

INERTIAL CONTEXT AND INNOVATION

Thesis proposal (possibility of UTS funding)

Emmanuel Mastio, University of Technology of Sydney (UTS)

emmanuel.mastio@uts.edu.au

Caroline Mothe, University Savoie Mont Blanc (USMB)

caroline.mothe@univ-smb.fr¹

In the current hypercompetitive economic environment, established organizations are becoming increasingly concerned of being disrupted either by newcomers or by existing competitors able to strategize *and* act disruptively. However, various forms of inertia manifesting in incumbent firms, themselves operating within an institutionalised ecosystem, are likely to inhibit radical change. In such inertial context, building ambidextrous capabilities and initiating “pseudo” start-up approaches such as agile and design led thinking may distract leaders to consider *strategic innovation* to enhance their technological innovation.

For incumbents to engage in strategic innovation seriously and effectively, they need to define their inertial context and nurture organisational breeding grounds favouring changes *of* context. However, for established or incumbent organisations the ubiquitous perception of emerging threats fuels organisational inertia (Gilbert, 2005), creating an unfavourable context for responding to discontinuous technological change. Hannan and Freeman (1984, p. 161) defined inertia ‘in terms of speed of adjustment relative to the temporal pattern of key environmental changes’ and ‘argue that the distinctive competence of organizations is the capacity to generate collective actions with relatively small variance in quality’ (ibid, p. 153). Most population scholars agree that incumbents within organisation population are rarely responsible for market disruption and breakthrough innovation, i.e. radical change is seldom since it decreases survival rate. As organisations grow, organisational complexity increases as well as the need for organising processes and their control. Structural inertia and resistance to change build up over time. Core capabilities and values of a firm become ‘institutionalized’; that is, they become part of the organization’s taken-for-granted reality”

¹ For contact and information

(Schein, 1984). So what does this imply for incumbents' strategic renewal when the temporal pattern of key environmental changes is significantly altered?

Under perceived threat, incumbents generally pay more attention on creating innovation *capabilities and/or structures* by mimicking start-up like practices and/or investing in, partnering with, or acquiring start-ups with promises of delivering innovative technological solutions. The top management team might also invest considerable attention resources towards merging opportunities. However, all these investments risk distracting, or even worse *acquitting*, top management teams from questioning and redefining the essence of their business. In such cases, the conceptualisation and concretization of *strategic* innovation is problematic because innovation foci are either based on current execution or on concepts conceived out of organisational context that will need overcoming future integration barriers (both internally and externally).

Hannan and Freeman (1984) argued that selection processes tend to favour organizations whose structures are difficult to change and that there should be balance between structural adaptation and the rate of change to increase the probabilities of survival. They claimed that high levels of structural inertia in organizational populations can be explained as an outcome of an ecological-evolutionary process. More recently, Stieglitz et al. (2016, p. 1862) give a more nuanced view and suggest that organizational inertia is an outcome of an adaptive learning process in dynamic environments, and Yi et al. (2016) show that inertia can be a source of variation useful for adaptation. In sum, inertia is considered beneficial when contributing to efficiency, stabilisation and variation and is detrimental when resisting change.

For incumbents, understanding their inertial context may become increasingly vital in deciding if, when and how to engage in strategic renewal. However, due to the interrelated and unostentatious nature of inertia, it is difficult for researchers and practitioners to cognise inertia's specific and various forms in particular settings.

To address this issue, the thesis will answer the following research question: "*How does a firm fight against organizational inertia to innovate?*"

The objective of this research is to present a process model and the underlying theoretical questions in order to create strategic innovation when the firm faces inertia. The research could analyse the following steps:

- 1) Investigating the 'collective consciousness of the organizational context as antecedent for strategic innovation (theorizing in context). How to create a shared consciousness? Possible explaining theoretical blocks include: Stakeholder theory (Freeman, 1984), Enactment theory (Weick, 1995), Actor-Network Theory (Latour, 2005), Dynamic capabilities (Teece et al., 1997).

2) Understanding the context for strategic innovation by experimenting with a change of context. Why are there differences of perceptions? What creates those differences? How to overcome those differences? This step should result in a representation of conflicting stakeholder parameters and an explication of inertia sustaining those conflicts.

3) Creating a breeding ground favourable for technological innovation, possibly through strategic innovation theorizing a change of context. How to create an organizational context favourable for nurturing innovation?

In particular, the thesis should build a process to help top management leaders appreciate and understand their inertial context and understand how they can overcome it to favour innovation (possibly through strategic innovation).

The expected contributions are at least twofold: on a theoretical level, the aim is not only to contribute to the large literature on organizational inertia by highlighting different levels at which such inertia manifest and by proposing a model to reveal those, but also to the innovation literature by explaining how to overcome an inertial context to favour innovation. On a managerial level, the aim is to help top management teams recognise and make sense of their inertial context when conceptualising innovation, as well as to understand through which steps they can go to bypass the problems inherent to organizational inertia.

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