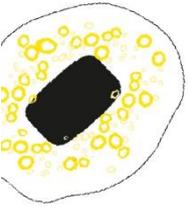
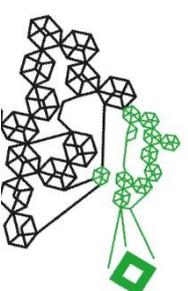


# Recursive and adaptive tendencies in fast-growth SMEs



Faculty of behavioral management and social sciences  
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## Foreword

This thesis was written as the final assignment upon graduation of the Master of Science in Business Administration at the University of Twente in Enschede. The study starts off with a broad introduction to strategy-as-practice and narrows down to the main research question. In the two chapters that follow, extensive literature research and the description of specific qualitative methodologies further validate the approach of this research. Based on two case studies of Dutch fast-growth SMEs in the healthcare sector, this study identifies sources of recursiveness and adaptability and investigates its effects on strategic action.

This study has been conducted in collaboration with two Dutch companies in the healthcare industry. Although the identity of both firms will remain concealed, I would still like to thank them for their openness, honesty and kind reception. I specifically appreciate the respondents' trust in me, as access to strategic and confidential data can sometimes motivate them to withhold information. This was not the case in this study, for which I am thankful.

I was able to rely on the guidance of my supervisor Niina Erkama from the University of Twente throughout the entire research process. For that I am grateful. Naturally, I would like to take the chance to express my sincere appreciation for the tips, ideas and constructive feedback that she provided to me over the course of this study.

I hope that anyone who reads this study will find pleasure in doing so.

Stijn Kamphuis

Enschede 20th of May 2020

# Table of contents

- 1 Introduction.....1
- 2 Literature review.....3
  - 2.1 Strategy .....3
  - 2.2 Practice .....3
  - 2.3 Strategy as practice .....3
    - 2.3.1 Recursiveness versus adaptability .....4
- 3 Methodology.....9
  - 3.1 Research design.....9
    - 3.1.1 Case descriptions .....9
    - 3.1.2 Two fast growing SMEs as context.....9
    - 3.1.3 Considerations for a meaningful theoretical contribution ..... 10
    - 3.1.4 Units of analysis ..... 11
    - 3.1.5 Timeframe ..... 11
    - 3.1.6 Accessibility ..... 11
  - 3.2 Data collection ..... 12
    - 3.2.1 Triangulated data collection..... 12
    - 3.2.2 Interviews..... 12
    - 3.2.3 Ethnographic data collection ..... 13
    - 3.2.4 Observational data collection..... 13
    - 3.2.5 Overview of data collection..... 14
  - 3.3 Process of data analysis ..... 16
    - 3.3.1 Coding process..... 16
  - 3.4 Validity ..... 20
    - 3.5.1 Construct validity ..... 20
    - 3.5.2 Internal validity ..... 20
    - 3.5.3 External validity..... 20
  - 3.5 Reliability ..... 21
- 4 Strategy-as-practice in both firms..... 22
  - 4.1 Meso-level praxis..... 22
  - 4.2 Practice on an individual level ..... 22
  - 4.3 Recursive and adaptive tendencies across both cases ..... 23
    - 4.3.1 Recursive tendencies Vital Life ..... 24
    - 4.3.2 Recursive tendencies Happy Health..... 26
    - 4.3.3 Adaptive tendencies Vital Life ..... 29

4.3.4 Adaptive tendencies Happy Health.....	30
4.4 Reactive patterns to recursiveness and adaptability.....	33
5 Discussion.....	34
6 Conclusion.....	36

# 1 Introduction

This thesis examines how recursive and adaptive tendencies in strategic practice influence the strategic action of fast-growth SMEs in the healthcare sector. Businesses today are faced with economic environments that are continuously changing, unpredictable and increasingly more complex. Adequate strategic management has become pivotal to firm success and survival in these unstable environments (Grant, 2003). This particularly applies to SMEs that experience fast growth. Lee (2013) defines a high-growth firm as an organization that experiences or expects a 20% annual growth rate over a period of 2 years. Firms that meet this criterion are likely to go through a state of strategic turbulence. Problems may arise in areas such as recruitment, management skills and overall employee skills (Lee, 2013). Strategies might have to be readjusted regularly based on the issues that arise during rapid growth. This makes the analysis of strategic management in these firms an interesting topic to investigate.

Strategy in its economic sense has been researched abundantly in the academic world. This research however, investigates strategy from a more sociological perspective through the concept of strategy-as-practice. Strategy-as-practice is a field of research that focuses on 'how managers act and interact in the strategy-making process' (Whittington, 1996). This body of research, although relatively young, has grown substantially because of the absence of actors and their activities in most academic articles on strategy (Hambrick, 2004). Jarzabkowski & Whittington (2008) for instance, state that 'strategy research is populated by multivariate analyses of firm or industry-level effects upon firm performance' and highlight the need for research that approaches strategy as 'something that people do'. So instead of merely focusing on the strategic effect-performance relationship, the strategy-as-practice approach attempts to generate a more comprehensive and in-depth analysis of what actually takes place in strategic management.

An approach through the lens of strategy as a 'practice' suggests that strategy is an activity that can be learned by repetitive execution. As with any craft or activity, practice results in competence which is often tied to a desired outcome. Jarzabkowski (2005) refers to this as 'intentionality', which on an organizational level, is an activity that 'will be consequential for the organization as a whole'. This does not suggest that intentions will be met, but rather that strategic activities are executed to reach a desired outcome like profitability or survival. Strategic intent is influenced by the recursive and adaptive tendencies of all participating actors within the firm which translates into strategic action over time.

This study puts a particular focus on top management to better understand strategic decision-making and organizational action. The SMEs in this research have a rather flat organizational structure with no middle management. Top management is at the center of the strategy making process in these firms. This study does not assume that strategy is purely planned or created top-down. It much rather suggests that top management is the most suitable perspective to take in analyzing strategy because of its position within the firm. Due to formal position, top management is mostly occupied with strategic decision-making processes and has the most access to resource allocation for strategic endeavors (Pettigrew & Whittington, 2001) (Hendry et al, 2010). Scholars have also found that variation in strategic action is predominantly due to strategic decisions of those who have power (Corner et al, 1994). This supports the choice of a top-down approach in which top management is the main construct from which data will be extracted.

This research draws on social theory to study two main themes within the field of strategy as practice which are recursiveness and adaptability. These two key components of practice play an important role in the strategic success and long-term sustainability of firms. An adequate balance of routinized

work and organizational transformation assists in the prevention of performance diminishing phenomena such as organizational inertia, path dependency, the Icarus paradox or core rigidities. These are examples of universal phenomena that can negatively influence firms regardless of size, industry or geographic location. Naturally, there is a need to investigate recursiveness and adaptability since it has potential implications for a broad spectrum of firms within the strategic management literature. Furthermore, the investigation of these constructs contributes to our understanding of strategic dilemmas, identifies stimulators and inhibitors of change and provides a deeper understanding of the execution of strategy in firms.

All in all, recursiveness and adaptability form the basis of important tensions and dilemmas that practitioners experience. The fundamental predicament that many practitioners encounter is having to reconcile the conflicting needs for stability and change. On one hand, businesses need the ability to adapt to quickly changing environments. On the other hand they also need stability and routines to function more efficiently (Mintzberg, 1994). This research intends to investigate the coexisting tensions between recursive and adaptive practices and how these influence strategic action.

The main research question of this study is:

*How do tendencies towards recursive or adaptive use of practices influence strategic action over time in firms that experience fast growth?*

## 2 Literature review

The next part will delineate the main constructs of this research in an attempt to frame and support the main research question better.

### 2.1 Strategy

Strategy research is often conducted with the pursuit of answering the 'What should the firm's strategy be?' question. This surpasses crucial elements such as the challenges that arise in executing strategy or how they grow into existence in the first place. The problem within mainstream strategy research is that strategy has been interpreted in a one dimensional way. Strategy is not merely something that a company 'has' to make profit. To better understand the different dimensions of strategy, it may help to dissect the different elements from its definitions. Over the years strategy has been defined in many ways by academic researchers. Higgins (1989: p.166) describes strategy as 'a major organizational plan for action to reach a major organizational objective'. Mintzberg (1994: p.23) defines strategy as 'a plan, or something equivalent-a direction, a guide or course of action into the future, a path to get from here to there'. Other definitions of strategy include: 'the plans made, or the actions taken, in an effort to help an organization fulfill its intended purposes' (Miller, 1996: p.38), and 'a general plan of action for achieving one's goals and objectives' (Nickols, 2016: p.3).

The three recurring themes in these definitions are 'a plan for the future', 'actions that are to be taken' and 'meeting intended objectives'. The first theme emphasizes the fundamentally teleological nature of strategy, implying that it is oriented towards the future (Jarzabkowski, 2005). Strategy formulations in business context frequently include a company's vision, goals, directions and objectives. All these elements form an anticipated and desired future state. The second theme implies that strategy has to be executed through action. For this reason, strategy is considered to be a situated activity that is constantly under construction (Jarzabkowski, 2005). The third theme suggests that strategy is an intentional activity that is directed towards a specific objective. The objective in this case might not always be achieved because the intended can sometimes have unintended consequences as well.

### 2.2 Practice

In social theory, practice is conceptualized in different ways. Kant (1994) describes practice as an 'activity seeking a goal'. Practice is considered an 'umbrella construct' which means that it encompasses multiple constructs and phenomena (Floyd, 2011). The problem with such a construct is that it tends to have issues of validity and operationalization. It is thus important to understand the different perspectives from which practice can be viewed. The main concepts that underpin practice in social theory are its repetitive nature, its teleological element, and the intentionality behind it. Turner (1994) suggests three possible perspectives to analyze practice from. These are the individual, the collective-object and a dualistic perspective. The individual perspective investigates practice within individuals. This can be observed through the consistent habits of these individuals. The collective-object perspective suggests that practice can be analyzed from a group of individuals that act as a collective. This study uses the dualistic notion which acknowledges both perspectives and combines them.

### 2.3 Strategy as practice

Strategy-as-practice is an approach to analyze strategy, or more specifically, strategic practice, from a sociological standpoint rather than an economical one. It is concerned with 'how managers act and interact in the strategy making process' (Whittington, 1996). Strategy is thus considered to be an

interaction of people rather than actual organizational property. In order for strategy to be practicable, it has to be executable repetitively over time. Therefore, strategy is interpreted as a situated activity that is directed towards an intended goal.

Strategy-as-practice approaches strategy through three main constructs. These are praxis, practitioners and practices (Jarzabkowski et al, 2007; Whittington, 2006). Praxis is the work that makes up strategy. Or in other words, the stream of activities that allow strategic objectives to be accomplished over time. Praxis can be analyzed from three different levels which are micro, meso and macro (Jarzabkowski & Spee, 2009). Micro-level praxis examines what people are doing on an individual or group level to explain a specific phenomenon. Meso-level praxis deals with organizational level analyses to explain strategic change or patterns in strategic action. Macro-level

praxis attempts to explain strategy praxis at an institutional level. This often involves trying to explain patterns of action in a specific industry (Lounsbury & Crumley, 2007)(Jarzabkowksi & Spee, 2009).

<p><b>Individual actor internal</b></p> <ul style="list-style-type: none"> <li>- CEO</li> <li>- Board member</li> <li>- Middle manager</li> </ul>	<p><b>Aggregate actor internal</b></p> <ul style="list-style-type: none"> <li>- Top management</li> <li>- Middle management</li> </ul>
<p><b>Individual actor external</b></p> <ul style="list-style-type: none"> <li>- Consultants</li> <li>- Gurus</li> <li>- Regulators</li> </ul>	<p><b>Aggregate actor external</b></p> <ul style="list-style-type: none"> <li>- Trade unions</li> <li>- Business schools</li> <li>- Media</li> </ul>

Table 1 Dimensions of practitioners

Strategy practitioners have been broadly defined by Jarzabkowski and Whittington (2008: 101-102) as: ‘those directly involved in making strategy - most prominently managers and consultants - and those with direct

influence - the policy makers, the media, the gurus and the business schools who shape legitimate praxis and practices’. The term strategy practitioner is thus not limited to the individuals within the firm of analysis. Jarzabkowski & Spee (2009) have found two main ontological dimensions to identify practitioners. The first dimension distinguishes between the practitioner as an individual or an aggregate actor. The second dimension differentiates practitioners within the organization and practitioners from the outside. Examples of each dimension can be found in table 1.

The strategy-as-practice field has attempted to translate the concept of practice, as it derives from social theory, to a strategic context. With this in mind, strategic practices can be defined as ‘the social, symbolic and material tools through which strategy work is done (Jarzabkoswki & Whittington, 2008: p.2). This includes theoretical or practical tools as well as materials and technologies through which strategy work is possible. Examples of practices in this context are Porter’s five forces, PowerPoint, flipcharts and budget systems.

### 2.3.1 Recursiveness versus adaptability

In the field of strategy-as-practice, recursiveness has been associated with inertia and the inability to adapt at moments when change is required. Clark (2000: 67) defines recursiveness as ‘the socially accomplished reproduction of sequences of activity and action because the actors involved possess a negotiated sense that one template from their repertoire will address a new situation. There can be a durability about recursiveness that constrains attempts to transform the sequences’. This suggests that the actors within a firm are expected to behave within an established set of rules or procedures because the common belief is that this will address future problems in an optimal way. Therefore, recursive strategy tends to reproduce the status quo (Clegg, 2011).

Successful firms are often unique in their core competencies and resources but it is these exact idiosyncrasies that could also turn into core rigidities. Firms develop practice routines, standardized decision-making processes and systematic resource allocation in a pursuit towards efficiency, competence and stability. The goal is to find acceptable solutions to complex problems without having to search the entire landscape of possibilities (Netz, 2019) (Oliver and Roos, 2005). Consequently, recursive tendencies become a place from which both efficiency and inertia originate. This duality of recursive practice is articulated as a paradox for successful firms that are often conflicted between stability and change.

The concept of adaptability describes the varying degrees of change that are constantly happening in a firm's strategic practices. Adaptive practices are characterized by their exploratory and transformative nature. These practices are often incremental and disjointed steps that take direction towards the intended objective based on external pressures. Inevitably, the renewal and transformation of a firm's practices are trivial to its survival and success over time. Strategic direction setting, decision making, innovation, and research are common examples of adaptability in a firm. This study will investigate both recursive and adaptive tendencies to explain strategic action over time.

The duality of recursiveness and adaptation requires close attention in strategy-as-practice research since it underpins a significant part of the daily practice of managers (Jarzabkowski, 2004). Firms need recursiveness to capitalize on routines and adaptability to develop the capacity for reinvention. One of the enduring problems for theories is how a firm's social system can be prone to the repetitive reconstruction of practices while maintaining the ability to change (Presenza, 2017). The investigation of recursiveness and adaptability in the context of firms is thus a well-founded approach for the purpose of this study. It provides us with a better understanding of the effects that recursiveness and adaptability have on a firm's strategic action, and shows us how companies attempt to reconcile between the two to achieve optimal performance.

### **2.3.2. Recursive and adaptive tendencies in strategic management literature**

Since this case study intends to identify recursive and adaptive tendencies, it is important to assess the tendencies that have already been identified in the current literature.

#### *Recursive tendencies in strategic management literature*

The development of the construct recursiveness explains our need to better understand how organizations can lose their flexibility and become inert. Path dependency, which has gained prominence over the years, is one of the conceptions that is used to illuminate these inflexibilities. Over time, several studies have taken the concept of organizational inertia and linked it to path dependency (Sydow et. al 2009) (Schmid, 2017) (Dow, 2018). More specifically, Sydow (2009) has used path dependency to illuminate organizational rigidities and inflexibilities and Dow (2018) describes how the presence of path dependency discourages change. Furthermore, Schmid (2017) has stated that inertia might arise from rigidity in path dependent interactions between human actors and material artifacts. The common denominator in these studies is the link between path dependency and organizational inertia. This correlation is relevant since it has potential implications for path dependency as a recursive tendency.

Researchers of organizational change have also focused on cognitive inertia to explain rigidities that inhibit an organization's ability to adapt (Ertl, 2020)(Li, 2016)(Alós-Ferrer, 2016). Cognitive inertia describes the phenomenon in which managers fail to reevaluate a situation because of an overreliance on existing values and beliefs (Ertl, 2020) (Alós-Ferrer, 2016). In a recent contribution, Ertl (2020) states that cognitive inertia is caused by routines that are embedded in an organization

which hampers transformation. Furthermore, Li (2016) explains how the human inclination to rely on familiar assumptions can hamper an organization's ability to change. The link that is drawn between cognitive inertia and impeded organizational transformation in these recent studies indicates its potential as a recursive tendency. This information is relevant for this thesis since it offers a better understanding of the results. It allows for coded information to be interpreted better and offers ...

A third construct that has been linked to recursiveness is the use of heuristics (Jarzabkowski, 2004). Heuristics are the rules of thumb for reasoning, a simplification or educated guess that reduces or limits the search for solutions in domains that are difficult and poorly understood (Pellegrino, 2018 :p.41). The simplicity of heuristics is also the very source of their robustness. In a recent study, Mousavi (2017 p.368) stated that heuristics avoid the fine-tuning of parameters that can cause large estimation errors under uncertainty and particularly under changing environmental conditions. The strategic turbulence that is inherent to the context of fast-growth SMEs suggests that heuristics could be a potential source of recursiveness.

Studies of managerial hierarchy have also investigated its effect on the adoption of new practices. Managerial hierarchy is present when in an organization when there is a clear hierarchy among employees and managers. According to Cumming (2016), SMEs often lack hierarchical structures. This can be detrimental to the organization wide adoption of new practices. Managerial hierarchy works to ensure reliable execution of set out tasks (Lee, 2017). This is important when dealing with employees that stick to recursive practices in a refusal to change.

Table 2 summarizes how the aforementioned recursive tendencies have emerged in extant literature. The relevant findings of these studies form a frame of reference in the identification of recursive tendencies. This creates a connection between the results of the thesis and findings from the literature. Considering that this study investigates two SMEs, examples of individual and organizational level tendencies were only deemed as useful comparative constructs. The ethnographic approach of this study lends itself for the analysis of tendencies at these levels.

**Table 2 Examples of recursive tendencies in strategy literature**

<i>Recursive tendencies</i>	<i>Extant literature</i>	<i>Relevant findings</i>
<b>Path dependency</b>	- Sydow, J., Schreyögg, G., & Koch, J. (2009).	- Refers to path dependency as imprinting effects of the past on organizational behavior. Is used to illuminate organizational rigidities, stickiness or inflexibilities.
	- Schmid, A. M., Recker, J., & Vom Brocke, J. (2017)	- Inertia might arise from rigidity in the path dependent interactions between human actors and material artifacts. In terms of a path dependency it could thus be hypothesized that, over time, the exploitation of potential affordances decreases as the use of an artifact becomes rather routinized and habitual than improvisational.
	- Dow, D., Liesch, P., & Welch, L. (2018).	- Describes the potential for a negative self-reinforcing cycle that discourages change which generates path dependency. States that there is a link between organizational inertia and path dependency.
<b>Cognitive inertia</b>	- Alós-Ferrer, C., Hügelschäfer, S., & Li, J. (2016).	- Cognitive inertia describes the phenomenon that managers might fail to reevaluate a situation, even in the face of change. It can give rise to the perseveration of suboptimal strategic decisions in organizations.
	- Li, J., Liu, M., & Liu, X. (2016).	- Inertia describes the human inclination to rely on familiar assumptions and exhibit a reluctance and/or inability to revise those assumptions, even when the evidence supporting them no longer exists or when other evidence would question their accuracy. It creates resistance to organizational change.
	- Ertl, J., Setzke, D. S., Böhm, M., & Krcmar, H. (2020).	- Cognitive inertia assumes that people act based on their existing values as they have done in the past. It is caused by routines that are embedded in an organization and describes the degree of stickiness in organizational transformation.
<b>Heuristics</b>	- Mousavi, S., & Gigerenzer, G. (2017).	- Heuristics are robust and can cause large estimation errors under uncertainty and particularly under changing environmental conditions. It can stop the search for information before all attainable information is examined.
	- Pellegrino, R., Cinici, M. C., & Baglieri, D. (2018).	- A heuristic is defined as a specific instantiation of a strategy that ignores part of the information available. Draws attention to the biases of intuition and the possible negative role of heuristics in forming judgements and decision making.
<b>Managerial hierarchy</b>	- Lee, N. (2014).	- Managerial hierarchy clarifies roles and responsibilities and assists in the coordination of tasks. This stimulates the organization wide adoption of change.
	- Cumming, G. S. (2016).	- Managerial hierarchy improves the adoption of new tasks across organizations. Suggests that flat hierarchies suffer from accountability problems.

*Adaptive tendencies in strategic management literature*

The development of the construct adaptability, derives from our need to better understand the variety of factors that allow successful adaptation in organizations. A commonly used concept that has been mentioned in relation to adaptability in multiple studies is organizational learning (Ferincz, 2016)(Tamayo-Torres, 2016) . In a recent study, Annosi (2020) states that organizational learning takes place when organizations develop adaptive practices that permit change in existing routines based on new knowledge. This finding, which suggests that organizational learning allows firms to break through existing routines, suggests that it could be an adaptive tendency.

Dynamic capabilities have also been linked to adaptability in extant literature. It represents the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Baškarada (2018) argues that dynamic capabilities enable organizational adaptation and Adegbite (2018) describes dynamic capabilities as drivers of organizational

adaptations. The adaptive nature of dynamic capabilities suggests that it could potentially be identified as an adaptive tendency in this study.

Another construct that has been linked to adaptability is human capital spillovers. Extant literature has investigated role of this phenomenon in relation to productivity and adaptive capacity. Human capital spillovers arise when the presence of individuals with high levels of human capital makes other workers more productive (Eklund, 2019: p.3). For this reason, such spillovers have been found to be a source of learning, innovation, adaptability and sustained growth and development (Chang, 2016) (Eklund, 2019). Based on these characteristics, human capital spillovers are interesting to investigate in the context of strategy-as-practice as an adaptive tendency.

Table 3 shows the aforementioned adaptive tendencies within the strategic management literature. The description of the studied constructs and the context in which it appears is meaningful for the identification of tendencies in this thesis. It serves as the link between the results of this case study and the literature.

**Table 3 Examples of adaptive tendencies in strategy literature**

<i>Adaptive tendencies</i>	<i>Extant literature</i>	<i>Relevant findings</i>
<b>Organizational learning</b>	- Ferincz, A. (2016).	- Organizational learning represents the adaptation to the changes in operational culture, development of new ways of doing things, norms and paradigms. There is an adaptation-learning relationship.
	- Tamayo-Torres, I., Gutiérrez-Gutiérrez, L. J., Llorens-Montes, F. J., & Martínez-López, F. J. (2016).	- Organizational learning is the extent to which an organization generates, disseminates, and retains knowledge about itself. It promotes the constant evolution and adaptation of the organization's members, facilitating dissemination of those firm values that foster the desire to change. Furthermore, organizational learning also facilitates adaptation to changes in dynamic environments.
	- Annosi, M. C., Martini, A., Brunetta, F., & Marchegiani, L. (2020).	- Organizational learning takes place when an organization develops "adaptation routines" that permit change in existing routines, on the basis of new knowledge.
<b>Dynamic capabilities</b>	- Baškarada, S., & Koronios, A. (2018).	- Dynamic capabilities underpin both evolutionary adaptation and entrepreneurial innovation. In addition to being able to effectively adapt to changing environmental conditions, organizations with mature dynamic capabilities also proactively shape their environment through innovation and collaboration.
	- Adegbite, O. E., Simintiras, A. C., Dwivedi, Y. K., & Ifie, K. (2018).	- Dynamic capabilities are effective routines that are adaptive to the changing market situation in high velocity business environments. They are associated with change and the organization's ability to adapt.
<b>Human capital spillovers</b>	- Eklund, J. E., & Pettersson, L. (2019).	- Human capital spillovers arise when the presence of individuals with high levels of human capital makes other workers more productive. Such spillovers are a source of innovation, adaptability and sustained growth and development.
	- Chang, C. F., Wang, P., & Liu, J. T. (2016).	- An individual's human capital depends on his own skill level and the average skill level of the group of people with whom he interacts. Interactions may include learning from each other and other positive peer effects. Through this, specialized knowledge can be transmitted or created which stimulates innovation and adaptation.

## 3 Methodology

### 3.1 Research design

#### 3.1.1 Case descriptions

For confidentiality reasons, the firms in this study have been referred to with the research names Happy Health and Vital Life. Happy Health is a start-up that has a growth rate of 225% for 2019 and forecasts a 200% growth rate for 2020. Top management in this firm consists of two CEOs who both own 50% of the shares. The company was founded in 2016 and currently has 16 employees besides top management.

Vital Life had a growth rate of 23% in 2019 and expects a growth rate of 20% for 2020. Top management consists of the CEO, the head of human resources, the head of sales and two other managers. Vital Life is a family business in which the CEO owns 100% of the shares. The company was founded in 2006 and currently counts 32 employees including top management.

#### 3.1.2 Two fast growing SMEs as context

This research investigates strategy-as-practice in the context of two fast growing SMEs. The choice to analyze two firms was made because this might increase the power of analytic conclusions. Conclusions that arise independently from two cases generally have more power than a single case conclusion. Contextual differences between the two cases might also provide expanded generalizability if these have common conclusions. The selected firms are both active in the healthcare industry which was a deliberate choice in this study. Industry structure strongly influences the potential strategic work that is available to firms and sets the competitive rules of the game (Cunningham, 2012). Industry-based case selection was done for comparative reasons but also to further enable the possibility for joint conclusions.

Extant literature has set different criteria to label SMEs as fast-growth. According to Upton et al. (2001), fast-growth SMEs are competitive, entrepreneurially oriented and have a faster growth rate than their industry sector average. Lee (2013) however, defines a high-growth firm as an organization that experiences or expects a 20% annual growth rate over a period of 2 years. The firms that have been selected for this research meet both the criteria of Upton et al. (2001) and Lee (2013) as can be seen in table 4.

	Vital Life	Happy Health
Annual growth rate > industry average (Upton et al., 2001)	2019: 23% > 2,8% 2020: 20% > 2,3%	2019: 225% > 2,8% 2020: 200% > 2,3%
Annual growth rate ≥ 20% (Lee, 2013)	2019: 23% ≥ 20% 2020: 20% ≥ 20%	2019: 225% > 20% 2020: 200% > 20%

Table 4 Criteria for fast growth

The Dutch industry sector averages for healthcare are based on findings and forecasts from research conducted by Rabobank (Rabobank, 2019)

The decision to study strategy-as-practice from the perspective of fast-growing SMEs was made for several reasons. Firstly, there has been a continued interest in the way that top management teams make strategic decisions in high-velocity contexts (Oliver and Roos, 2005) (Johnson et al., 2007) (Elbanna et al., 2013). The attributes of the cases and the accessibility to top management makes this an interesting case study to investigate recursive and adaptive tendencies. Access to top

management in a for-profit context has been acknowledged as a significant challenge by previous researchers (Kaplan, 2007). This case study offers prolonged access to the upper echelons of two for-profit firms. This is a compelling factor in the investigation of recursiveness and adaptability. Besides this, fast-growth firms tend to go through strategic turbulence which requires them to adopt and discard practices more rapidly. This means that the life cycle of useful management practices might have to be accelerated with less time for recursive modes of response (Jarzabkowski, 2004). Even more so, chronic adaptation is likely to be a survival mechanism for firms in such a highly dynamic and turbulent state. The fast growth of Happy Health and Vital Life enables us to investigate recursiveness and adaptability under such circumstances. Jarzabkowski (2004) proposes the investigation of firms in dynamic environments characterized by discontinuity as a direction to empirically study strategy. This research takes a step into that direction by studying strategy-as-practice from the perspective of fast-growth SMEs.

Gaining long-term access to top management in for-profit firms can be challenging, so for this reason many strategy-as-practice scholars have focused on universities (Kaplan, 2007). The theory and knowledge derived from this specific context should however be studied on its own since it may be confined to the unique conditions of universities. Constructions for profit, autonomy of the individual actors and the tenure system all differentiate universities from the corporate world in which profit is central. Accordingly, Kaplan (2007:p.989) voices the need for more strategy-as-practice research in the corporate world: 'Future scholarship must take on this challenge by gaining access to the upper echelons of for-profit corporations (both established firms and entrepreneurial start-ups) in order to further develop the strategy-as-practice view.' Baum (2010) shares the same view and further supports the investigation of for-profit organizations in the field of strategy-as-practice.

Although the cases share the same attributes, they are vastly different in terms of growth rate and composition of top management. Happy Health grows significantly faster than Vital Life and might thus expect more strategic turbulence. This increases the need for adaptability as a means of survival. Besides, Happy Health's top management only exists of 2 CEOs whereas Vital Life's top management consists of 5 members, 4 of which are managers. This changes the dynamic of the interviews and creates a difference in the amount of interviews that were conducted per case.

### **3.1.3 Considerations for a meaningful theoretical contribution**

In order to make a meaningful contribution to the literature of the strategy-as practice field, various theoretical and methodological challenges should be considered. A theoretical challenge that has been discussed in the strategy-as-practice literature is the production of a cumulative body of knowledge. Langley (2010) questions the extent to which such a cumulative body of knowledge is emerging in the field of strategy-as-practice. The diversity from which the field benefitted in terms of dissemination is also considered to be a cause of stagnant knowledge development. This broad scope of practice makes it difficult to sustain the development of theoretical contributions within the field (Rouleau, 2013).

Langley (2010) suggests that by focusing on empirical phenomena such as strategic meetings or strategic plans studies can add to the cumulative knowledge development of the field. Rouleau (2013) argues that empirical strategy-as-practice research tends to use interviews (Paroutis & Pettigrew, 2007) and strategy meeting observations (Stensaker & Falkenburg, 2007) as main methodologies to study strategy-as-practice. Ethnographic methods however, provide the most powerful ways to investigate what managers do when they are strategizing (Chia & Rasche, 2009). This creates a dilemma on whether researchers should continue to favor mixed method approaches over the extension of ethnographic participant observation. Vesa (2012:4) states that 'the use of robust participation-based ethnography in the field of strategy remains quite rare'. A reason for this

is that many strategy-as-practice researchers have advocated methods other than ethnographic ones to enhance robustness in theory building (Rouleau, 2013) (Huff, 2010). On the other hand, Rouleau (2013) argues that comparative ethnographic research should be encouraged to stimulate the cumulative knowledge production that derives from rich empirical descriptions. This study attempts to get a bit from both worlds by not limiting itself to one or the other. Besides interviews and the observation of strategy meetings, this study has also incorporated an ethnographic methodology of participative nature.

#### **3.1.4 Units of analysis**

The objective of this research is to identify adaptive and recursive tendencies within the two firms that are being investigated. In a recent academic contribution, Jarzabkowski et al. (2015) warn against an isolated approach in which either praxis, practitioner or practice are the main construct of analysis. Instead, a more holistic perspective through the lens of all three components is advised. This approach has also been used in this research.

##### *Practitioners*

Practitioners have been investigated on an individual and organizational level. The first unit of analysis are members of the top management within the firms. These individuals are practitioners that construct and interpret their own strategic behavior. Every individual might have either adaptive or recursive tendencies in their daily strategic actions and thought processes. The second unit of analysis is top management as an aggregate actor. Group dynamics can influence the strategic decisions that are made during meetings of top management. These dynamics may overrule tendencies of individuals.

##### *Praxis*

Since this study is interested in organizational effects, praxis has been studied on meso-level. The link between practitioners and meso-level praxis has been taken from a position of duality on practitioners as mentioned above. The goal of this approach is to get data that describes what individuals do and how this shapes the way in which the organization does strategy'.

##### *Practices*

Practices have been studied from the individual perspective as well as the collective-object. This translates to the practices of top management as a group as well as the members individually. This dualistic notion is similar to the approach in the analysis of practitioners.

#### **3.1.5 Timeframe**

This research is inherently bound up with time because it attempts to investigate strategic processes and strategic action over time. Data has been collected for 6 months in both firms from September 2019 until February 2020. Although it is always tempting to collect more data, this Master thesis was subject to limited time. Both companies had agreed to a 6 month period of on-site data collection. This has provided enough richly-textured qualitative data across both cases.

#### **3.1.6 Accessibility**

Extensive qualitative case studies about top management involve a couple of challenges. Firstly, it requires access to commercially confidential data over time. In this study, both companies allowed interviews and on site observations but were resistant to give access to confidential meetings. Permission to attend general meetings about new strategic endeavors had been granted. Another challenge of this case study is that prolonged access to top management members is required. Top

management composition may change over time which means that access to new members might have to be renegotiated.

## 3.2 Data collection

### 3.2.1 Triangulated data collection

Triangulation is broadly defined by Denzin (1978: 291) as ‘the combination of methodologies in the study of the same phenomenon’. Yin (2015) suggests that the principle of triangulation involves at least three ways to verify or corroborate a particular event or phenomenon. In this study, three different methods of qualitative data collection were chosen. These are interviews, ethnographic data sources and on-site observations. The goal of triangulation is to strengthen the validity of this study by moderating different forms of bias. Single data sources may be prone to potential biases that could lead to unjustified prejudice and distorted conclusions. Informants might for instance exhibit attribution bias or incorrect reminiscence of past events (Billet, 2008)(Libby, 2012) . Individuals under investigation may also deliberately mislead the researcher by withholding or distorting information (Brink, 1993). The different methods used in this study all display a different aspect of the same phenomena. This can produce findings that are convergent or it can highlight discrepancies between any of the single sources.

### 3.2.2 Interviews

Before the process of interviewing started, top management members in both companies were identified. Once this was clear an introductory interview was set up to establish the terms of access. Over the course of 6 months, interviews have been held with 8 members of top management across both firms. This required thoughtful planning because of busy and conflicting schedules. Interviews were conducted to identify strategic practices within the firm and to assemble personal interpretations of these strategic processes. All the interviews were recorded unless participants had specific objections against this. The recordings have been used to transcribe the interviews during the stage of data collection. Interviews were held in Dutch since the respondents’ English was not proficient enough to express complex ideas and thoughts relating to strategy. Quotes from transcriptions that were deemed important have been translated to English and were used for the results of this thesis. The main framework of the semi-structured interview consists of 9 questions that can be found in the box below.

#### **Open ended questions that guide semi-structured interviews**

- 1. What are the (main) strategic issues that are significant for the firm at the present time?*
- 2. Which strategic issues are currently holding the company back?*
- 3. Which strategies are allowing the company to grow at full potential?*
- 4. What should I observe to better understand the way strategy occurs in this firm?*
- 5. How are choices about strategic direction made - what formal and informal processes, what constraints of environment, context and history?*
- 6. Which strategic activities do you execute? Why would you consider these activities strategic?*
- 7. Which strategic activities does top management carry out to influence strategy on an organizational level?*
- 8. Which tools do you use to carry out strategy work?*
- 9. Which tools does top management use to execute strategy work?*

*I asked additional case-specific questions during the interviews relating to strategic issues, relevant past events, and other topics related to strategy-as-practice as they arose.*

### **3.2.3 Ethnographic data collection**

The objective of the ethnographic data collection is to create a deeper understanding of the meaningful processes and routines in the firms. Ethnographic participation allows the researcher to study these processes and routines in their everyday context. This requires the researcher to be within physical and social proximity of the daily activities that the people under investigation execute (Emerson, 2011). During the period of data collection the researcher has spent two days a week at Vital Life and one day a week at Happy Health. This division of time was chosen based on the size of both firms. More attention was given to Vital Life initially because this firm has a bigger top management. However, frequencies of on-site observations have been altered at certain points during data collection when this was deemed necessary by the researcher.

My findings were written down in a regular and systematic way during the observations or shortly thereafter. This ensures that no important details will be forgotten and left out. In doing so, I created an accumulating record of observations and experiences in my notebook. Diligent maintenance of field notes is a key aspect in this study that serves data analysis and validation. Descriptions were always accurate, organized and marked with the time at which they have been observed and written down. In these descriptive field notes I attempted to capture the observed reality as accurately as possible. This however, does not assume that there is one 'best' description of any particular situation. As mentioned before, the qualitative nature of this study brings with it elements of perception and interpretation that are unavoidable. Emerson (2011) argues that there is not one correct way to describe what one is observing. Different descriptions of similar events could actually be valuable since it might emphasize different perspectives (Emerson, 2011). Emerson (2011) also states that the ethnographer's presence inevitably has consequences on the observed findings. This presence can instigate behavioral changes in those being observed. This effect should however, not be seen as a contaminating element but rather as an intricate part of ethnographic research that might be the very source of learning (Emerson 2011). In most research, it is quite customary for the observers to distance themselves from the thing they are observing. This is done with the noble intentions to protect the objectivity of outcomes. Bansal (2018) however, challenges this frame of reference and argues that researchers cannot be disentangled from their context. The connections between the researcher and the observed can actually be considered a strength in what Bansal (2018) refers to as 'engaged scholarship'.

In this study, different methods have been used to collect ethnographic data. Informal discussions were held with members of top management to gain a deeper understanding of strategic practices within the firm. These conversations were not structured or planned beforehand but took a more flexible form to avoid pre-fixed directions. Another ethnographic method that has been utilized in this study is shadowing. As it was not possible to shadow every member of top management in both firms, decisions had to be made on who to follow in full detail. At Happy Health, one of the CEO's was shadowed for 6 days to gain insight in the way he practices strategy. This CEO is mostly occupied with the strategic direction setting and strategic planning of Happy Health. At Vital Life, the manager that is in charge of quality management has been shadowed for 5 days.

### **3.2.4 Observational data collection**

During the data collection, strategic meetings were attended and observed. The agenda of each meeting was read and studied beforehand to ensure good preparation. Notes were taken during the meetings in an attempt to accurately describe the processes, people and strategic issues. More background to the observed meetings was accessible during interviews and informal discussions.

#### *Vital Life*

At Vital Life, strategic meetings for top management were held once every two weeks. These

meetings were attended by me throughout the process of data collection. A whole day was usually spent on visits to Vital Life where I was seated behind an empty desk opposite of the quality manager. It soon became apparent that this room was visited quite regularly by other members of top management to initiate discussions about ongoing issues. My presence during these moments was clearly felt as I had not been placed in a secluded corner of any sort. Nevertheless, managers did not seem to hold back because of this. As I kept visiting Vital Life, trust grew to the point where I was flooded with data whenever I was present. Some managers felt comfortable enough to 'blow off steam' in front of me which signified their trust in my confidentiality. As was inevitable, I started eavesdropping on conversations in the hallway and the lunch room which provided me with additional data. I was also occasionally invited to participate in such informal discussions which also formed a useful source of data.

Based on the premise that basically everything is data, I started doing pre- and post-meeting observations. I would arrive early and position myself in the back of the room to get a good perspective of every person that was present. Strategic meetings typically lasted about an hour but would occasionally be extended to one and a half hours.

### *Happy Health*

At Happy Health, strategic meetings from top management were held at irregular intervals. Since these meetings only included the two CEOs, I felt a bit more inclined to hide my presence. I positioned myself in the corner of the meeting room and acted as if I was minding my own business. The strategic meetings at Happy Health usually lasted about 45 minutes. Most of the other observational data for Happy Health came from days in which I shadowed one of the CEOs. Gathering data proved to be a bit more challenging since both of the CEOs spent most of their time at their other companies. Nonetheless, we managed to plan days at Happy Health where I was able to talk to multiple dieticians during breaks. These conversations, although informal and not recorded, gave me a better understanding of the way in which strategy was practiced by the dieticians.

### **3.2.5 Overview of data collection**

Over the course of this research I conducted 2 interviews at Happy Health and 6 interviews at Vital Life. These interviews were held with members that were part of the companies' top management teams. Happy Health's top management only included the two CEOs of the company, due to the fact that it is still a rather small start-up. Conversely, Vital Life's top management consisted of 5 members including 4 managers. Consequently there was a difference in the amount of interviews per case. Respondents included 3 CEOs, a general manager, the head of HR and sales, and a quality manager. Interviews were recorded through a digital recorder and lasted about 25 minutes on average. This produced a total of 4 hours of material and 83 pages of transcribed interviews.

As for the observational data, I wrote down field notes in my notebook and included the date of observations at the top of every new page. In total, approximately 18 hours were spent in 15 meetings at Vital Life and 6 hours were spent in 5 meetings at Happy Health in a 6 month period. The range of topics that were discussed in the meetings of both companies varied. The main topics that were discussed at Vital Life were efficient software usage, planning issues, increasing work capacity, the digitization of documents, opportunities for growth and training for young employees. Besides these recurring topics, meetings also often included small issues that had come up since the last meeting. Some examples of such issues were damage on one of the lease cars, the division of work responsibilities, and mistakes that had been made with specific customers. During the meetings of Happy Health, the CEOs talked about the capacity planning, financial goals, possibilities for expansion, pilot results and employee performance. A vast difference between the two cases were the range of topics that were discussed during the meetings. Happy Health mostly stuck to topics

related to financial performance, growth and expansion whereas Vital Life also discussed matters from managerial and employee perspectives. In general, Vital Life seemed to have more attention for problems that arose on the work floor which resulted in a more balanced and thorough discussion of strategic issues. I recorded the meetings with a digital recorder and wrote my field notes as I was observing. I then listened back to the recordings of the meetings to write down any information that I had left out in my initial field notes. This resulted in 32 pages of field notes.

In addition to this, I also shadowed the quality manager from Vital Life for 5 days and one of the CEOs from Happy Health for 6 days. At Vital Life, shadowing mostly meant staying at the company. The quality manager gave me more insight into the strategic work that she did on a daily basis. During one of the shadowing days, I got to experience an audit performed by an independent body. Although a day as such is quite frantic, it did give me a lot of insight into the goals and strategies of Vital Life in terms of its product quality, employee safety and documentation. Additionally, I also spent a day with the quality manager when a software consultant from their supplier visited. All the issues that Vital Life had with its software in terms of efficiency were discussed that day which left me with a good impression of the strategic goals in that area. At Happy Health, I had the chance to shadow one of the CEOs. During these days the CEO would make sure that we visited the physical location of the company as he himself was usually not located there during the week. I met the dieticians of the company and two representatives of their main partners on the days that I was there. I had the ability to talk to the dieticians extensively and was able to observe what the CEO did on these days. Overall, this gave me a good image of the company's organizational structure, strategic issues and network. The shadowing at both of the companies resulted in 16 pages of field notes.

Table 5 shows an overview of the used data sources and methods in this research .

Data source	Happy Health	Vital Life
Interviews	- 2 semi-structured interviews with both of the CEOs	- 6 semi-structured interviews with all members of top management, including head of HR, head of sales, two managers and the CEO
Shadowing	- 6 days of shadowing of one the CEOs - Informal discussions and small talk	-5 days of shadowing a manager from top management - Informal discussions and small talk - Observations before and after meetings
Observations	- 6 meetings of top management	- 10 meetings of top management (once every 2 weeks) - 5 meetings of top management with employees (once a month)

Table 5 Overview of the used data sources across the cases

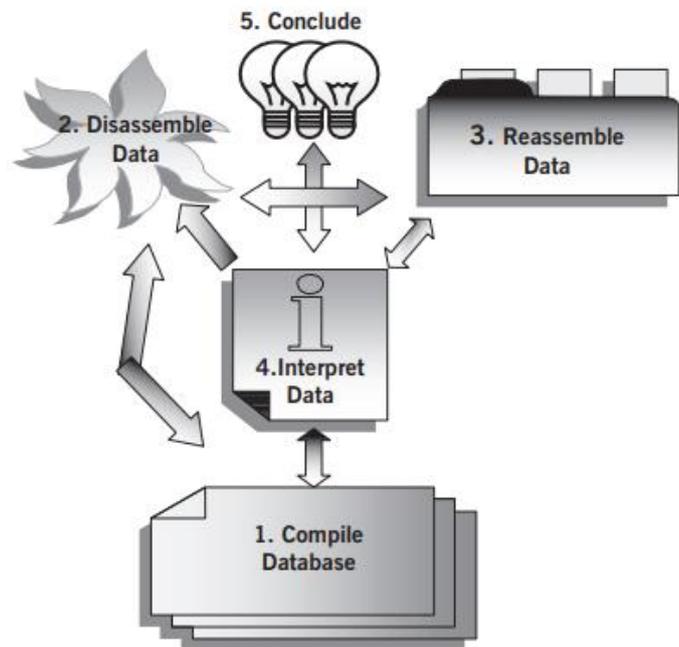
### 3.3 Process of data analysis

The analytical process of this study is based on a combination of academic writings. The main approach adopted in this research is based on Yin's (2001) 5-stage process for analyzing qualitative data. These five stages are:

1. Compiling
2. Disassembling (data reduction)
3. Reassembling
4. Interpreting
5. Verifying

These stages are not disclosed from each other but are instead interconnected and overlapping. Figure 1. shows how these stages may interact with one another throughout the process of data analysis. The first stage, compiling, is basically the creation of a database. The qualitative data from this research was organized in a systematic and orderly fashion before formal analysis was initiated. After this, the data was disassembled. Simons (2009: p120) defines this disassembling stage as 'the process of selecting, focusing and abstracting key data from interviews, observations and field notes'.

For this procedure the transcribed data was coded into labels that are guided by the research question. The disassembled data was reassembled visually in an attempt to find patterns that could be meaningful to the research question. Miles and Hubberman (1994) suggest that a better visual display of qualitative data enhances the validity of the analysis. These patterns of analysis were then subject to the interpretation of the researcher. The goal in this stage was to gain a deeper understanding that transcends the factual data. The interpretation stage seeks a new narrative as to what the data might actually mean. At the end of the study overall conclusions were drawn. This is a process in which the found patterns and its interpretations are gradually verified and confirmed.



#### 3.3.1 Coding process

During the coding process, the data were fragmented into a series of text units that described recursive and adaptive phenomena and their effects on strategic action. These units were then labeled as constructs that derive from the strategic management literature. Text units were not selected based on any arbitrary notion of length which resulted in phrases ranging from single lines to full paragraphs. A total of 531 text units were coded, 361 from the Vital Life case and 170 from the Happy Health case. All the text units were coded across three main categories and 16 subcategories that were incorporated in the coding tree on the next page. The data of the interviews were labeled and reduced through thematic coding and categorization (Gibbs, 2007). This involved the creation of a coding tree which was realized through an iterative process of induction and deduction. During this process I gradually identified conceptual categories and constructs which could then be interpreted and validated deductively through extant literature. A detailed description of this process follows below.

### *Recursive groups*

After I transcribed all the data, I first began distinguishing recursive and adaptive text units. I did this based on the definitions of recursiveness and adaptability that I had found in the literature. Once this was clear, I started looking for major patterns in both groups. The first categorization of the recursive text units led me to four broad descriptions. These were, 'ignored advice from employees', 'environmental dynamism', 'switching costs/contractual limitations' and 'no employee leadership'. The aforementioned categories were conveniently named this way in a first attempt to get to the core of each group of text units and were not related to the literature yet.

Ignored advice from employees represented text units that described situations in which the CEO did not listen to his employees or managers during strategic meetings. This group was characterized by the absolute power of the CEO that was at the core of many strategic decisions. The group environmental dynamism contained text units that addressed the negative effects of external influences on the company's ability change. Moreover, the category switching costs/contractual limitations represented the text units that discussed adaptive limitations caused by high switching costs or contractual agreements. Ultimately, the group 'no employee leadership' contained text units that referred to the delayed adoption of new practices caused by a lack of leadership.

Following up, I did literature research to find phenomena that related to these four descriptions. First, I adjusted 'ignored advice from employees' to 'autocratic leadership' which I later modified into 'shareholder dominance'. I specifically chose shareholder dominance because autocratic leadership does not per se suggest that it is exercised by a shareholder. In my text units, autocratic decision making was only mentioned in relation to the shareholders which made me opt for shareholder dominance. Although shareholder dominance is not a frequently named term in the strategic management literature, it does have a connection to the current literature. The construct fundamentally describes how shareholders refuse to reevaluate a situation by relying on familiar assumptions and existing values which leads to a rejection of external perspectives. In a broader sense, this phenomenon is also referred to as cognitive inertia (Ertl, 2020)(Li, 2016).

Environmental dynamism represented the group of text units that describe the effects of tight labour markets and high demands. I later decided to name this group 'exogenous influences' as it welcomed a wider variety of text units. A partner that puts demands on an organization based on a contractual agreement, is an example of an exogenous influence from this study that could not be categorized under environmental dynamism. Hence the choice for the name exogenous influences. Although this is not a specific term within the strategic management literature, it does describe the situations in which the heuristics of practitioners are being challenged. Heuristics result in a specific instantiation of strategy that does not consider all available information (Pellegrino, 2018). The exogenous influences from this study could often not be solved by such mental shortcuts.

For the group 'switching costs/contractual limitations', I quickly identified a common aspect among the text units. This was the fact that decisions from the past worked as limiting factors in current decisions. The fundamental description of path dependency in extant literature revolves around this idea. It is characterized by the imprinting effects of the past on organizational behavior which results in inertia (Dow, 2018) (Sydow, 2009). Based on this, I established path dependency as the third recursive construct.

At last, I changed 'no employee leadership' into 'a lack of hierarchical structures'. As I read the text units, I noticed that it was not so much a lack of leadership in individuals that caused recursiveness, but rather the absence of hierarchical structures within the company. A lack of hierarchical structures basically describes the absence of managerial hierarchy, the effects of which have been studied in extant literature (Lee, 2014)(Cumming, 2016).

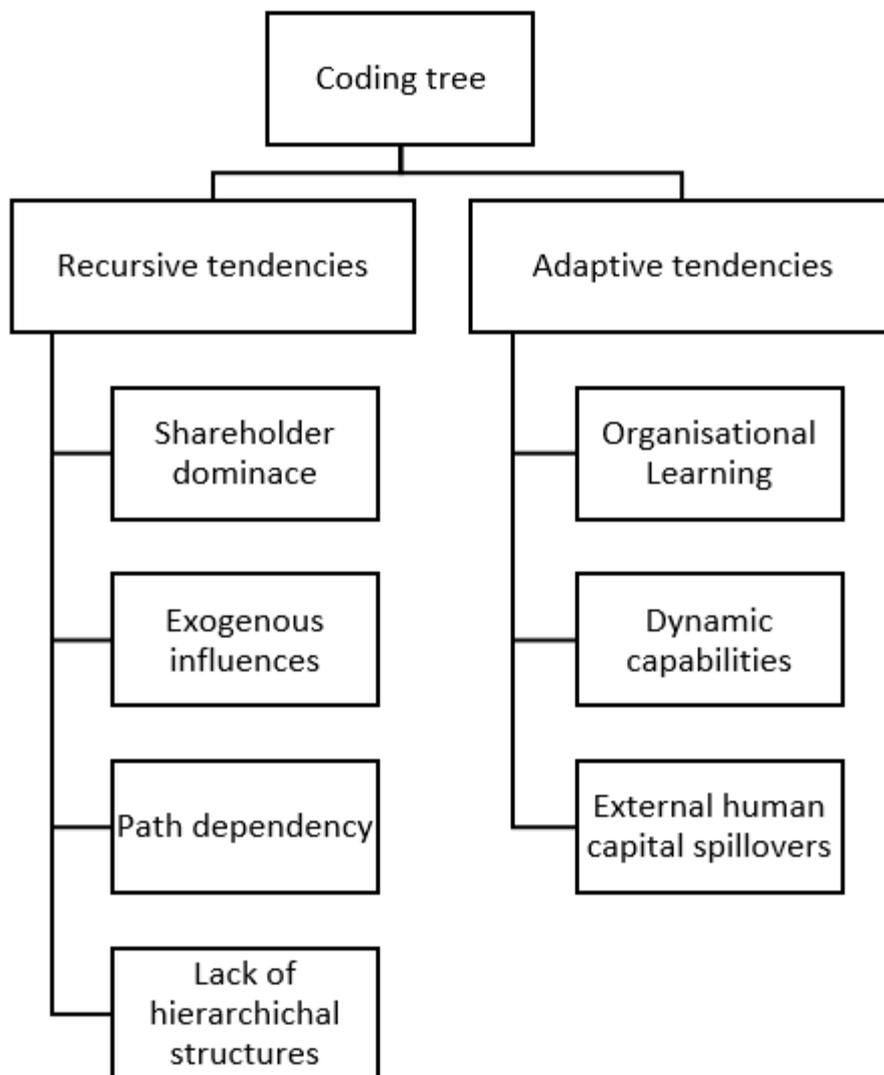
### *Adaptive groups*

For the categorization of the adaptive text units I came up with three broad descriptions. These were 'gathering of new knowledge', 'idiosyncratic characteristics and processes' and 'new employees'. These were, just as the recursive groups, named in a first attempt to get to the core of each group without any reference to the literature. The gathering of new knowledge group represented the text units that referred to activities and initiatives that enabled the accumulation of knowledge within the organization. I later changed 'gathering of new knowledge' into 'organizational learning' after I consulted the literature for a suitable comprehensive construct. I found that organizational learning is described as the process of knowledge creation, retainment and internal dissemination, which creates adaptive routines (Tamayo Torres, 2016)(Annosi, 2020). This comprehensively represented the text units of the gathering of new knowledge group, which caused me to rename it to organizational learning.

Finding a comprehensive conception for the 'idiosyncratic characteristics and processes' group proved to be a challenge at first. This group contained text units relating to network management, alliances and product development. The goal of the idiosyncratic characteristics and processes group was to represent the distinguishable processes and resources of an organization that allow it to adapt to changing environments. By means of literature research, I found out that these text units represented the companies' dynamic capabilities. The meaning of dynamic capabilities in extant literature broadly refers to the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Banerjee, 2018). It's the effective routines that are adaptive to changing market situations (Adegbite, 2018). The description of dynamic capabilities fit the text units that I had assigned to the idiosyncratic characteristics and processes group which I why I renamed it.

At last, I renamed the 'new employees' group into 'external human capital spillovers'. The new employees group had text units that described how the presence of new employees and their knowledge and skills enabled adaptability. I found that external human capital spillovers represented a construct that describes this phenomenon quite accurately. The presence and interactions of employees with high human capital makes other worker more productive and stimulates adaptation and innovation (Eklund, 2019) (Chang, 2016). Hence the reason that I established external human capital spillovers as the third adaptive tendency.

The coding tree on the next page shows how the aforementioned categories were coded.



### **3.4 Validity**

The next part identifies possible threats to validity and how the researcher intends to counteract those.

#### **3.5.1 Construct validity**

Construct validity refers to the operationalization of the constructs that are being investigated. This can be improved through triangulation because multiple sources of evidence with the same results increase validity (Yin, 2014). As mentioned before, this study uses triangulated data collection which supports the construct validity of this research.

#### **3.5.2 Internal validity**

Internal validity refers to the match between researchers' categories and interpretations and what is actually true (Lather, 2017: p65). This ensures that the research is a valid representation of the phenomena that are being studied. Internal validity can be increased by exposure to repetitive cues which offers the researcher potential to find meaning during observations (Barley 1995). According to Miles and Huberman (1994), internal validity can be divided into three smaller forms of validity which are interpretive, theoretical and descriptive. The first form, interpretive validity, 'captures how well the researcher reports participants' meaning of events, objects and/or behaviors (Thomson, 2011: p.79). Theoretical validity deals with the theoretical constructions that the researcher develops during the study which transcends literal descriptions and interpretations. This validity is ensured during the fifth stage of Yin's data analysis process in which conclusions are being drawn. Descriptive validity refers to the accuracy in which the transcribed data reflects what the respondent has said and done (Thomson, 2011). Descriptive validity can be increased by creating rich descriptions of specific situations that happened. It is important not to omit any features of the respondent's speech. This encompasses speech but also contextual elements such as emotional undertone which are essential to the understanding of the interview (Thomson, 2011). This research is expected to meet these criteria of internal validity, mainly because of its longitudinal design and the use of different methods that produce triangulated data. To counteract interpretive bias, findings were validated with respondents near the end of the data analysis process. The qualitative nature of this study makes it inherently bound to a certain degree of subjectivity. Claims of absolute objectivity are thus not being made.

#### **3.5.3 External validity**

External validity deals with the degree to which the findings of the research can be generalized across different research domains (Yin, 2014)(Lather, 2017). Lather (2017) argues that this generalizability tends to be problematic in qualitative research because the focus is often on idiosyncratic characteristics of a select group. External validity may still be attained by the theoretical framing that arises from extant literature. The underlying social science theory that leads this research improves the external validity. This study is inductive by nature because it investigates previously researched phenomena in a different context without testing any hypothesis. In-depth research on the strategic practices of top management might emphasize the lack of knowledge in this area. The conclusions that were drawn after data collection were put in a broader context to see if these are either resonant or divergent from other theories in extant literature. This brings a small element of deduction into this research which could increase external validity.

### **3.5 Reliability**

Reliability is the extent to which consistent results can be reproduced by other researchers if these use the same methodology (Yin, 2014). Results should thus be an accurate representation of the population that is being studied. Qualitative researchers using text as their data tend to be skeptical of reliability tests because the qualitative data is not something that is easily turned into a standardized set of measurements (Mason 2002). This is because words can have multiple meanings, are open to interpretation, or because their meaning can change in the context of other words (Campbell, 2013). As mentioned before, the qualitative nature of this research produces results that originate from idiosyncratic characteristics of a select group. This means that results might not be fully replicable because of case-specific details. However, consistency in the coding and analysis process can be reassured.

## 4 Strategy-as-practice in both firms

The first objective of this study is to investigate how both of the firms practice strategy. This was done through a multi-dimensional approach of praxis, practice and practitioners. The findings are presented in the form of a descriptive narrative for each case. Some specific quotes that derive from the interviews will be shown to support the findings.

### 4.1 Meso-level praxis

#### *Vital Life*

Vital Life has a variety of activities that make up its strategy. Activities that were collectively executed included monthly strategic meetings of top management, training days, strategic direction setting and informal conversations. These types of praxis were executed by top management as group. Practitioners engaged in decision-making, issue selling, networking, negotiating and learning activities on an individual level. Although there are many more activities that shape strategy, the aforementioned ones were found to be the main forms of praxis in Vital Life.

#### *Happy Health*

At an individual level, practitioners of Happy Health used planning activities to achieve higher internal efficiency and more optimal resource allocation. The CEOs also performed market research and used various theoretical analyses to determine future strategic direction-setting. Other forms of praxis within Happy Health included strategic meetings, seeking and recruiting high quality employees and the formulation of expansion strategies.

### 4.2 Practice on an individual level

#### *Vital Life*

At Vital Life, many symbolic and material tools were used to perform strategic work. The company uses technologies, material artifacts and theoretical tools to reach its strategic goals. Examples of the company's used technologies are online clouds, its main computer software and Office programs such as Excel, PDF and Word. These are used to meet internal efficiency standards. Vital Life also uses a big whiteboard on which employees can write down new ideas, reminders of new arrangements and problems that arise during work. Top management did not use any theoretical models apart from a yearly SWOT analysis which mainly focused on the opportunities and threats for the new year.

#### *Happy Health*

Happy Health mainly utilized technological tools to perform strategy work. The company uses an online planning system, a budgeting system and applications that allow online meetings. These tools have been essential for the company since top management is not often physically present at the worksite of employees. Consequently, the communication of strategy was often done through technological tools at Happy Health. Both of the CEOs also used theoretical models to formulate strategies for new market entries and international expansion as well. Frameworks such as the Ansoff Matrix and the SWOT analysis would form the basis from which all the topics of discussion were addressed.

### 4.3 Recursive and adaptive tendencies across both cases

A fundamental part of this study is the investigation of recursive and adaptive tendencies in the strategic process of two fast-growth SMES. Activities were labeled recursive or adaptive based on the meanings of both constructs in extant literature. Recursive activities were identified as routinized and repetitive activities serving to stabilize. Adaptive activities were identified as transformative, creative and exploratory activities that change traditional ways of working.

The identification of recursive and adaptive tendencies in both cases was done through a selective process. Tendencies were only included in the findings when there was sufficient consistency across both cases. With this in mind, the categorization of the text units led to shareholder dominance, exogenous influences, path dependency and a lack of hierarchical structures as the main recursive tendencies in this study. Table 6 shows the amount of text units from the interviews that were linked to each of the recursive constructs.

	Text units Vital Life	Text units Happy Health	Total amount of text units	Percentage of all recursive text units
Shareholder dominance	35	11	46	31%
Exogenous influences	24	17	41	28%
Path dependency	18	7	25	17%
Lack of hierarchical structures	27	9	36	24%

Table 6 Text units of recursive tendencies

The percentages in the table intend to show how much stress was put on certain constructs in relation to others during the interviews. Exogenous influences were for instance mentioned 41 times in both cases accounting for 28% of all the recursive text units. Shareholder dominance turned out to be the mostly discussed recursive tendency in Vital Life, and exogenous influences in Happy Health. Path dependency was the least discussed tendency across both cases. Hints of competency traps and distrust in strategic leadership were also found in the data but lacked defensible claims for consistency across both cases.

The same approach was taken in regards to adaptive tendencies. The three main adaptive tendencies that I identified were organizational learning, dynamic capabilities and external human capital spillovers. Table 7 shows each of these tendencies and the amount of text units that were tied to them.

	Text units Vital Life	Text units Happy Health	Total amount of text units	Percentage of all adaptive text units
Organizational learning	39	21	60	47%
Dynamic capabilities	24	9	33	26%
External human capital spillovers	22	12	34	27%

Table 7 Text units of adaptive tendencies

Organizational learning was the most extensively discussed adaptive tendency in both cases. Overall, external human capital spillovers were the least discussed although it remained close to dynamic capabilities. Aside from the three main adaptive tendencies, I also found clues of time pacing. This construct did however lack consistency across both cases and was therefore not included in the results.

### 4.3.1 Recursive tendencies Vital Life

#### *Shareholder dominance*

In this study, the construct shareholder dominance refers to the exertion of exclusive power over strategic decisions by a dominant shareholder. In such case, shareholders are able to make strategic decisions for the company in an autocratic way. According to Hart (1995), SMEs are likely to have an ownership structure with a sole proprietor. This also holds true for Vital Life, which played a crucial part in the power dynamics of strategic meetings. Observations of these meetings exposed a clear hierarchy within the management group. The dominant CEO decided on every strategic matter regardless of its relative importance. Managers conveyed their ideas during the meetings while being vigilant of the CEO's validation.

"You can really tell that this is a family-owned business. (Name CEO) is the owner and he decides almost everything on his own. In the beginning I had to get used to this since it is very different from my previous job at the bank." (*Shadowing Quality manager 17.12.2019*)

The adoption of new strategic practices at Vital Life seems to be limited to the adaptability of the CEO. Managers of Vital Life reported cases where the CEO had trivialized a need for change and instead proposed to stick with original ways of working.

"I know the everyday problems that we encounter at the sales department better than him. So when I propose a new way of working or a new tool to make us work more efficiently I expect his trust. But before he approves it I have to explain every little detail about it to him. And sometimes he just says it is not necessary because we are doing well." (*Interview, ...*)

The notion that Vital Life's shareholder exerted too much dominance in strategic decisions seemed to be shared across the organization. During my observations, I noticed frustration amongst employees in regards to their perceived freedom to act beyond operational responsibilities. This would always be a specific group, who soon made it a habit to complain about the issue to each other on a daily basis. As time went by, this resulted in a self-reinforcing cycle of negative emotions and resistance. The effects of this could be seen during strategic meetings. Discussions about certain issues would evoke emotion which created a tense atmosphere. Even though firm words were spoken during these moments, all participants managed to keep their composure and remained professional. Nonetheless, it became clear that a significant group of the employees could no longer work under the autocratic leadership style of the CEO.

The obvious elephant in the room caused the CEO to reevaluate his top management team. A month went by and two members were told to leave by the CEO. The head of sales agreed with the separation since he had been 'experiencing a lack of autonomy in his everyday practices for too long now'. Shortly thereafter, the head of HR left the company after 21 years of employment and released a statement through mail. She declared that 'for a longer period of time there had been two captains on one ship' alluding to the unworkable relationship that had developed with the CEO.

#### *Exogenous influences*

Exogenous influences were identified as external influences that create a need for new strategic practices. Such influences can cause inertia and diminish adaptability. For Vital Life, a tight labour market presented difficulties in attracting and keeping high-quality employees. In a period of three months, 5 employees left because they received better offers from competitors. Vital Life already had difficulties meeting the high demand and had now descended into a small-scale crisis.

"So many employees leaving us in such a short time span is very unfortunate for us. The demand is very high right now and we cannot deliver. We have to tell some customers that we can help them six months from now. That is terrible. And besides that, some of them were crucial for

certain processes in our company. I have faced tougher challenges throughout my years but this is definitely a big setback for us. For now we will have to improvise until we find replacements.”  
(Meeting 19.12.2019)

The effect of the tight labour market was visible during my observations. Vital Life is a rather small company in which rumors about job offers spread like fire. I would occasionally overhear stories of employees that had gotten job offers from competitors which promised higher financial compensation and more responsibilities. This made it difficult for Vital Life to retain the skills, knowledge and work capacity that it needed to meet the high demand. Vital Life lost a couple of employees while the demand was still steep which resulted in declining performance.

#### *Path dependency*

During the study, path dependency was identified as the imprinted effects that past decisions have on current strategic decision making, the effects of which manifest as rigidity and inflexibility. High tangible and intangible investments made it difficult for Vital Life to change its software. The company has invested financial assets and many hours of training in its current software which averts it from adopting new programs.

“There are some software programs that I’ve heard of that are pretty good. Better than what we currently have. The problem is that we invested a lot of money into our current program when we bought it a couple of years ago. Also, everyone is familiar with (name current software) already. Learning to use new software across the whole organization is something we cannot do right now. It’s way too busy for that” (Meeting 7.1.2020)

At Vital Life, path dependency mainly showed through sunk cost fallacies. During my observations, I noticed how better alternatives for strategic work were dismissed because of previous financial investments. The CEO had several financial reasons for this, although the main principle behind it came down to his ‘frugal approach that had given him success from the beginning’. Whether an investment in new strategic practices is financially responsible at a given time remains debatable. Nevertheless, my observations clearly showed how Vital Life had lost flexibility and became vulnerable to inertia by abstaining from investments in new strategic practices.

#### *Lack of hierarchical structures*

The last source of recursiveness is a lack of hierarchical structures, which was recognized as insufficient relative social status and power amongst employees. I noticed that top management members repetitively emphasized that certain employees were not adopting new practices according to plan. This defiance of previously made agreements led to frustration among the employees that actually did adopt the new practices. Remarkably, nobody acted as an authority figure to guide these employees in the right direction. I found that managers did not feel that they were in the position to tell other employees what to do.

“It is not really up to me. (Name CEO) has told them what to do so they should follow that. Sometimes I give a subtle reminder in the hope that they will do it. But to actually tell them ‘you’re doing this wrong, you should change it’ is not for me.”  
(Shadowing Quality manager 17.12.2019)

The lack of hierarchy within Vital Life became more evident through my observations. Managers would complain to me about the fact that other employees were not working according to previously made agreements. This would go on for weeks without any changes in behavior. I noticed that this happened because managers either avoided conflict or felt undermined in their position. Many

solutions could have probably been bared into existence through mutual revision of the problem and proper instructions. Yet, the absence of organizational hierarchy prevented this.

### **4.3.2 Recursive tendencies Happy Health**

#### *Shareholder dominance*

At Happy Health, the shareholders also exerted power over strategic decisions in an autocratic way. Shareholder dominance was not specifically acknowledged by both of the CEOs during the interviews. However, my observations showed the dominant nature of their strategic conduct. Happy Health's employees work in a different physical location and are rarely involved in strategic matters.

“We do not have any management which means that we pretty much lead the company with the the two of us. When any fundamental part of our company's work or strategy changes it is because we decided so. We both like it since it gives us good insight on what happens within our company while it also gives us control.” (*Meeting 6.12.2019*)

I quickly found out that Happy Health's top management was quite disconnected from the rest of the organization. This indirectly left little room for employees to influence strategic decisions. When I got the chance to talk to a couple of employees during my breaks at Happy Health, I picked up that there was quite a strong urge and willingness to be involved in the strategic decision-making process. Although vigilant of my reaction, certain employees confessed that they did not feel heard and had little input. There was a general consensus that they could provide useful information for strategies to increase work efficiency based on the problems that they experienced on a daily basis.

#### *Exogenous influences*

The most challenging external influence for Happy Health was the steep increase in demand. The amount of patients that Happy Health had to guide going into 2020 was four times as much as in 2019. This increase in demand created the need for a better planning system. Old practices and praxis became recursive which started to hamper the planning process.

“We noticed that we could not let one person plan all these patients through phone calls anymore. There was no clear overview of the appointments anymore which had led to some frustrating situations that we cannot afford to have. We had to hire another person and we had to purchase new planning software.” (*Interview CEO 10.1.2020*)

The effect of the steep increase in demand on the practices and praxis in Happy Health became evident during my observations. Many facets of the company's strategic work proved to be inadequate to address future problems optimally. I observed the problems that would regularly arise and noticed how this influenced overall performance and inhibited growth potential. For Happy Health, not meeting the demand means more than just inhibited growth though. All of the company's revenues at that time came from its contracts with two big partners. These three year contracts require Happy Health to grow at a specific rate. Consequently, Happy Health was forced into urgent decision-making. This would not always benefit the actual decision though. An example of this is the fact that Happy Health did not have enough time to create a decent capacity planning. Top management took two attempts that were not successful after which they decided to get help from a consulting firm.

### *Path dependency*

Happy Health also experienced the constraining effects of past decisions and events. In 2018, the company signed a contract with a psychologist organization that complements their dietary services throughout the guiding process. According to Happy Health's CEOs, this organization has been rigid and sticking to old agreements in regards to planning, innovation and general strategic conduct. This has prevented Happy Health from applying certain adaptive practices.

"The psychologists that we work with have been very rigid. They are resisting to cooperate in the changes that we want to make. Since the amount of patients that we guide is growing very quickly right now we constantly have to adapt. We are partly dependent of their services and we cannot just replace them. This means that we are kind of forced to go at their pace."

*(Shadowing CEO 29.11.2019)*

Path dependency in Happy Health seemed to mostly derive from the contractual agreements it has with its partners. Being a start-up, Happy Health managed to sign contracts with two big partners which guaranteed increasing revenues for the upcoming three years. These contracts do however, also have their demands and restrictions. For this reason, Happy Health is not autonomous in its decisions on innovation and treatment methods. The limited freedom in these areas stops Vital Life from pursuing the full range of adaptive practices that it potentially could.

### *Lack of hierarchical structures*

Aside from the CEOs, employees of Happy Health did not have clear differences in relative social status and power. Some of the dieticians did not organize their administration according to previously made agreements or still used outdated PowerPoint presentations when informing a group of patients. This was because of a lack of hierarchy and leadership amongst the dieticians.

"We are not often in the same physical location as our dieticians when they work. This means that we cannot always communicate in person or check how they are working. So what we did is that we assigned two dieticians to do this whenever me and (name other CEO) are not there. This has not worked well so far. We have a lot of young employees and I have noticed that they are not yet ready to act as a leader and manage the rest of the group." *(Shadowing CEO 29.11.2019)*

I observed a noticeable lack of hierarchy between the employees of Happy Health when I was present. The CEOs attributed this to insufficient leadership skills and experience amongst the employees. Although I found this to be partially true, I also concluded that the organizational structure of Happy Health played a significant role in this. Every employee had been hired in the role of dietician, not manager or an equivalent function that demands attributes such as leadership and experience. I found that when employees are not encouraged or hired by top management to act as an authoritative figure, they are less inclined to do so. Because of this, there was a noticeable divergence in the way that dieticians guided their patients which is not desirable in the preparation for bariatric surgery.

Table 8 presents an overview of additional interview extracts that indicates the different sources of recursiveness in both firms.

**Table 8 Interview extracts referring to sources of recursiveness**

<i>Source of recursiveness</i>	<i>Elaboration of construct</i>	<i>Extracts from the interviews</i>
<b>Shareholder dominance</b>	Exclusive power over strategic decisions that is exerted by a dominant shareholder	<p>"He (the CEO) always decides on strategic matters.. Even if most of us don't agree with something. Sometimes I feel like the management group does not have a purpose" (manager VL)</p> <p>"I have to ask for validation on every new thing that I want to do. I wanted to use a program on the computer that allows us to work faster. I needed additional licenses for three employees and this took 3 months to realize. If I could have made the decision and done it on my own it would have been taken care of within a day." (manager VL)</p>
<b>Exogenous influences</b>	External influences that create a need for different strategic practices	<p>"The amount of patients that we have to guide in 2020 is four times as much as last year. To keep up with this increased demand for our services we to change the way in which we plan. Our planning system needs to be more efficient and organized." (CEO HH)</p> <p>"The labor market is very tight at the moment. We barely have enough employees to keep up with the high demand. Employees constantly get offers from other companies. That's why we started putting a lot of effort into our public image. We want to be an attractive company for employees. (manager VL)</p>
<b>Path dependency</b>	Past decisions that influence the direction of current strategic decisions	<p>"About a year ago we started a collaboration with (name establishment). These are psychologists that complement our services during the guidance of our patients. They have been holding us back ever since we signed that contract. We want to be more productive and efficient, especially with our planning, but they are very rigid. We are partly dependent of their services so we are having issues there." (CEO HH)</p> <p>"There are some software programs that I've heard of that are pretty good. Better than what we currently have. The problem is that we invested a lot of money into our current program when we bought it a couple of years ago. Also, everyone is already familiar with (name current software). Learning how to use new software across the whole organization is something we cannot do right now. It's way too busy for that. (CEO VL)</p>
<b>Lack of hierarchical structures</b>	A lack of relative social status and power amongst employees	<p>"They are still not following the new ways of working that we had told them to do. But I'm not telling them what to do anymore. That's up to (CEO's name). He is the boss so they listen to him" (manager VL)</p> <p>"I am responsible for the sales of... but I am not in an official position where I have to direct them. (manager VL)</p> <p>"Me and (name other CEO) both have our own company outside of Happy Health. During the week we are mostly at these companies which means that we are not present at Happy Health a lot. I think this works against us sometimes. The dieticians need more direction in terms of administration and updated ways of working. Telling them what to do through email has led to misunderstandings and a general lack of urgency to do what we say. We need someone who acts with authority and push them into the direction that we want to go." (CEO HH)</p>

### 4.3.3 Adaptive tendencies Vital Life

#### *Organizational learning*

In this study, organizational learning refers to the creation, retainment and internal dissemination of knowledge in a company that increases organizational knowledge. This can be observed as the company's engagement in exploratory activities that increases organizational learning. The goal of these strategic activities was often to increase efficiency and efficacy through knowledge accumulation.

"My employees often participate in training days, online conferences and certification courses to become more knowledgeable. I pay for these things because I see it as an investment. The more my employees know, the better they can perform. I also noticed that some of them come back a little excited after such an event. They talk about ideas that they have picked up and how these could help us in a positive way." (*Interview CEO 19.12.2019*)

"We set up a key-users group which consists of the four employees that use the software the most. We meet once a month with (name supplier) and I must say that it has been really interesting. We went for the first time last Friday and we already got so many useful tips out of that meeting." (*Shadowing Quality manager 10.12.2019*)

At Vital Life, employees have many opportunities to develop themselves by following courses, training days or other means of knowledge-enhancing activities. The company offers to pay for these events in return for loyalty and better work performance. I noticed that a significant amount of the employees capitalized on this chance to develop themselves. This became most evident when I asked the quality manager for an overview of all the current and future courses that the employees had been signed up for. About 60% percent of the employees were scheduled to follow a course or training day within the upcoming 6 months. When I talked about this to the CEO, he told me that financing these events is an investment in his company's expertise. He claimed that it is worth it even though it accounts for significant costs on a yearly basis. This enabled a constant flow of organizational learning within the company.

#### *Dynamic capabilities*

Dynamic capabilities were recognized as a set of specific, idiosyncratic processes that address or bring about changes in a company. Vital Life's fast growth created a need for adaptive practices and praxis at a high pace. The company was not always able to respond to its changing environment on short notice and had to rely on its existing resources and capabilities. The company's network management proved to be an important capability in dealing with external influences.

"The labour market is very tight right now so it is difficult for us to hire new employees. Fortunately, we are already an established company in our current region. Our network and years of activity in the market has given us better options in regards to hiring new employees. Since our company's culture revolves a lot around informal networking we are able to better cope with changes in the labour market." (*Meeting 16.1.2020*)

Throughout this study, I observed how Vital Life was successful in the process of manipulating its resources into value-creating strategies. An example of this is the informal and welcoming culture of Vital Life which is an inherent part of the company. Over the years, this has given Vital Life a wide network to draw resources from. I observed how the CEO would often instantly have connections within his network to solve specific problems. This enabled Vital Life to swiftly solve problems that arose from exogenous influences such as employee shortage.

### *External human capital spillovers*

External spillovers of human capital represent the impact that the presence of individuals with high levels of human capital have on the adaptability of a firm. Vital Life hired two employees from a direct competitor which stimulated adaptive practice and praxis. The knowledge, skills and ideas of the new employees encouraged a reevaluation of the way in which things were done at Vital Life.

“(Name CEO) hired two employees from (name competitor). Both of them have brought good ideas on process automatization and sales with them. The experience that they have gathered at our competitor is of instant use to us.” (Meeting 28.1.2020)

During my observations, I was fortunate enough to observe both of the newly hired employees for a substantial amount of time. I noticed how they started questioning routines and got more involved in strategic decision-making processes after the first few weeks. The CEO displayed curiosity and interest in the opinions of these two employees since they had abundant information on their previous employer, who also happened to be a direct competitor. The knowledge and insights that these employees brought to the table were not only useful to Happy Health but were also received with a lot more openness by the CEO. This led to the implementation of some new ways of working fairly quickly which benefitted the company.

### **4.3.4 Adaptive tendencies Happy Health**

#### *Organizational learning*

During the study, Happy Health put effort into actively creating, retaining and seeking knowledge through different activities. This created a constant process of organizational learning in the company that stimulated the adoption of new practices and praxis.

“We are currently contacting companies that do the same as we do. I know that in the United States, they are more knowledgeable in the field than we currently are. We want to learn from them to improve our services.” (Meeting 20.11.2019 )

At Vital Life, organizational learning happened more in a top-down approach. The CEOs explored new sources of knowledge on their own and were informed by their partner’s research team. The essential bits of knowledge that could be used in everyday practices would then be passed on to the dieticians. This allowed the dieticians to be productive while top management was actively gathering new knowledge. During my observations, I noticed that organizational learning was quite central in Happy Health’s strategy. The owners displayed a strong knowledge-based view throughout the timeframe of analysis. The creation and absorption of new knowledge were specifically seen as one of the strategically most significant resourceful activities of the company. Both of the CEOs kept emphasizing the importance of having the latest knowledge and methods in the field and claimed it formed a key aspect of the company’s competitive advantage.

#### *Dynamic capabilities*

Happy Health also managed to adapt to external influences because of its dynamic capabilities. The company avoided disruptions and ensured continuity in the supply of its services by configuring its assets in an optimal way. This managerial process, also known as asset orchestration (Schriber, 2018) was found to be a source of adaptability in Happy Health.

“Look.. when we signed this deal with (name partner), we knew what we got into. They expect us to guide all their patients and grow at a rapid rate. Our goal has been to align all the processes in this company to be ready for the steep increase in demand while remaining flexible. I have learned how to do this in the other two companies that I own. Our contracts with suppliers and employees are flexible, we have temporary workforce options from a third-party, we are

located in the same building as our main partners and we spend a big part of our revenues on research and development. The way in which we organized all of this has really helped us to move with changes of the environment.” (Interview CEO 19.12.2019 )

Besides asset orchestration, Happy Health also used alliancing. This gave the company access to more sources of knowledge and a more extensive network. These attributes became part of the idiosyncratic set of capabilities that helped Happy Health cope with the fast growth and environmental dynamism.

#### *External human capital spillovers*

At last, Happy Health also managed to hire an employee that is experienced in the field of dietetics and bariatric surgery. The knowledge, skills, habits and personal attributes of this employee bring new perspectives and treatment methods to the company. The human capital that Happy Health gains could also potentially lead to better leadership and management with in the company.

“We have been able to hire (name employee). She is a very knowledgeable woman with a lot of experience under her belt. It’s just what we need right now. She can lead the other dieticians, provide them with knowledge and help us build more effective and efficient routines. She is an actual dietician so she can also inform us about the problems that these employees face in their daily work.” (Meeting 17.1.2020)

Happy Health hired the experienced employee which facilitated the communication between top management and the dieticians significantly. The dieticians became more consistent in their work and had a conduit through which they could now communicate issues of their daily work to top management. The more effective communication allowed Happy Health to make quicker adjustments.

Table 9 presents an overview of additional interview extracts that indicates the different sources of adaptability in both firms.

**Table 9 Interview extracts referring to sources of adaptability**

<i>Source of adaptability</i>	<i>Elaboration of construct</i>	<i>Extracts from the interviews</i>
<b>Organizational learning</b>	The creation, retainment and distribution of knowledge that allows organizations to adapt	<p>"I think that we are learning how to be more efficient every day. If I look at how we did things one year ago compared now then I see really big improvements. We have learned a lot even though it might not always feel like it. The training sessions, meetings and hours of puzzling have definitely worked for us." (manager VL)</p> <p>"We are constantly trying to adopt of the latest methods and knowledge out there. We want to be the best and most knowledgeable in the field. That's why we are currently collaborating with a research team from one of our partners. We are also investigating methods of companies similar to us that are in foreign countries." (CEO HH)</p>
<b>Dynamic capabilities</b>	Ability to adapt to external influences in a timely and adequate manner by relying on a specific set of capabilities	<p>"I think that the development of our products and services helps us a lot with the changes in the market. If I look at our products from 5 years ago then I think many of them would sell anymore now. Especially in our sector, quality is highly valued because we are dealing with people's health. Without our product development we would have been out of business years ago." (CEO VL)</p> <p>Our network within the world of dietetics is very wide. This is because we own another dietetics company that runs nationally. This gives us access to many potential employees, sources of knowledge and potential customers. Right now, when the demand is very high, we always have one or two emergency dieticians that we can use in a very flexible way. I am not sure if we would have been able to grow as fast while provide high quality services if it wasn't for our network." (CEO HH)</p>
<b>External human capital spillovers</b>	Employees from competitors that take skills, knowledge, habits and different ways of working with them	<p>"We hired two employees that were working for one of our main competitors. We found out through our network that that they were unsatisfied and looking for something else. We needed new employees since a couple of ours had left, so I contacted them. Both of them have brought fresh perspectives, ideas and knowledge with them. We already used some of these ideas which has benefitted us." (CEO VL)</p> <p>"Last month we hired a woman who is very experienced and knowledgeable in the field of dietary services for bariatric surgery. She worked for our main competitor for years but we managed to hire her. Her knowledge on dietetics and organizational processes in companies as ours is a real asset for us." (CEO HH)</p>

#### **4.4 Reactive patterns to recursiveness and adaptability**

During the study, both cases reacted to the effects of recursiveness and adaptability in similar ways. I noticed that the companies created adaptive responses when the negative effects of recursive tendencies on strategic action persisted for too long. Happy Health created a better capacity planning to counteract the problems it was experiencing because of exogenous influences. The company also explored expansion strategies and possibilities for concentric diversification outside of their current partnerships to decrease path dependency. Vital Life organized strategic meetings for all employees to decrease shareholder dominance and the effects of the tight labour market. This dynamic worked vice versa as well. Adaptive practices would often be followed up by recursive responses in both cases. In Happy Health and Vital Life, new knowledge gathered through organizational learning would be internalized and used to create efficient routinized practices. The pros and cons of recursiveness and adaptability made both companies gear towards a balanced mix.

## 5 Discussion

This study put a particular focus on fast-growth SMEs within the academic field of strategy-as-practice. By doing so, it took a step into the relatively unexplored context of for-profit organizations within the current literature. The findings of this study help us explain in better detail, how and why recursive and adaptive tendencies occur in strategy teams of fast-growth SMEs. The results also have implications for the way in which these tendencies influence strategic action over time.

Since this is an industry-bound study including just two cases, findings may be confined to specific contextual elements of both industry and firm. The limited generalizability of results, which is partly intrinsic to the deep ethnographic approach of this study, calls for more research into top management groups of fast-growth SMEs. Analyses that take place under different organizational and competitive conditions, would be both theoretically and practically important since they stimulate cross-firm and cross-industry learning. The cumulative body of knowledge that originates from these richly detailed studies could then provide a foundation for theory development that has broader applicability. This study adds to the current literature in its own way by addressing a research gap within the strategy-as-practice-literature concerning fast-growth SMEs. In alignment with the phrase 'the whole is greater than the sum of its parts', this research was designed to increase the body of knowledge within the strategy-as-practice field to serve the purpose of future theory development.

This study found four main sources of recursiveness and three main sources of adaptability that were described as individual constructs. These constructs in and of themselves are not significantly new, as most of them have been studied in various domains of management literature. Nonetheless, the novelty of their application and potential for contribution lies in their positioning within the current literature and the explanatory framework. The tendencies of this study that were found to be new in the context of strategy-as-practice were shareholder dominance, exogenous influences, a lack of hierarchical structures. These tendencies could however be linked to related tendencies from the literature.

Shareholder dominance seems to be closely related to cognitive inertia, which is in this case specifically prevalent in shareholders. The existing norms and values of the dominant shareholders in this study were often the source of their dominant behaviors in strategic decision making. Several quotes from the interviews with the CEOs depicted beliefs such as 'I am the owner therefore I should choose'. This relates to a recent contribution of Ertl (2020) which describes how cognitive inertia assumes that people act on their existing values and beliefs, resulting in the inhibition of successful organizational transformation. The exogenous influences from this study can be linked to heuristics. Quickly changing environments and other external influences often challenge the heuristics of strategic decision makers. This was also the case for Vital Life and Happy Health. Most of the external influences required out of the box thinking to be solved instead mental shortcuts.

As is mentioned in chapter 2.3.2, path dependency has been linked to organizational inertia in several studies (Sydow et. al 2009) (Schmid, 2017) (Dow, 2018). In this thesis, I further confirm the idea that path dependency causes inertia and recursiveness. Additionally, I suggest that path dependency manifests as a recursive tendency in the context of fast-growth SMEs. Extant literature has also indicated the importance of managerial hierarchy in the reliable execution of set out tasks (Lee, 2017)(Cumming, 2016). Flatter organizations rely on lateral accountability for this, which in some cases can have adverse effects (Krasavin, 2018)(Cumming, 2016). An organization will inevitably have people that refuse to change, which was also the case in Vital Life and Happy Health. Such a problem calls for figures of authority that lead these people to the adoption of new practices. Based on my findings, I extend this view of Krasavin (2018) and Cumming (2016) into the field of

strategy-as-practice. I do so by proposing that a lack of hierarchical structures can prevent organization wide adoption of new strategic practices in SMEs.

Various studies have stated that organizational learning stimulates adaptation in firms (Annosi, 2020)(Ferincz, 2016)(Tamayo-Torres, 2016). I uphold this stance and argue that it is potentially even more important in fast-growth companies because of their higher needs for fast adaptability. During the study, I observed the important role that organizational learning played in the companies' adaptive capacities. The same principle applies to dynamic capabilities, which has been described as a driver of organizational adaptations in a range of studies (Baškarada, 2016) (Adegbite, 2018). I found that dynamic capabilities assisted in the response to environmental dynamism in both of the cases. Dynamic capabilities thus form an important source of adaptability in fast-growth companies. At last, I found that human capital spillovers form a source of adaptability which is in line with findings from studies that have also investigated this relationship (Chang, 2016) (Eklund, 2019).

This thesis proposes that strategic action changes based on the amount of recursive and adaptive tendencies that are present in a firm. It is imperative for firms to seek an optimal balance of recursiveness and adaptability to successfully guide through periods of fast growth. This study contributes to our understanding of this process through the detailed analysis of activities and tools that practitioners and strategy teams use during the strategy process.

As is inevitable with such an in-depth organizational study, both the data and the conclusions have links to various fields of extant literature. The process of implementing adaptive praxis and practice in both firms relates to the field of change management. In both cases, various attempts at change remained unsuccessful. Parallel to theories of change management, this study found some crucial factors that are needed for successful adaptation in firms. The cases showed the importance of the following activities:

- Determining and communicating the reasons for change
- Assessing the firm's capacity and readiness to implement change
- Establishing organization-wide shared intentions for change

These activities are similarly highlighted in studies of change management (Gill, 2002) (Hayes, 2018).

The way in which fast growth was perceived by actors in both firms also has implications for other fields of literature. The findings propose that success leads to more conservative strategic practice whereas poor performance tends to provoke organizational change and risk taking. This adds to strategic leadership literature that investigates the role of success and failure on strategic decision-making in firms. Toft (2016, p.5) for instance states that "failure teaches leaders valuable lessons, but good results only reinforce their preconceptions and tether them more firmly to their 'tried and true' recipes". Leaders of fast-growth firms could thus be more prone to conservative and recursive strategic conduct. Future research could investigate the effect that fast-growth has on the perception of success and how this influences strategic decision-making.

## 6 Conclusion

During this study, specific patterns have been found in the way that recursive and adaptive tendencies influence strategic action in fast-growth SMEs. Practitioners in both cases faced the dilemma of having to reconcile the needs for stability and change which resulted in various strategic outcomes. The duality of recursiveness and its paradoxical elements became evident as problems in strategic conduct and performance arose. Certain strategic heuristics and routines that both firms had developed for efficacy had become 'sticky' over time predisposing them to inertia.

The four main sources of recursiveness in this study were shareholder dominance, exogenous influences, path dependence and a lack of hierarchical structures. Shareholder dominance was found to be a potential form of recursiveness in SMEs with simple ownership structures. Exogenous influences such as changes in demand or a tight labour market were also identified as forms of recursiveness. Both cases showed that these influences can create a need for new strategic practices at a high pace. Fast-growth SMEs seem to particularly struggle with meeting the high market demand while still delivering high-quality services/products. Consequently, new levels of efficiency have to continuously be achieved by practitioners through their practice and praxis. This confirms the notion that fast-growth firms need to discard and adopt practices more rapidly. Organizational sensing mechanisms are thus of significant importance to fast-growth companies since there is less time for recursive modes of response. Analysis of the cases also showed signs of path dependence. The reasons for fast-growth SMEs to stick with recursive practices and praxis were found to be high tangible and intangible switching costs. Having to perform under the high pressures of fast growth leaves little time to unlearn old practices and relearn new ones. At last, recursiveness was also found to originate from a lack of hierarchical structures. An absence of relative status and authority leaves room for employees to hang on to recursive modes of strategic practice.

Both cases used three main sources of adaptability to enable timely adaptive responses. Organizational learning and dynamic capabilities were used to successfully respond to environmental dynamism. Product development, asset orchestration, network management and knowledge management were found to be the main building blocks of these constructs. SMEs can potentially also derive adaptability from external human capital spillovers. Employees from competitors or closely related industries can instill new praxis and practices that transform traditional ways of working.

One of the main suggestions of this thesis is that change in strategic action is caused by an imbalance of recursiveness and adaptability. Strategic action tends to move in the opposite direction as the amount of recursive and adaptive tendencies in a company at specific times. High amounts of recursiveness stimulate the creation of adaptive practices whereas high amounts of adaptability encourage stability and recursive practice. This constant pursuit towards an equilibrium of recursiveness and adaptability is a crucial part of successful strategic conduct in organizations. As is illustrated in figure 1, fast-growth SMEs seem to thrive and stand the test of time by undergoing the never ending cycle of repetitive rectification successfully. To reestablish a more optimal balance of recursiveness and adaptability in a company, adjustments can be made before performance starts to actually decline. However, if there is a lack of self-imposed signals for change, performance can decline progressively. This could in turn function as a shock that forces the company to address its needs for change. The Vital Life case showed this through radical reorientation of top management.

Strategic action is thus taken in response to stimuli that alter existing strategic intentions in practitioners. These intentions are then converted into strategic initiatives. It should be noted though that strategic intent in and of itself only constitutes a potential. Change can be initiated through new strategic intentions but will only really manifest through organization-wide strategic action. For this

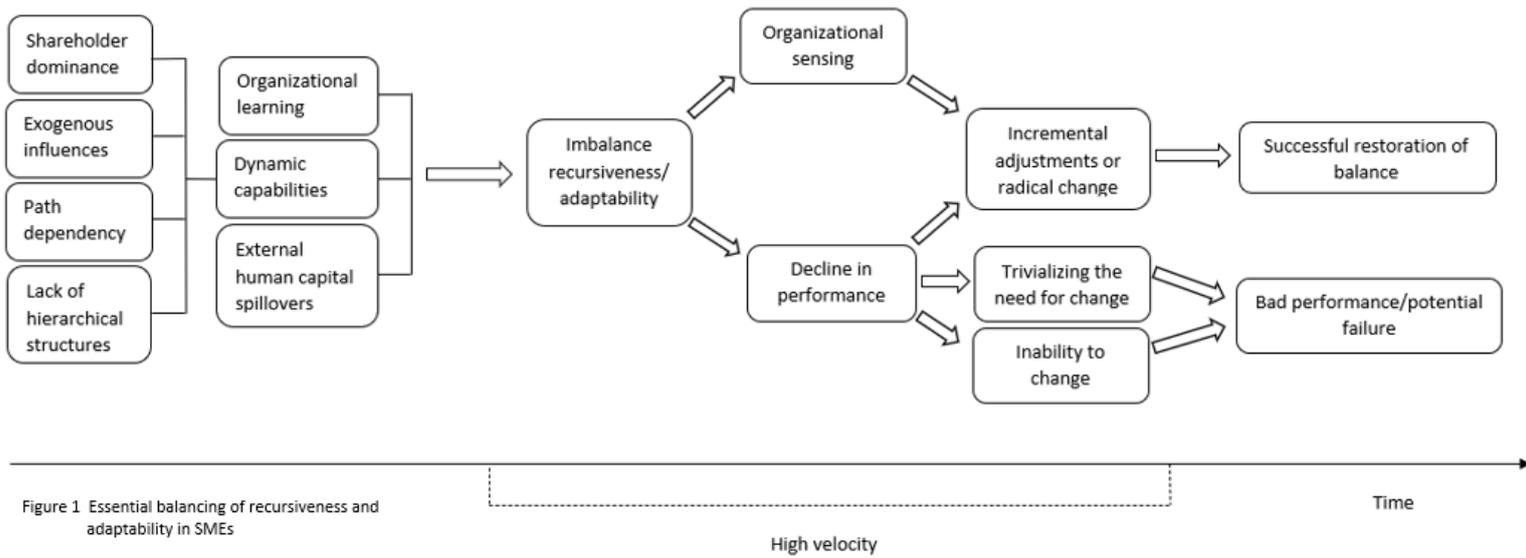


Figure 1 Essential balancing of recursiveness and adaptability in SMEs

reason, the effectiveness of strategic action seems to rely heavily on the human actors within the company. Practitioners seem to be the ultimate mechanism through which the optimal utilization of practices and praxis can be realized. Employees that lack the capabilities or willingness to execute a new strategic plan form a pivotal source of recursiveness. Accordingly, it could be said that strategy without capabilities or a general consensus on strategic direction is powerless. A lack of strategy combined with capabilities and a willingness to change would on the other hand prove to be aimless.

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