20	2.55
Customer service	2.43	2.63	2.51
Sales	2.65	2.24	2.49
Product/service quality	2.49	2.21	2.38

Source: Author

* On a 5-point scale from 1 (strong investment) to 3 (no changes) and 5 (strong rationalization)

9.2.3 Descriptive statistics on political and conflict behaviour

Descriptive statistics on the extent of conflict in strategic decision-making, on the degree of following own goals rather than organizational goals as a measure of political behaviour, on the extent of informality in decision-making, and on the extent of group decision-making as opposed to one-person decisions are reported in Figure 9.5 and Table 9.5.

There is a distinct difference in the degree to which strategic decisions were taken in groups, with Slovene managers – as hypothesized for a more collectively oriented culture – reporting considerably more group decisions than their Austrian counterparts. Another country-specific difference could be determined in the degree of informality in decision-making. On this dimension, however, Austria rates higher than Slovenia. In both countries, there were low conflicts and self-interest reported in the decision-making process in response to the crisis.

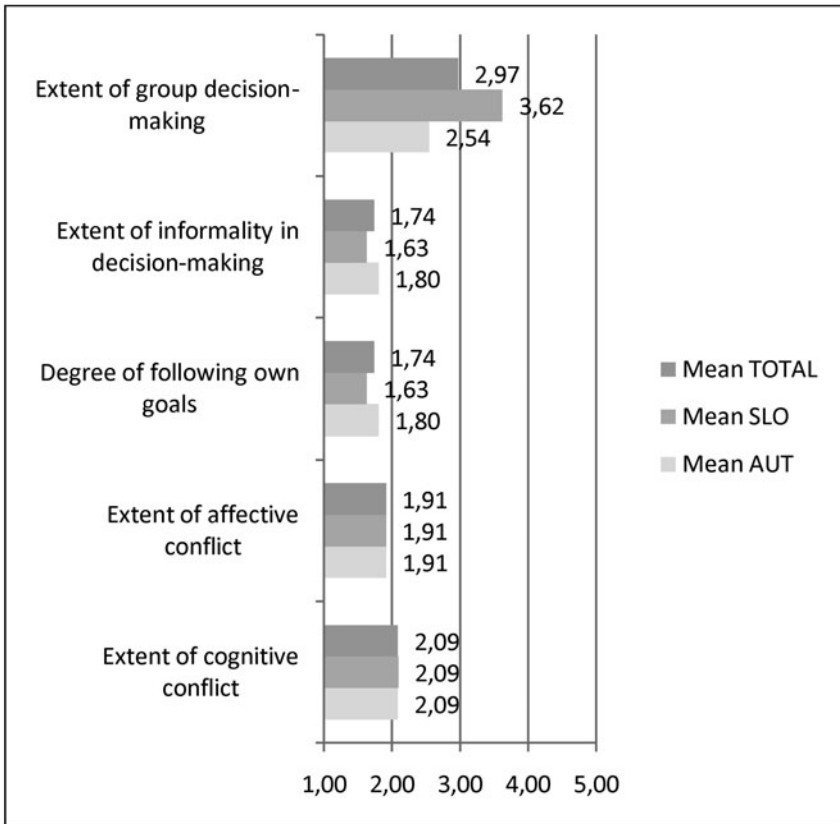


Fig. 9.5 Overview of decision-making variables results (1: do not agree at all; 5: fully agree)

Source: Author

Table 9.5 Group decision-making, conflict, self-interest, and informality in strategic decision-making in response to the economic crisis

Variable		n	Mean*	S.d.	Std. error	95% confidence interval for mean	
						Lower	Upper
Extent of cognitive conflict	Austria	156	2.086	0.8741	0.0700	1.9472	2.2237
	Slovenia	97	2.088	0.8475	0.0856	1.9185	2.2584
	Total	253	2.087	0.8622	0.0541	1.9801	2.1932
Extent of affective conflict	Austria	156	1.907	0.9347	0.0748	1.7592	2.0549
	Slovenia	97	1.907	0.7976	0.0806	1.7465	2.0664
	Total	253	1.907	0.8827	0.0554	1.7978	2.0159
Degree of following own goals	Austria	156	1.801	0.9532	0.0763	1.6505	1.9520
	Slovenia	96	1.629	0.8456	0.0859	1.4584	1.7993
	Total	252	1.735	0.9156	0.0576	1.6218	1.8485
Extent of informality in decision-making	Austria	156	2.797	0.9849	0.0789	2.6412	2.9528
	Slovenia	95	2.385	1.1043	0.1127	2.1617	2.6092
	Total	251	1.104	1.0491	0.0661	2.5101	2.7704
Extent of group decision-making	Austria	150	2.540	1.1680	0.0954	2.3516	2.7284
	Slovenia	99	3.620	1.3241	0.1324	3.3573	3.8827
	Total	249	2.972	1.3396	0.0847	2.8051	3.1389

Source: Author

* On a 5-point Likert-type scale from 1 (do not agree at all) to 5 (fully agree)

9.3 Correlations

Spearman's rho was used to calculate correlations rather than Pearson's coefficient, as there are some variables included in the analysis which are only nominally scaled (for example gender or nation). The correlation results are reported in Table 9.6.

Table 9.6 Correlation of main variables (Spearman's rho)

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1 OPPORTUNITY																	
2 THREAT	-.202**																
3 FEASIBILITY	-.327**	.046															
4 URGENCY	.140*	.307**	.160*														
5 DIVERSIFICATION	.284**	0.010	1.00	15*/													
6 FOCUS ON THE CORE BUSINESS	-.060	-.007	0.13	-.025	-.161*												
7 RATIONALIZATION	-.193**	.135*	-.041	-.070	-.348**	.780**											
8 CONTROL-ENHANCING ACTION	.031	.243**	.003	.240**	.062	.145*	.072										
9 AFFECTIVE CONFLICT	-.074	.070	-.133*	.002	.043	.170**	.141*	.202**									
10 COGNITIVE CONFLICT	-.095	.135*	-.088	.076	.037	.161*	.117	.195**	.714**								
11 DULGRLH OF INFORMALITY	.022	.090	.039	.097	.144*	.221**	.134*	.194**	.265**	.329**							
12 DEGREE OF FOLLOWING OWN GOALS	-.165**	-.007	-.164**	-.065	.037	.158*	.117	.076	.377**	.758**	.176**						
13 DEGREE OF GROUP DECISION-MAKING	-.187**	-.117	.017	.170	.149*	-.108	-.089**	.075	-.098	-.095	-.073	-.080					
14 SLACK	.242**	.206**	.268**	.005	.101	.067	.107	.119	.131*	.116	.016	.043	.088				
15 NO. OF EMPLOYEES	.091	.177**	.094	.331**	.058	.062	.056	.090	.104	.099	.127*	.017	.088	.136*			
16 AGT GROUP	-.035	.037	-.017	-.008	-.019	.057	.064	.067	.008	.004	.057	.017	.033	-.059	.096		
17 GENDER	.098	.021	.105	.006	.089	.078	.018	-.032	-.029	.014	.063	-.085	-.091	.163**	.088	.143*	
18 NATION	-.119	-.238**	.064	.007	-.098	.160*	.207**	-.284**	-.045	-.006	.195**	.085	-.303**	.303**	.217**	.033	.176**

*. The correlation is significant at a level of 0.05 (two-tailed).
 **. The correlation is significant at a level of 0.01 (two-tailed).

Source: Author

Some significant correlations could be determined within the category of strategic issue variables. Opportunity and threat perceptions were negatively correlated with each other, i. e. when the crisis was seen as a threat, it was often not seen as an opportunity, and vice versa. Opportunity was significantly ($p < 0.01$) positively correlated with feasibility (thus, the situation was seen as positive and manageable at the same time), and threat with urgency (interpretable as a need for fast and decisive action when the situation is seen as potentially negative).

How strategic issues were perceived also correlated with some of the strategic action variables. In the case of opportunity interpretation, a positively significant ($p < 0.01$) correlation could be determined with diversification actions, and a negative one with rationalization. Threat perceptions, on the other hand, are positively associated with rationalization ($p < 0.05$), and also with control-enhancing action ($p < 0.01$). While feasibility perceptions did not show any significant relationships with strategic action categories, urgency was significantly linked with diversification ($p < 0.05$) and control-enhancing action ($p < 0.01$).

Strong correlations can be seen within the category of conflict and organizational politics variables. Affective and cognitive conflict showed a strong correlation ($r = 0.714$, $p < 0.01$), which is consistent with the results of other studies on conflict in groups (e.g. Amason 1996 or Friedman et al. 2000). Also the degree of informality in the decision-making process and the degree to which managers followed their own rather than their organization's goals showed significant positive relationships ($p < 0.01$) with both affective and cognitive conflict. It is interesting to notice that conflict appeared more in combination with control-enhancing crisis response strategies and when

companies were focusing on the core business than in the case of diversification strategies. Rationalization strategies were negatively associated ($p < 0.01$) with group decision-making, thus suggesting that these very 'difficult' decisions were more often taken by single deciders. More group decision-making was found in the cases in which management saw the crisis as an opportunity.

Turning to the control variables, in organizations with higher amount of slack there were higher values on the perceptions of the crisis in terms of opportunity and feasibility, and lower threat perceptions ($p < 0.01$ on all these correlations). This is an intuitive result, as with more resources available, more strategic options are open to companies and thus also more positive and manageable opportunities. Company size positively correlated with threat and urgency interpretations.

No significant association between the demographic variables age and gender and any of the strategic issue analysis or any of the strategic action variables could be determined.

Country differences correlated with threat interpretations ($p < 0.01$), the degree of using strategies that focus on the core business ($p < 0.05$), the degree to which rationalization and control-enhancing action were used ($p < 0.01$ for both), and the degree of group decision-making and informality in the strategic decision-making process ($p < 0.01$ for both).

Industry differences were not included in the correlation analysis, as they are nominally scaled. Eta squared values were used instead to determine which amount of variability in respondents' individual values on key variables could be explained by their affiliation with certain industries (Salkind 2010). Eta squared results regarding industry differences (as an independent variable) were quite low for the following dependent variables: opportunity (0.013), threat (0.011), feasibility (0.038) and urgency (0.011) interpretations, as well as for diversification (0.031), focus on the core business (0.024), rationalization (0.009), investment (0.009), and control-enhancing (0.017) strategic action, and also for the degree of affective conflict (0.015), the degree of cognitive conflict (0.011), the degree of following own goals (0.005), the degree of group decision-making (0.007), and the degree of informality in decision-making processes (0.001) in response to the economic crisis. With a very low amount of variation in these variables attributable to industry differences, no strong association between industry affiliation and strategic issue diagnosis, choice of strategic action, and political and conflict behaviour in decision-making could be determined.

9.4 Testing of hypotheses

9.4.1 Testing the links between strategic issue diagnosis and strategic action

Before testing the hypotheses on culturally-determined country differences in adaptive strategic decision-making processes, the hypotheses on the link between strategic issue analysis and strategic action in response to economic crises (see section 4.5) are tested. In order to control for possible other influences on the choice of strategic action, multiple hierarchical regression models were used. Personal characteristics of respondents (gender, age) were entered in the first block, followed by company size (< 50 employees: 0; ≥ 50 employees: 1), industry (dummy-coded), organizational slack, and country. After these other possible influencing variables were controlled for, strategic issue interpretation variables were entered last into the models. In Table 9.7, key results of the hierarchical regression analysis are presented.

It was found that opportunity perception had a significant effect ($p < 0.01$) on the extent to which diversification strategies were used even after controlling for all other variables in the model. Therefore, hypothesis H1 a (proposing that higher opportunity levels lead to more diversification as a strategic reaction) could be substantiated. Likewise, there were significant influences of opportunity perceptions on the degree of investment ($p < 0.05$), of threat perceptions on the tendency to use rationalization strategies ($p < 0.05$) and control-enhancing strategies ($p < 0.01$), and of urgency perceptions on the use of control-enhancing strategies ($p < 0.01$). Therefore, hypotheses H1 b (higher levels of opportunity perception leads to higher degree of investments as a strategic reaction), H1 d (higher levels of threat perception leads to higher degree of rationalization), H1 e (higher levels of threat perception leads to higher degree of control-enhancing action), and H1 f (higher levels of urgency perception leads to higher degree of control-enhancing action) were supported. Only one out of the six hypotheses on the link between crisis interpretation in strategic issue diagnosis and strategic action in reaction to the crisis could not be substantiated (H1 c), as no significant influence of threat interpretations on the propensity to use focus on the core business strategies could be determined.

Table 9.7 Hierarchical regression results: influence of strategic issue diagnosis on strategic action

Dependent variable	Independent variables	Model R ²	R ² adjusted	F change	Sig. F change	Sig.
Diversification	Block 1: Age group, Gender	0.010	0.002	1.288	0.278	
	Block 2: Size (employees)	0.015	0.002	1.009	0.316	
	Block 3: Industry	0.030	0.005	1.248	0.293	
	Block 4: Slack	0.036	0.008	1.578	0.210	
	Block 5: Country	0.059	0.027	5.681	0.018	*
	Block 6: OPPORTUNITY	0.106	0.072	12.547	0.000	**
Degree of Investment	Block 1: Age group, Gender	0.006	-0.002	0.752	0.473	
	Block 2: Size (employees)	0.009	-0.003	0.685	0.409	
	Block 3: Industry	0.015	-0.010	0.488	0.691	
	Block 4: Slack	0.037	0.009	5.442	0.020	*
	Block 5: Country	0.079	0.048	10.931	0.001	**
	Block 6: OPPORTUNITY	0.103	0.069	6.171	0.014	*
Rationalization	Block 1: Age group, Gender	0.004	-0.005	0.452	0.637	
	Block 2: Size (employees)	0.006	-0.006	0.644	0.423	
	Block 3: Industry	0.013	-0.012	0.492	0.688	
	Block 4: Slack	0.035	0.006	5.479	0.020	*
	Block 5: Country	0.076	0.044	10.407	0.001	**
	Block 6: THREAT	0.101	0.066	6.546	0.011	*
Control-enhancing action	Block 1: Age group, Gender	0.014	0.006	1.712	0.183	
	Block 2: Size (employees)	0.021	0.009	1.716	0.192	
	Block 3: Industry	0.027	0.002	0.447	0.720	
	Block 4: Slack	0.039	0.010	2.926	0.088	
	Block 5: Country	0.111	0.081	19.039	0.000	**
	Block 6: THREAT	0.139	0.105	7.476	0.007	**
Control-enhancing action	Block 1: Age group, Gender	0.013	0.005	1.608	0.202	
	Block 2: Size (employees)	0.019	0.007	1.398	0.238	
	Block 3: Industry	0.026	0.001	0.539	0.656	
	Block 4: Slack	0.038	0.010	3.090	0.080	
	Block 5: Country	0.113	0.083	19.845	0.000	**
	Block 6: URGENCY	0.146	0.113	8.783	0.003	**

Dependent variable	Independent variables	Model R ²	R ² adjusted	F change	Sig. F change	Sig.
Focus	Block 1: Age group, Gender	0.007	-0.001	0.870	0.420	
	Block 2: Size of company (employees)	0.013	0.000	1.348	0.247	
	Block 3: Industry	0.038	0.014	2.095	0.102	
	Block 4: Slack	0.048	0.020	2.450	0.119	
	Block 5: Country	0.076	0.044	6.939	0.009	**
	Block 6: THREAT	0.076	0.041	0.159	0.691	

Source: Author

* The change in F-value is significant at $p < .05$; ** The change in F-value is significant at $p < .01$

9.4.2 Testing for cultural differences

The existence of significant influences of national (cultural) differences on strategic issue diagnosis, strategic action, and process variables was tested first with simple T-tests and Mann-Whitney-U-tests (see Table 9.8 for results), and subsequently – to control for other possible influences – with multiple hierarchical regression models.

Both the T-tests and the Mann-Whitney-U-tests showed the same results: significant country differences could be determined only for threat perceptions in strategic issue diagnosis (higher in Slovenia), for the degree of group decision-making (higher in Slovenia), and of informality in the decision-making process (higher in Austria), as well as in the following categories of strategic crisis response: control-enhancing action (higher in Slovenia), focus on the core business (higher in Austria), and rationalization (higher in Austria).

Table 9.8 Statistical tests of country differences

	Descriptive statistics				T-test		Mann-Whitney-U-test		
	Mean Austria	S.d. Austria	Mean Slovenia	S.d. Slovenia	T value	p (2-tailed)	Whitney-U	Z	p (2-tailed)
Opportunity	2.59	0.994	2.84	1.063	-1.853	0.052	6744.5	-1.912	0.056
Threat	4.00	0.972	4.46	0.632	-4.567	0.000**	5622.5	-3.800	0.000**
Feasibility	3.94	0.841	3.78	0.960	1.419	0.157	7183.0	-1.017	0.309
Urgency	3.96	1.034	4.00	0.904	-0.331	0.741	7610.5	-0.111	0.912
Control-enhancing action	2.76	1.081	3.56	0.985	-4.381	0.000**	5164.5	-4.522	0.000**
Focus on the core business	2.17	0.954	1.88	0.909	2.455	0.015*	6274.5	-2.595	0.011*
Diversification	2.74	1.097	2.98	1.181	-1.662	0.098	6901.0	-1.562	0.118
Rationalization	2.92	0.564	2.70	0.663	2.908	0.004**	5937.5	-3.227	0.001**
Degree of following own goals	1.80	0.953	1.63	0.846	1.480	0.146	6876.5	-1.343	0.179
Degree of affective conflict	1.91	0.935	1.91	0.798	0.005	0.996	7238.5	-0.720	0.471
Degree of cognitive conflict	2.09	0.874	2.09	0.848	-0.027	0.979	7589.5	-0.097	0.323
Degree of group decision-making	2.54	1.168	3.62	1.321	-6.787	0.000**	4102.0	-6.208	0.000**
Degree of informality in decision-making	2.80	0.985	2.39	1.104	3.075	0.002**	5765.5	-3.089	0.002**

*: significance at a level of $p < 0.05$; **: significance at a level of $p < 0.01$.

Source: Author

Testing for cultural differences in strategic issue diagnosis

In order to test for possible cultural differences in strategic issue diagnosis, multiple hierarchical regression was used to control for other possible influencing variables. Summary regression results with strategic issue diagnosis categories as dependent variables, and control variables (entered in the first four blocks) and country difference (entered in the last block) as independent variables, are presented in Table 9.9. Differences in cultural dimensions were not explicitly included in the models, as, in their dichotomized form, they were also adequately represented by the country differences. The direction of the difference in individual cultural dimensions (which of the two countries had 'high' and 'low' scores respectively), however, needs to be considered in the interpretation of the results.

From Table 9.9, it can be seen that country differences did not influence feasibility and urgency perceptions. Therefore, hypotheses H2a, H2b, and H2c on the asserted influence of the cultural dimensions of performance orientation and assertiveness on feasibility and urgency perceptions could not be substantiated. Significant differences could be determined in the way that Austrian and Slovene managers perceived the crisis as an opportunity or as a threat. However, Slovenia had significantly higher levels of opportunity and threat perceptions of the crisis than Austria (see the mean results in Table 9.8). As Austria was the country with higher scores on the cultural dimensions of future orientation and uncertainty avoidance, the results are not supporting hypotheses H2d (that opportunity interpretations of economic crisis situations will be higher in countries with a higher level of future orientation) and H2e (that threat interpretations of economic crisis situations will be higher in countries with a higher level of uncertainty avoidance). Therefore, all five hypotheses on the link between cultural differences and strategic issue diagnosis had to be rejected.

Table 9.9 Hierarchical regression results: influence of country differences on crisis interpretations

Dependent variable	Independent variables	Model R ²	R ² adjusted	F change	Sig. F change	Sig.
Opportunity	Block 1: Age group, Gender	0.018	0.010	2.297	0.103	
	Block 2: Company size	0.026	0.014	1.844	0.176	
	Block 3: Industry	0.032	0.007	0.482	0.695	
	Block 4: Slack	0.071	0.044	10.131	0.002	**
	Block 5: COUNTRY	0.117	0.088	12.479	0.000	**
Threat	Block 1: Age group, Gender	0.000	-0.008	0.038	0.963	
	Block 2: Company size	0.023	0.010	5.495	0.020	*
	Block 3: Industry	0.029	0.005	0.522	0.667	
	Block 4: Slack	0.082	0.055	13.799	0.000	**
	Block 5: COUNTRY	0.137	0.108	14.999	0.000	**
Feasibility	Block 1: Age group, Gender	0.023	0.015	2.798	0.063	
	Block 2: Company size	0.034	0.022	2.736	0.099	
	Block 3: Industry	0.052	0.028	1.541	0.204	
	Block 4: Slack	0.095	0.068	11.281	0.001	**
	Block 5: COUNTRY	0.095	0.064	0.000	0.989	
Urgency	Block 1: Age group, Gender	0.000	-0.008	0.008	0.992	
	Block 2: Company size	0.100	0.088	26.534	0.000	**
	Block 3: Industry	0.103	0.081	0.340	0.796	
	Block 4: Slack	0.110	0.084	1.757	0.186	
	Block 5: COUNTRY	0.113	0.083	0.799	0.372	

Source: Author

* The change in F-value is significant at $p < .05$; ** The change in F-value is significant at $p < .01$

Testing for cultural differences in the use of strategic action

Table 9.10 reports the summary model results for the multiple regression analysis of the proposed influence of national differences on the use of different categories of strategic action in response to economic crisis. In these models, strategic issue interpretations are also inserted as a control variable before testing for country differences.

There are significant national differences in the extent to which investment, rationalization, control-enhancing, and focus on the core business strategies are employed ($p < 0.01$ for each). Only regarding diversification

strategies, the multiple regression analysis did not show any significant country-related differences.

The descriptive statistics results presented in Table 9.8, however, revealed that most of the country differences were not working in the directions which were proposed in the hypotheses formed on the influence of cultural dimensions on strategic action. H3a (control-enhancing action in economic crises will be more common in cultures with a higher degree of performance orientation) and H3b (control-enhancing action in economic crises will be more common in cultures with a higher degree of uncertainty avoidance) were not substantiated as in the country with lower performance orientations and uncertainty avoidance levels, Slovenia, control-enhancing action was used to a greater extent.

Hypothesis 3c (in cultures with a higher degree of uncertainty avoidance, focus on the core business will be a more common strategy in response to the crisis) received support at $p < 0.01$ (see the section on the dependent variable 'focus' in Table 9.10). However, despite the significant relationship, only a small amount of variance in the dependent variable was explained in this model, with an adjusted R^2 of only 0.041.

Table 9.10 Hierarchical regression results: influence of country differences on strategic action

Dependent variable	Independent variables	Model R^2	R^2 adjusted	F change	Sig. F change	Sig.
Diversification	Block 1: Age group, Gender	0.010	0.002	1.288	0.278	
	Block 2: Company size	0.015	0.002	1.009	0.316	
	Block 3: Industry	0.030	0.005	1.248	0.293	
	Block 4: Slack	0.036	0.008	1.578	0.210	
	Block 5: Opportunity	0.097	0.066	15.877	0.000	**
	Block 6: COUNTRY	0.106	0.072	2.525	0.113	
Degree of Investment	Block 1: Age group, Gender	0.006	-0.002	0.752	0.473	
	Block 2: Company size	0.009	-0.003	0.685	0.409	
	Block 3: Industry	0.015	-0.010	0.488	0.691	
	Block 4: Slack	0.037	0.009	5.442	0.020	*
	Block 5: Opportunity	0.075	0.044	9.759	0.002	**
	Block 6: COUNTRY	0.103	0.069	7.321	0.007	**

Dependent variable	Independent variables	Model R ²	R ² adjusted	F change	Sig. F change	Sig.
Rationalization	Block 1: Age group, Gender	0.004	-0.005	0.452	0.637	
	Block 2: Company size	0.006	-0.006	0.644	0.423	
	Block 3: Industry	0.013	-0.012	0.492	0.688	
	Block 4: Slack	0.035	0.006	5.479	0.020	*
	Block 5: Threat	0.046	0.013	2.674	0.103	
	Block 6: COUNTRY	0.101	0.066	14.373	0.000	**
Control-enhancing action	Block 1: Age group, Gender	0.014	0.006	1.712	0.183	
	Block 2: Company size	0.021	0.009	1.716	0.192	
	Block 3: Industry	0.027	0.002	0.447	0.720	
	Block 4: Slack	0.039	0.010	2.926	0.088	
	Block 5: Threat	0.090	0.059	13.186	0.000	**
	Block 6: COUNTRY	0.139	0.105	13.170	0.000	**
Control-enhancing action	Block 1: Age group, Gender	0.013	0.005	1.608	0.202	
	Block 2: Company size	0.019	0.007	1.398	0.238	
	Block 3: Industry	0.026	0.001	0.539	0.656	
	Block 4: Slack	0.038	0.010	3.090	0.080	
	Block 5: Urgency	0.076	0.045	9.688	0.002	**
	Block 6: COUNTRY	0.146	0.113	18.880	0.000	**
Focus	Block 1: Age group, Gender	0.007	-0.001	0.870	0.420	
	Block 2: Company size	0.013	0.000	1.348	0.247	
	Block 3: Industry	0.038	0.014	2.095	0.102	
	Block 4: Slack	0.048	0.020	2.450	0.119	
	Block 5: Threat	0.049	0.016	0.064	0.800	
	Block 6: COUNTRY	0.076	0.041	7.007	0.009	**

Source: Author

* The change in F-value is significant at $p < .05$; ** The change in F-value is significant at $p < .01$

With a lack of significant country differences in the models with the dependent variable diversification strategies, hypothesis 3 d (on the negative relationship between cultures with higher degrees of uncertainty and the tendency to use diversification strategies) and hypothesis 3 f (on the positive relationship between cultures with higher degrees of future orientations and the tendency to use diversification strategies) were not substantiated. Likewise, hypothesis 3 e (on a higher degree of future orientation being positively linked to a use of protection/pre-emption strategies) did not receive support, as the propensity to invest was slightly higher in Slovenia (the country with lower future orien-

tation) than in Austria (with a mean of 3.30 [standard deviation 0.663] on a scale from 1 = 'strong rationalization' to 3 = 'no change' to 5 = 'strong investment' for Slovenia as compared to 3.08 [standard deviation 0.564] for Austria).

Overall, five out of six hypotheses on the relationship between national cultural dimensions and the propensity to use certain strategic directions had to be rejected, with the supported one – H3c – also only showing a weak effect.

Testing for cultural differences in political and decision behaviour

A summary of hierarchical regression model results for testing the potential influence of country differences on behavioural variables in the strategic decision-making process is presented in Table 9.11.

Regression results showed no significant influence of country differences on the degree to which managers followed their own goals rather than the organization's goals and on the two conflict variables. Therefore, all the hypotheses on a possible influence of national culture on the extent of political behaviour (exemplified by the degree of following one's own goals) (H4a, H4b, H6d) as well as all the hypotheses on a possible influence of national culture on the degree of affective and cognitive conflict in the strategic decision-making processes (H5a, H5b, H6b, H6c) had to be rejected. There were no significant country differences and therefore also no significant cultural differences in these factors.

Significant country differences ($p < 0.01$) could, however, be determined in the degree of informality in the strategic decision-making process and in the degree of group decision-making as opposed to individual decisions of one top manager on how to strategically respond to the crisis. As Slovenia (the country with a lower uncertainty avoidance score) showed a lower degree of informality in the decision-making process than Austria (see the mean results on this variable in Table 9.8), also hypothesis 7 with its supposed link between a lower degree of uncertainty avoidance and more informal ways of influencing had to be rejected.

Finally, hypothesis 6a (on the positive link between the cultural dimension of in-group collectivism and a higher degree of group decision-making) received strong support at a significance level of $p < 0.01$. Managers in the country with higher in-group collectivity (Slovenia) considerably more often used group decisions rather than individual ones to determine the appropriate strategic reaction to the economic crisis than managers from a more individualistic culture (Austria).

Table 9.11 Hierarchical regression results: influence of country differences on decision behaviour

Dependent variable	Independent variables	Model R ²	R ² adjusted	F change	Sig. F change	Sig.
Degree of following own goals	Block 1: Age group, Gender	0.007	-0.001	0.871	0.420	
	Block 2: Company size	0.008	-0.004	0.251	0.617	
	Block 3: Industry	0.011	-0.014	0.195	0.900	
	Block 4: Slack	0.011	-0.019	0.035	0.853	
	Block 5: COUNTRY	0.025	-0.008	3.399	0.067	
Degree of affective conflict	Block 1: Age group, Gender	0.003	-0.005	0.383	0.682	
	Block 2: Company size	0.005	-0.007	0.530	0.467	
	Block 3: Industry	0.009	-0.016	0.263	0.852	
	Block 4: Slack	0.020	-0.009	2.697	0.102	
	Block 5: COUNTRY	0.021	-0.013	0.218	0.641	
Degree of cognitive conflict	Block 1: Age group, Gender	0.001	-0.008	0.064	0.938	
	Block 2: Company size	0.011	-0.001	2.516	0.114	
	Block 3: Industry	0.019	-0.006	0.639	0.591	
	Block 4: Slack	0.034	0.005	3.597	0.059	
	Block 5: COUNTRY	0.034	0.001	0.051	0.822	
Degree of group decision-making	Block 1: Age group, Gender	0.011	0.002	1.273	0.282	
	Block 2: Company size	0.020	0.007	2.220	0.138	
	Block 3: Industry	0.022	-0.003	0.173	0.915	
	Block 4: Slack	0.030	0.001	1.977	0.161	
	Block 5: COUNTRY	0.207	0.180	51.717	0.000	**
Degree of informality	Block 1: Age group, Gender	0.008	0.000	0.965	0.382	
	Block 2: Company size	0.029	0.016	5.053	0.025	*
	Block 3: Industry	0.031	0.006	0.164	0.920	
	Block 4: Slack	0.031	0.002	0.045	0.833	
	Block 5: COUNTRY	0.062	0.030	7.833	0.006	**

Source: Author

* The change in F-value is significant at $p < .05$; ** The change in F-value is significant at $p < .01$

9.5 Summary of the findings from the quantitative study

In this chapter, the results of the quantitative empirical study among 257 managers in Austria and Slovenia were presented. It was revealed that managers from both countries saw the crisis as an urgent, albeit generally manageable, strategic issue and as a threat to their company. Opportunity interpretations of the crisis were considerably lower. While opportunity and threat perceptions were negatively correlated, opportunity and feasibility perception correlated positively, as did threat and urgency perceptions. Opportunity perceptions had a significant effect on the degree of investment and on the extent to which diversification strategies were used. Threat interpretations were linked to rationalization strategies and (as well as urgency interpretations) to control-enhancing action.

Hierarchical multiple regression models were used to investigate whether country-specific differences exist in strategic issue diagnosis, strategic decision-making, and strategic action in response to the 2008–09 financial and economic crisis. The results of the analyses showed significant differences in opportunity and threat perceptions between Austrian and Slovene managers, and significant differences in the degree of investment and rationalization, in control-enhancing action, and in the employment of focus on the core business strategies.

Generally, however, no dominant crisis response strategy emerged, although some patterns could be recognized: diversification was more frequently employed than focus on the core business strategies in both countries, and strategies that focus on the customer (customer acquisition, customer retention, introducing tighter open receivables control) were commonly mentioned. While cost-cutting was concentrated on areas like administration, human resources, and logistics/production, selective investments were made into product/service quality and sales.

Reports on self-oriented political behaviour and on conflict during the strategic decision-making process were low, and without any country-specific tendencies. Differences, however, could be determined in the extent of group decision-making versus individual decision-making (with the former being more common in Slovenia) and the extent of informality in decision-making (higher in Austria).

Table 9.12 summarizes the results of the hypotheses tests. Overall, the following picture emerges:

- Most of the hypotheses on the influence of strategic issue diagnosis on subsequent strategic action as proposed in the process model of strategic adaptation were supported.
- Almost all of the hypotheses on cultural influences on strategic issue diagnosis, strategic action, and political and conflict variables could not be substantiated. One hypothesis, H3c, on the link between a higher level of uncertainty avoidance in a culture and focus on the core business strategies in response to economic crisis received significant, albeit weak, support.
- Significant and stronger support was received for the hypothesis that in societies with a higher degree of in-group collectivism, group decision-making on issues of strategic adaptation is more common.
- Although most of the hypotheses on cultural influences did not receive support, country-specific differences did have significant effects – however opposed to the culturally-based hypotheses on strategic issue diagnosis (opportunity, threat), strategic action (degree of investment and rationalization, control-enhancing action, focus on the core business), and process (degree of informality) variables.

Table 9.12 Summary of hypotheses testing results

Category		Hypotheses	Test result
Strategic adaptation process	H1a	"Higher levels of opportunity interpretation of the crisis will lead to more diversification as a strategic reaction."	<i>Substantiated</i>
	H1b	"Higher levels of opportunity interpretation of the crisis will lead to higher degrees of investment as a strategic reaction."	<i>Substantiated</i>
	H1c	"Higher levels of threat interpretation of the crisis will lead to higher degrees of focus on the core business as a strategic reaction."	Rejected
	H1d	"Higher levels of threat interpretation of the crisis will lead to higher degrees of rationalization as a strategic reaction."	<i>Substantiated</i>
	H1e	"Higher levels of threat interpretation of the crisis will lead to higher degrees of control-enhancing action as a strategic reaction."	<i>Substantiated</i>
	H1f	"Higher levels of urgency interpretation of the crisis will lead to higher degrees of control-enhancing action as a strategic reaction."	<i>Substantiated</i>

Category		Hypotheses	Test result
Strategic issue diagnosis	H2a	"Urgency interpretations of economic crises will be higher in cultures with a higher degree of performance orientation."	Rejected
	H2b	"Feasibility interpretations of economic crises will be higher in cultures with a higher degree of performance orientation."	Rejected
	H2c	"Feasibility interpretations of economic crises will be higher in cultures with a higher degree of assertiveness."	Rejected
	H2d	"Opportunity interpretations of economic crises will be higher in cultures with a higher degree of future orientation."	Rejected
	H2e	"Threat interpretations of economic crises will be higher in cultures with a higher degree of uncertainty avoidance."	Rejected
Strategic action	H3a	"Control-enhancing action in economic crises will be more common in cultures with a higher degree of performance orientation."	Rejected
	H3b	"Control-enhancing action in economic crises will be more common in cultures with a higher degree of uncertainty avoidance."	Rejected
	H3c	"In cultures with a higher degree of uncertainty avoidance, focus on the core business will be a more common strategy when facing a situation of economic crisis."	<i>Substantiated</i>
	H3d	"In cultures with a higher degree of uncertainty avoidance, diversification will be a less common strategy when facing a situation of economic crisis."	Rejected
	H3e	"A higher degree of future orientation in a society will lead to a higher use of protection and pre-emption strategies will be when facing a situation of crisis."	Rejected
	H3f	"The use of diversification strategies in economic crises will be more common in cultures with a higher degree of future orientation."	Rejected

Category		Hypotheses	Test result
Political/ conflict	H4a	"A higher degree of performance orientation in a society will lead to a higher amount of political behaviour in strategic decision-making processes."	Rejected
	H4b	"A higher degree of assertiveness in a society will lead to a higher amount of political behaviour in strategic decision-making processes."	Rejected
	H5a	"A higher degree of assertiveness in a society will lead to a higher amount of affective conflict in strategic decision-making processes."	Rejected
	H5b	"A higher degree of assertiveness in a society will lead to a higher amount of cognitive conflict in strategic decision-making processes."	Rejected
	H6a	"A higher degree of in-group collectivism in a society will lead to a higher amount of group decisions in strategic decision-making processes."	<i>Substantiated</i>
	H6b	"A higher degree of in-group collectivism in a society will lead to a lower amount of affective conflict in strategic decision-making processes."	Rejected
	H6c	"A higher degree of in-group collectivism in a society will lead to a lower amount of cognitive conflict in strategic decision-making processes."	Rejected
	H6d	"A higher degree of in-group collectivism in a society will lead to a lower amount of political behaviour in strategic decision-making processes."	Rejected
	H7	"In societies with a lower degree of uncertainty avoidance, informal ways of influencing will be more common in strategic decision-making processes."	Rejected

Source: Author

References

- Amason, A. C. (1996). Distinguishing the effects of functional and dysfunctional conflict on strategic decision making: Resolving a paradox for top management teams. *Academy of Management Journal*, 39(1), 123–148.
- Friedman, R. A., Tidd, S. T., Currall, S. C., & Tsai, J. C. (2000). What goes around comes around: The impact of personal conflict styles on work conflict and stress. *International Journal of Conflict Management*, 11(1), 32–55.
- Geroski, P. A., & Gregg, P. (1997). *Coping with recession: UK company performance in adversity*. Cambridge: Cambridge University Press.
- Gilbert, C. G. (2006). Change in the presence of residual fit: Can competing frames coexist? *Organization Science*, 17(1), 150–167.
- Salkind, N. (Ed.) (2010). *Encyclopedia of research design, Volume 1*. Thousand Oaks, CA: Sage.

10 Discussion, conclusions, and outlook

10.1 Discussion of findings on the strategic adaptation process

The results of the study presented in this book generally support the relationship between strategic issue diagnosis and strategic action as part of the model of the strategic adaptation process presented in Figure 3.2 (section 3.6). How an economic crisis as a major environmental change is perceived and interpreted in a strategic issue diagnosis process can have a significant influence on subsequent choice of strategic action. For example, if the crisis was interpreted as an opportunity, chances were higher that a company took investment or diversification measures. If the crisis was interpreted as a threat, on the other hand, there was a tendency to use rationalization and control-enhancing action.

These findings are consistent with prior research which showed that the way in which strategic issues are interpreted by decision-makers can have a significant impact on the actions that an organization will take (Meyer 1982; Dutton and Jackson 1987; Dutton and Duncan 1987). Therefore, strategic issue diagnosis, the process by which decision-makers make sense of events with possible strategic consequences, is a vital linking pin to understand how individual and collective interpretation of environmental change affect the choice of adaptive strategic action. As Huff et al. (2000) pointed out, before organizations are taking strategic change action in response to environmental events and developments, 'old strategic frames', as they call it, which are no longer useful under the changed environmental circumstances, must change.

The results on the link between sense-making and strategic action in the face of the economic crisis also support Nohria's (2006) notion that in "the complex and uncertain environment of a sustained, evolving crisis, the most robust organizations will not be those that simply have plans in place but those that have continuous sensing and response capabilities" (p. 23). Nohria further suggested that companies need to adapt as events unfold, going through a cycle of sensing, coordinating, responding, and then sensing again.

The findings from the qualitative study, however, suggest that the basic model of the strategic adaptation process (changing environmental conditions → strategic issue diagnosis → creating strategic options → selecting strategic options → strategic action) needs to be complemented by a second alternative: In the case that a particular strategic change intent had already

been created and selected by the top management team, but could not yet be implemented due to political resistance of other powerful players within the organization, a renewed appraisal of the strategic issue together with the opposing party can be conducive to making change happen. Let us, for example, assume that management determined a need to lay off a certain percentage of the workforce. However, the unions strongly resisted the plans due to their interpretation that the company had enough opportunities for a positive development even without the layoffs. If a crisis situation occurs that changes the strategic issue diagnosis of both parties (e.g. if both management and union see the crisis as a threat and as an urgent issue for the firm), actions that the management had in mind even before could now be implemented. The sequence in the process of strategic adaptation in this case would change to: creating strategic options → selecting strategic options → changes politically not enforceable → changing environmental conditions → (common) strategic issue diagnosis → strategic action). These findings contribute a new perspective to the literature of strategic adaptation, as they show that the adaptation process can take various forms – with strategic issue diagnosis, however, always playing a key role in each of them.

Additionally, the results of the study also support prior research by Gilbert (2006) and Anderson and Nichols (2007) in showing that opportunity and threat perceptions are not two extremes on one continuum, but two distinct concepts. Slovene managers ranked both the opportunities *and* the threats that the crisis posed strategically for their organizations higher than their Austrian counterparts. This suggests that an opportunity/threat issue interpretation space as proposed in Figure 3.4 (see chapter 3) exists. Thus, instead of interpreting a development or an event as an opportunity or a threat only, there are four possible interpretations (no issue, opportunity-dominant, threat-dominant, interpretive ambivalence) which managers can take into account when analyzing a strategic situation.

The findings also partly confirm the results of Julian and Ofori-Dankwa's (2008) study which found positive correlations between the strategic issue categories of threat and urgency, as well as feasibility and opportunity, thus suggesting that in threatening situations, fast action is seen as required, while situations with positive opportunities are also often seen as more manageable. The other two negative correlations that were also identified by Julian and Ofori-Dankwa (between feasibility and threat, and between urgency and opportunity), however, could not be reproduced in this study.

Generally, the results of this study on the strategic adaptation process suggest that it would make sense to include both strategic issue diagnosis and

strategic action variables in further research about the strategic decision-making process.

10.2 Discussion of findings on cultural, industry, and size differences in strategic adaptation to an economic crisis

Significant influences of differences in cultural dimensions between the two countries on either strategic issue diagnosis or on strategic action could not be empirically confirmed. This is in line with the findings of some authors (Markóczy 2000; Hoffman 2007), however also in contradiction with other studies (e.g. Geletkanycz 1997; Hitt et al. 1997; Barr and Glynn 2004). The question of whether there are direct influences of national culture on strategic thinking and strategic action remains unanswered.

One of the possible reasons is that many studies on cultural differences in management (as also this one) take nation as a ‘proxy for culture’.¹³ This is problematic, as (a) culture and nation are not always equivalent – in many cases, there are subcultures which significantly differ from each other; (b) nations also differ on factors other than culture; and (c) culture can also influence other aspects in the environment of organizations, which makes it “difficult to isolate as institutional arrangements and economic systems evolve in the context of the socio-cultural history” (Schneider 1989, p. 150).

The results of the empirical study showed that on various strategic issue diagnosis and strategic action variables, country effects were indeed significant, although they were not traceable to cultural factors. Even if they would have been, Fontaine (2008) warned that finding differences between two cultural groups and automatically attributing them to cultural differences always includes the danger that despite of the correlation, it might not be a causal relationship that has been revealed.

Following Von Glinow et al. (2004) who proposed the term ‘polycontextualization’ for taking into account different contexts in cross-national research, Tsui et al. (2007) suggested such a polycontextual approach to studying management behaviour across different nations, including factors from the physical context (e.g. climate, geography), historical context, political context, social context (e.g. the educational system), and economic context beside cultural dimensions. The differences could also be related to different

13 Tsui et al. (2007), who used this term in a review of cross-national articles in leading management journals, report that this is the case in two-thirds of the reviewed studies.

institutional environments which potentially play a role in determining strategy, such as, for instance, laws, government policies, or banking and financing structures (Schneider and Barsoux 1997). Also Hitt et al. (1997) emphasized that not only cultural differences are important in the different strategic orientations between nations, but also differences in national priorities and institutional arrangements. Studying the influence of national (and international) institutions on strategic management is an emerging field of research. The Strategic Management Society devoted its 2011 annual conference to this topic, thereby acknowledging that there is “an increased realization of the importance of national and global institutions for the competitiveness of countries and companies” (Strategic Management Society 2011).

Another constantly changing contextual factor that could be considered is public opinion. In a Eurobarometer survey (European Commission 2010), for example, it was found that while 18 per cent of Slovenes expected the economic situation to improve within the following 12 months at the time of the economic crisis (the survey was conducted in October–November 2008) in their country, only 12 per cent of Austrians showed a similarly positive attitude. This would be consistent with the higher levels of opportunity perception of the crisis determined in this study for Slovenia, pointing to a possible link between general perceptions of the public in a country – influenced, for instance, by media reports – on how strategic issues are diagnosed in companies.

One major result of this study is also that company size and industry affiliation generally played less of a role in strategic adaptation processes in response to economic crisis. Counter to the findings of DeDee and Vorhies (1998), Shama (1993), Geroski and Gregg (1997), and Latham (2009), there were no major significant size-dependent differences in either how the crisis was perceived (with one very small but still significant exception of threat perceptions) or in the choice of adaptive strategic action. Nor were there any industry effects, which suggests that ‘industry recipes’ as proposed by Spender (1989) are probably less salient in times of severe economic crisis.

10.3 Limitations of the study

This study has several limitations that should not be left unnoticed. First, as was discussed before, it relied on *culture as the sole distinguishing factor between nations*, thus not taking other contexts such as, for example, institutional differences into account. In this study, the possible effects of different

institutional environments are mitigated, but by no means excluded, by the fact that both countries are members of the European Union, which means that they at least partly share a common legal, economical, and institutional ground.

Several other limitations are connected with the cross-cultural design of this study:

- Analyzing *only two nations* is seen as an “insufficient” number of cultures by Adler (1983), who suggests that in this case, the research should be treated as a pilot study. Although this certainly holds true for limited confirmation power for hypotheses, falsification of hypotheses (as was the outcome of this study for many propositions) is also possible with a two-nations study.
- The study was conducted by an Austrian, and not by a culturally-mixed research team from both countries – thus *ethnocentric bias* is a potential issue (Adler 1983). This is mitigated, however, by the fact that the author worked as a managing director in both countries, thus having been immersed in both cultures.
- Although several steps were taken to mitigate the risk of *translation bias*, the ‘ideal’ process of using and comparing both questionnaires in the native language with a control group using a second or foreign language version was not employed (Geletkanycz 1997), thus leaving room for further improvement for follow-up studies.

The study is also only a snap-shot at one particular moment in time. It does not consider *possible changes in managerial interpretation of the economic crisis over time*, a deficiency that could be addressed by using a longitudinal research design. Connected to this, one of the main limitations of the empirical approach are the *retrospective questions*, which increase the exposure to *hindsight bias*, the tendency to recollect one’s own predictions about an event as more accurate than they had originally been before the event (Wright et al. 2004), as well as attributional bias, the attribution of outcomes to salient but often inappropriate causes (Huber and Power 1985). Further possible problems of post-crisis responses which are shared with other studies such as, for instance, Billings et al. (1980) are distorted retrospections due to (1) the motivation to provide inaccurate or biased data, for instance for social acceptance or security reasons; (2) general perceptual and cognitive limitations; or (3) lack of information about the issue (Huber and Power 1985). Data collection conducted after the decision-making process constitutes a major limitation of all questionnaire-based research (Elbanna 2006).

Further limitations can be found in the instrument design. Due to the large number of items, it is possible that the respondents were exposed to fatigue towards the end of the questionnaire, leading to possible *lack of discrimination* among the items. *Validity concerns* must be raised for some variables for which the original item scales did not reach threshold levels for Cronbach's alpha, and in which items had to be excluded subsequently. Thus, the threat, feasibility, and urgency constructs had to be reduced from originally three-item to two-item variables, while the degree of group decision-making and the degree of following own interests as a proxy for political behaviour were included in the analysis with only one item each.

There are also concerns about generalizability, as the study was only focused on particular industries. Latham (2009), who conducted a single-industry study on strategic responses to economic recession, explicitly called for a multiple-industry study, stating that "it may be beneficial for future researchers to widen the scope of the strategy inquiry during recessions with additional industries" (p. 197). As all the industries included in the survey were strongly negatively affected by the financial and economic crisis, there might be a potential bias in not including industries which are counter-cyclical and therefore potentially less vulnerable to or even positively affected by a recession.

Finally, due to the retrospective research design, only those firms that survived the economic downturn were included in the survey. As in other studies before, leaving out the strategies of the companies that were going bankrupt during the recession can lead to '*survivor bias*' (Latham 2009).

10.4 Conclusions

The aim of this book has been to explore whether differences in national cultural dimensions have an influence (a) on the process of strategic adaptation to major changes within an organization's environment and/or (b) on strategic action as an outcome of the strategic adaptation process. With the 2008–09 global financial and economic crisis as an exemplary major environmental change as a background, both a qualitative and a quantitative empirical study were conducted among managers in Austria and Slovenia to determine whether these suggested culturally-induced differences exist.

With its emphasis on strategic action in response to economic crisis, this study followed the tradition of the literature on strategic action in recession times (e. g. Whittington 1991; Geroski and Gregg 1997; Laitinen 2000), but

expanded the focus from a mere investigation of strategic action to include the strategic issue diagnosis process as well as political and decision-making processes in strategic adaptation to a changing environment. Thus, the findings add to the understanding of strategic adaptation processes in response to economic crisis, thereby addressing a research gap identified by Kitching et al. (2009).

After reviewing the literature on the widespread field of strategic adaptation and taking both a cognitive-interpretive and a political perspective following Amason's (1996) idea that strategic decisions are made by managers who combine cognitive abilities in interaction processes, a model of the strategic adaptation process was proposed based on Mintzberg et al.'s (1976) phase-model of strategic decision-making. In this framework, strategic issue diagnosis is the first step of the adaptation process, with the way in which major changes in the environment are noticed and interpreted by managers having a crucial influence on the subsequent creation and choice of strategic alternatives. The results of the empirical study among 257 managers in Austria and Slovenia confirmed that a significant link exists between how the respondents were interpreting the economic crisis as a strategic issue and how their companies strategically responded to the crisis. Although it was found that the strategic adaptation process can have various forms, strategic issue diagnosis always plays a crucial role.

Drawing on the findings of prior research, with the GLOBE study (House et al. 2004) providing basic data supplemented and validated by the results of more recent qualitative studies (e. g. Gulev 2009; Meierewert 2009), cultural differences between Austria and Slovenia were determined, with Austria scoring higher than Slovenia on the cultural dimensions of performance orientation, future orientation, assertiveness, and uncertainty avoidance, but lower on in-group collectivism. The hypotheses on possible effects of these cultural differences on strategic issue diagnosis, strategic decision processes, and strategic action in response to economic crisis could, in their majority, not be substantiated. The only cultural influence that was clearly supported was the propensity of a more collectivist society to use group decision-making rather than individual decision-making in response to a major and potentially detrimental environmental change. This supports Gelfand et al.'s (2004) argument that in societies with higher levels of collectivism, important decisions tend to be made by groups.

10.5 Implications for practice

Several implications for practicing managers arise from the major findings of this research:

First, as strategic issue diagnosis was found to have a significant influence on subsequent strategic action in response to economic crisis, and as this adaptive strategic action can have a considerable effect on the performance of a firm (e. g. Whittington 1991; Roberts 2003), managers should carefully and explicitly analyze whether and in which fields an economic crisis poses an opportunity and/or a threat (or, applying the opportunity/threat issue interpretation space proposed in chapter 3, a combination of both), and whether the crisis is interpreted as urgent and/or as feasible. Alternative scenarios for different combinations of strategic issue interpretations could further add to the quality of the analysis and therefore to the chances of success of strategic decisions. It was found as a result of a review of literature on strategic responses to economic downturn that ‘ambidextrous’ strategies (Kitching et al. 2009) combining short-term efficiency-enhancing measures and selective long-term investments tend to be a possible success model both in the recession as well as during the following recovery. This further supports the idea that a more differentiated and fine-grained approach to interpreting and responding to an economic crisis is a reasonable alternative to simple *threat* → *cost-cutting* or *opportunity* → *investing* heuristics.

Second, as country-specific (however not necessarily culture-specific) differences were determined in how companies strategically decide in adaptive response to an economic crisis, these differences should be taken into account by managers who are active in an international setting, whether within a multinational corporation, or in cross-border partnerships and alliances, or as investors. In multinational companies, the tendency to react differently in strategic adaptation to one and the same environmental event can impede a standardized strategic response across countries. An awareness of these possible different interpretations of the same event can help in actively managing common issue interpretation and finding the appropriate strategic response. Likewise, in international alliances and partnerships, there is also the possibility that partners located in various countries interpret a major environmental event differently, and form divergent opinions on how to strategically react to it. These differences bear potential for conflict. Therefore, intensive communication and exchange of perspectives and strategic issue interpretation in times of major environmental change could improve both the relationship within the alliance and also the choice of aligned strategic responses.

For investors, knowing that companies have the propensity to act differently across countries when they are faced with an economic crisis can have an effect on the choice of investment targets, as different crisis response strategies can also lead to different short and long-term prospects regarding the return on investment (Roberts 2003).

10.6 Opportunities for further research

Some opportunities for further research result from weaknesses of the current study. One of the main weaknesses this study shares with the majority of other cross-cultural management research is the equalization of national differences and cultural differences pointed out in the discussion before. Following the advice of Tsui et al. (2007), further studies could also include other national differentiators than culture in a more 'polycontextual' (Von Glinow et al. 2004) approach, such as, for instance, differences in the institutional, social, or economic context. In particular, the possible link between economic climate or public perception of the economic situation in a country and strategic actions companies take in response to major environmental changes could be an interesting opportunity for further cross-national research.

Also in line with much other cross-cultural research, this study compared two countries only¹⁴. Further insight could be gained through using a study design which includes several countries, preferably also from different continents. To mitigate ethnocentric bias, such studies would also profit from being conducted by a cross-cultural team of researchers.

The problem of ex-post data collection with retrospective questions about perceptions and actions in the economic crisis could be addressed with a longitudinal research design, in which perceptions of an environmental change are assessed at the time of the change, and strategic action as an outcome of the decision-making process in later interviews. A further research opportunity lies in the inclusion of the outcome of the adaptive strategic action (i. e. financial results or market share changes) in a more comprehensive study.

No industry effects could be determined in how companies strategically respond to the economic crisis, thereby suggesting that Spender's (1989) 'industry recipes' are probably not applicable in all types of environmental change situations. Whether industry-specific differences exist in reactions to some

14 Tsui et al. (2007) reported that about half of all the cross-cultural studies which they reviewed were based on two-country comparisons.

types of environmental developments versus others (such as, for instance, economic crises), in which more general adaptive responses across industries are taken, would be another possible future research path. In addition, further studies could include not only industries which are negatively influenced by an environmental change as in this research, but also both positively as well as negatively affected sectors.

Cross-cultural studies of the strategic adaptation process could be extended to:

- Other types of major environmental change, both on the macro level (such as, for instance, technological change) and on the industry level (for example the emergence of market entrants with completely new business models with the potential to considerably change the industry structure).
- A more detailed empirical analysis of the other phases of the strategic adaptation process beside strategic issue diagnosis (i. e. the phases of creating and selecting strategic options), thus emphasizing also a creative perspective of the strategic decision-making process.
- Including an affective dimension in addition to the cognitive one: In a recent paper presented at the annual meeting of the Academy of Management by Hodgkinson and Healey (2009), they pointed to the importance of the interplay between cognitive-analytical and emotional processes in human decision-making, referring to findings from neuroeconomics and social cognitive neuroscience. Affect – with the exception of affective conflict – was mainly neglected in this study, as in the vast majority of others. How emotions affect the process of strategic adaptation might constitute an interesting new field for further research.
- Including stakeholder influences in the analysis: The way in which owners, banks, customers, suppliers, media, or other stakeholders perceive an environmental change, and how these perceptions in turn influence the issue interpretations of managers as the main decision-makers in organizations could also provide opportunities for further studies.
- Strategic adaptation processes in alliances: Actors in strategic partnerships and alliances, especially in an international environment, might react differently to major environmental changes compared to single organizations due to the need to include several different perspectives and often also different interests that are inherently involved in such arrangements.

This research contributes to the field of studying how organizations adapt to major environmental changes through proposing a process model of strategic adaptation, emphasizing the importance of strategic issue diagnosis in this

process, and showing that country differences (which are not necessarily culturally-induced) exist in how companies strategically respond with adaptive strategic action to major environmental change.

Strategic adaptation will continue to provide a plethora of opportunities for further exploration of how organizations are functioning. In effect, according to Starbuck (1965), “one could legitimately discuss all the aspects of organizations which are relevant to adaptation, which means, in turn, that one could legitimately discuss everything that has been written about organizations.” (p. 468).

References

- Adler, N. J. (1983). Cross-cultural management research: The ostrich and the trend. *Academy of Management Review*, 8(2), 226–232.
- Amason, A. C. (1996). Distinguishing the effects of functional and dysfunctional conflict on strategic decision making: Resolving a paradox for top management teams. *Academy of Management Journal*, 39(1), 123–148.
- Anderson, M. H., & Nichols, M. L. (2007). Information gathering and changes in threat and opportunity perceptions. *Journal of Management Studies*, 44(3), 367–387.
- Barr, P. S., & Glynn, M. A. (2004). Cultural variations in strategic issue interpretation: Relating cultural uncertainty avoidance to controllability in discriminating threat and opportunity. *Strategic Management Journal*, 25(1), 59–67.
- Billings, R. S., Milburn, T. W., & Schaalman, M. L. (1980). A model of crisis perception: A theoretical and empirical analysis. *Administrative Science Quarterly*, 25(2), 300–316.
- DeDee, J. K., & Vorhies, D. W. (1998). Retrenchment activities of small firms during economic downturn: An empirical investigation. *Journal of Small Business Management*, 36(3), 46–61.
- Dutton, J. E., & Duncan, R. B. (1987). The creation of momentum for change through the process of strategic issue analysis. *Strategic Management Journal*, 8(3), 279–295.
- Dutton, J. E., & Jackson, S. E. (1987). Categorizing strategic issues: Links to organizational action. *Academy of Management Review*, 12(1), 76–90.
- Elbanna, S. (2006). Strategic decision-making: Process perspectives. *International Journal of Management Reviews*, 8(1), 1–20.
- European Commission (2010). Eurobarometer 70: Public opinion in the European Union, Fieldwork: October–November 2008, published June 2010. http://ec.europa.eu/public_opinion/archives/eb/eb70/eb70_en.htm. Accessed 27 October 2010.
- Fontaine, J. R. J. (2008). Traditional and multilevel approaches in cross-cultural research: An integration of methodological frameworks. In F. J. R. van de Vijver, D.

- van Hemert, & Y. H. Poortinga, (Eds.), *Multilevel analysis of individuals and cultures* (pp. 65–92). New York: Lawrence Erlbaum Associates.
- Geletkanycz, M. A. (1997). The salience of ‘culture’s consequences’: The effects of cultural values on top executive commitment to the status quo. *Strategic Management Journal*, 18(8), 615–634.
- Gelfand, M. J., Bhawuk, D. P. S., Nishii, L. H., & Bechtold, D. J. (2004). Individualism and collectivism. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta (Eds.), *Culture, leadership and organizations: The GLOBE study of 62 societies* (pp. 437–512). Thousand Oaks et al.: Sage.
- Geroski, P. A., & Gregg, P. (1997). *Coping with recession: UK company performance in adversity*. Cambridge: Cambridge University Press.
- Gilbert, C. G. (2006). Change in the presence of residual fit: Can competing frames coexist? *Organization Science*, 17(1), 150–167.
- Gulev, R. E. (2009). Are national and organizational cultures isomorphic? Evidence from a four country comparative study. *Managing Global Transitions*, 7(3), 259–279.
- Hitt, M. A., Dacin, M. T., Tyler, B. B., & Park, D. (1997). Understanding the differences in Korean and U.S. executives’ strategic orientations. *Strategic Management Journal*, 18(2), 159–167.
- Hodgkinson, G. P., & Healey, M. P. (2009). Psychological foundations of dynamic capabilities: Reflexion and reflection in strategic management. *The 2009 Annual Meeting of the Academy of Management* (Chicago).
- Hoffman, R. C. (2007). The strategic planning process and performance relationship: Does culture matter? *Journal of Business Strategies*, 24(1), 27–48.
- House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (Eds.) (2004). *Culture, leadership, and organizations: The GLOBE study of 62 societies*. Thousand Oaks/London/New Delhi: Sage.
- Huber, G. P., & Power, D. J. (1985). Retrospective reports of strategic-level managers: Guidelines for increasing their accuracy. *Strategic Management Journal*, 6(2), 171–180.
- Huff, A. S., Huff, J. O., & Barr, P. S. (Eds.) (2000). *When firms change direction*. New York: Oxford University Press.
- Julian, S. D., & Ofori-Dankwa, J. C. (2008). Toward an integrative cartography of two strategic issue diagnosis frameworks. *Strategic Management Journal*, 29(1), 93–114.
- Kitching, J., Blackburn, R., Smallbone, D., & Dixon, S. (2009). *Business Strategies and Performance During Difficult Economic Conditions* (project report). <http://www.berr.gov.uk/files/file51879.doc>, Accessed 6 July 2010.
- Laitinen, E. K. (2000). Long-term success of adaptation strategies: Evidence from Finnish companies. *Long Range Planning*, 33(6), 805–830.

- Latham, S. (2009). Contrasting strategic response to economic recession in start-up versus established software firms. *Journal of Small Business Management*, 47(2), 180–201.
- Markóczy, L. (2000). National culture and strategic change in belief formation. *Journal of International Business Studies*, 31(3), 427–442.
- Meierewert, S. (2009). Cultural standard research and its implications for managing multinational teams: Cooperation with Croatians and Slovenes – the Austrian perspective. *European Journal of Cross-Cultural Competence and Management*, 1(1), 119–135.
- Meyer, A. D. (1982). Adapting to environmental jolts. *Administrative Science Quarterly*, 27 (4), 515–537.
- Mintzberg, H., Raisinghani, D., & Théorêt, A. (1976). The structure of ‘unstructured’ decision processes. *Administrative Science Quarterly*, 21(2), 246–275.
- Nohria, N. (2006). Survival of the adaptive. *Harvard Business Review*, 84(5), 23–23.
- Roberts, K. (2003). What strategic investments should you make during a recession to gain competitive advantage in the recovery? *Strategy & Leadership*, 31(4), 31–39.
- Schneider, S. C. (1989). Strategy formulation: The impact of national culture. *Organization Studies*, 10(2), 149–168.
- Schneider, S. C., & Barsoux, J.-L. (1997). *Managing across cultures*. Hemel Hempstead: Prentice Hall Europe.
- Shama, A. (1993). Marketing strategies during recession: A comparison of small and large firms. *Journal of Small Business Management*, 31(3), 62–72.
- Spender, J.-C. (1989). *Industry recipes: An enquiry into the nature and sources of managerial judgement*. Oxford: Blackwell.
- Starbuck, W. H. (1965). Organizational growth and development. In J. G. March (Ed.), *Handbook of organizations* (pp. 451–533). Chicago: Rand-McNally.
- Strategic Management Society (2011). Strategies for a multi-polar world: National institutions and global competition: Conference theme tracks. http://miami.strategicmanagement.net/call_for_proposals.php. Accessed 4 January 2011.
- Tsui, A. S., Nifadkar, S. S., & Yi Ou, A. (2007). Cross-national, cross-cultural organizational behavior research: Advances, gaps, and recommendations. *Journal of Management*, 33(3), 426–478.
- Von Glinow, M. A., Shapiro, D. L., & Brett, J. M. (2004). Can we talk, and should we? Managing emotional conflict in multicultural teams. *Academy of Management Review*, 29(4), 578–592.
- Whittington, R. (1991). Recession strategies and top management changes. *Journal of General Management*, 16(3), 11–28.
- Wright, G., Van Der Heijden, K., Bradfield, R., Burt, G., & Cairns, G. (2004). The psychology of why organizations can be slow to adapt and change. *Journal of General Management*, 29(4), 21–36.