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*Competition Forum;* 2006; 4, 1; ProQuest Central
pg. 195



# Managing the Barriers to Strategic Flexibility

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## EXECUTIVE SUMMARY

*The increasing concern for the erosion of strategic fit brings into focus the imperative to develop and maintain strategic flexibility. This paper explores three major problems (the firm's insensitivity to negative feedback, self-serving interpretation of negative feedback, and uncertainty and resistance) that prevent firms from maintaining strategic flexibility. In addition, the study explores six adequate strategies (measuring and monitoring decisions output, stimulating decision-making processes, creating dynamic mechanisms to gain new ideas from outside the firm, recognizing the limitations of static governance systems, considering decision portfolios, and measuring and analyzing learning that can be used in the next step) that help managers overcome such problems..*

Keywords: Strategic flexibility, Feedback, Uncertainty, Resistance, and Governance systems

## INTRODUCTION

Problems associated with the implementation of the marketing concept emerged almost concurrently with its conceptualization in the 1950s and 1960s (Keith, 1960; Bell and Emory, 1971). In this context Stamfl (1978) analyzed the issue of six structural constraints in a changing environment. These included the goal structure of the firm, technology, market structure, planning, organizational structure and style, and environmental stability. From this starting point of product market scope and market landscape, originates the issue of strategic fit at the organizational level. It is more from the internal organizational perspective that de Kluyver (2000) examined strategic fit among the firm's businesses. However, our chief concern is the linkage between the firm and its external task environment. As the latter evolves and changes an erosion of the fitness/appropriateness of the strategic market posture occurs. Sanchez (2001) demonstrated that the nature of the forces in the new competitive landscape requires *flexibility* and the ability to balance fluid states of organizations. S*trategic flexibility* is thus the organization's capability to identify major changes in the external environment, quickly commit resources to new courses of action in response to these changes, and recognize and act promptly when it is time to stop or reverse existing resource commitments (Hagen, Hassan, and Wilkie, 2005).

It has been suggested by several researchers (e.g., Toumrungroje, 2004; Mazur, 2004) that a firm's success in the 21st century depends first on building strategic flexibility because globalization has caused dramatic changes in business around the world. Indeed the effects of globalization are believed to be far more pervasive, affecting every individual business, industry, and country (Gilpin, 2000). In addition, in this new competitive landscape it is more difficult to identify and analyze competitors. The new competitive landscape requires flexibility, speed, and innovation. Firms need to be flexible to manage discontinuities and unpredictable changes in their environments. In such an environment requiring strategic flexibility, managers need to break out of their traditional mold (Hitt, Ireland, & Hoskisson, 2005).

Hagen, Haile, and Yousef (2003) examined the CEOs' perceptions of certain mechanisms, developed by Hitt, Keats, and DeMarie (1998), to find out whether or not these mechanisms were appropriate for building strategic flexibility in organizations. It was found that the majority of the surveyed CEOs agreed that the suggested mechanisms (exercise strategic leadership, build dynamic core competencies, focus on developing human capital, effectively utilize new technologies, engage in valuable strategies, and develop new organizational structure and culture) were adequate for building organizational strategic flexibility. Hagen, Hassan, and Wilkie (2005) also found significant relationships between the



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suggested mechanisms and the firm's financial performance. This study explores potential barriers that hinder the exercise of strategic flexibility. The study briefly elaborates on strategies that help managers overcome potential barriers to strategic flexibility and its maintenance. In a future study, we will investigate the perceptions of a national sample of strategic managers toward the explored problems and strategies.

## BARRIERS TO STRATEGIC FLEXIBILITY

Management of strategic flexibility requires the use of three capabilities: maintaining attention, completing an assessment, and taking action. However, potential barriers may block the development and use of the organizational capabilities necessary for strategic flexibility.

*1. Organizational Insensitivity to Negative Feedback*— Organizations need to be sensitive to feedback from the market, particularly negative ones. This sensitivity requires organizations to respond to negative feedback in a timely manner. Unfortunately, both research and anecdotal evidence suggest that managers often ignore early evidence of strategic mistakes (Shimizu, 2000).

Over time, managers develop a particular mindset along with a set decision rules and heuristics based on their experiences (Prahalad & Bettis, 1986). The mind-set and rules are self-reinforcing such that successful experience often prevents managers from being sensitive to important new information, thus promoting managerial overconfidence and complacency. Moreover, positive media attention and praise provide support for existing assumptions leading to the grounding of previous decisions and the unconscious tendency to ignore negative signs regarding decision outcomes (Hayward & Hambric, 1999).

Furthermore, the mind-set and decision rules of top management are often shared, routinized, and taken for granted within the organization. This process ensures that the same type of information will be collected using the same methods and that the information collected will be analyzed using taken-for-granted assumptions with routinized approaches. Ideas and actions that differ from the current routines will not be considered legitimate. Such outcomes produce organizational deficiency and make it less likely that an organization will consider new information (e.g., negative feedback from the market). A recent study by David and Strang (2006) introduce an additional factor – the role of consulting firms in encouraging a popular / bandwagon approach to management concepts.

In addition, long tenure among the top-management team is likely to rigidify its shared mind-set toward more narrow perspectives resulting in a lower likelihood of incorporating new information (Boeker, 1997). Similarly, when organizations become older and larger, the shared perspectives and routines are likely to be more institutionalized and the interactions across the routines to become more complicated. In this type of organization changing the attention patterns will be difficult, and therefore early signals of strategic mistakes are likely to be ignored (Shimizu & Hitt, 2005).

A good example is Michael Eisner, the CEO of Disney Company. After tremendous success in 1980s and 1990s, the company has performed below expectations for some time. The acquisition of Capital Cities ABC never produced the synergy witnessed at the time of the merger. Part of the reason for this outcome is the exaggerated self-confidence exhibited by the CEO of Disney. Accustomed to his old business model, he seemed incapable of recognizing the low probability of turning around the performance of ABC and other underperforming business units within Disney without making major changes in the operations or how they were managed. In September 2004, Eisner agreed to retire in 2006 (Finkelstein, 2003).

Motorola is another example of a firm haunted by its past success. In late 1980s and early 1990s, Motorola was a market leader in the analog cell phone market. In this ambience of success it significantly underestimated the effects of digital technology. Past success had led Motorola to develop a decentralized structure, where new information developed by a division was not shared. The established incentive system also promoted sales of analog cell phones and discouraged new investment to develop digital phones (Finkelstein, 2003).

*2. Self-Serving Interpretation of Negative Feedback* - Even if managers recognize a negative signal at an early stage, they do not necessarily initiate a response. Managers are often reluctant to admit that they made mistakes. To justify their decision and avoid admitting mistakes, managers may utilize external attribution (e.g., the economy or other uncontrollable events). Managers may also reemphasize their commitment to make the initiative a success. Research has shown that people in



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situations that are likely to produce a loss are more willing to take risky actions to create positive returns (Ross & Staw, 1993).

An early negative signal may be rationalized as the result of insufficient time or inadequate implementation. These managers may continue to invest, hoping for a dramatic turning around of the initiative. In so doing, they sequentially over-invest in the business and make it increasingly difficult to earn a positive return on the investment (Kahneman, 1992).

When the supporters of the original decision have power, they prefer to retain the project and avoid admitting a mistake in order to maintain the power. Therefore, while poor performance may signal a need for change, organizational politics often prevent an organization from interpreting the signals correctly in a timely manner (Adner & Levinthal, 2004).

As Michael Eisner's record suggests, weak governance mechanisms allow managers to pursue their personal interests at the expense of an organization's interests. A weak board may not be able to stop powerful managers from behaving politically or continuing the commitment to mistakes. It is also notable, however, that managers may consciously hide negative information even in cases of strong governance, because disclosing it could result in punishment by the board (Abrahamson and Park, 1994).

Finally, the organizational culture and institutional environment also influence the strength of the barriers. In a culture where success is highly praised and mistakes are severely punished, managers avoid admitting mistakes. Instead, they may believe that they can overcome the odds and succeed. These managers are unlikely to evaluate negative signals objectively regarding the strategic initiative (Mcgrath, 1999).

Typically, when CEOs face problems, they either deny them or blame the external forces, which will lead to negative consequences for their firms. For example, Gary DiCamillo arrived at Polaroid in 1995 and predicted a turnaround in three years. After regularly blaming poor performance on external conditions such as Russia's economic problems and global turmoil, Polaroid filed for bankruptcy in 2001 and eventually stopped all business operations. Similarly, Jill Barad, a former CEO of Mattel, acquired the Learning Company of $3.5 billion despite its poor performance and accounting problems. She later confessed that she did not realize the problems in Learning Company and resigned in 2000. Because she was results-oriented and never took no for an answer, she fostered a culture that made it nearly impossible to deliver bad news (Banon & Lublin, 2000).

*3. Uncertainty and Resistance* - Even if managers understand the organizational biases that produce barriers and attempt to be rational, the decision whether to or not to maintain commitment to or change a poorly performing initiative is not solely a matter of economic calculation. This is mainly because of the uncertainty associated with the future nature of the project and its environment.. The prospects are often perceived as uncertain because predicting changes in the external environment and their effects on the project is difficult (Ross & Staw, 1993). To the extent that evaluation of a particular project involves assumptions about the future environment, it is difficult to predict the outcome of any one project with confidence, especially for a loss-generating project.

While simple net-present-value calculations provide seemingly objective assessments, the results are dependent on assumptions such as the projected sales growth rate and discount rate, which are often derived from extrapolations or predictions based on historical data. Thus decisions regarding maintaining or withdrawing commitment are loaded with uncertain consequences associated with either choice (Greve, 1998).

Moreover, it may be difficult to identify the complex relationships leading to the poor outcomes. Poor results can come about because of the initial strategy, inadequate implementation, or mitigating environment factors. Even if the current performance is poor, an initiative may still have potential. Given the future nature of the initial decisions and unclear causality, it is difficult to deny the potential for turnaround even if the probability is small (Ross & Staw, 1993).

In addition, uncertainty often creates resistance. People resist change because of familiarity with the current conditions and fear of the unknown. They prefer the statue quo because change disrupts the established routines (Greve, 1998). This is particularly true in the case of weak performance. In such cases, managers often become defensive and try to limit receipt of further information. As a result, exploration of other alternatives is constrained. The uncertainty in the external environment is a major cause of managers' reluctance to reverse seemingly poor decisions. For example, rapid development of new technologies makes it difficult for managers to predict the consequences of such environmental changes (Johnson, 1998).



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Thus it is challenging to determine the proper type and timing of changes required for initiation of a response. However, an organization with abundant resources may be able to take more risk and wait for uncertainties to be resolved (Greve, 1998).

When no action is taken, the existing mind-set and current routines are reinforced. Uncertainty and resistance may also lead effective managers to unintentionally put a lower priority on resolving problems with major changes. This inaction resembles the "ostrich effect." In this case, any uncertainty is controlled by ignoring it. When these conditions happen, negative information may be overlooked (Hitt, 2000).

An example is the AOL – Time Warner merger which was unsuccessful because of the high premium paid for the merger, the crash of the inflated Internet company valuation, and the absence of assumed synergies. Although AOL Time Warner continued to deny its problems and insisted on an optimistic future, the company's market capitalization decreased by $223 billion in the first two years following the merger. In 2004, the new CEO, Richard Parsons, considered AOL as independent business. Even with the change of CEO, there was reluctance to admit the mistake ( Hitt, Ireland, & Hoskisson, 2005).

## SUGGESTED STRATEGIES

Shimizu and Hitt (2004) have recommended several strategies for sustaining strategic flexibility. The authors asserted that managers and organizations should be prepared and proactive to overcome the biases, to avoid becoming trapped in the vicious cycle of rigidity, and to cope effectively with the uncertainties of a dynamic environment.

*1. Measure and Monitor Decision Outcomes* - Managers must ensure that decision outcomes are measured and monitored. When managers have experienced previous successes, they make decisions and then move on to the next initiative without considering the outcomes of the earlier decisions. Because generally businesses are integrated with other businesses in the regions, the performance of the acquired business is often not clearly measured. Thus managers are neither attentive to the outcomes nor able to assess them (Welch, 2001).

Managers have many competing demands for their attention every day. Successful managers may regard decisions as end points even though in reality, decisions need to be implemented and adjusted or terminated. Therefore, recommendation to measure the outcomes of decisions is an important first step in maintaining attention to critical strategic issues. According to Jack Welch (2001), what you measure is what you get.

*2. Utilize a Devil's Advocate Approach to Stimulate Decision-Making Processes* - Ignoring mistakes is common when alternative viewpoints are not considered. Incorporating and evaluating new ideas often help firms to adjust their initial decisions. Team-based decision-making enhances the opportunity to incorporate different perspectives into decisions. These processes also create means for check and balance to the CEO's opinions. However, this approach may not always prove effective. For example, teams are subject to group-think whereby team members focus on a single perspective and reinforce each other even though that perspective is inaccurate. Accordingly, such approaches need to be carefully designed to avoid this problem. One useful team based design is the devil's advocacy approach because it can forestall a biased diagnosis of the original strategic decision (Schweiger, Sandberg, & Rechner, 1989).

The value of a team-based approach can be best derived from the diversity of the members' perspectives and experiences. This is formally emphasized when a member is designated as a devil's advocate. The latter's role is to question the assumptions from different vantage points. However, the CEO must be prepared to receive challenge to his/ her position in this process. The CEO should build a nurturing organizational culture that encourages open communications. Disclosing and sharing bad information is important in developing the necessary momentum to overcome problems (McKee, 2003). Without such an approach, managers may unknowingly enter the detrimental cycle, which is difficult to break (Keller, 1989; Thompson, 2003).

*3. Gain New Ideas and Perspective from Outside of the Firm* - Conventional wisdom suggests that we should not fix something if it is not broken. However, such an approach is highly risky. Poor results may be interpreted as temporary, either intentionally or unintentionally, with no actions taken. When managers finally recognize or admit that the outcomes are really



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bad and that something is broken, it may be late and very costly to create a turn around or to make needed changes (Roberto, 2000).

Following a careful process is important but unlikely to be sufficient to avoid being trapped in the potentially debilitating cycle. Instead, it is important to be proactive. For example, establishing an organizational system that regularly receives new ideas and infuses new perspectives from outside the firm can provide a wake-up call to managers. These outside ideas help managers avoid being trapped by path dependence (Roberto, 2000). We recommend the following mechanisms in which organizations can inject new ideas and external perspectives into the decision-making processes:

*a. Limit the Tenure of CEOs* - A new outside CEO brings perspectives developed from different experiences and different settings that may redirect an organization's strategic intent, policies, and assumptions. Arrival of a new outside CEO provides an opportunity for an organization to revisit obsolete assumptions and correct mistakes in past strategic decisions. Although there are companies that have infrequent top-management changes and maintain high performance (e.g., GE), those companies are becoming rarer. Given the importance of maintaining strategic flexibility, companies should seriously consider and evaluate the pros and cons of limiting the tenure of top executives (Bigley & Wiersema, 2002).

*b. Routinely Appoint New Outside Directors* - The appointment of new outside directors increases the probability of divesting acquired businesses that are performing poorly. The rationale here is similar to that for new CEOs but with an additional twist. New outside directors also bring different experiences and potentially fresh perspectives to the firm. To learn about the firm, these new directors are likely to pay special attention to important strategic issues, some of which may have been taken for granted by incumbent directors. They also may change the power balance between the CEO and the board (Ceron, 2004).

The new directors' ideas have the potential to unlock the cognitive inertia in the firm that reinforces past actions and serves as a barrier to changing previous strategic decisions. They also add a new dynamic in the relationship between top management and the board of directors with the potential to prevent directors from becoming ineffective . Although excessive turnover of directors can be dysfunctional because of the need for continuity and the time required for new directors to learn about the industry and the firm, these concerns must be balanced with the importance of injecting new perspectives (Ceron, 2004).

*c. Rotate Managers in Key Position Routinely* - Accumulation of experience and expertise along with maintaining an organizational memory are important for an organization. However, creating a closed circle in a management team can also produce an inertial mindset (e.g., Motorola). Regular rotation of managers in key positions ensures that fresh perspectives will be considered in each area important to the company over time. Further, as lower-level managers observe more, they may become open to share their ideas, ask additional questions, and possibly even communicate mistakes (Welch, 2001).

On the other hand, there are some risks and disadvantages in a regular rotation of managers. A major risk is that new managers may change effective strategic activities in order to put their own stamp on the job, when no change is warranted. While regular rotation is also desirable, adequate time in a position is necessary to evaluate and create new decisions, as well as to implement and nurture them. Thus, balancing the advantages and disadvantages of rotation is critical to the program success (Welch, 2001).

*d. Exploit Alliances with Other Companies to Incorporate New Ideas* - Alliances through joint ventures or long-term contracts have become popular ways of strategic movements. Alliances with other companies are becoming the most common global strategic actions by firms. Strategic alliances provide a useful source of new ideas and perspectives (Ireland, Hitt, & Vaidyanath, 2001). While alliances are often established for strategic purposes, their speculated values extend beyond their initial goals. For example, exposing managers to new cultures and ideas, alliances provide an opportunity that should be exploited by managers. Ideas provided by alliances are a source and a stimulating factor for developing a culture of learning (Brown & Eisenhardt, 1997).

*4. Recognize the Limitations of Static Governance Systems* - Strong corporate governance should ensure that executives examine appropriate alternatives and opportunities when they exist. One element of a governance system touted for many years is the inclusion of a majority of outside directors. However, research has produced mixed results regarding the effects of board composition on firm performance. Based on recent business scandals such as Enron, it has been observed that



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unethical top executives may be able to work around the governance system unless careful safeguards are in place (Dalton et al., 1998).

The separation between the CEO and board chair positions is also important. However, we also recommend further actions to infuse additional dynamics into the board decision processes. Routinely appointing new outside directors can be beneficial. While static conditions in the board composition may be useful for monitoring and forestalling opportunistic behaviors of managers, long tenure can also result in a homogenization of perspectives, cognitive deficiency, and entrenchment of the board. In fact, relatively static monitoring by outside directors and investors has less influence on decisions to divest poorly performing units than do the arrivals of new key leaders and board member (Dalton et al., 1998).

We recommend that processes be established to ensure that a devil's advocacy approach be used in board decision processes similar to the processes used by the top-management team to make strategic decisions. As a result, there should be some processes to ensure regular turnover on the board. Actions should then be taken to ensure that new members infuse the board with new ideas and different perspectives. Thus, incorporating a more dynamic view of board membership and processes can improve governance effectiveness and stimulate the assertiveness of boards of directors (Rosenstein and Wyatt, 1990).

*5. Consider Decision Portfolios* - In reality, most organizations have various functions and projects. Resources must be allocated across such functions like research and development, operations, and marketing, and multiple projects may be simultaneously active in each function. If top managers ignore the existence of multiple projects within an organization and focus only on a particular project, they may not only risk commitment to a loosing project but risk under funding more promising projects. On the other hand, top managers must consider projects as a portfolio of options, it is easier to compare multiple projects and prioritize them, compare multiple projects and prioritize them, while independently assessing a single project's potential and risks under uncertainty is much more difficult. Even if a focal project seems to have potential, a decision to allocate resources to a more promising project will be easier using a portfolio approach. Meanwhile, if the focal project is truly more promising than other projects, managers can decide to maintain commitment and consider the next steps (Eisenhardt, 1989).

Although it is difficult for small or less-resourceful organizations to have multiple alternatives, using small trials as an experiment will allow theme to enjoy similar benefits. Comparing multiple alternatives can also produce new ideas by integrating those alternatives. Thus, examining multiple alternatives can contribute to nurturing an organizational culture that encourages learning and knowledge sharing (McGrath, 1999).

*6. Analyze and Measure Learning That Can Be Used in the Next Step* - A decision can be positioned to provide a base for the next step (Bowman & Hurry, 1993). Because organizations are ongoing, one decision rarely determines their long-term success, especially under conditions of uncertainty. Instead of gambling on one or a few decisions in the short run, it is important to learn from decision outcomes and use the learning for subsequent strategic decisions or in the next steps of the focal initiative (Brown & Eisenhardt, 1997). This is of particular value in designing foreign market entry strategy and globalization.

It is obviously difficult to clearly predict future potential and risks and make major decisions under conditions of uncertainty. However, assessing the return on investment by incorporating the investment's learning and value can provide managers with a new perspective to help making difficult decisions. For example, when managers are faced with the unsatisfactory performance of an acquisition, considering the benefits of learning from the experience will help making the difficult decision. If the organization learned well from poor acquisitions experience, this knowledge can be used in future acquisitions. When managers think that poor performance results from ineffective integration but that they need more experience with integration to better understand what went wrong or how to improve the integration, they may delay making major changes (such as divesting the business) until adequate learning is achieved (Ireland, Hitt, & Vaidyanath, 2002).

Although measuring the knowledge learned is difficult, the organizational process of building knowledge has become critical to gaining and sustaining competitive advantages (Jackson, Hitt, & Denisi, 2003). In fact, various strategic initiatives such as alliances and new business development include learning as one of the key objectives Moreover, vigorously analyzing learning can facilitate the development of an organizational culture that encourages sharing information and ideas including past strategic errors (Sitkin, 1992).



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## OBJECTIVES AND HYPOTHESES OF FUTURE EMPIRICAL STUDY

The first objective of this study is to explore potential barriers that face managers in sustaining their organizational strategic flexibility. The second objective is to provide practical strategies that help top management avoid these barriers and sustain strategic flexibility. The third objective is to examine the top management perceptions of these problems and suggested strategies. The fourth objective is to investigate differences between the suggested ranking order of these problems and strategies and the ranking order of the same problems and strategies of the surveyed top management. Based on these objectives, the following hypotheses have formulated:

$H_1$: *The majority of the surveyed top managers will agree that the suggested barriers are potential problems that organizations might face in sustaining their organizational strategic flexibility.*

$H_2$: *The majority of the surveyed top managers will agree that the suggested strategies are adequate mechanisms for avoiding potential barriers to the organization's strategic flexibility.*

$H_3$: *There will be no differences between the suggested ranking order of potential problems that might face organizational strategic flexibility and the ranking order of the surveyed managers to the same barriers.*

$H_4$: *There will be no differences between the suggested ranking orders of the suggested strategies for avoiding potential barriers to the organizational strategic flexibility.*

## RESEARCH METHODS

Research methods used in this study included survey questionnaire, sample and data collection, measurements of variables, and statistical techniques. Each component is to be carried out according to the following procedure.

*Survey Questionnaire* - Primary data will be obtained by using a survey questionnaire developed by the researchers of this study to include the three potential barriers and the six strategies that will be adequate for avoiding these problems and in helping managers to sustain their firms' strategic flexibility. Items and statements utilized in this survey questionnaire will be adapted from Shimizu and Hitt (2005). The first section of this survey will include certain statements measuring potential barriers for strategic flexibility. These statements will be categorized under the three potential barriers. The second section of this survey will include certain statements measuring the six strategies that will be helpful to managers in avoiding these problems. These statements will be categorized under the six strategies. Each statement will have a five-point Likert response format ranging from strongly disagree (1) to strongly agree (5). Obtained Cronbach alpha for the overall scale scores measuring the three barriers and the six strategies are expected to be high enough to prove the questionnaire reliability. The third section will include demographic information (age, education, and experience of responding CEOs) and organizational variables (age and size of participating organizations).

*Sample and Data Collection* - Our study will utilize a sample of medium-size public companies (i.e., companies in the $25 to $500 million asset range) because most research has focused on larger corporations. Recently, medium-sized firms have internationalized their operations. For a firm to be included in this study, it must meet three criteria.

First, all firms should have been in existence for at least eight years, which reduced the potential bias associated with organizational newness. Second, firms would have to be in the $25 to $500 million-asset range to qualify as being medium in size. Third, all firms must be publicly held so that data to validate the survey-based measures can be obtained. Top managers of the chosen firms will be mailed a cover letter requesting their participation, the survey questionnaire, a stamped return envelope, and a brief summary of the seven management practices used in this study. We expect that the rate response will be twenty-five percent or so.

*Measurements of Variable* - Measurements will include the three barriers and the six strategies. The following procedure



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will be implemented:

*a. Barriers to Strategic Flexibility* - The survey questionnaire will measure the three barriers identified in this study. Each barrier will be measured by the mean scores assigned by respondents to the items associated with each barrier.

*b. Strategies for Avoiding Barriers/sustaining organizational Flexibility* - The survey questionnaire will also measure the six strategies identified in this study. Each strategy will be measured by the mean scores assigned by respondents to the items associated with each strategy.
*Statistical analysis* - Statistical analysis in this study will utilize the Statistical Package for Social Science (SPSS-X) to generate means, standard deviations, percentages, Chi-Square tests, and to conduct factor analysis.

## EXPECTED FINDINGS OF THIS STUDY

We expect that the majority of the surveyed top managers will agree that the suggested barriers or problems are critical elements that prevent top managers from sustaining their organizational strategic flexibility. We also expect that the majority of the surveyed top managers will agree that the suggested strategies will help managers to avoid the mentioned barriers and to sustain the firm's strategic flexibility.

## CONCLUSIONS

Being careful and rational is important but not sufficient if managers are to recognize when resource commitments should be halted or reversed and act quickly. Managers might become unconsciously trapped in a vicious cycle of insensitivity, self-serving interpretation, and inaction to uncertainty and resistance. In a highly uncertain environment, managers need to have the strategic flexibility to respond to problems speedily.

Recognizing problems and making changes to correct them often present substantial challenges. For example, after a firm finally recognizes a problem that has existed for about a year and initiates actions designed to correct it, another year is often required to accomplish the change. However, if it takes a firm two years to recognize a mistake, as long as four years may be necessary to resolve the problem. In a highly uncertain environment, firms need the capability to enact major strategic changes to resolve problems in a timely manner. The importance of speed in recognizing and responding to problems has been dramatically accentuated by the dynamic competitive landscape in recent years. Although identifying and acting on problems have become increasingly important, commitment to initiatives is also necessary for organizations to be successful.

In many cases, new initiatives encounter various types of resistance and challenges in their implementation that must be overcome to be successful. Without strong commitment and patience, their potential may never be realized. There are numerous examples of heroic leaders and innovators who achieved their final victories by maintaining a strong commitment to overcoming multiple obstacles. For example, it is well known that Corning took more than ten years and $100 million -- dealing with high market skepticism and middle management resistance to launch its optical fibers business. Konosuke Matsushita, the founder of Matsushita, stated that the primary secret of success is to remain committed until success is achieved. A firm that frequently changes its strategy and course of action may vacillate, waste resources, and eventually fail. Yet, being overly committed to an erroneous decision can also be disastrous.

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