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# **Adapting Adaptation: Expanding Adaptive Strategy Theory to Account for the East Asian Business Context**

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**Abstract:** This paper extends international business theory by providing insights into contextual boundaries of the dominant strategic adaptation model, based on assumptions of low power distance and a bottom-up management style. We challenge them by examining the context of Asian organizations with contrasting management style and ask how it is possible for them to adapt. We propose a supplementary “top-down” model of adaptation, supported by empirical data from East Asian organizations. The model involves low autonomy of lower- and middle-level managers, but fluid communication from bottom to top, enabling informed but authoritarian adaptive decision-making exclusively at the behest of top management.

**Key words:** Context; National Culture; East Asian Business Environment; Strategic Adaptation

## **Introduction**

There is a tension in international business (IB) research to distinguish the universal from the particular (Buckley et al., 2014) as well as between scientific explanation and context (Welch et al., 2011). The field has been predominantly focused on theories applicable to all organizations and social groups (Birkinshaw et al., 2011). With the rise of the emerging economies and increasingly more diverse IB environments, taking into consideration contextual dimensions has never been more timely and important for theory building and practical relevance. Context can be integrated in theorizing by explaining “empirical puzzles” through existing theories or by “modifying theories through the study of novel phenomena with the aim to enhance the theory” (Meyer, 2015, p. 370). This paper falls into the second category as it extends IB theory by providing insights into contextual boundaries of the dominant strategic adaptation model, which is based on the assumptions of low power distance and the potential for bottom-up adaptation and which sees managerial autonomy as necessary for adaptation. We challenge these assumptions by examining the context of Asian organizations which represent a contrasting high power distance and top-down management style and also whether managerial autonomy is necessary for Asian firms’ adaptation. We ask: Given the strategic adaptation literature’s assumption that adaptation is intrinsically a bottom-up process, how is it possible for organizations in a high power distance East Asian context to adapt?

The proper balance between a fixed long-term strategy and adapting to a rapidly changing environment has been an important topic in international strategic management. “Intended” (also referred to as “deliberate”) and “emergent” strategies are the terms which were coined by Mintzberg (1978) and have subsequently been used by strategic management scholars to describe the original strategy vs. the one developed in response to environmental stimuli. Mintzberg & Waters (1985) further elaborated on this concept by describing eight different types of strategies (planned, entrepreneurial, ideological, umbrella, process, unconnected, consensus, and imposed) and describing where they fall along the spectrum from deliberate to emergent. Andersen & Nielsen (2009) combined the two by proposing and supporting an adaptive model where emergence fostered by autonomous and participatory strategy-making by lower and middle level management facilitates adaptive behavior; this, partially mediated by strategic planning, leads to higher performance outcomes.

Andersen & Nielsen's model rests on cultural assumptions about the nature of adaptive behavior – as, in fact, does all of the literature on the subject, including Mintzberg's original elaborations of the terms. In this view, emergent strategy is a "bottom-up" process, which contrasts with deliberate strategies' emphasis on "central direction and hierarchy" (Mintzberg & Waters, 1985, p.271). Andersen & Nielsen's (2009) research supports the point that autonomy for lower and middle level managers is necessary for emergent strategy to emerge.

So what happens in a high power distance culture where a high level of managerial autonomy is presumed not to be the norm? How then does "emergent" strategy emerge? Are these organizations doomed to be purely driven by intended, non-adaptive strategies, unless they switch over to a Western model which emphasizes more egalitarian values that may be incongruent with their own cultures? Or are there other means of adaptation? This is a crucial point, because Andersen and Nielsen (2009) demonstrated that incorporating emergent strategy into the planning process results in better performance for firms. Thus, if adaptation requires greater egalitarianism, then organizations in high power distance cultures may be intrinsically at a disadvantage, unless they are able to change their entire organizational cultures. And creating organizational change on that scale may create perils of its own, since Newman and Nolan (1996) found that organizations do not perform as well when they engage in management practices which are not a good cultural "fit."

In this paper we examine the literature from three disparate streams: strategic adaptation, East Asian firms (with reference to possible implications for adaptation), and power distance (including the cultural, historical context specific to East Asia). In order to reconcile these three streams we ask: Given the strategic adaptation literature's assumption that adaptation is intrinsically a bottom-up process, how is it possible for organizations in a high power distance East Asian context to adapt? Through deductive reasoning, a number of consonant and contrasting propositions are put forward as possible answers to this question. We ultimately propose a "top-down" model of adaptation, involving low autonomy of lower- and middle-level managers, but fluid communication from bottom to top, enabling informed but authoritarian adaptive decision-making exclusively at the behest of top management. In our paper we draw on data from the East Asian region which is characterized by high power distance cultures, to create a richer and more nuanced picture than could be gleaned otherwise. The alternate model we ultimately propose underlines the importance of context to the adaptation process. It also

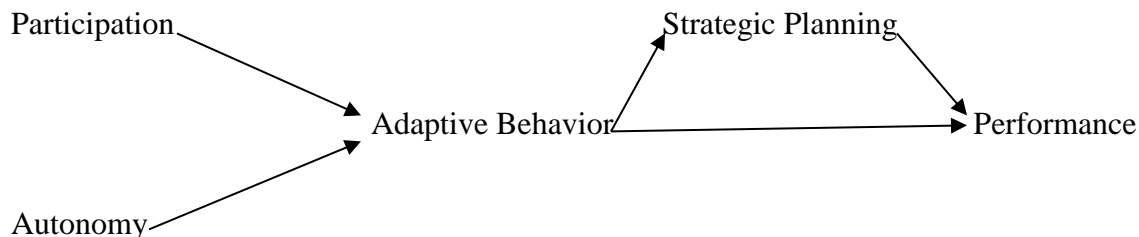
supplements the existing model and it enables a more complete understanding of the different ways organizations adapt.

### **Strategic Adaptation**

High power distance (Hofstede 1980) and the consequent presumed lack of autonomy for lower and middle level managers pose some interesting issues for the question of how it is possible for East Asian firms adapt. Looking at Andersen and Nielsen's (2009) adaptive strategy model, which zeroes in on the aspect of Mintzberg's (1978, 1985) work relating most directly to lower and middle level managerial autonomy, underscores this point.

The authors' model was supported using a sample of manufacturing companies culled from the Compustat database. Their supported model is presented in Figure 1 below:

**Figure 1: Andersen and Nielsen's (2009) Adaptive Strategy-Making Model**



Andersen & Nielsen (2009, p. 95)

According to this model, adaptive behavior is created through autonomy and participation in strategic decisions by middle and lower management. Thus, middle and lower management are actually the drivers of emergent strategy, and top level management's role is primarily to (partially) filter the decisions and actions of these managers through the broader corporate strategic plans (the intended strategy). If adaptation does indeed take place in Asian organizations, and assuming that high power distance would preclude (or at least reduce) decision-making autonomy from lower and middle level management, then what is the process by which they adapt?

In fact, while the environments in which managers operate have become increasingly more diverse (Molisky 2007) there has not been any revision or significant expansion to the

model of strategic adaptation which Mintzberg first developed back in 1978 and solidified in 1985. Andersen and Nielsen's (2009) model slightly refines it by emphasizing the important synergy created by the fusion of emergent with deliberate strategy. Mintzberg's theoretical work is generally used as a reference for related but separate issues within strategy and organizational behavior, and occasionally economics (see for example: Grant, 1991, Lumpkin & Dess, 1996, Tsoukas, 1996). These are not articles which develop the idea of strategic adaptation, but rather reference Mintzberg's work in connection with related subjects. And Andersen and Nielsen's (2009) research, despite its tweaking of Mintzberg's work, has garnered relatively limited attention thus far, with 49 citations since its publication. To the extent it has been cited, the focus of the referencing papers has not been to refine or qualify the model they (or Mintzberg) present, but rather to use their work as a springboard for investigating issues such as ways of increasing lower and middle level management autonomy (in order to help performance) (Linder, 2015), case studies looking at, for example, the importance of intended strategy on firm performance (Iaquinto, 2011) or the relative influence of intended and emergent strategies on particular firms (Bozkurt & Kalkan, 2013), as well as papers reemphasizing the importance of both top and middle level management to the strategic planning process (see for example Schaefer & Guenther, 2016). Andersen and Nielsen themselves bring their work into the related subjects of adaptation from a psychological, cognitive perspective (Andersen & Fredens, 2013) and dynamic capabilities (Wilden et al., 2013). These works underscore further the perspective that an inclusive strategic planning process is necessary for better firm performance. The former paper stresses the psychological importance of bringing a great variety of many different people into the strategic planning process, in order to tap the value of shared experiential insights. The latter paper finds that an "organic" organizational structure (which among other characteristics is less hierarchal than other types of organizations) facilitates the impact of dynamic capabilities on firm performance. These papers further invite the question of whether Asian firms face a cultural handicap if a top-down management approach creates an impediment to performance.

Most research on the general subject of middle management involvement in strategy assumes that more autonomy and participation by middle level managers is a boon to firms' performance. Researchers often analyze subjects such as how to increase middle level entrepreneurship (e.g. Hornsby et al. (2002)), or ways that middle managers may strive to gain more influence and autonomy (e.g. Laine & Vara (2006)). An interesting implication of the latter

subject is the cultural assumption that autonomy is generally wanted by middle level managers—an assumption that we will show later in the paper should not necessarily be taken for granted with employees in high power distance cultures. Occasionally, empirical data is collected that seeks to demonstrate a connection between middle level managerial participation and autonomy with improved firm performance. Burgelman (1994) found, in a longitudinal study of a high-tech firm, that the successful exit from the firm's core business was driven by its emergent strategy, which in turn ended up redefining the official corporate strategy. The foundation of this emergent strategy was the technology decisions made by middle level management. Nonetheless, Woolridge et al. (2008), in a summation of research on the middle management perspective, note that “although there is some evidence for a positive association between middle management's involvement in strategy and organizational outcomes, on the whole, much more research in this area is warranted” (p.1209).

In general, despite a plethora of articles over the years related to this topic, in terms of theory Mintzberg still remains the towering go-to reference on the subject of strategic adaptation. His model of intended and emergent strategy, and the bottom-up approach which he portrays as intrinsic to the process of strategic emergence, remains the standard one. It has been left to other papers to perpetuate and reinforce it.

### **East Asian Firms and Adaptation**

In this paper, we use the term East Asia to refer to the area once known as the Far East. As Reischauer (1958) notes:

“When Europeans traveled far to the east to reach Cathay, Japan, and the Indies, they naturally gave those distant regions the general name ‘Far East.’ Americans who reached China, Japan, and Southeast Asia by sail and steam across the Pacific could, with equal logic, have called that area the ‘Far West.’ For the people who live in that part of the world, however, it is neither ‘East’ nor ‘West’ and certainly not ‘Far.’ A more generally acceptable term for the area is ‘East Asia,’ which is geographically more precise and does not imply the outdated notion that Europe is the center of the civilized world” (p.3).

Webster's Dictionary (Merriam-Webster.com) defines East Asia as a “region of indefinite boundaries usually thought of as including Japan, China, and Korea and also sometimes part or all of nearby countries as well.” We use Reischauer's conception to include

both Southeast and Northeast Asia. While noting some historical distinctions between these two areas, Reischauer states, “In recent centuries, [Southeast Asia]...has become increasingly linked with the rest of East Asia, economically, culturally, and strategically” (p.5). And since the focus of this paper is on business practices, it is particularly relevant that Southeast Asia shares with Northeast Asia a heavy Chinese influence and even dominance in the area of business. In Thailand, for example, which has an ethnic Chinese population of 14%, ([Cia.gov/library/publications/the-world-factbook/geos/th.html](http://Cia.gov/library/publications/the-world-factbook/geos/th.html)), Thai Chinese control 96% of the 70 most powerful business groups. Similarly, Chinese Malaysians, which make up 22.6% of the population ([Cia.gov/library/publications/the-world-factbook/geos/my.html](http://Cia.gov/library/publications/the-world-factbook/geos/my.html)), control 70% of the economy. A similarly outsized Sinic influence can be found throughout the region (Chua, 2003). And Singapore’s census statistics show Chinese ethnic dominance in terms of the general population as well, with 73% of Singapore residents being of Chinese ethnicity ([singstat.gov.sg/publications/publications-and-papers/cop2010/census10\\_stat\\_release1](http://singstat.gov.sg/publications/publications-and-papers/cop2010/census10_stat_release1)). Given that the focus of our research question is to explore how a high power distance culture may present problems for the strategic adaptation process as it is usually conceptualized, the fact that the entire East Asian region is rated as high in power distance (Hofstede, 1980) makes excluding the South from the North particularly gratuitous for our purposes.

It should also be noted that in addition to the strong Chinese influence on the area, East Asia has for many years, and especially since the 19<sup>th</sup> century, been repeatedly exposed to Western influences. So although we may expect differences between the two regions, we should not assume that modern East Asian culture is something that has arisen in isolation, entirely separated from the Western world. Hong Kong and Singapore are two of the more obviously Western-influenced nations of the region, given the history of British colonialism, and the fact that in both islands, English is widely spoken (in Singapore, as the official native language). But the rest of East Asia is certainly not without a strong Western influence as well. Whether it is the Dutch in Indonesia, the French (and later the Americans) in Vietnam, the Spanish (and later the Americans) in the Philippines, the Japanese’ quick adaptation of Western military might and imperialist expansion, or China’s “century of humiliation” followed by their adoption of Marxism and a communist government, Western influence is abundant. And of course, many students from the region, especially China, now seek business education in the West. Nonetheless, the work of Hofstede and other cultural researchers (e.g., Beugelsdijk et al. 2015)



still suggest that differences between the hemispheres remain. And exposure need not necessarily equal imitation. As one of our Taiwanese respondents mentioned on the subject of exposure to Western business practices, “We try to learn something from Western culture, but maybe it’s not 100% suitable for us, so we will change to our own way.”

In terms of discerning the likely adaptive processes (or non-adaptive processes) of East Asian firms, the existing literature on the region – which, unsurprisingly, is dominated by studies of China – is self-contradictory. For example, Yasdani et al. (2011) pay tribute to the strengths of Asian leadership and state that Sinic upper management is “closed door.” At the same time, they offer reassurance that, “the objective of this type of bureaucracy is not control but ordering of the group, organizations and society...The Sinic corporate leaders have generally exhibited a sense of obligation and responsibility for the lives and emotions of their subordinates...Bureaucracy is not used to control and dominate but to order and create discipline” (p. 262). However, in the same paper that they present this “closed door” theory, the authors also offer this analysis: “The search for consensus and involving employees in both decision making and implementation is a hallmark of Sinic way of managing (sic)” (p.261). They state that Asian organizations are “participative” and “horizontal.” This is contradicted both by their own aforementioned “closed door” analysis as well as by other anecdotal and case study evidence of the way Chinese-dominated hierarchal organizations are run. For example, in Worm’s study of Chinese-Scandinavian joint ventures (1997), the author details how decision making in Chinese organizations is purely top-down and authoritarian, while responsibility is collective—creating an unfortunate situation where decision makers are not held accountable for their decisions, while middle managers are powerless and seek to avoid getting into trouble.

Without citing any specific research to confirm this, Haley and Tan (1999) aver, seemingly anecdotally, that Chinese-dominated firms depend on a network of friends and government officials for information – a notion suggesting the possibility that East Asian firms adapt through an inter-organizational network of contacts. They also acknowledge the possible severe limitations of such an approach. Redding (1990) and Worm (1997) both describe an extreme lack of information flow from bottom to top. Redding also notes a lack of quality market research information for the Asian region, thus fostering a purely “intuitive” approach to decision-making from top management. He also states, consistent with the notion of high power distance that virtually all decisions are made by top management.

The existing literature on East Asian organizations gives no conclusive view on how and if these organizations adapt. On the other hand, the literature on East Asians in general suggests that they may be extremely adaptive people. Pye's chapter from *Culture Matters* (Harrison & Huntington, 2000) describes how the Chinese try to "make" their own luck, constantly scanning the environment for opportunities to turn fortune in their favor. He writes that the "role of fortune makes for an outward-looking and highly reality-oriented approach to life, not an introspective one" (p. 249). Perhaps this could lead to a greater adaptiveness for Asian organizations, but the power distance, information flow, and top-down decision making suggested by some of the literature on organizations suggested the opposite could occur as well. Individual adaptive inclinations may have to be distinguished from adaptive organizational practices.

It should also be considered that there may be a difference in terms of an organization's size, since, as Redding (1990) notes, Chinese firms are often able to adjust matters like their product offerings with amazing speed. He attributes this to their often small size and authoritarian, dictatorial structure, which increases efficiency. However, it seemed reasonable that such advantages may evaporate when it comes to larger organizations, since the very dictatorial approach which increases efficiency in a small company may be outweighed by communication problems and difficulty accessing important information from those who are more connected to different parts of the organization and its external environment.

Although not addressing China, Hampden-Turner and Trompenaars (1993), describe United States organizations as "inner-directed," contrasting with, for example, Japan, which belongs to a group of nations that "can adapt fast to an environment changing before their eyes." They can do this, the authors claim, because they "keep their antennae tuned to the outside world" (p.49). Hampden-Turner and Trompenaars do not define this trait according to an East-West divide; Holland and Sweden, for example, are put into the same category as Japan. So it was not clear into which category Chinese-dominated organizations might be placed, especially given the structural issues already mentioned; nor whether the authors' claims would entirely hold up to a detailed analysis of the specifics of corporate decision-making processes in Asia.

## **Power Distance**

### Power Distance in International Business Research

Hofstede (1980) introduced the concept of power distance, and he defines it as “the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally... It suggests that a society’s level of inequality is endorsed by the followers as much as by the leaders” (geerthofstede.com). The last sentence is slightly problematic if taken literally. According to this definition, a society with an extremely egalitarian distribution of power would be considered high power distance if the followers endorsed the low level of inequality as much as the leaders did. However, we may reasonably assume that the definition is intended to describe endorsement of existing high inequality by followers, not endorsement of existing low inequality.

Power distance, and its associated endorsement of power distribution highly skewed toward the top, may present issues about decision-making dispersal, information flow, and the source of environmental feedback. In terms of the prevalence of high power distance in Asian organizations, both the literature and anecdotal evidence strongly suggest its presence. As noted, Hofstede (1980) introduced the concept of power distance, and his country ratings remain the standard reference on the subject. He rates all East Asian countries as having high power distance. A dissonant voice has been raised by the GLOBE studies (House et al., 2004), which claim China, for example, to have no more power distance than western countries like Great Britain and the United States. In fact the “Anglican” group of countries is rated to have the highest power distance practices of any culture in the world. Nonetheless, it is worth noting that anecdotal evidence from those who have had the experience of working for both Asian and Western organizations would seem to cast serious doubt on this assertion. A methodological flaw seems likely to be that direct questions were asked of people in each country to rate their organization’s level of power distance. Since most of the respondents are unlikely to have had any experience working outside their own countries, it would be extremely difficult for them to rate either their organizations or their societies relative to others. Thus, Chinese employees might have perceived their organizations to be average in power distance relative to other companies they had worked for. And they likely had little basis for comparison in questions which asked them to rate the power distance of their societies as a whole.

Hofstede himself pointed this out in response to the GLOBE study, stating that “asking ‘as is’ questions basically assumed that these people were in a position to compare their societies with other societies. This assumption, I believe, is naïve – it takes international experience plus

an unusually open mind to produce anything like a credible comparison between one's own society and others" (Hofstede, 2006, p. 886). In the GLOBE team's response to this critique, they state, "We find this assertion perplexing. At no time did GLOBE ask the respondents to compare their societies to others... There was no reference to other cultures." (Javidan et al., 2006: p.900). This rebuttal may not be persuasive however, since most of GLOBE's questions require implicit comparison to something. As Smith (2006) notes, "Faced with a series of Likert rating scales, a respondent needs to employ some frame of reference in order to judge what is high and what is low (Heine et al., 2002)... characterizing one's nation is... problematic, because suitable comparators against which to make judgments are either going to be less well known or less relevant. Russians, for instance, rate themselves as generous, rash and impractical, whereas others rate them as serious, hardworking and persistent (Peabody & Shmelyov, 1996)" (p. 916).

### Power Distance in Confucian Philosophy

Although no assumption should be made that an ancient philosophical system necessarily determines modern East Asian business practices, some discussion of Confucius seems appropriate, given the historically vast influence Confucius has had on Chinese culture, and as noted, the strong influence of Chinese culture on the rest of East Asia, particularly in the area of business. Several major themes emerge in Confucius's writings of relevance to the subject of power distance. First is the assumption that humans do possess higher and lower (unequal) ranks and that this is appropriate, with different realms of responsibility and different protocols of appropriate behavior for each rank. This ranking system begins in the home, and then continues out into the world. Confucius emphasizes that different ranks of people are suited for different tasks and scopes of responsibility. "The Master said: 'A man of the higher type may not be distinguishable in minor responsibilities, but he can undertake great ones. An inferior man can not undertake great responsibilities, but may be distinguished in minor ones'" (Analects, Book 15, Chapter 33). One can see potential implications from this regarding management protocol. In terms of communication and decision-making authority, the following is instructive: "The Master said, 'He who does not occupy the office does not discuss its policy'" (Analects, Book 8, Chapter 14). Regarding inter-level communication, Confucius is quite specific: "Confucius said: 'There are three errors to be avoided when in the presence of a superior: To speak before being called upon, which may be termed forwardness; not to speak when called upon, which may be

termed reticence; and to speak before noting his superior's expression, which may be called blindness'" (Analects, Book 16, Chapter 8).

Confucius emphasizes the important of rank and adherence to behavior suitable to one's position. He never questions the appropriateness of having a top echelon extracting full obedience from those below, and he assumes that influence is a top-down process, with those above shaping the behavior of those below. However, a recurring theme is the duty of those at the top behave in a morally righteous manner. Without correct behavior from those above, they lose their entitlement to rule, and the lower ranks become disobedient. It would seem that high rank and obedience from others is something which must be earned.

Of particular relevance to the subject of strategic adaptation, and how this seemingly high power distance structure may or may not affect lines of communication and feedback from subordinates, is the following intriguing quote:

"The disciple [Zengzi] said, 'I have heard your instructions on the affection of love, on respect and reverence, on giving repose to (the minds of) our parents, and on making our names famous; – I would venture to ask if (simple) obedience to the orders of one's father can be pronounced filial piety.' The Master replied, 'What words are these! what [sic] words are these! Anciently, if the Son of Heaven had seven ministers who would remonstrate with him, although he had not right methods of government, he would not lose his possession of the kingdom; if the prince of a state had five such ministers, though his measures might be equally wrong, he would not lose his state; if a great officer had three, he would not, in a similar case, lose (the headship of) his clan; if an inferior officer had a friend who would remonstrate with him, a good name would not cease to be connected with his character; and the father who had a son that would remonstrate with him would not sink into the gulf of unrighteous deeds. Therefore when a case of unrighteous conduct is concerned, a son must by no means keep from remonstrating with his father, nor a minister from remonstrating with his ruler. Hence, since remonstrance is required in the case of unrighteous conduct, how can (simple) obedience to the orders of a father be accounted filial piety?'" (Xiao Jing, Chapter 15).

This quote serves as an interesting contrast with the previously-mentioned statement made by Confucius in the Analects: ‘He who does not occupy the office does not discuss its policy’” (Analects, Book 8, Chapter 14). Perhaps we may gather that the latter statement is applicable when the leader is following the right course, but not when he has deviated from it. As in other aspects of leadership, the ruler forfeits the rights of usual obedient conduct from subordinates when he has failed to earn it. In such a case, usual protocol must be abandoned in order to ensure the survival of the existing order. From an organizational standpoint, it suggests at least that when an organization is on the brink of disaster, subordinates must remonstrate with their leaders. Whether they should do so in less serious conditions, and the judgment of what would constitute a sufficiently serious condition to do so, would seem to remain a grayed question.

As noted, we should not assume that an ancient philosophical system necessarily informs modern East Asian business practices. But this philosophical background, combined with more modern research on cultural values by researchers like Hofstede, strongly suggests that East Asian organizations and cultures are likely to have greater power distance than those in the West. Additionally, Confucius’s particular focus on the proper protocol between superiors and subordinates, as well as his warnings about a leader who does not receive the benefit of “remonstrance” from those below him, seems to tie in very closely with issues of interest to the strategic adaptation field. It would seem that even thousands of years ago, Confucius may have shared our concerns about what a top-down management approach might engender if such an approach inhibited a community’s ability to correctly change course.

### **Implications of Literature for East Asian Firm Adaptation**

If adaptation does indeed take place in Asian organizations, and assuming that high power distance would preclude (or at least reduce) decision-making autonomy from lower and middle level management, then it must be asked how it is possible for these firms to adapt. Given the lack of clarity in the literature on East Asian firms regarding adaptation, we must rely on deductive reasoning to arrive at a series of propositions. And by necessity, these propositions must reflect the broad range of possibilities required by a body of literature of which the most pronounced feature is its ambiguity.

The first and most obvious proposition must center on the lack of evidence (in either direction) for East Asian firms adapting at all. While the notion of zero adaptation seems extreme and unlikely, given the inherent possible conflicts, as discussed, between power distance and bottom-up adaptation, consideration must be given to the notion that East Asian firms are at least strongly compromised when it comes to their ability to adapt. Thus:

**Proposition 1: East Asian Organizations may not be strategically adaptive**

If the above is valid, given Andersen and Nielsen's (2009) finding that strategic adaptation is positively correlated with firm performance, this could have quite ominous implications in terms of suggesting a cultural limitation on East Asian businesses' collective success. However, other means of adaptation seem possible if we turn our focus to information accessible from the outside of the organization:

**Proposition 2: Top management in East Asian organizations may make strategic changes based on information from other top managers in its network (or business group)**

**Proposition 3: Top management in East Asian organizations may make strategic changes by relying on market research data**

Both of the above, especially if used together, would certainly allow for some adaptability. And neither of these intrinsically involve granting their subordinates any decision-making power. Haley & Tan (1999) suggest that East Asian organizations may engage in activities congruent with Proposition 2. On the other hand, Redding (1990) suggests that using market research data is uncommon, casting doubt on Proposition 3. Of course, another clear source of information is simple sales figures. No intra-organizational protocol, aside from outright deception, should stand in the way of top management gaining access to valuable information in the form of revenues. Poor sales performance should lead to adaptation, although targeting the reason for the bad performance could be difficult without the active involvement of lower and middle level managers, and thus make it hard to determine in what direction and manner the firm should adapt. Nonetheless:

**Proposition 4: Top Management in East Asian organizations may make strategic changes based on market forces (in the form of sales data)**

In terms of information flow within the organization, there seems no intrinsic reason why lack of autonomy from middle and lower managers should inhibit the ability of top management to retrieve information from them. Therefore:

**Proposition 5: There may be social mechanisms in East Asian organizations whereby top management regularly communicates with lower and middle level managers for the purpose of procuring information, while withholding decision making power for themselves.**

However, Worm (1997) and Redding (1990) both believe (at least during the 1990s at the time they were writing) that there is a severe lack of information flow in Chinese firms, which could make Proposition 5 unlikely. Of course, in the absence of any outside input at all, it could still be speculated that East Asian firms adapt without recourse to any externally derived information:

**Proposition 6: East Asian firms may adapt through pure intuition**

Finally, despite the extensive and persuasive literature we have discussed arguing for the existence of high power distance in East Asia, we can still consider the possibility either that it does not really exist there or that what seems logical in theory is not actually manifested in business practices. If this were the case, lower and middle level managers would have autonomy and would be active decision-makers in response to environmental information. Thus there would be no contradiction between behavior and the potential for adaptation; in this case the power distance literature would need to be amended to account for the fact that it is not predictive (at least not in a way that is discernible a priori) of East Asian business practices. In this case:



**Proposition 7: High power distance may not actually exist in East Asia**

Or:

**Proposition 8: High Power Distance may not be predictive of low autonomy and decision-making power of lower and middle level managers**

Any combination of Propositions 2-8 could offer some explanation for the possibility of East Asian firm adaptation. However, if the firms are limited to Propositions 2, 3, 4, and/or 6 – whereby Asian managers only adapt based on these three sources of information (or “inspiration” in the case of the Proposition 6) East Asian organizations may seem to be at a major disadvantage compared with Western firms. At least this would be the case if indeed environmental adaptation is as crucial to strong performance as Western scholars seem to think it is (Andersen & Nielsen, 2009). Not accessing any significant feedback from those closer to the “front lines” would seem severely to limit the factual basis from which strategic adjustments might be made. In the case of Proposition 5, if it were found that Asian firms are able to adapt based on information, but not autonomous action, from the bottom up, that would suggest that the adaptive strategy literature would need to be amended to account for an alternative adaptation style in the East. On the other hand, if Propositions 7 or 8 held true, the literature on power distance would need to be amended, either to reflect skepticism for its existence in East Asia or to reduce our assumptions about its translation from theory into actual business practices.

For the purpose of theoretical completeness, we have listed possible propositions which may be derived from the literature and/or from deductive reasoning. Because the literature is so inconclusive on these points, that means our propositions are wide ranging and do not seem to point in any definitive direction. However, the reader may well dismiss some as unlikely. Proposition 6, for example, the notion of adaptation by pure intuition without recourse to evidence, may seem intrinsically absurd. We would tend to agree. However, it is interesting to note that during the course of our research we came across a minority of firms which relied on Chinese belief systems to help them make strategic decisions. This included bringing in Feng Shui specialists for guidance on what new business practices to initiate and setting prices according to Chinese lucky numbers. While we would not classify this as “intuition,” it does

demonstrate the importance of keeping an open mind in advance of conducting the research. Proposition 7 may also seem unlikely, given what we have discussed of the compelling reasons for assuming the existence of high power distance in East Asia - although not necessarily a definitive picture of how it may or may not be manifested.

Proposition 1 is an extreme wording; but we would suggest that the possibility of inhibited adaptation is certainly worthy of consideration, given the ambiguities of the literature. And this possibility provides a major imperative for conducting the research.

## **Methodology**

The review of the literature gives us no definitive picture of how East Asian firm adaptation is even possible, given the contradictions inherent between the bottom-up requirements assumed to be necessary for adaptation to occur and the issues of power distance and implied lack of autonomy for lower and middle level managers. We have put forth 8 propositions for East Asian firm behavior, running the gamut from adaptive to non-adaptive to extremely limited in adaptive potential, as ways of reconciling these contradictions. However, finding at least one example of East Asian firm adaptation would help us to move beyond speculation to delineating a more detailed picture of how this adaptation may occur. Although a study of one East Asian firm could be sufficient to fill in the theoretical hole we have addressed – how is it possible for an East Asian firm to adapt, given the bottom-up requirements assumed by the strategic adaptation literature? – we take our cue from Mintzberg’s (1978, 1985) original qualitative work. He uses what Tracy (2009) refers to as “maximum variance” sampling, using a small but incredibly broad range of examples across vastly different industries – from the airline industry to the film industry to the U.S. government’s handling of the Vietnam War – to illustrate the underlying logic applicable to all (although, crucially, none from high power distance societies). By focusing on one particular country or industry or type of firm, we may have risked only uncovering the peculiarities of a particular industry or country rather than the common high power distance context that was the object of our investigation. By providing data from our research on 14 organizations which all share East Asian locations and consequent high power distance culture, we hope to find patterns that transcend the particulars of industry and other idiosyncratic firm attributes – with the intention not of generalizing to all of East Asia, but rather of generalizing to theory.

We should emphasize that the cultural differences between the countries in East Asia are no doubt great. By lumping them together, we are not suggesting that this is a culturally homogenous region. But since our research goal was to look at how strategic adaptation in a high power distance context is possible, looking at a broad range of East Asian countries helped us to find varied examples that did not merely represent the idiosyncrasies of a single East Asian country.

In keeping with this, it should be noted that we did not assume that power distance would necessarily manifest itself in the same way across all the countries in our study. In line with our Proposition 8, the element of power distance that was the most pertinent to our research question – the potential constraints of a high power distance context on the autonomy of middle level managers – was something we were interested to investigate, regardless of whether behavior within these constraints or the constraints themselves were uniform or varied amongst our sample. As our research question was “How is it possible for East Asian firms to adapt in a high power distance context?”, any examples of adaptation or non-adaptation, and any similar or varied manifestations of power distance, were all of potential interest to us for the purposes of answering the question.

Brannen & Salk (2000) note that culture has been conceptualized in a variety of ways across different research studies, including as a contextual variable, an explanatory variable, and a dependent variable. Our research treats culture as the context within which adaptation does or does not occur. Looking at Webster’s Dictionary definition of culture (“The integrated pattern of human knowledge, belief, and behavior that depends upon the capacity for learning and transmitting knowledge to succeeding generations” (merriam-webster.com)), our study is a depiction of patterns of behavior – although our respondents often attributed their behavior to knowledge and/or beliefs. Similarly, Brannen & Salk (2000) conceptualize culture (at the national level) as “sources of values, meanings, and norms,” although in their study of intercultural international joint ventures , these sources serve as an “anchor” or “point of departure,” in light of the unique organizational culture which is created through the interplay of people from different cultures (p.458). Again, “norms” may be the visible component of culture, similar to “behavior,” but these norms may be influenced by values and meanings. In our study, we cannot know whether or not the behavior we observed is a manifestation of power distance, only that the concept of power distance a priori may suggest a constraint on managerial

autonomy which could make organizational adaptation problematic. Our purpose was not to discover a causal link between power distance and some other variable, which would have required isolating power distance and controlling for other variables, but again, to discover how adaptation may or may not be possible in a high power distance context. If we had observed, in keeping with our Proposition 8, examples of East Asian organizations where lower and middle level managers were granted high levels of autonomy, then one answer to this research question would have been that adaptation is possible by means of this high autonomy – an autonomy which could exist, according to our data in this hypothetical scenario, even in a culture which is ostensibly high in power distance.

Interviews were conducted with professionals, mostly middle and lower-level managers<sup>1</sup>, from 14 East Asian organizations across 6 regions (Taiwan, Thailand, Singapore, Hong Kong, Mainland China, and Cambodia). All of the regions in this sample are rated by Hofstede as having the high power distance which form the basis for investigating firms in these locations. The goal of the study—to find out how and if East Asian organizations adapt—was best achieved through semi-structured interviews. There were key topics that needed to be addressed, however the inductive nature of the study meant that it was necessary to keep an open mind and to keep presuppositions to a minimum. The goal was to learn from respondents facts of which no one was aware prior to the study. Given that nobody has yet researched this topic in the East Asian context, the answers of respondents were likely to be surprising, and might even have fallen completely outside the realm of what could have been considered beforehand as possibilities for how Asian organizations plan and adapt, even on a conceptual basis. Therefore an unvarying list of questions in advance of the study would have needlessly constrained the insights to be gleaned, and would not have considered that the respondents might have a much better grasp of basic structural issues which the researcher might have been wrong to assume had already been determined.

Easterby-Smith et al.'s (2012) description of a “topic guide” was followed as a means of keeping the interview on track while allowing for extensive flexibility. “Although [researchers]

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<sup>1</sup> Some top management was included in this study, and the different managerial levels did not contradict each other in terms of this study's findings. A study which relied primarily on top management for answers to these questions would have been unlikely to procure the candid and occasionally unflattering details of organizational life which were uncovered. Additionally, lower and middle managers were in the best position to describe their level of autonomy and their involvement or non-involvement in the strategic planning and adaptation process.

are to some extent tied to their frameworks, they should not be ‘tied up by them.’ One way in which this can be achieved is to prepare a checklist, sometimes referred to as a topic guide, which can be used as a loose structure for the questions. Although there may be some deviation from the sequence in order to follow interesting lines of inquiry and to facilitate an unbroken discussion, the interviewer should attempt to cover all the issues mentioned” (p. 127). Appendix A includes examples of some preliminary questions, with a label next to each one defining under which topic it falls. Most questions attempt to identify observable phenomena—the frequency and subject matter of meetings, the inclusion of organizational members in planning, the incentive systems, the rituals and procedures of organizational life. Some broader questions were also included near the end of the interviews, in order to tap any possible unconsidered insights from respondents.

It should be noted that although individuals were interviewed, the individual was not the unit of analysis. The unit of analysis was organizational practices (formal and informal)—but as organizations are comprised of individuals, only they could tell us about these practices.

The sample approach, for strategic reasons, incorporated a fusion of three different types of sampling plans as identified by Tracy (2013). Because this was an investigation of East Asian organizations, the approach used was a “theoretical construct” sampling plan, to the extent that a sample was chosen which helped to fill in a gap in the existing theory on organizational planning and adaptive behavior. Existing theory rests on Western cultural assumptions to explain firm behavior, ignoring conditions peculiar to the East, so it was necessary to specifically target East Asian organizations to fill in this research gap and to answer the research question. However, within the broad category of East Asian organizations, a “maximum variance” sampling plan was used, as noted earlier. The goal was to research patterns which transcended particulars of industry and other firm-level variables, and to make sure that respondents were not overly similar to each other in terms of their positions within the organization, to provide multiple perspectives. Therefore professionals were interviewed who were either directly involved in or in a position to observe managerial planning and adaptation practices (mostly middle and lower level managers) across a broad range of departments, in companies extremely varied in industry, size and location. The central research question of this study is not presumed to be industry-specific, and Mintzberg (1978, 1985), as noted, has studied an extremely wide range of types of organizations to make claims for his original theory—from film companies to the airline industry

to the U.S. government's escalation of the Vietnam War. The industries included in our sample were clothing, banking, brokering, engineering contract work, telecommunications, oil & gas, logistics, and luxury products. Since some research on East Asian organizations, as noted earlier, attributes Asian firm flexibility partly to the small size of many of them, firms of widely varying sizes were also included in the sample. Nielsen and Andersen (2009) suggest that middle level marketing managers may be more likely to participate in strategic planning, but Scott (2007) notes the increasing dominance of finance managers in corporate strategy. In either case, both departments are well represented in this study.

The rationale for a maximum variance sample, in all respects except for the shared high power distance context which as discussed was for "theoretical construct" purposes, is therefore the same as for Mintzberg's original work: to find commonalities, patterns, and an underlying logic which transcends the particulars of industry, firm size, etc. We thus do exactly the opposite of what we would do if we were trying to analyze the effects of an independent variable. Instead of looking for differences between firms caused by one changing variable while all other variables remain constant, we look for similarities between firms in which all variables, except for the high power distance context, are heterogeneous. Any patterns which can emerge in the midst of such diversity of industry, size, etc. are likely not peculiarities of a particular industry or other idiosyncratic factor, but we hope are closer to the broader truths Mintzberg was trying to uncover. As noted, we conceive of a high power distance society as a context not as an independent variable. However, a high power distance context may impose certain constraints, and our aim was to examine how it may be possible for firms to adapt in such an environment.

Finally, "snowball" sampling was used for practical reasons, but with the goal of achieving the aforementioned sampling plans: maximum variance within the category of East Asian organizations. To reduce the major problem of snowball sampling—the tendency of the "snowball" to collect respondents which are overly similar to each other—Tracy's (2013) proposed solution was used: recruiting "a handful of participants who represent a maximum variation, and then...generat[ing] several smaller snowballs from that diverse initial sample" (p. 136). Given the research question and that therefore only professionals at East Asian organizations were relevant, nonetheless the sample began with representation from three different East Asian countries and several different types of companies, respondent departments, and job functions. In the end, data was collected on 14 organizations in 6 regions (Taiwan,

Thailand, Singapore, Hong Kong, Mainland China, and Cambodia), from respondents, mostly middle and lower level managers, representing a broad range of departments (finance, accounting, marketing, human resources, sales and technology). 10 of the organizations were East Asian-owned, and 4 were Western-owned. Western-owned firms were included to note any similarities to or differences from the patterns observed in firms owned by East Asians. As noted, all of the regions in this sample are rated by Hofstede as having the high power distance which form the basis for investigating firms in these locations.

In keeping with the previously described heavy Chinese dominance in East Asian business, all of our respondents were of at least partial Chinese ethnicity. This was true despite having started our aforementioned “snowball” sampling in 3 separate countries, and having made no active attempt to seek out respondents based on ethnicity—only based on region. In some cases, the Chinese ethnicity was not discovered until after the interview had commenced. Interviews were conducted by one of the authors who has lived and worked in several East Asian countries. In most cases, the English level of the respondents was sufficient to conduct the interviews entirely in English. When interviewing respondents from mainland China, a Chinese translator was used.

Given the relatively indirect manner by which East Asians often communicate, the interviewer stayed attuned to subtexts and nuances, often probing deeper and asking for clarification when any ambiguity seemed to exist. The interviewer would frequently check to make sure his understanding was correct, and ask for verification from the respondent. He would also try to bring to the surface a direct statement where previously only a hint or an allusion may have been made. And he would confirm with the respondents that they had properly understood the question if there was any doubt.

Given the importance of trusting relationships for gaining cooperation in East Asia, “snowballing” was used so that one respondent could enlist another potential respondent. Respondents seemed remarkably forthcoming and cooperative with the interview process. The interviewer at the same time was careful never to probe for information that was irrelevant to the research aims. Anonymity was assured for both the respondent and the company. Most of the beginning and middle of all interviews were spent discussing details of company processes without alerting respondents to the overall concepts which were being investigated. This was done so as not to fill respondents with preconceived ideas that might render the interviews a

mere discussion of abstractions, rather than letting the details of company life speak for themselves. We also wanted to avoid “auto-stereotyping” (Heine et al., 2002), the tendency of people to stereotype about their own nationality, despite the unlikeliness that they would have suitable comparators against which to make such generalizations. However, to glean any unconsidered insights from respondents, more general questions were asked toward the end of interviews in order to elicit more of their thoughts and interpretations on the concepts under investigation.

All interviews were recorded and transcribed. They were analyzed and coded, using a “thematic” analysis (See Braun & Clarke, 2006, for example). The interview data were read all the way through, and then re-read and carefully scrutinized for recurring themes. As it happens, and perhaps unsurprisingly, the broad themes divided into categories which had already been identified as the main areas of investigation in advance of data collection: Autonomy (discerning how and if presumed power distance affected the planning and adaptation process), Making Plans, and Changing Plans (Adaptation). Although the research was inductive and flexible, no surprising themes emerged in terms of the broad categories, despite efforts to locate any. However, once the interview data was divided into these categories, sub-themes within each category were identified and analyzed, with often surprising content, and these are described in detail within the text of the results sections.

The goal was to identify commonalities amongst the organizational stories, while making note of any important nuances, differences, and exceptions, in order to increase the potential for being able to generalize to theory, as well as to properly qualify any such generalizations. As Jick (1979, p. 607) notes, divergence can often be an opportunity for enriching the explanation. The multi-case format was well-suited for these purposes (Eisenhardt & Graebner, 2007). In dividing up the interview transcripts into each thematic category, care was taken to copy the entire surrounding dialogue into each section, so as not to rob quotes of their context in the re-reading. Data from all 14 organizations were thus re-read and scrutinized within each thematic category, making note first of what commonalities emerged across organizations, and then noting any nuances, variations, and exceptions if they existed.

Consistent with the protocol of the time, Mintzberg (1978, 1985) does not feel compelled to describe in mechanistic terms the analytical process by which he arrived at his enlightening and enduring insights. Although this paper’s data analysis process is more transparent, similar



care was taken not to neglect what Nayak (2008) describes as “the role of imagination in theorizing” (p. 185). In fact, the opportunity to make use of the human instrument is a major advantage of having conducted the research qualitatively. McCracken (1988) writes, “In qualitative research, the investigator serves as a kind of ‘instrument’ in the collection and analysis of data” (p.18). He adds, “The process of detection is hard to mechanize...” and he describes “find[ing] (or fashion[ing]) a match for the patterns evidenced by the data” (p. 19). This indeed seems a congruent and appropriate frame of reference to match Mintzberg’s (1985) search for “patterns in streams of organizational actions” (p. 272).

## **Results**

As noted, the broad themes analyzed and confirmed to discover how (and if) East Asian firms adapt were Autonomy, Making Plans, and Changing Plans. Since the strategic adaptation literature assumes that adaptation occurs as a result of the autonomous actions of middle and lower level management, the level of autonomy of Asian managers would have a direct bearing on how and if these firms adapt. Changing Plans is of course the theme which captures the actual change process, but Making Plans is also relevant, because lower and middle level management’s (non-) involvement in this process provides the initial context from which subsequent changes either occur or do not occur.

### Autonomy

High power distance would suggest that lower and middle level managers would have low autonomy (again, Hofstede’s definition of power distance: “The extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally”) (geerthofstede.com), and this assumption was, overall, not contradicted in our study. A number of managers on initial questioning averred that they had a high level of autonomy, but on detailed probing of the specifics of what decisions they were authorized to make without pre-approval by top management, it was found there were very few which fell into that category. The great majority of the responses stated that pre-approval from the top was necessary, so it is important to pay particular focus to the exceptions to the rule – the few responses where some level of autonomy seems to exist, so we can try to determine whether it is possible that these could have any effect on changing the firm’s strategy.

For example, the Head of the Marketing division for a small Taiwanese clothing company said, “I can make decision which salesperson or saleswoman I want to hire or don’t hire.” She also has the authority to reject potential clients (which she might do, if for example, she was concerned the outlet would sell the products at too low a price). However, for any other decision, including trying or introducing a new product, she needs approval first.

This response from a lower-level Finance Manager at a large Taiwanese bank was typical of many: “It depends. If it’s a big thing, then we have to check with the supervisor to make sure that the supervisor knows and...you know...they have to know and to make the decision. If it’s just small things on a regular basis, then normally we can just make our own decision, it doesn’t really matter...It depends on how important that thing is.” Many respondents gave an answer like this on initial questioning, and it was left to the remainder of the interview to discern what constitutes a “big thing” and what is considered a “little thing.” In the case of this respondent, big things were “what” to do, and little things were “how” to do it:

“Just like when we have a project with another company...let me see... We know that we want to build a model, and the model needs to be very accurate. As to how...My supervisor would say, ‘I want the model, and I want it to be accurate, and I want to make sure it works,’ and that sort of decision she makes. But how you build the model and how you work with the other company as a consultant; and how you gather the data, how you analyze—there are lots of possibilities and various ways to do it. For those parts, we don’t need to ask our supervisor... So she just wants to see the results. ‘Okay, this is what I want.’ For how you build it or something, she doesn’t care. So those are the parts we can make our own decision.”

An Incubation Program Manager, who previously worked as a Product Manager, at a large telecommunications company, said that “You mostly have to check with your chain of command.” He says that internal rules and policies are set “mostly set from the top, HR side.” For decisions in his division, he states that the amount of money at stake is a determinant. “Something that involved about [\$9,000 USD] doesn’t need top approval. Something that goes out more than, what, I would say [\$15,000 USD] or [\$30,000 USD] then you need formal approval.”

The Technical Director for an engineering SME initially said, “For right now, I can make all the decisions.” But she immediately added, “But I have to discuss with my supervisor, Managing Director. For example, quotations. The price, how to make the price, I need to discuss with him... I’m free to make decisions, but I have to discuss with them.” When asked if she

would be free to start a major marketing activity without getting the approval first of the Managing Director or the owner, she replied, “Oh, of course not... We have to report them. I mean, anything we want to do actually (laughter)...” She states however that internal HR policies are set by the Technical Director, below the level of top management. Similarly, one other company, a Singaporean medium-sized logistics company, was found to have internal HR policies determined by the head of HR, and not necessarily subject to pre-approval by the very top.

Among Asian-owned firms, therefore, the exceptions to pre-approval of all decisions was a Head of Marketing who was free to hire her own salespeople and reject potential clients, an investment manager who could initiate investment decisions costing less than about \$9,000 USD, a lower level finance manager at a large bank who could determine how to build financial models with bank clients, but not the goals or purposes of such models, and some autonomy of HR policies from the Head of HR departments. The default in all other cases was pre-approval from top management. Most notably, there is an absence of any autonomy which appears to be strategic in nature. The investment manager who can initiate projects costing less than \$9,000 USD perhaps has some potential for autonomously affecting strategy. But considering the very large size of the telecommunications firm he works for, any project with such a price tag may be considered negligible on the scale of this company’s annual revenues and budget.

Things become somewhat more nuanced and interesting when we look at the four Western-owned firms in this study. Three out of four of these firms have an overwhelming majority of Asian employees, despite the Western ownership. But for one German-owned banking firm in Taiwan, the majority of employees are Western – primarily American-born Chinese (“ABCs”). This firm alone displays a level of managerial autonomy entirely at odds with the other firms in the study. According to a lower level Finance Manager:

“In the end I felt freedom. But in the beginning I was very scared. Because... Taiwanese do not like the autonomy. We don’t know how to do that. Please do not give me so... But if I getting used to my job, I hope I can get more... So in the end I feel... That’s the most difficult thing for us...” She adds, “The higher level managers] don’t care. They’d just say, ‘Finish your thing... by your way. It’s okay.’ They are very flexible that way.”

This picture is particularly interesting in light of the fact that the manager directly above her was Taiwanese. Yet, whether coincidental or not, this firm – the only one in the sample with a majority Western employee base – displays a strikingly different attitude regarding autonomy, even amongst managers who are Taiwanese. It could be speculated that a “tipping point” has been reached in the managerial population, such that with a Western majority, even local managers begin behaving differently, as our respondent eventually learned to. It is also notable that despite the extensive (mostly Western) literature detailing the desirability for employees of increased autonomy, that the respondent expressed primarily discomfort and dissatisfaction with this arrangement, particularly at first. She also notes that the turnover rate amongst local Taiwanese employees was extremely high – the only Taiwan-located company in the sample (Western-owned included) for which this was true.

Additional color is provided by the Marketing Manager of a French luxury goods company in Cambodia, with a majority Asian population. As was typical of the respondents, he began by stating that he has a high level of autonomy, but further probing placed qualifications on this statement: “All [my decisions] need approval. But it’s all like...Because every quotation I approve, [the top manager] needs to sign.” His description suggests that although the respondent technically does not have autonomy (reference Webster’s dictionary definition of autonomy as “self-governing”) he is clearly not without influence. Everything must be communicated and approved, but he nonetheless may have an effect on corporate strategy, since he avers that the top manager usually approves his decisions. However, this is a Western-owned company, so this initiative on the respondent’s part should not necessarily be assumed to apply to Asian-owned firms.

Given the need for pre-approval for virtually every decision made by the respondents in this sample, it needs to be asked whether Mintzberg’s (1978, 1985) idea of an “emergent” strategy is really possible. And in the absence of such emergent strategies, how does the firm adapt? Or does it?

Referring back to our propositions, while it may be possible that Proposition 8 is correct—that high power distance is not predictive of low autonomy and decision-making power of lower and middle level managers—we did not find any examples among Asian-owned firms to explore and flesh out this possibility. Instead, every example was congruent both with the assumption that high power distance exists in the East Asian context (thus rendering Proposition

7 unexplorable as well), and that such power distance is predictive of restricted managerial autonomy.

This leaves us with the other two themes on this topic - Making Plans and Changing Plans - to try to flesh out how a generally low level of managerial autonomy below top management may hinder or not hinder strategic adaptation.

### Making Plans

Most of the respondents stated that their companies had plans of some sort. What was clear was that initiatives from middle and lower level management were not permitted for the most part, especially where anything more than a trivial amount of money was involved. Nonetheless, in most cases feedback was constantly solicited by top management from lower and middle level managers, as well as general employees, in the construction of plans.

The most interesting model of strategic planning – and the one where the involvement of middle level management was most direct and explicit – was found in a small Taiwanese clothing company. In this company, the heads of each department are required to devise a plan themselves, and then bring their plans to a meeting with the owner and all the other department heads. The Head of the Marketing Department states, “We need a formal plan... Any time I need to offer my idea to my boss. And I need to make plan to my boss. And boss will say, ‘Okay,’ ‘It’s not okay.’ We will have a meeting together, and we can discuss...Actually every year I make the plan – just two or four kinds of goods I feel we need to produce...and how to...” After creating the plan, her company “will have a meeting and discuss with other department heads to see if it works...All the departments they do have plans and submit to the boss.”

This planning model really does not fall under the category of the type of organic “emergent” strategy which Mintzberg (1978, 1985) describes as evolving from the autonomous actions of middle and lower level management. It is not spontaneous, and is entirely subject to approval by top management in advance. Nonetheless, it originates from the middle rather than the top, and is therefore a model where middle management plays a major role. It is reminiscent in some ways of the model used by the previously mentioned French-owned company in Cambodia, where the marketing manager was able to initiate marketing activities, pending the approval and signature of top management. However, this process is more formalized for the Taiwanese company, and is done in a more systematic, less ad hoc basis.

Although the Taiwanese clothing company provided the most explicit model of middle level managerial strategic participation, most companies in the sample followed a similar approach. Almost all decisions required approval by top management, but even though plans were not requested to be drawn up by those lower on the chain, their feedback was actively solicited.

A Finance Manager from a Taiwanese bank states, “The supervisor [Vice President of Consumer Banking] will pick some people who she thinks are very capable, who knows things better than all the others. So we are kind of like directly under her control...Because she picked us herself, we have a meeting with her every day. And every day [if] there are huge things happen, but basically it’s like weekly, yeah weekly basis.”

The respondent goes into more detail about the kinds of things they will discuss:

“Every day there is new data and new numbers come out. So I focus on why did something happen. If no products come out, are those products good enough to make a marketing plan...? How are we attracting the right customers? If you don’t find the right customer, you increase the default rate. So you have to find the right customer, right product, that comes out of the right data. So it both covers strategy and data analysis and marketing and financial analysis.”

In terms of the protocol for these meetings, the respondent states:

“We would give suggestions. But she has her own opinions, and she normally is very...insists on her own opinion...So she would consider our suggestions, but basically she has her decision already. So only if there are surprising data or surprising products comes out...Otherwise she would most of the time make the decision. She would hear what we said but she would make the decision on her own.”

So in most cases the Vice President will make her own strategic decision, but these (at least) weekly meetings suggest she is not making the decisions in a void without feedback or awareness of the perceptions of those in the lower and middle ranks:

“She was in the risk management area for like 20 years or something. She’s extremely experienced. Normally she knows everything about what the number means. Even when we haven’t figured out what that is, she already knows what that is already...So she just wants to make sure that what we do...I mean the data is what she expects. If it’s what she expects, then she’ll just make the decision.”

The respondent confirms that the goal making process is “top down,” and says, “Yeah, of course we have targets and goals...When it comes to targets and goals, it has to involve the supervisors. When we have a goal and target, normally on targets and goals, we can’t make our own decision.

Basically, yeah. It's only when things come out, it's not what we expected, then consult the...ask the supervisor."

The Incubation Program Manager (previously the Product Manager) at a large telecommunications company says, "We do plan everything in advance, but everything changes so fast, so we have to be adaptive to changes...Yeah, we do have like a weekly meeting with the Managing Director, the person who looks at the collection of the business units...So basically we have weekly meeting informing him of what's up. If there are things that need to be decided by him, and we will tell him." The respondent says that the Managing Director asks for feedback about how things are going, and they discuss planning and strategy. "Mostly we just have an overview, mostly discuss on a weekly basis, what we have to do, what happened this week which is good, what's not good, and how can we improve the next week."

In addition to soliciting feedback from middle level management, the respondent states that top management also communicates clearly to the rest of the company. So the communication goes both ways. "I would say it's pretty well communicated. We have external sessions where the companies meet up with the Head and then the Head will translate what the mission is, how well the company is doing, the business unit is doing, or what's the vision going forward..." Other respondents in the sample also reported good communication flow from the top to the middle and bottom. A Financial Officer at a Chinese Oil and Gas SOE, states, "They have the long-term strategy for the company. And this is the company's goal, so they will let every[one] know that, and make sure that everyone will work together to reach that goal."

A Human Resources Officer at a Chinese bank states:

"They have the strategic plan for the long-term development. For their own branches, they have the 5 year and also the 10 year plan. But the HQ in Beijing will also make the strategic plan for 3 years, 5 years, 10 years. So all the branches will make their own planning based on that – I mean, based on the plan from the HQ – and also combine their own situation to make a better strategic plan...They will have the meeting for all the employees to understand the company's strategic plan in the next 5 years, 10 years. I want to tell you it's very common in China, especially for the state-owned companies, almost every state-owned companies will gather the employees together about their strategic planning."

The respondent also describes a system where not only managers, but also "employee representatives" attend quarterly meetings with top management. "Not everyone will attend the quarterly meeting, because this organization is very large. So there are so many people in the

company, so it's not practical for everybody to attend it. Generally, the people from the province branch will attend it, and also some of the employee representatives will also attend it." In terms of what is discussed at those meetings, "they will mention about the strategic planning," however the managers "will listen what is the instruction from the HQ. And also they have team discussion about that. So they can also give suggestions and feedback to the HQ." The respondent notes that "employee representatives" can also give feedback.

So in our sample plans were primarily made by top management – and in some cases initiated by middle level management subject to pre-authorization by top management – with fluid communication between the managerial levels. However, employee feedback was not the only information sought by top management in designing their plans. The initial construction of the plans could also be determined by a response to market forces, advice from industry colleagues, and in a minority of cases, Chinese belief systems, such as Feng Shui and Chinese lucky numbers. A couple of companies, although a minority, made no specific plans at all, and at the outset, "planned" only in reaction to market forces. So since there was no initial plan, they simply tried something, and if it generated profit, they kept at it. If not, they changed to something else. A Finance Manager at a Singaporean logistics company described this as a situation where if something comes up, "then plan," rather than the other way around.

In summary, the companies in this sample tended to make plans based on a regular system of soliciting employee feedback. They also let strategy be determined by market forces, and in some cases solicited advice from industry colleagues. A minority of companies relied on Chinese belief systems to help determine some aspects of company strategy and business practices. Strategy was usually set from the top down, with plenty of feedback solicited from lower ranks. In cases where middle level management were allowed to come up with some strategic decisions of their own, almost all such decisions required pre-approval from top management.

Thus we can see that in the process of making plans, a fertile ground is laid for the possibility of Propositions 2,4, and 5. The next section goes to the core of the research question of whether it is possible for East Asian companies to adapt and change their plans and strategies once they have been formulated, given their high power distance context. And if they do adapt, how they go about doing so, given the apparent lack of autonomy and ability to take action by



middle and lower level management without pre-approval – which the adaptive strategy literature assumes is requisite in order for strategic adaptation to occur.

### Changing Plans (Adaptation)

Overwhelmingly, adaptive practices and changing plans were common among most of our sample. We cannot know how common this is across East Asia as a whole; but its prevalence in our sample demonstrates that adaptation is very much possible under conditions of high Power Distance and low autonomy of lower and middle level managers. Equally clear is that a major source of strategic change amongst our sample is a continual, fluid, and usually systematic flow of information from bottom to top. The method of communication flow varies slightly from company to company, but it is there in almost all cases. Thus, strategy changes not through the autonomous actions of middle and lower level managers, (“emergent strategy”) as the literature suggests it should, but through the autocratic adjustments made by top management, thoroughly informed in most cases by regular solicitation of feedback from those lower in the ranks. Additional sources of information influencing strategic changes made by top management are market forces (e.g. whether or not something is selling) and information/advice from industry colleagues. Thus, while strategic change is almost entirely the purview of top management, such decisions are not made in a bubble.

For the owner of a very small Taiwanese business in the clothing industry, strategic change comes from a continual process of trial and error, relying on market forces as the primary source of information. She also relies to a lesser extent on advice from industry colleagues. “Sometimes I will talk about with my friends, but most of the time I decide this for myself. Because at that time [when she was first starting her business] I just try to do it, so everything is new, is different for me... What season I wanted to sell, I tried some goods. Some goods I just tried them. If it’s good, I will continue. If the consumer don’t want to accept it, I will give up.” She states that she changes her plans based on market feedback, but there is no formalized timetable for making planning changes. If circumstances require a change of plans, then she changes her plans at that time in response to such conditions. An example is an original plan to open one new store every year – one which had to be modified in response to insufficient profits to support such a plan.

For larger companies, almost all reported a fluid process of inter-level communication as a major source of strategic change. An Incubation Program Manager at a large telecommunications company describes a continuous process of feedback:

“We do plan everything in advance, but everything changes so fast, so we have to be adaptive to changes... We do have like a weekly meeting with the managing director, the person who looks at the collection of business units, So basically we have weekly meeting informing him of what’s up. If there are things that need to be decided by him, and we will tell him... And I give my feedback to my manager and him giving to the Managing Director... Mostly because the working style of the Managing Director, he likes to involve everyone, right? So most of the time, like I said, the weekly meeting I’m involved in that as well.”

It is interesting to note that the power distance in Asia which seems to constrain autonomous actions made by lower and middle level managers does not appear to constrain such managers’ ability to express their views to those managers higher on the rung, as one may have erroneously predicted that it might. The same respondent describes the situation:

“Well first of all being in the Asian culture you have to respect your elders, right?... So basically if you show a sign of disrespect of any kind you won’t be... you won’t get... you won’t be praised, you won’t be approved of basically... but for my unit and myself the subordinate thing doesn’t get in the way. My manager or the managing director, the top boss, is pretty open... So he does try to encourage employees to raise their voice and show off their idea. But as an Asian company you do have to make sure that the way you project your opinion or your voice or whatever it is have to do it with respect. You shouldn’t be like, “Hey you, that’s not correct.” You can’t do it that directly.”

The respondent states that feedback must be offered “very politely. This is true of my unit. I can’t say if this is true or not for the other business units, other corporations in Thailand as well. I would say in some places I’ve heard of it is quite inappropriate to voice your concern or opinion or whatever. So it depends on your manager.”

This description of freely raising one’s opinion, as long as one does so delicately, is somewhat reminiscent of a Confucian quote: “[Tzu Hsia said ‘The wise man] also obtains the confidence (of his Prince) before pointing out his errors, for before obtaining such confidence (his Prince) would deem himself aspersed’” (Analects, Book 19, Chapter 10) Despite the respondent’s prudent caution in applying his own experience to other Asian companies, his description in fact closely matches that of almost all the other respondents in the sample.

A Human Resources Officer for a large Chinese bank states that all the strategic decisions come from top management at headquarters. However, employees across all departments are represented at strategic meetings, both via the heads of each department, and via “employee representatives”: She states, “They will select a certain amount of employees in each department to represent your department to attend this meeting. And before they attend it, they will get the comments and the questions from their own department. And they will also take those questions to the meeting to ask for the management and try to get their answers.”

The respondent goes on at more length to explain the process of strategic planning and adaptation and the role of the different levels within the organization in this process:

“They have three different ways to collect the feedback and also the suggestions. The first was what we talked before, that, for example, the employees’ representative meetings, that they will collect the suggestions and feedback from all the employee representatives. And the second one is someone have some suggestions or they want to complain something, they also can talk to the related person directly. For example, you can report to the HR manager and you can also report to the operation manager for the thing that you care about. And the third one, they can also report to the labor union. Then the labor union will represent you to solve it with the related department.” The respondent also states that “[employees] will not feel uncomfortable when make the suggestions or complain about something. [Top management] will treat their problems very sincerely, and try to solve it quickly...”

This company was unusual in this sample in that the respondent states that it rarely changed its long-term plans. But it was also unusual for having long-term plans at all. In the short-term, it made changes as did the other companies in the sample, and the respondent avers that its steadfastness to long-term strategy was not borne out of a lack of openness to feedback and suggestions:

“For some very big strategic planning, for example the strategic planning from the HQ, they seldom change it...For most of the plans or projects that they are undertaking, before they execute, the HQ already spend a lot of time in thinking about it. So once they conduct it, they seldom change it. Maybe the only way they will do it to improve it, to find some better ways to make it more perfect.”

A Human Resources Officer at a Singaporean logistics company describes a similar regular meeting process among different levels of management. She also describes a semi-anonymous process whereby employees of all levels make suggestions via a drop box. A different Singaporean logistics company follows the same approach as the others in the sample, mixing levels of management in meetings to solicit feedback. This company differs from most of the others only its lack of strategic plans, even in the short term, and consequently, feedback

from different management levels has little effect on strategy specifically, given the absence of such strategy. Instead, market forces are the main determinants of company actions. As a Finance Manager states, if something comes up, “then plan,” rather than the other way around. Nonetheless, the format for soliciting feedback is similar to the other companies, even though it does not extend to the creation and adjustment of formal strategy. The structure of absolute decision-making authority from top management only, combined with the fluid communication and solicitation of feedback among all levels, is typical of the sample as a whole. A Finance Manager describes: “[The General Manager] will collect the information from other persons and then he will make a decision based on all the information he gets from different departments and he will suggest it to the shareholder [owner]. The shareholder will make the final decision. But most of the time the shareholder listens to the General Manager.”

A Human Resources Officer for the same company paints the same picture, without prompting, of management that solicits feedback from different levels, specifically in response to problems, rather than proactive strategic planning. However, she notes that – unlike some other companies in this sample – this is only among different levels of management, and does not extend to employees below management. “Normally, once a major problem comes up...all the management level will discuss the problem. They will discuss by only management level. Then they will set up the new company policy.”

The overwhelming majority of companies in this sample had an organized and systematic feedback solicitation process of this kind which was used to create and change strategy in those companies (again, the overwhelming majority) where formal strategy existed. Two Western-owned companies in Taiwan, it was averred, did not solicit feedback. In one case, plans were presented to lower level management as a *fait accompli*, although they were free to ask questions or express concerns regarding implementation. “Normally they will say the conclusion in the first: ‘We’re going to do that. Any problem for each office’...And we just need to raise our questions. For example, they decide to...and we can ask the question. ‘If we do this, we will face some problems. How do you solve this problem?’” For a Western-owned Taiwanese company with a majority Western (primarily American-born Chinese) workforce – previously identified in this paper for being the only company in the sample that allowed extensive autonomy for lower level management—not even this level of feedback was solicited. Thus the company with maximum autonomy was also the one with the least amount of inter-level communication. A

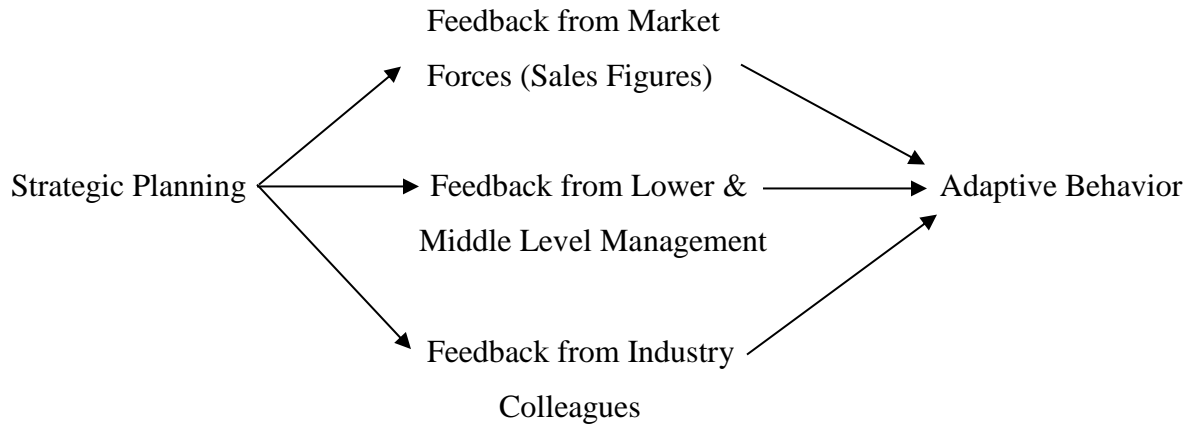
couple companies in the sample it was reported by respondents rarely changed plans, even though they solicited feedback, but the overwhelming majority did.

Thus, Propositions 2, 4, and 5 all come into play in our examples. Proposition 5 in particular proved to be the heart of our study. And observing the details of how this process manifested itself in East Asian organizations we believe to be the major contribution of our research. Proposition 1 – that East Asian Organizations may not be strategically adaptive – is therefore not a necessary conclusion to reach. We have no way of knowing what proportion of East Asian firms engage in adaptive practices—but we do know that some of them can and do. Furthermore, we have seen clear examples of how they can do this. There may of course be other methods by which they can do this as well, in keeping with others of our propositions; but we conclude by presenting our model of adaptation based on those propositions for which we have clear empirical examples. We thus provide one answer to the question of how it is possible for East Asian firms to adapt in a high power distance context, an answer that happens to apply to almost all of the firms in our study.

### **Our Adaptive Model and Its Managerial Relevance**

The contextually grounded model uncovered in this study is in agreement with the cultural norms of the societies it represents, and therefore it is highly relevant to managers working in East Asian business settings. Figure 2 shows our top-down strategic adaptation model. We wish to clarify that while Andersen & Nielsen (2009) in their adaptive strategy model investigated performance, this is not a part of our model (or of Mintzberg's (1978, 1985)), but we have otherwise used matching terminology where applicable. Mintzberg does not use a visual model, but as noted, in his verbal descriptions of the adaptation process, his bottom-up findings are congruent with the model developed by Andersen & Nielsen.

**Figure 2: Top-Down Strategic Adaptation Model**



Our model demonstrates that strategic adaptation in East Asian firms can be enacted through the authority of top management, informed by regular feedback solicitation from lower and middle level management, as well as market forces and, in some cases, feedback from industry colleagues. Thus a fusion of Propositions 2, 4, and 5 all came into play. This is in contrast to the predominant model (e.g. Andersen & Nielsen, 2009; Mintzberg, 1978; Mintzberg & Waters, 1985) , developed within the context of low power distance, and bottom-up managerial style, where adaptive behavior is created through autonomy and participation in strategic decisions by middle and lower management who are actually the drivers of strategic adaptation, and where top level management’s role is to filter the decisions and actions of these managers through the broader corporate strategic plans.

Furthermore, nothing in our model suggests that East Asian firms are by necessity predisposed to be non-adaptive as a result of high power distance and low autonomy of lower and middle level managers; and with regard to the firms investigated for our study, in most cases changes of plans were the norm. Thus, while future research will have to determine exactly how prevalent adaptive practices are among the total population of East Asian firms, Proposition 1 need not inevitably follow from a lack of East Asian managerial autonomy among lower and middle level managers. With regard to our research question, we have demonstrated that there is nothing intrinsic to the context of East Asian firms that makes adaptation impossible. Furthermore, the protocol of the firms in our empirical examples was congruent with assumptions of high power distance, rendering a revision of the power distance literature

unnecessary, and Propositions 7 and 8 unnecessary as well (which is not say by necessity untrue in all cases), as a means to explain Asian firm adaptation. The puzzle of how informed adaptation can occur while limiting the actions of those lower in the ranks appears to be explained by fluid and systematic communication across managerial levels. One may be reminded of one of Confucius's "errors to be avoided when in the presence of a superior": "Not to speak when called upon, which may be termed reticence" (Analects, Book 16, Chapter 8). In this case, such an error could lead to failure to adapt, and it is therefore a crucial component of our adaptive model.

## **Conclusions**

This paper has asked the question: Given the strategic adaptation literature's assumption that adaptation is intrinsically a bottom-up process, how is it possible for organizations in a high power distance East Asian context to adapt? A number of propositions were presented in an attempt to reconcile the contradictions inherent in the implications of different streams of literature. We also drew on data from our interviews with managers in East Asian organizations in order to demonstrate those theoretical propositions we developed in the paper which were manifest in their firms. Our study demonstrated the contextual nature of IB data and consequently the need to engage with the contextual boundaries of our theorizing. More specifically we challenged the assumptions of the existing strategic adaptation model, which is based on low power distance and a bottom-up management approach, by examining the context of Asian organizations with a contrasting management style (i.e., high power distance and top-down). Consistent with possible implications of power distance, lower and middle level managers in the Asian-owned companies amongst our sample had very little autonomy; in rare cases where middle level management were allowed to come up with some strategic decisions of their own, almost all such decisions required pre-approval from top management. However, the companies in our sample tended to make plans based on a regular system of soliciting employee feedback. They also let strategy be determined by market forces, and in some cases solicited advice from industry colleagues. A minority of companies relied on Chinese belief systems to help determine some aspects of company strategy and business practices.

The model that emerges is one where strategic adaptation is enacted through the authority of top management, informed by regular feedback solicitation from lower and middle level

management, as well as market forces and, in some cases, feedback from industry colleagues. The majority of companies in our sample changed plans, and therefore nothing suggested that there is something intrinsic in the nature of power distance and low autonomy of middle and lower managers that renders adaptation impossible. The question of how informed adaptation can occur while limiting the actions of those lower in the ranks appears to be explained by fluid and systematic communication across managerial levels. The assumption that power distance is prevalent in East Asian firms was not contradicted by this study, and the resulting low level of autonomy among lower and middle level managers shaped the model of strategic adaptation which was uncovered.

This paper has contributed to the field by uncovering an alternate “top-down” model of adaptive firm behavior, suggesting that the current model of strategic adaptation does not apply to all types of firms – and specifically that adaptation of firms in East Asian cultures may be better represented by this second, alternate model. This alternate model underlines the importance of context to the adaptation process. It also supplements the existing model as it enables a more complete understanding of the different ways organizations adapt. We have also provided empirical real world data which we believe provides a richer and more nuanced understanding of East Asian firm adaptation than could be gleaned otherwise.

The goal of our research was not to make a definitive claim about all East Asian companies, but rather to demonstrate that by taking context into consideration, we have seen an alternate model of strategic adaptation not currently accounted for in the existing literature. It is notable both that this model exists and that it was so pervasive in this sample of Asian firms across a broad range of countries, firm sizes, and industries. Exactly how prevalent the model is may be left to future research. But it is a clear phenomenon, and a useful addition to theory on strategic adaptation. In addition, although there was good reason to predict that East Asian firms might follow a different adaptive model, based on the issues discussed in the literature review, we need not assume that this model is only applicable to the East Asian business environment. It may be possible that firms in other regions, including those in societies presumed to have low power distance, could follow the same model if the firm-level culture is particularly autocratic. What is particularly notable about our model, however, is not merely the soliciting of information by top management from those lower in the ranks. This may be common in any company in any hemisphere. Rather it is the reliance on this process by top management as the



primary driver of organizational adaptation that is notable. The existing literature, as described earlier, assumes that managerial autonomy and decision-making at the lower and middle levels is the main engine of adaptation. The model uncovered in this study is thus not meant to replace the existing model of strategic adaptation, but rather to provide an additional model of adaptation that may better describe the adaptation process of certain types of firms, thus demonstrating the importance of context. In our data drawn from interviews with respondents in East Asian firms, it was the dominant model, and the existing model of strategic adaptation did not adequately represent the way these firms change strategy.

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## **Appendix A: Example of Some Initial Questions for Qualitative Study**

What is your main responsibility in the organization? **Biographical**

How long have you worked for the organization? **Biographical**

Do you prefer to volunteer information or do you wait to be asked? **Power Distance**

How often are you asked for information? **Power Distance** (as it relates to information flow)

What types of information are you asked for? **Power Distance** (as it affects strategic planning and adaptation)

How often do you have meetings? **Power Distance** (as it related to information flow)

Who is invited to these meetings? **Power Distance** (as it related to information flow)

What types of things are discussed during these meetings? **Planning, Adaptation, and Power Distance** (included in planning process?)

Do you have a clear idea of the company's strategic plans? **Planning, Adaptation, and Power Distance**

What types of things does the company plan to do over the next ten years? **Planning**

Does the company have a long-term plan or do they prefer to remain more flexible? (Framing short-term orientation in a non-negative manner). **Planning**

What types of decisions does top management let you make? **Power Distance**

Have you ever disagreed with a corporate decision? What did you do? How did they respond? **Power Distance**

Are you involved in the organization's planning process? **Power Distance** and **Planning**

How far into the future does the organization plan? **Planning**

Has the company ever changed their plans? **Adaptation**

What reason did they offer for doing that? (Or what was your reason for doing that?) **Adaptation**

When they (you) changed their (your) plan, what information did they (you) use to make that decision? **Adaptation**

Did anybody ask your opinion about it beforehand? **Power Distance** (as it relates to information flow)

Have you ever been asked to change the project you were working on? What was the reason they gave you? **Adaptation**

## **Appendix B: Andersen and Nielsen's (2009) Managerial Autonomy Measurement**

(Used as a guide when asking respondents about their level of autonomy in the organization, in cases when they claimed to have some).

Managers below the top management team:

1. Can start major market activities without approval
2. Can market to new customer segments without approval
3. Need no approval to initiate new product developments
4. Can introduce new practices without approval
5. Need no approval to develop new internal capabilities