

Inducing Strategic Initiatives at a Startup Firm: Understanding the Role of the Co-founding Team

Abstract

Keywords:

Inducing Strategic Initiatives at a Startup Firm: Understanding the Role of the Co-founding Team

In the form of a detailed literature review, describe the Lovas & Ghoshal (2000) model and compare it to prior models of ? and ?. Highlight the key aspects of the framework, how it is different and what salient aspects stand out that you then build on top of in this article. Suggest why you think Lovas & Ghoshal (2000) model is appropriate. Draw out a table Table 1 that compares the various theories and their assumptions, traditions, and recommendations.

Insert TABLE 1 about here.

THEORY

You also need to bring in literature discussing the phenomenon (startup firm strategy). Maybe look up strategy entrepreneurship journal.

The Lovas & Ghoshal (2000) Model

either redraw or paste the picture

Variation, Selection, Retention

Bring in the model here.

This should lead to the research question in the form of a gap in the current literature. Describe the question, and why it is important to study it (what additional insight will it provide, what policy/strategic implications will it have).

Develop hypotheses. Use theoretical arguments to lay out an interesting conundrum and then attempt to answer that in the form of propositions.

On the topic of the general hypotheses

Figure ?? lays out the average score charts for four agent-field combinations while enforcing the field to start in Right of Center (this is the same as saying $p_{0,F}^0 = 0.75$).

Leading into H1a We do so since the scale is symmetric across the Center (C), any initial mapping

Hypothesis 1a: When the institutional field is open to influence, slow learning adversarial agents will raise overall performance higher than slow learning agents with a neutral orientation

Leading into H2a This trend is confirmed further in Figure ?? where the learning rates of agents are increased even further to 'Fast'.

Hypothesis 2a: For the same initial outcome preferences, the overall performance score varies curvilinearly with difference in the rates of learning of the agent and the institutional field

METHOD

Then describe an empirical setting in the form of a quasi-experimental setup where this will be examined.

SAMPLE SELECTION

Use ideas from Burgelman (1991) Implications

LIMITATIONS AND FUTURE WORK

Suggest how this study may help inform the literatures that it is drawing from, and the interesting research avenues it will open up. Discuss level of generalizability.

NOTES

Lovas & Ghoshal (2000) Model

The model consists five main elements, viz., (1) strategic initiatives and human and social capital, which are the units of selection; (2) strategic intent, which defines the objective function; (3) administrative systems, which facilitate the evolutionary process; sources of variation; and (5) agents of selection and retention in the evolutionary process, both which potentially include every employee of company.

Insert FIGURE 1 about here.

Burgelman (1991) Propositions

PROPOSITION 1. Firms that are relatively successful over long periods of time, say ten years or more, will be characterized by top managements that are concerned with building the quality of the organization's induced and autonomous strategic processes as well as with the content of the strategy itself.

Insert FIGURE 2 about here.

PROPOSITION 2. Firms that are relatively successful over long periods of time, say ten years or more, will be characterized by maintaining top driven strategic intent while simultaneously maintaining bottoms-up driven internal experimentation and selection processes.

PROPOSITION 3. The population of firms with successful strategic reorientations will contain a significantly higher proportion of firms whose strategic reorientations were preceded by internal experimentation and selection processes than the population of firms with failing strategic reorientations.

Burgelman (1991) Conclusions

The intraorganizational perspective on strategy making also extends frameworks presented by Mintzberg (1978) and Quinn (1982) in the strategic management literature. It does so by documenting more explicitly some of the sources of emergent strategy, by further elucidating the organizational decision processes through which emergent strategies become part of realized strategies (strategic context determination), by identifying feedback mechanisms between realized and intended strategy, and by providing some evidence that logical incrementalism is likely to be variation reducing and may need to be augmented with an autonomous strategic process to enhance long-term organizational survival. The perspective presented in the paper adds some additional dynamism to these earlier frameworks and draws more explicit attention to the simultaneity of multiple strategy-making processes in organizations.

Burgelman (1991) Implications

future research could examine whether consistently successful firms are characterized by top managements' spending efforts on building each organization's strategy-making processes; whether such firms simultaneously exercise induced and autonomous strategic processes; and whether successful reorientations are more likely to be preceded by internal experimentation and selection processes effected through the autonomous strategic process than are the unsuccessful ones. Future research could also examine the possibilities that there may be an optimal level of ambiguity in the concept of strategy (March 1978) and an optimal degree of coupling in the structural context (Weick 1976). This would require studying the working of strategy-making processes in different types of organizations, such as generalists versus specialists (Freeman and Hannan 1983) or defenders, prospectors, analyzers and reactors (Miles and Snow 1978), and under different types of environmental conditions (e.g., Freeman and Hannan 1983, Eisenhardt 1989).

Burgelman (1994) Model

Insert FIGURE 3 about here.

Mintzberg (1978) Model

Figure 4 in the appendix displays the original resource allocation process suggested by Mintzberg (1978)

Quinn (1980) Model

Figure 5 and Figure 6 in the appendix displays the original resource allocation process suggested by Quinn (1980)

Bower (1970) Model

Figure 8 in the appendix displays the original resource allocation process suggested by Bower (1970)

Burgelman (1983) Model

Figure 7 in the appendix displays the Bower-Burgelman (B-B) model proposed by Burgelman (1983)

Noda & Bower (1996) Notes

An explicit recognition of inherent organizational complexities, often described as 'possible goal incongruence,' 'information asymmetry,' and 'organizational politics' (e.g., Barnard, 1938; Simon, 1945; Cyert and March, 1963; Crozier, 1964), as well as 'unpredictable' and 'uncontrollable' environments (e.g., Schumpeter, 1934; Nelson and Winter, 1982; Thompson, 1967; Pfeffer and Salancik, 1978; Miles, 1982), has led some strategic management scholars to describe how strategy is actually formed instead of prescribing what it should be. Findings from their empirical studies suggest that strategy is, more or less, emergent from lower levels of organizations (e.g., Mintzberg, 1978; Pascale, 1984; Mintzberg and Waters, 1985), whether through trial-and-error learning (Mintzberg and McHugh, 1985), incrementally with logical guidance from the top (Quinn, 1980), or such that small changes are often punctuated by a sudden big change in a relatively short period (Miller and Friesen, 1984; Tushman and Romanelli, 1985; Gersick, 1991). From this strategy process perspective, strategy is 'a pattern in a stream of decisions and actions' (Mintzberg and McHugh, 1985: 161) that are distributed across multiple levels of an organization.

Whereas some of the scholars associated with this line of research see the process as unguided or 'muddling through' (e.g., Lindbloom, 1959; Wrapp, 1967), others see part of top management's task as intervening in the emergent strategy process and attempting to maneuver the enterprise to a preferable course of direction. These scholars explore multilevel managerial activities that shape the strategy process, interacting with external and internal forces. Bower (1970) initiated this line of inquiry by conducting an intensive field-based study on strategic planning and capital investment in a large, diversified firm and presenting a parsimonious framework, grounded in the field data, for understanding the interplay of those managerial activities. His process model was validated by subsequent field studies in different organizational settings and on various strategic processes (see Bower and Doz, 1979, for the details of these studies). It was then further extended by Burgelman (1983a) in his clinical study on internal corporate venturing (ICV) in a large corporation.

The Bower-Burgelman (B-B) process model of strategy making in a large, complex firm depicts multiple, simultaneous, interlocking, and sequential managerial activities over three levels of organizational hierarchy (i.e., front-line or bottom, middle, and top managers) and conceptualizes intraorganizational strategy-making processes as consisting of four subprocesses: two

interlocking bottom-up core processes of 'definition' and 'impetus' and two overlaying corporate processes of 'structural context determination' and 'strategic context determination.' Definition is a cognitive process in which technological and market forces, initially ill defined, are communicated to the organization, and strategic initiatives are developed primarily by front-line managers who usually have specific knowledge on technology and are closer to the market (Chakravarthy and Lorange, 1991; Jensen and Meckling, 1992). Impetus is a largely sociopolitical process by which these strategic initiatives are continually championed by front-line managers, and are adopted and brokered by middle managers who, in doing so, put their reputations for good judgment and organizational career at stake. The role of top managers is limited in that they do not necessarily have the appropriate knowledge or information to evaluate technical and economic aspects of the strategic initiatives, and tend to rely on the track records or credibility of proposing middle managers in making resource allocation decisions (Bower, 1970).

Strategic initiatives therefore 'emerge' primarily from managerial activities of front-line and middle managers, as implied by the Carnegie school bottom-up problem-solving perspective (Simon, 1945; Cyert and March, 1963; March and Simon, 1965) and suggested in many other descriptive strategy process studies. Nevertheless, top managers can exercise critical influences on these activities by setting up the structural context (i.e., various organizational and administrative mechanisms such as organizational architecture, information and measurement systems, and reward and punishing systems) to reflect the corporate objectives, and thereby manipulating the context in which the decisions and actions of lower-level managers are made (Bower, 1970), as suggested by the Harvard top-down administrative perspective (Chandler, 1962; Learned et al., 1965; Andrews, 1971). The development of those strategic initiatives would lead to the refinement or change of the concept of corporate strategy, thereby determining 'strategic context' over time. Strategic context determination is conceived primarily as a political process through which middle managers delineate in concrete terms the content of new fields of business development for the corporation and attempt to convince top managers that the current concept of corporate strategy needs to be changed so as to accommodate successful new business development (Burgelman, 1983a, 1983b).

The central feature of the B-B model is a resource allocation process in which bottom-up strategic initiatives compete for scarce corporate resources and top managers' attention to survive within the corporate contexts-structural and strategic contexts. Burgelman (1991), in his in-depth field study on Intel's corporate renewal, further developed the idea of intraorganizational competition among bottom-up initiatives and proposed an intraorganizational ecological perspective, following the variation-selection-retention framework of cultural evolutionary theory (Campbell, 1969; Aldrich, 1979; Weick, 1979). Strategic initiatives are identified and examined in the definition process, within the corporate context (variation), are selected out in the impetus process by corporate context as 'internal selection environment' (selection), and lead to the reinforcement or modification of corporate context (retention). Burgelman (1994) argues that Intel's internal selection environment, particularly its 'maximizing margin-per-wafer-start' resource allocation rule, reflected selective pressures from the product market in ways that helped the firm exit from the increasingly competitive memory business and refocus on microprocessors.

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APPENDIX A: CLASSICAL PROCESS MODELS

Insert FIGURE 4 about here.

Insert FIGURE 5 about here.

Insert FIGURE 6 about here.

Insert FIGURE 7 about here.

Insert FIGURE 8 about here.

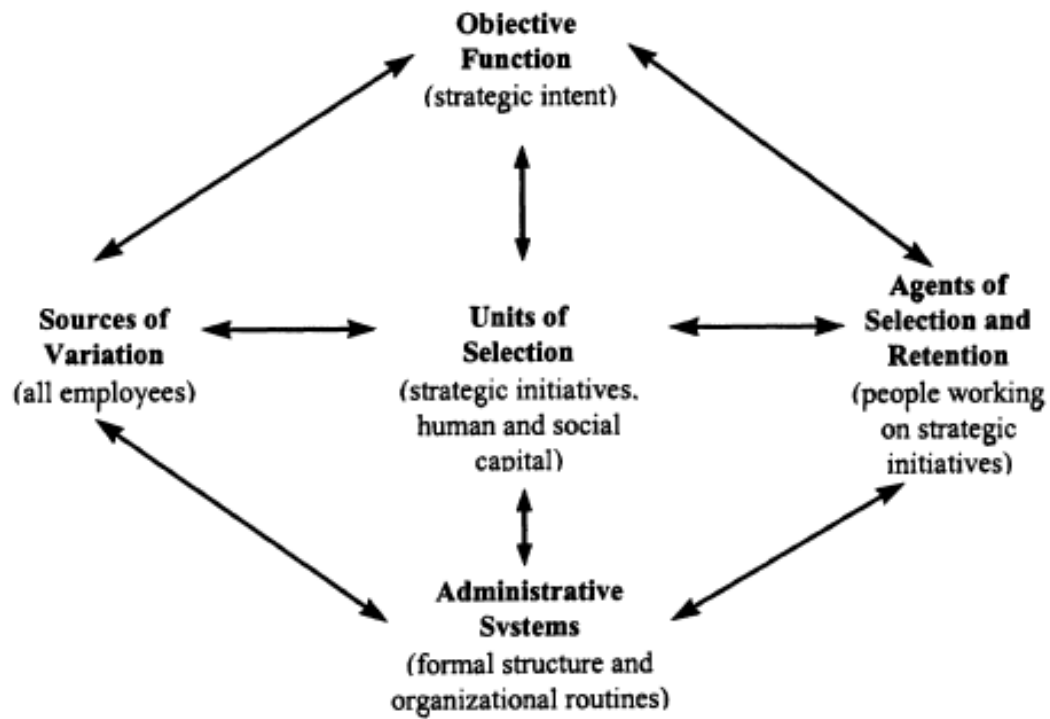
FIGURE 1: The five elements of guided evolution, adopted from Lovas & Ghoshal (2000)

FIGURE 2: Intraorganizational Ecology of Strategy Making and Organizational Adaptation, adopted from Burgelman (1991)

<i>Intraorganizational Ecological Processes</i>				
	Variation	Selection	Retention	Ties to Adaptation
Strategic Processes	<p>Induced</p> <p>Strategic initiatives seeking resources for projects that correspond to internal selection pressures of structural context, fit with the current organizational strategy, and offer access to regular opportunity structure for career advancement. Originate at operational-level but intended to be driven by top management's ex ante vision.</p> <p>Enhanced by availability of growth opportunities remaining in current action domain.</p> <p>Radically new induced initiatives initiated by top management.</p>	<p>Initiatives selected through administrative mechanisms (e.g., strategic planning) and/or cultural influencing (e.g., reference to key values). Differential allocation of resources to different areas of strategic initiative.</p> <p>Key is that internal selection reflects current external selection pressures.</p> <p>Major changes in structural context.</p>	<p>1. Organizational learning about bases for past/current survival (variously embodied).</p> <p>2. Distinctive competences (variously embodied).</p> <p>3. Organizational goals.</p> <p>4. Organizational action domain.</p> <p>5. Organizational character.</p> <p>All of these elements integrated in ex ante vision</p> <p>Major changes in the dimensions of organizational strategy.</p>	<p>1. <i>Relative inertia.</i> Organizational survival is due to a good fit of internal selection processes with the environment. Survival motivates conservatism on the part of top management and desire to leverage existing organizational learning through induced process. Reluctance to change organizational strategy.</p> <p>2. <i>Adjustment.</i> Relatively minor changes in strategy to accommodate environmental change.</p> <p>3. <i>Reorientation.</i> Major changes in strategy in response to major environmental change.</p>
	<p>Autonomous</p> <p>Strategic initiatives outside scope of current strategy. Driven by operational-level managers seeking to use their skills in new combinations with organization's distinctive competences and, in some cases, seeking career advancement through alternative opportunity structure.</p> <p>Enhanced by availability of unabsorbed slack</p>	<p>Defining strategic context for new initiatives through:</p> <ul style="list-style-type: none"> finding resources outside regular resource allocation process; demonstrating viability in external environment through entrepreneurial activity; mobilizing internal support on the part of upper level managers; developing new competences/skills. setting stage for an amendment in the organizational strategy. 	<p>Changes in organizational learning, distinctive competence, and relative importance of new activities in total domain activity, which, cumulatively, lead top management to recognize that a major change in strategy is necessary and feasible. Lead to new, ex post vision. Once formally ratified, new vision becomes part of the basis for the induced process.</p>	<p>4. <i>Strategic renewal.</i> Major change in organizational strategy preceded by internal experimentation and selection offers organization possibilities for anticipatory adaptation to new environmental demands and/or to enter new niches.</p>

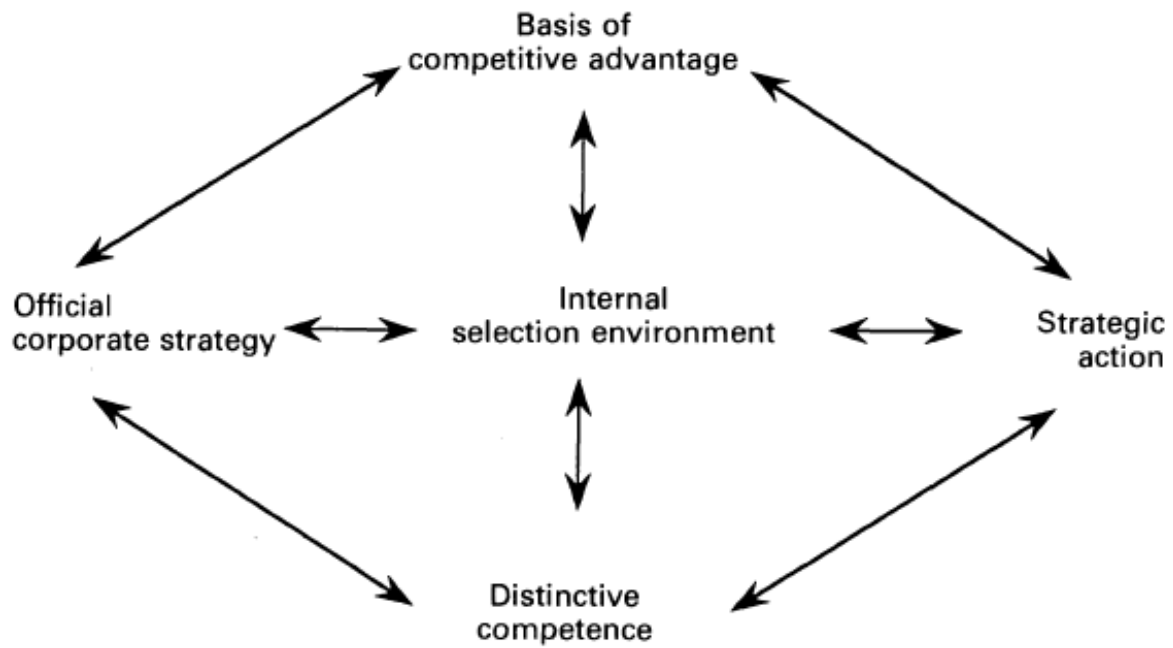
FIGURE 3: Forces driving the strategic business-exit process, adopted from Burgelman (1994)

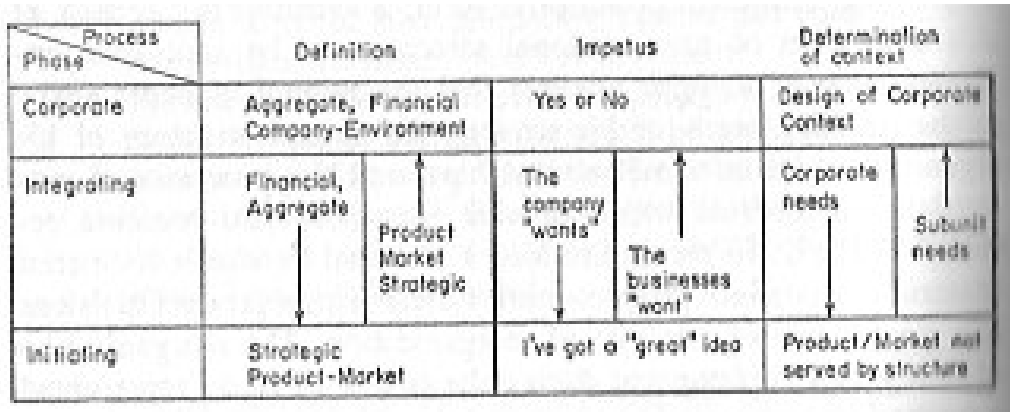
FIGURE 4: The Research Allocation Process, adopted from Bower (1970)

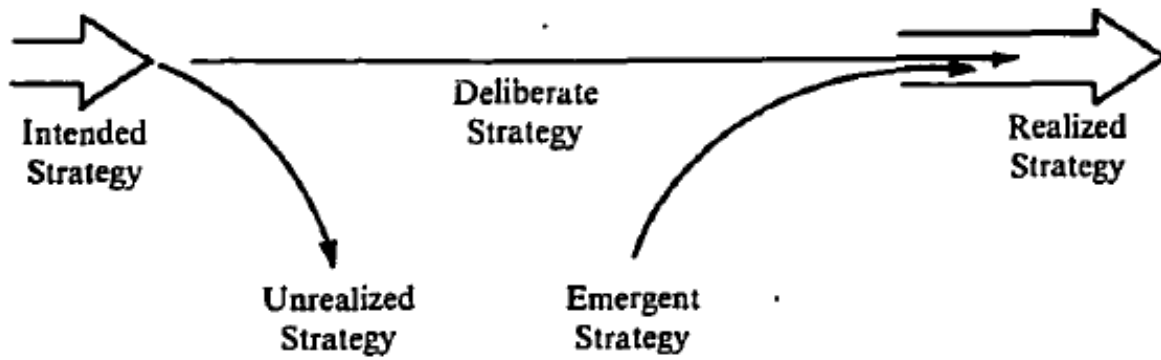
FIGURE 5: Types of Strategies, adopted from Mintzberg (1978)

FIGURE 6: Strategies form in subsystems (involving different people, skills, goals, information, and timing imperatives), adopted from Quinn (1980)

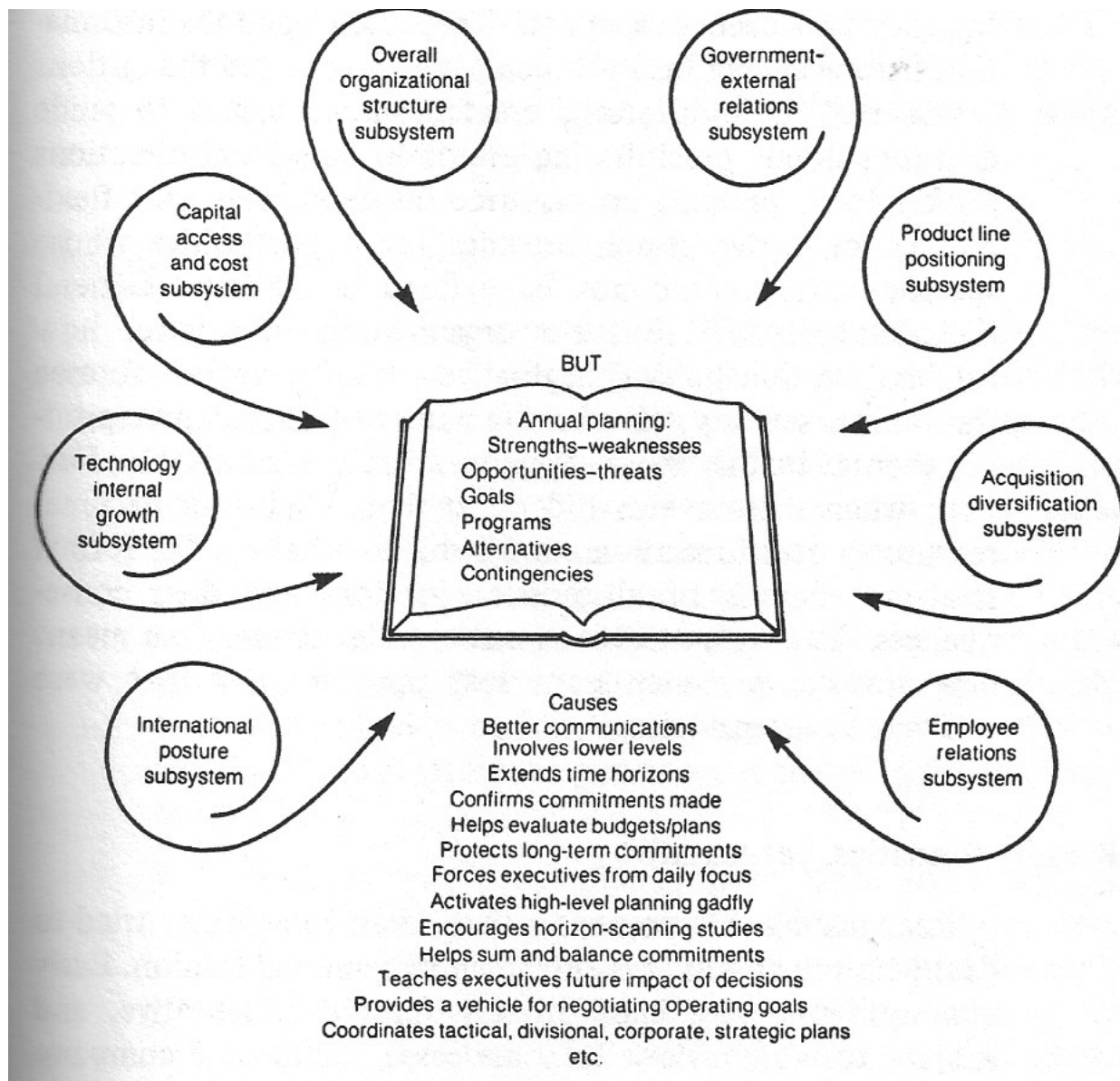


FIGURE 7: Some typical process steps in logical incrementalism (highly simplified to help visualize a few basic relationships), adopted from Quinn (1980)

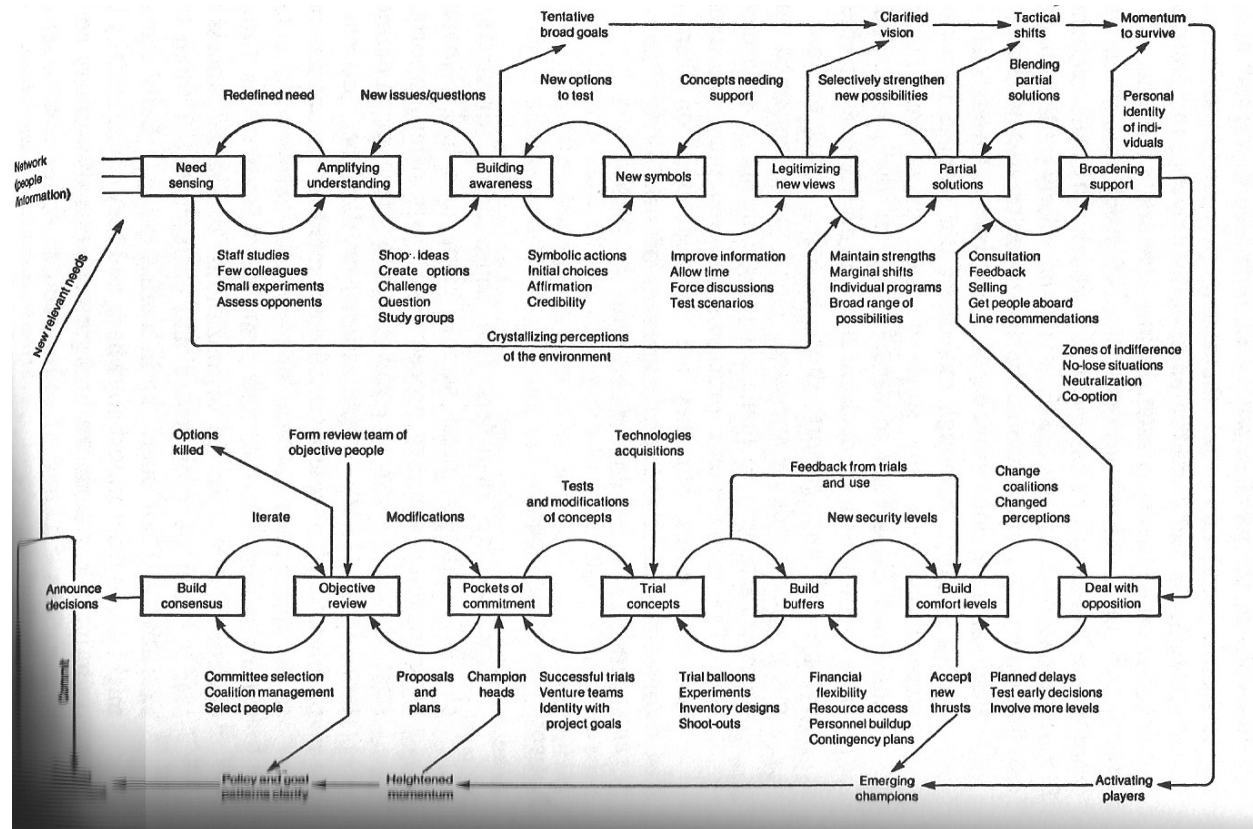


FIGURE 8: Key and peripheral activities in a process model of ICV, adopted from Burgelman (1983)

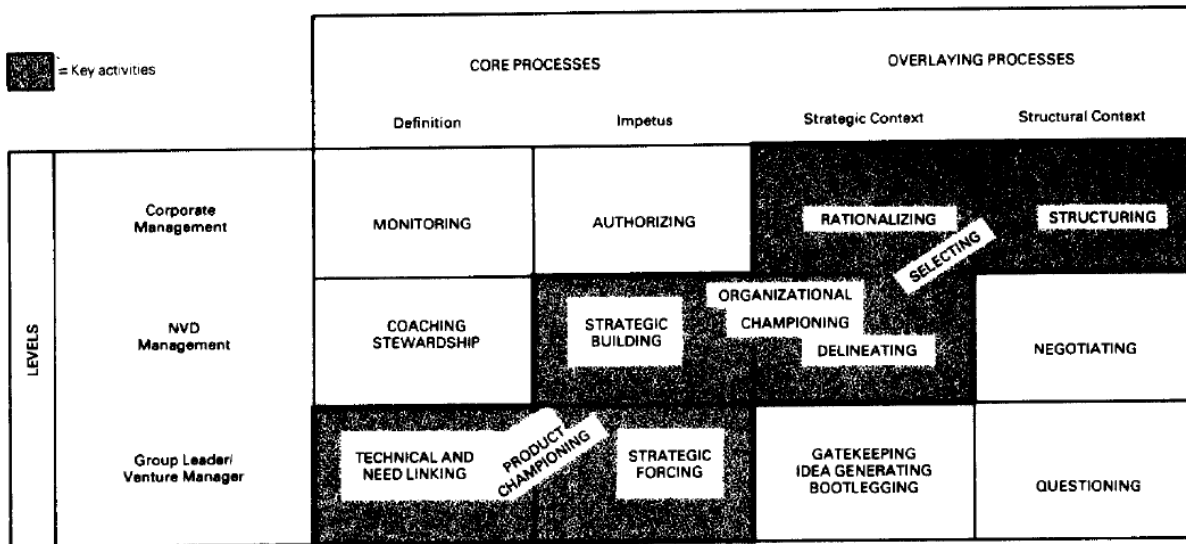


TABLE 1: Comparison

	Bower Model	Burgelman Model	Lovas and Ghoshal Model
Tradition	Theta	Beta	God
Assumptions	Alpha	Hexa	None
Recommendations	Rationalist	Behavioral	Prgamatist