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Strategic Consistency Revisited: From Resource Allocation to Temporal Continuity

Hidenori SATO[a)]

Abstract: Strategic consistency in resource allocation has in the past been called into question within the field of strategic management. However, the spotlight has been on dynamic capability with an emphasis on flexibility, while in a certain sense, strategic consistency has been taken for granted and treated lightly. In recent years, strategic consistency has once again come into use but with a meaning similar to organizational identity and as a concept that reflects the temporal continuity of an organization.

Keywords: strategic consistency, dynamic capability, organizational identity

a) Faculty of Business Sciences, University of Tsukuba, 3-29-1 Otsuka, Bunkyo-ku, Tokyo, Japan, sato.hidenori.fn@u.tsukuba.ac.jp
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1. Introduction

Strategic management research to date has emphasized the importance of flexibility in an organization from the standpoint of responding to environmental changes. However, an overemphasis on responding to environmental changes damages the stability of an organization and may cause one to lose sight of personal strengths. As such, a focus on consistency, and not just flexibility, is required.

This paper confirms how strategic consistency in an organization has been treated in existing research. Results of this study show that (a) within strategic management, the importance of strategic consistency has been taken for granted when it comes to resource allocation problems within an organization, and strategic consistency has been de-emphasized due to the increasing emphasis on adaptability to change. In addition, this paper points out that (b) consistency has come back into use in research of recent years as a concept that reflects temporal continuity and with a meaning similar to organizational identity.

2. Strategic Consistency

Responding to changing environments has been an important point of discussion within strategic management. In particular, research on dynamic capability has dealt with the ability to respond to change.

Fukuzawa (2015) claimed that three studies—Teece, Pisano, and Shuen (1997); Eisenhardt and Martin (2000); and Zollo and Winter (2002)—are representative of research on dynamic capability and that they form the foundation of later research. These studies make different assertions as to the recognition of the level of environmental change and the sources of competitive advantage, yet each share an awareness of the issue of continual competitive advantage based on the ability to adapt to environmental change.

That said, these studies noted that from the perspective of organizational learning, there are limitations to emphasizing adaptation to changing environments. Levinthal and March (1993) pointed out that there are factors that create limitations in mechanisms that promote learning and that they give rise to such near-sighted phenomena as temporal myopia, spatial myopia, and failure myopia. This does not mean that organizational learning always creates issues but suggests that while the phases that create problems are limited (Sato, 2012), organizational learning or improving on the ability to learn in order to respond to environmental change does not necessarily lead to success.

However, when compared with studies that focus on flexibility, few of the researches to date have clearly emphasized the positive aspects of consistency.

As an exception to these studies, Lamberg, Tikkanen, Nokelainen, and Suur-Inkeroinen (2009) pointed out the importance of a corporate strategy in being able to adapt to an environment, as well as the importance of being consistent with a corporation's history, explaining strategic consistency by touching on its differences with existing concepts. These existing concepts include those in organizational theory, such as structural inertia (Hannan & Freeman, 1984).

According to these researchers, the concept of strategic consistency can only answer "yes" to all of these questions: "Does the concept operate at the level of competitive actions?" "Does the concept have a temporal element?" "Does the concept emphasize organizational survival?" "Does the concept emphasize managerial intention/agency?"

These researchers examined issues created by companies with flexibility and the ability to adapt to an environment.

(1) Frequent changes reduce legitimacy and may lead to undesirable reactions from important stakeholders.
(2) Choosing things that are not consistent with past activities may create imbalances between organizational capabilities and current strategic actions.
(3) It may become difficult to interpret the results of competitive circumstances currently being faced and competitive actions.

In addition, Moss, Payne, and Moore (2014) argued family businesses for the impact that strategic consistency has on performance. Their research analyzed consistency of organizational exploration and exploitation (March, 1991) and showed that having consistency positively influenced performance. In addition, they showed that in comparison with non-family business organizations, this relationship was much stronger in family businesses.

Lin and Dang (2017) also focused on the relationship between strategic consistency and performance and asserted that the factors of organizational slack, environmental dynamism, top management team tenure, and top management team tenure heterogeneity are factors that influence this relationship.

3. From Resource Allocation to Temporal Continuity

Research on strategic consistency after the Lamberg et al. (2009) study referenced in the previous section discuss temporal continuity. However, earlier, strategic consistency meant consistency of resource allocation more than a show of temporal continuity.

Walker and Thietart (1986) separated strategic consistency into three levels: corporate, business, and operational. The corporate level deals with resource allocation between businesses, the business level deals with resource allocation between functions within a business, and the operational level deals with resource allocation between activities within various functions.

Similarly, Venkatraman and Walker (1989) segmented strategic consistency into three levels.[1] Walker and Thietart (1986) do not actually analyze at the corporate level, yet they deal with all three levels.

Harrison, Hall, and Nargundkar (1993) stated that similarities in resource allocation between business units is strategic consistency and position their research in the realm of studies on diversification. They asserted that similarities in sales to R&D ratios between business units have a positive impact on performance.

These studies cover the issue of resource allocation at a certain point in time and primarily tie it to discussions of dominant logic (Prahalad & Bettis, 1986) in their focus on resource allocation among multiple businesses, such as Harrison et al. (1993) in particular.

Studies dealing with this kind of strategic consistency in resource allocation are rarely referenced in research on strategic consistency as temporal continuity.[2] In other words, though studies may use the term "strategic consistency," these studies do not deal with continuity.

4. Discussion and Conclusion

The concept of strategic consistency in an organization has been treated as an issue of resource allocation within strategic management. In recent years, however, studies have treated it as an issue of temporal continuity. This is perhaps due to consistency once again becoming an emphasis, as many discussions have focused on responses to change.

Future research may perhaps discuss sources of strategic

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1 However, operational consistency is made into functional consistency.

2 An exception to this is the reference to Harrison et al. (1993) by Lamberg et al. (2009), though this reference is largely unrelated to the main argument.

consistency. In particular, a concept such as organizational identity[3] (Albert & Whetten, 1985) may be thought of as a source of strategic consistency as temporal continuity.

Organizational identity is used as a standard for decision making in an organization. Since decision making that deviates from organizational identity for no particular reason is not done, decision making will continually be in line with an organizational identity.

Organizational identity has until now been pointed out as hindering changes such as organizational reform and new technology implementation (Reger, Gustafson, Demarie, & Mullane, 1994; Sato, 2015; Tripsas, 2009). At the same time, however, organizational identity can also be seen as creating temporal continuity in decision making. In other words, it is a source of consistency. In contrast, when identity is unclear, organizational decision making is based on various factors from within and without an organization and without any standards, which results in harm to consistency of action.

In addition, a change in management is believed to have a major impact on strategic consistency. This is because a change in managers that have responsibility for shaping strategy create circumstances that make strategies easily changeable (Datta, Rajagopalan, & Zhang, 2003; Nakauchi & Wiersema, 2015).

Another area of future research is strategic consistency that combines resource allocation and temporal continuity. As was identified in this paper, there are disconnects between research on strategic consistency as an issue of resource allocation and research on strategic consistency as an issue of temporal continuity. However, when corporations that have diversified with multiple lines of business are the subjects of research, for example, one may also argue whether or not, at a certain point in time, consistency in resource allocation between businesses has temporal continuity. In

[3] See Sato (2014) and Yamashiro (2015) for more on organizational identity.

this way, we would be able to further clarify strategic consistency.

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