

DOCTORAL PROGRAMME

STUDY OF STRATEGIC PERSISTENCE

By

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## **STUDY OF STRATEGIC PERSISTENCE**

### **ABSTRACT**

Firms that survive through various environmental fluctuations do so by ensuring long-term survival through short term profitability. They overcome environmental fluctuations by building second-order competencies during long periods of stability. These competencies help the firm tide over the shorter periods of change. In order to understand how firms survive, it is helpful to study how they develop and assimilate these competencies. To do so, we focus on the periods of stability during which these competencies are developed. Extant literature does not provide much clarity on the periods of stability as it does on the periods of change. Within this literature, studies which research the processes which occur during the periods of stability are even fewer. Such studies require a shift away from a general linear model into a more complex investigation into the natural histories of firms.

To understand the organisational processes and their interaction with the environment, we view firms as complex adaptive systems. Complex systems turn environmental inputs and turn them into outputs through an interaction of organisational components fortified through an interconnecting web of feedback loops. The actors in the system are perceptive to changes in the environment and undergo adaptations to stay synchronized with the environment. Firms that maintain this equilibrium for extended periods can reap higher performance rewards.

During periods of stability, firms commit resources to change inputs to outputs. They use resource commitment as a way of deciding the long-term strategic direction of the firm. The firm creates routines, organisational structures, power structures, control systems, etc., to increase efficiencies and improve performance. In ambiguous environments, firms attempt to reduce uncertainty through a search for information. The firm adapts through an alternation of

small and large changes leading to a punctuated equilibrium model of organisational evolution. The firm develops second-order competencies to keep pace with environmental fluctuations throughout its lifespan. These competencies can either aid a firm in its quest for environmental fit or evolve into core rigidities that force a firm out of environmental fit. Organisational processes can become capabilities depending on how the firm leverages and maintains the processes over time.

Research into organisational success has focused on traditional performance indicators like profitability, size, and financial returns. These indicators provide a short-term view of organisations, typically as a general linear model. However, firms have far more complex interactions with their environments and play a long-term game of optimal performance combined with long-term survival. Longevity indicates an ability to exploit opportunities arising from the environment beyond mere serendipity. Although longevity is an essential measure of organisational success, there is not much consensus in extant literature on what leads to longevity.

Extant literature discusses persistence using several terms. Strategic persistence is broadly defined as “the extent to which a firm’s strategy remains stable over time”. Some studies have found that persistence leads to positive performance, whereas other studies have found negative results. The primary differences are in the lens through which persistence is studied and the centrality of time. Deliberate strategic persistence can sustain organisational performance over time and lead to longevity, whereas dysfunctional persistence can lead to organisational failure. The studies that have focused on dysfunctional persistence have studied the relationship between dysfunctional persistence and organisational failure. However, the studies which have focused on strategic persistence have rarely connected it to organisational longevity. Although most of the constructs in the strategic persistence model exist in the literature, they have not been put together in a single model leading to longevity.

The thesis explores the microprocesses underlying persistence through four questions. First, what is the relationship between the firm and the external environment during periods of stability? Second, how do firms manage their internal environment. Third, how do firms institutionalize changes and create a new normal. Fourth, how do firms prepare for the next transformation? This thesis explores the periods of stability in a firm and relates conscious strategic persistence with organisational longevity through these questions.

The study uses the grounded theory approach for studying these questions. Within the grounded theory approach, we use qualitative data collected through the case study method. We researched the magazine publishing industry to arrive at the temporal brackets for case data. We select two cases using theoretical sampling. The first firm, Vikatan, is an instance where strategic persistence led to longevity. The second firm, Chandamama, is an instance where dysfunctional persistence led to organisational failure. We collected case data for two firms through primary and secondary sources. The data shows each firm's specific environmental challenges in each of the eras, along with its responses and the outcomes. We then use temporal bracketing method to break down complex case data. Finally, we extract scripts from the case data and comparing it with the theoretical constructs. The scripts gave us models of strategic and dysfunctional persistence. These models also contain the four microprocesses which underlie strategic and dysfunctional persistence.

The model of strategic persistence brings together strategic intent, commitment, consolidation, dominant logic, exploitation, institutional logics, and stability. It connects strategic intent to longevity through four microprocesses: environmental scanning, defending the core, experimentation, and sensemaking and sensegiving. These four microprocesses are together necessary and sufficient for strategic persistence to lead to longevity. The model of dysfunctional persistence brings together strategic intent, rigidity, rationalization, dysfunctional routines, compliance, escalation of commitment, and inertia. It connects strategic

intent to organisational failure through four microprocesses: a disconnect with the environment, reinforcing bias, muddling through, and retrospective rationalization and attribution errors. A firm must avoid these microprocesses if it is to avoid organisational failure. This thesis also provides the inflexion point where strategic persistence can turn into dysfunctional persistence. During the inflexion, a firm experiences serendipitous fit with the environment.

There are three significant contributions of our research. First, it contributes to the organisational survival/resilience literature by providing a set of microprocesses that aid in longevity. Second, it contributes to the persistence-rigidity debate by clarifying the differences in strategic and dysfunctional persistence. Third, it contributes to the resource commitment literature by emphasizing the theoretical and practical importance of resource commitment for strategic persistence.

This thesis contributes to theory development by developing and comparing the two models of strategic and dysfunctional persistence. It also contributes to practice by providing a checklist of microprocesses which will enable strategic persistence. It also contributes to policy by emphasising the pre-requisites of strategic persistence which enable a firm to survive. This study's limitations include its retrospective nature and the small number of cases that limit its generalizability.