UNDERSTANDING FAST GROWTH AND HIGH PERFORMANCE: AN EXAMINATION INTO THE ROLE OF CULTURE, CAPABILITIES AND INTELLIGENCE IN STRATEGY IMPLEMENTATION

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ABSTRACT

This paper aims to investigate how organizations simultaneously manage fast growth and high performance. These are objectives of many organizations. However, organizations find it difficult to manage the phenomena. Following a detailed literature review, the paper proposes a research agenda focusing on strategy implementation, with particular emphasis on the importance of adaptive culture, proactive capabilities and external intelligence. A conceptual framework of strategy implementation for fast growth and high performance is proposed. Propositions for the research are derived from the framework. It is anticipated that the research will provide better tools and techniques for the understanding of how organizations can simultaneously manage both fast growth and high performance.

Keywords:
Strategic & Organizational Change; Strategy Implementation; Innovation; Dynamic Capabilities; Organizational Culture; Competitive Intelligence
INTRODUCTION

Organizations today are challenged by a world of transforming economies, rapid technological advancement, innovative competitor movements and demanding customer needs. Thus, organizations can no longer deal so simply with the impact of their increasingly changing environmental conditions. Helfat et al. (2007:103) point out that “most firms seek profitable growth”. Nicholls-Nixon (2005:77) defines fast growth companies as those that “experience annual sales growth of 20 percent (or more) over a four-year period”. High performance organizations are those that have gained an above-average performance in terms of their financial, market, internal efficiency, and long-term growth and innovation performance (Hubbard et al. 2002). Some organizations are able to achieve high performance while others fail to cope with their dynamic environments. There are also those that are able to manage both high performance and fast growth successfully while others trade off one for the other. Hence, as the external environment becomes more volatile, research is needed to provide answers in explaining especially the performances of organizations that are able to manage both high performance and fast growth successfully.

Among high performance organizations, most conceptual and empirical research has focused on organizations that have already grown to a relatively large size and hence ignored the phase of rapid and dynamic growth (Peters & Waterman 1982; Porter 1985; Collins & Porras 1994; Hubbard et al. 2002). While growth is an essential aim of an organization (Christensen et al. 2003; Helfat et al. 2007), fast growth is not often achieved with few organisations able to manage the complexities of achieving fast growth and high performance consistently over an extended period of time (Nicholls-Nixon 2005).

As such, this paper attempts to address this identified gap through a detailed literature review resulting in a proposed research agenda focusing on strategy implementation, with particular emphasis on the importance of adaptive culture, proactive capabilities and external intelligence. A conceptual framework of strategy implementation for fast growth and high performance is developed and propositions for the research are derived from the framework.
LITERATURE REVIEW

Although performance and growth have been researched separately, the strategy literature has given relatively little attention to examining how organizations can achieve and then sustain both fast growth and high performance. In order to contribute insight into understanding the interrelationship of these phenomena, this paper investigates the importance of strategy implementation, and identifies and examines the importance of key organizational characteristics of implementation that are expected to impact on achieving fast growth and high performance simultaneously.

Importance of Strategy Implementation

In general, there are two broad areas in strategy, namely strategy formulation and strategy implementation (Pearce & Robinson 2003; De Wit & Meyer 2004; Hubbard 2004). Strategy implementation involves iterative work of taking actions, reconciling and adapting organizational dimensions to a strategy, experimenting ways to effectively execute the strategy and managing strategy to fit the environment, which then leads to increased performance (Noble 1999; Varadarajan 1999; Hubbard et al. 2002; Homburg et al. 2004). Strategy research has generated a lot of insights for strategy formulation, but relatively little has been done for strategy implementation of organizations which are simultaneously dealing with fast growth and high performance.

Homburg et al. (2004) argues that strategy formulation does not guarantee successful strategy implementation. Mankins & Steele (2005) note that organizations are still not able to realize the full potential value of their strategies. Organizations typically fall short by 40 percent from fully realizing their strategies’ potential value (Mankins & Steele 2005). A number of scholars argue that the main reason for the fall short in performance is the lack of emphasis and efforts by organizations in implementing their strategies (Amburgey & Dacin 1994; Freedman 2003; Okumus 2003; Mankins & Steele 2005). So, organizations that are able to capture more than 60 percent of their strategies’ potential value are likely to achieve above-average performance. Those that are able to do so continuously are likely to be high performance organizations (Mankins & Steele 2005). For managing fast growth and high performance, some scholars argue that it is important for organizations to implement many new strategies (Christensen et al. 2003; Helfat et al. 2007). However, Miller (2001) points out that organizations typically fail to implement about 70 percent of their new strategies which are critical for organizational success. Clearly, to achieve fast growth and high performance, it is important to examine how organizations manage strategy implementation.

Challenges of Fast Growth and High Performance

In order to prosper in today’s continuous changing business landscape, a challenge for organizations is to develop a means to adapt to and exploit changes in their environment (Helfat et al,
Eisenhardt & Sull (2001) argue that, in order to sustain high performance, organizations need to manage themselves at ‘the edge of chaos’. The writers also argue that advantage for these organizations comes from successfully seizing fleeting opportunities which are not easily anticipated by competitors. They call for organizations to create sufficient adaptability in order to capitalize on the best opportunities available at different moments in time (Eisenhardt & Sull 2001). A challenge is to make key business processes unique, which includes having an effective way in identifying, sizing up and prioritizing opportunities. Christensen et al. (2003) argue that many companies fail to capitalize on opportunities for growth because they seemed to be overly focused on merely improving on their existing products and services. Organizations are also challenged by the difficulty in synchronizing the changes which they are making to their firms with the pace of fleeting opportunities. Also, it is seemingly difficult for organizations to know when to pull out of waning opportunities.

Therefore, in order to manage fast growth and high performance, it is important for organizations to manage themselves at a state of readiness that helps in coping with the changing external environment. For organizations to do so, they must be adaptive and innovative. However, these essential features cannot function in an effective way by themselves. They rely on a means that helps organizations to continuously monitor changes in the external environmental and make sense of prospective change-patterns (Christensen, 1993). The means will also help organizations to generate foresights about fleeting and growth opportunities, effectively prioritize the opportunities, and decide when to pull out of waning opportunities.

**Strategy Implementation Model for Fast Growth and High Performance**

The discussion below identifies three organizational dimensions as the likely crucial dimensions in strategy implementation for fast growth and high performance. They are adaptive culture, proactive capabilities and external intelligence.

*Adaptive culture*

Organizational culture involves shared basic assumptions which are created, explored, developed and perceived by a given group as it learns to deal continuously with adapting to its external environment while conscientiously reconciling and adapting its internal functions (Kotter & Heskett 1992; Trompenaars & Hampden-Turner 1998; Schein 2004; Trompenaars & Hampden-Turner 2004). Strategy scholars have identified effective organisational culture as important for effectively implementing plans in high performance organisations (Peters & Waterman 1982; Collins & Porras 1994; Hubbard et al. 2002; Homburg et al. 2004). This suggests that organizations, which are not able to sustain their high performance, may have neglected the role of their organizational culture.

For success over long periods of time, Kotter & Heskett (1992) claimed that an ‘adaptive culture’ is needed to help organizations to cope with changing environmental conditions successfully.
An adaptive culture also embraces changes and inspires commitment to work with a high degree of adaptability (Kotter & Heskett 1992; Chan et al. 2004). In addition, Hubbard et al. (2002) found that the culture in high performing organizations tend to incline towards one that places importance on implementing strategies successfully. Nicholls-Nixon (2005) argue that managing fast growth involves employing a culture that enables periods of self-organized change to occur rather than creating and executing a master plan for change. In order to sustain superior performance, Chan et al (2004) says that organizations need to foster a culture that offers direction for skills development and learning new innovations and guides the management of resources with consideration for competing for the future (Hamel & Prahalad 1994).

Van den Berg & Wilderom (2004) compared a number of the most important organizational culture models (Hofstede et al. 1990; O'Reilly et al. 1991; Gordon & DiTomaso 1992; Denison & Mishra 1995; Van Muijen et al. 1999). These models are shown in Table 1. From this they developed their own model, which seems to be more holistic. Also, the factors of their model were found to have strong linkages to performance (Wilderom et al. 2001; Van den Berg & Wilderom 2004). However, their study does not specifically focus on fast-growing organizations in sustaining their high performance. In view of the challenges that fast growth and high performance bring, the likely important factors for managing the phenomena include autonomous orientation and improvement orientation. Autonomous orientation pertains to “the degree to which employees have decisions latitude at the job level” (Van den Berg & Wilderom 2004:574). This suggests that the more inclined a culture is towards autonomous orientation, the more employees of an organization are empowered to make their own decisions and take actions in making timely changes to the firm. Improvement orientation relates to the degree “of inclination towards organizational improvement” (Van den Berg & Wilderom 2004:574). This suggests that the more inclined a culture is towards organizational improvement, the more employees are driven to proactively look out for ways to make improvements and the larger is the firm’s capacity to embrace changes.

**Proactive capabilities**

Teece et al. (1997) claimed that successful organizations in the global marketplace possess capabilities that can effectively organize and reorganize available resources in order to cope with the changing environment in a timely manner. The writers termed these capabilities as ‘dynamic capabilities’. The notion of dynamic capabilities has its roots in the resource-based view theory (Teece et al. 1997) where ‘resources’ include all assets, firm attributes, information, technologies and human capital controlled by an organization that enable it to conceive of and implement strategies that improve its efficiency and effectiveness (Barney 1991). In Table 2, salient points on dynamic capabilities based on number of studies (Teece et al. 1997; Eisenhardt & Martin 2000; Barney et al. 2001; Helfat & Peteraf 2003; Sirmon et al. 2007; Wang & Ahmed 2007) are compared.
Table 1  A Comparison of Important Studies of Organizational Culture Models (adapted from Van den Berg & Wilderom, 2004:575)

<table>
<thead>
<tr>
<th>Study</th>
<th>Process vs. results oriented</th>
<th>Employee vs. job oriented</th>
<th>Parochial vs. professional</th>
<th>Open vs. closed system</th>
<th>Loose vs. tight control</th>
<th>Normative vs. pragmatic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hofstede, Neuijen, Ohayv &amp; Sanders (1990)</td>
<td>Results oriented</td>
<td>People oriented</td>
<td>Team oriented</td>
<td>Aggressive vs. easy going</td>
<td>Detailed oriented Stability</td>
<td>Innovation oriented</td>
</tr>
<tr>
<td>O'Reilly, Chatman &amp; Cadwell (1991)</td>
<td>Action oriented</td>
<td></td>
<td></td>
<td>Integration/ communication Development/ promotion from within</td>
<td>Accountability Systematic decision making</td>
<td>Innovation oriented</td>
</tr>
<tr>
<td>Gordon &amp; DiTomaso (1992)</td>
<td>Goal orientation</td>
<td></td>
<td></td>
<td></td>
<td>Consistency</td>
<td>Improvement orientation</td>
</tr>
</tbody>
</table>

NB. Factors of organizational culture models were inserted into the table according to likely similarity of their role and/or function.
<table>
<thead>
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<tbody>
<tr>
<td>• Ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments</td>
<td>• Ability to manipulate resources into value-creating strategies, including organizational and strategic processes e.g. alliancing and product development</td>
<td>• But evolving and serves as a temporary source of competitive advantage</td>
<td>• Capability that further branches into either being renewed, redeployed, recombined, replicated, retrenched or retired</td>
<td>• Ability to structure resource portfolio</td>
<td>• Adaptive capability</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Ability to learn</td>
<td>• Ability to change</td>
<td>• Absorptive capability</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Ability to leverage capabilities to exploit market opportunities</td>
<td></td>
<td>• Innovative capability</td>
</tr>
</tbody>
</table>

NB. Common capability follows the general pattern of founding, development and maturity
In order to respond to environmental changes, Wang & Ahmed (2007) argue that organizations require innovative ability in order to translate their learning into developing new product and/or market. Dynamic capabilities will help organizations to deal with fast growth because innovativeness is also important to spur growth (Christensen et al. 2003). Furthermore, high performing organizations are found to possess this ability to adapt their product-market scope quickly (Wang & Ahmed 2007) in order to optimally exploit opportunities in the changing environment (Eisenhardt & Sull 2001; Hubbard et al. 2002). Sirmon et al. (2007) argue that organizations can create competitive advantages by configuring and reconfguring resources internally in anticipation of future needs. Therefore, for fast growth and high performing organisations, it is important for organizations to possess dynamic capabilities of adaptive ability and innovative ability (Wang & Ahmed 2007).

In short, adaptive ability pertains to firm’s ability in integrating, building, and reconfguring resources to match the constantly changing organizational needs to capitalizing on emerging market opportunities (Wang & Ahmed 2007). Innovative ability relates to innovative behaviors and processes of an organization in developing new products and/or market (Wang & Ahmed 2007).

External intelligence

Hubbard et al. (2002) found that high performance organizations maintain an externally focused posture in understanding their customers, customers’ changing needs and happenings in the marketplace. Being externally focused in understanding customers’ current and future needs, and exogenous factors that influence those needs is also termed as market orientation (Kohli & Jaworski 1990; Slater & Narver 1994; Homburg et al. 2004). Studies have shown evidence of a positive relationship between a firm’s market orientation and its return on assets (ROA) (Kohli & Jaworski 1990); sales growth and new product success (Slater & Narver 1994); and successful implementation of strategy (Homburg et al. 2004). To do so, these organizations have likely developed a means to continuously monitor changes in their external environments and making sense therein of prospective change-patterns.

To implement strategies successfully for performance, organizations will likely need a means to generate foresights about changing external opportunities, effectively prioritize the opportunities, and decide when to pull out of waning ones. Customer intelligence is vital for organizations in drawing insights about who, what, when, where or how customers can be served better (Kohli & Jaworski 1990; Menguc & Auh 2006). The customer intelligence factor will involve collecting information customers’ changing needs; analyzing the information to generate intelligence; delivering the intelligence to users with an organization; and taking actions in response to the insights drawn about customer needs (Kohli & Jaworski 1990; Homburg et al. 2004).

In addition to understanding better customer needs and wants, the increasingly competitive setting of the business environment today also warrants the need of generating and disseminating
intelligence pertaining to movements by competitors, and responding to that intelligence. Also, it is vital for organizations to use competitor intelligence in validating their interpretations made about environmental changes and trends; spotting new opportunities; learning about other possible ways to optimally exploit opportunities in the changing environment; forecasting future states of the competitive environment; and envisioning the types of organizational configurations for these future environmental states (Fuld 1994; Kahaner 1997; Rouach & Santi 2001; Hubbard et al. 2002). The customer intelligence factor will involve collecting information customers’ changing needs; analyzing the information to generate intelligence; delivering the intelligence to users with an organization; and taking actions in response to the insights drawn about customer needs (Kohli & Jaworski 1990; Homburg et al. 2004).

Together, customer intelligence and competitor intelligence form an important organizational dimension, termed here ‘external intelligence’, in strategy implementation for fast growth and high performance. The customer intelligence factor will involve collecting information customers’ changing needs; analyzing the information to generate intelligence; delivering the intelligence to users with an organization; and taking actions in response to the insights drawn about customer needs (Kohli & Jaworski 1990; Homburg et al. 2004).
Table 3  A Comparison of Important Studies That Relates to External Intelligence

<table>
<thead>
<tr>
<th>Variables that apparently focus more on understanding and anticipating changing customers’ needs and preferences</th>
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</thead>
<tbody>
<tr>
<td>Intelligence generation</td>
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<tr>
<td>Intelligence dissemination</td>
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<tr>
<td>Responsiveness</td>
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</tbody>
</table>

<table>
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<tr>
<th>Variables that apparently focus more on anticipating and learning from competitors’ actions in order to outperform competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning and directing information collection process</td>
</tr>
<tr>
<td>Collection of information and turning it into usable knowledge</td>
</tr>
<tr>
<td>Analysis of usable knowledge and turning it into actionable intelligence</td>
</tr>
<tr>
<td>Disseminating the intelligence to end users</td>
</tr>
<tr>
<td>Suggest possible courses of action to end users</td>
</tr>
</tbody>
</table>
Research propositions

We can formalise the relationships found in the literature review and discussion above in the following propositions:

P1: Fast growth organisations that emphasise strategic implementation issues perform better.

P2: Adaptive ability is positively associated with organizational performance.

P3: Innovative ability is positively associated with organizational performance.

P4. Autonomous orientation is positively associated with proactive capabilities.

P5. Improvement orientation is positively associated with proactive capabilities.


P7. Competitor intelligence is positively associated with adaptive culture.

Framework Model

Based on the above discussion and propositions, a framework model of strategy implementation for fast growth and high performance is shown in Figure 1. Through this model, the following research objectives can be explored: (i) to understand why some fast-growing organizations are able to sustain their high performance while others fail to do so, (ii) to identify which organizational dimensions of strategic implementation are important (iii) to evaluate in particular the roles of autonomous orientation, improvement orientation, adaptive ability, innovative ability, customer intelligence and competitive intelligence.

CONCLUSION

In today’s rapidly changing and complex external environment, some organizations are able to achieve high growth and high performance while most others fail to cope with these dual objectives. To manage these sought-after phenomena, strategy implementation is a crucial issue. From the literature review, the likely key organizational dimensions in strategy implementation are expected to be adaptive culture, proactive capabilities and external intelligence. Research propositions and a framework model to test these phenomena were developed for future empirical testing.
Figure 1  A Provisional Framework of Strategy Implementation for Fast Growth and High Performance
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