How firms cope with digital revolution

Essays on Managerial and Organizational Cognition
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Hoe bedrijven omgaan met digitale revolutie
Essays over management- en organisatorische cognitie

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To the memory of Aqajan, Aqa Asadollah Ramezan Zadeh (1934-2003)

به یاد آقاجان، آقا اسدالله رمضانزاده
Preface

Why is it necessary for a firm to adapt to change? Why shouldn’t managers run the incumbent firm until it dies and open a new one when they want to innovate? What remains the same from an adapted firm? How can a firm change so that it can still claim the same name and recognition? These are the questions that may come to mind while contemplating incumbents’ adaptation. As one can see by reading between the lines of these questions, the incumbent firm’s adaptation requires inconsistency. It is challenging for academics and practitioners to explain, justify, and practice this inconsistency. How to change and remain the same has philosophical complexities that must be understood (Mortensen, 2020). I am fascinated by literature that sheds light on such inconsistency. This dissertation contains my research on the adaptation of established firms during the digital revolution. I managed to conduct this research with the support of many bright minds and kind souls.

As a PhD student, I was eager to learn about the fundamentals of management and how to conduct scientific research in the field of management. I benefited from great courses offered in the PhD in Management program at the Erasmus Research Institute of Management (ERIM), Erasmus University. It was a pleasure to obtain my PhD under the supervision of forward-thinking and supportive professors in the field of strategic management and organization studies. Professor Dr. Henk Volberda is a prominent strategy theorist who, at the same time, has clear insights into business practices. The autonomy he gave me in the research exploration phase helped me find my feet in the field. He contributed to my research by his critical approach to my research in later stages, too. I am thankful for his support in the ups and downs of my PhD journey as well as afterward, when I entered the job market. I would like to thank Professor Dr. Jan van den Ende for his critical evaluation and constructive comments on my work in the early stage of my research. Professor Dr. Joep Cornelissen’s superb adeptness in theory-building made his class on theory development extremely valuable. I also had the opportunity to collaborate with him in a research project. It was a fantastic experience full of learning about writing theoretical pieces. It had previously been a pleasure to work with Dr. Saeed Khanagha at Ericsson, a telecommunications company based in Stockholm, and it was a pleasure to work with him again during my PhD program. His analytical mind, deep insight into the industry, and up-
to-date knowledge of the strategy and innovation fields made co-authorship with him a great source of learning. As a good friend, Saeed’s support helped me settle in Rotterdam very quickly while I was beginning my PhD. My special gratitude goes to him for his advice and help with my research and while I was searching the job market. I extend my thanks to Dr. Oli Mihalache for his scholarly collaboration in the research we presented in this dissertation and for supporting my job applications. Also, I would like to thank Dr. Magdalena Cholakova for her professional and friendly attitude in our research project. Her open and constructive approach in discussions helped me improve my research skills. I full-heartedly thank my promoters and co-authors for their support and what I have learned from them.

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Close collaboration with the industry enriched my research. I am thankful for the collaboration and help I received from Manfred Dasselaar at Ericsson to collect data for Chapter 2 and Chapter 3 of this dissertation. I would like to thank Dr. Benny Borghei, Dr. Mohammadreza Saeedi, and Dr. Roozbeh Feiz Aghaei for their help and support in writing a proposal for research at Ericsson. Here, again, I appreciate Dr. Saeed Khanagha’s supervision at Ericsson. Afterwards, I had the opportunity to participate in a research program of the Netherlands Organisation for Scientific Research with several industrial and academic partners. Through this program, I was granted permission and support to interview and collect data from the Port of Rotterdam Authority (POR), Randstad, and Alliander. I would like to appreciate these organizations’ managers’ collaboration, especially Henk de Bruijn from POR, Alje Kuiper from Randstad, and Bram Reinders from Alliander. I am also grateful for the program’s academic partners for their contribution: Professor Dr. Eric Stam and Dr. Chen Fleisher from Utrecht University, Professor Dr. Aard Groen and Dagmar Ylva Hattenberg from the University of Groningen, and Professor Dr. Andries de Grip and Dr. Sanne van Wetten from Maastricht University.

In 2018, I started my next position as a postdoc at the Science-Based Business (SBB) center, Faculty of Science, Leiden University. There, I designed and taught my first courses for students of science with an interest in the business topics. I give my gratitude to
Professor Dr. Simcha Jong, Dr. Jian Wang, Dr. Xishu Li, Lisa Fillekes, and Loes van den Hulst-Scheffer for the friendly working environment of the SBB that let me enjoy the process of research and teaching at the SBB. In February 2020, I joined the Amsterdam Business School (ABS) at the University of Amsterdam as an assistant professor. I would like to offer my thanks to Professor Dr. Mark van der Veen and other colleagues at the ABS for their warm welcome and support. I would like to thank Iris Kroese for her administrative support before, during, and after my transition time to the ABS.

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Table of Content

Table of Content .................................................................................................................. i

List of Tables ......................................................................................................................... iv

List of Figures ........................................................................................................................ v

1 Introduction ......................................................................................................................... 3

1.1 Overview: Adaptation to technological revolution ...................................................... 3
1.2 Research questions ......................................................................................................... 6
1.3 Basic conceptual model and summary of the studies .................................................. 6
  1.3.1 What type of capabilities are required for simultaneously developing a revolutionary platform technology and dealing with heterogeneous customer demands in a global and established industry? .................................................. 7
  1.3.2 What is the joint effect of macro (institutional) and micro (managerial and organizational) factors on adopting an emerging platform technology? ................................................................................................. 8
  1.3.3 What is the joint effect of macro (institutional) and micro (managerial and organizational) factors on adopting an emerging platform technology? ................................................................................................. 9
  1.3.4 How do managers overcome cognitive barriers rooted in an established organizational identity to adapt to the digital revolution proactively? ................................................................. 10
1.4 Declaration of contributions and acknowledgment ...................................................... 11

2 Embracing bewilderment: Responding to technological disruption in heterogeneous market environments ......................................................................................................................... 17

2.1 Introduction ...................................................................................................................... 17
2.2 Theoretical motivation .................................................................................................... 19
  2.2.1 Organizational alignment, misalignment, and strategic change ................................ 19
  2.2.2 How MNEs respond to disruption ............................................................................ 21
2.3 Research context and methods ...................................................................................... 24
  2.3.1 Data collection ......................................................................................................... 24
  2.3.2 Data analysis ........................................................................................................... 25
2.4 Responding to disruption in heterogeneous markets .................................................... 29
  2.4.1 Market Heterogeneity ............................................................................................. 32
  2.4.2 Conflicting interpretations of the market dynamics ................................................. 34
  2.4.3 Experimentation and trials .................................................................................... 37
  2.4.4 Deployment strategy .............................................................................................. 39
  2.4.5 Long-term ecosystem strategy ............................................................................... 40
3  “Who goes first to the Cloud?”: A microfoundational study of cross-country adoption of platform technology .................................................................67

3.1  Introduction ......................................................................................67
3.2  Theoretical background and hypotheses development .......................69

3.2.1  Microfoundations of platform technology adoption .........................69
3.2.2  Absorptive capacity, managerial attention, and platform technology adoption ..............................................................................................................70
3.2.3  The moderating role of institutions in platform technology adoption 72
3.2.4  The moderating role of regulatory system quality ...........................72
3.2.5  The moderating role of long-term orientation ...............................74

3.3  Method and data ..............................................................................76
3.3.1  Sample .........................................................................................76
3.3.2  Measurement ................................................................................77

3.4  Analysis and results .........................................................................76
3.5  Discussion .........................................................................................85
3.6  Conclusion .........................................................................................89

4  “We are going digital”: Leveraging organizational identity pluralism for proactive adaptation .................................................................................93

4.1  Introduction ......................................................................................93
4.2  Context .............................................................................................96
4.3  Methodology and data .....................................................................96

4.3.1  Sampling and data ......................................................................97
4.4  Analysis ...........................................................................................99
4.5  Findings .........................................................................................101
4.6  Pluralistic identity strategy: Flexing, pluralizing, and leveraging OI ....106

4.6.1  Top managers initiate top-down adaptation: Reflecting on and flexing established OI while addressing “who are we (becoming) as an organization?” ......................................................................................................................106

4.6.2  Intrapreneurs define the adaptation project: Initiating an adaptation sub-identity while addressing the issue of “what do we do as an organization” .................................................................................................................110
4.6.3 Intrapreneurs realize their adaptation project: Substantiating the new sub-identity while answering the question, “how we are doing as an organization?” ................................................................. 114
4.6.4 Managers negotiate the adaptation project: Qualifying the new sub-identity .................................................................................................................. 116
4.7 Establishing adaptation project’s output: Adapting OI ........................................... 118
4.8 OI-based theoretical model of firm’s adaptation...................................................... 121
4.9 Discussion ................................................................................................................ 124
4.10 Directions for future research .............................................................................. 127
4.11 Conclusion .............................................................................................................. 128

5 Conclusion ................................................................................................................ 131

5.1 Contributions of the dissertation .......................................................................... 132
5.2 Managerial implications ......................................................................................... 136
5.3 Limitations and avenues for future studies .......................................................... 137
5.4 Last words ............................................................................................................... 139

References .................................................................................................................. 141

Summary ...................................................................................................................... 161

Samenvatting................................................................................................................. 165

خلاصه .......................................................................................................................... 169

About the author .......................................................................................................... 171

Portfolio ......................................................................................................................... 173

The ERIM PhD Series .................................................................................................. 174
List of Tables

Table 1.1– Key elements of the studies presented in the dissertation .........................13
Table 2.1– Data sources ..................................................................................................26
Table 2.2– Representative quotations reflecting contradictory interpretations of the Cloud
 (Continue on the next page) ..........................................................................................44
Table 2.3– Representative inconsistent strategic responses by Ericsson ..................48
Table 3.1– Descriptive statistics and correlation coefficients ....................................83
Table 3.2– Hierarchical regression analysis of new platform technology adoption ......84
Table 3.3– Conditional indirect effects of absorptive capacity on new platform technology
 adoption.........................................................................................................................85
Table 4.1– Firms in our study..........................................................................................98
Table 4.2– Details of our sample ....................................................................................99
Table 4.3– Data structure ...............................................................................................103
Table 4.4– Motivation and organization of the firms in early stages of adaptation .......105
Table 4.5– OI and meta-identity characteristics.............................................................109
List of Figures

Figure 1.1– Overarching conceptual model of studies presented in this dissertation ..........7
Figure 2.1– Data structure ..................................................................................................27
Figure 2.2– Forecasts for telecommunication infrastructure revenue, 2016–2020 (Source:  
www.bloomberg.com) ....................................................................................................30
Figure 2.3– An indication of the growth of Cloud computing technologies ....................31
Figure 2.4– Technology disruption, market heterogeneity, and the implications for MNEs  
........................................................................................................................................58
Figure 3.1– Conceptual model of cross-country adoption of new platform technology.....69
Figure 3.2– The moderating effect of national regulatory systems and temporal orientation  
on managerial attention to and adoption of new platform technology .......................86
Figure 4.1– OI-based model of firm’s adaptation to major technological change ..........123
Chapter 1: Introduction
1 Introduction

1.1 Overview: Adaptation to technological revolution

The digital revolution influences industries one after the other and challenges incumbents’ survival (Helfat and Raubitschek, 2018; van Knippenberg et al., 2015; de la Boutetière et al., 2018; Porter and Heppelmann, 2015; Teece, 2018). Exponential advancements in information storage, process, and communication technologies have led to the ease of application and pervasiveness of the technologies (Nambisan et al., 2017). As a consequence, entry barriers for industries are reduced for challengers. Digital advancements have also enabled industry convergence (Yoffie, 1997) and have proliferated new ways of creating and capturing value (Porter and Heppelmann, 2015; Teece, 2018). The technology revolution makes firms face the competing forces of change from different sides of the business value chain and ecosystem (Adner and Levinthal, 2001; Dattée et al., 2017; Moore, 1993). Change can threaten the firm as it tends to alter the core activities, business logic, and performance standards (Gawer and Phillips, 2013; Hamel and Prahalad, 1989; Helfat and Raubitschek, 2018; Nagarajan and Mitchell, 1998; Teece, 2018). New technology can also create a fertile ground for cultivating innovative ideas and a firm’s renewal and growth (Sine and David, 2003; Tushman and Anderson, 1986).

When a technological paradigm shifts, as in the digital revolution, consecutive waves of divergent new technologies (Dosi, 1982, 1988) cause high uncertainty and ambiguity in the business environment (Aldrich and Fiol, 1994; Anderson and Tushman, 1990). Thus, a firm in such an environment tends to make its operations more efficient. However, this tendency is hazardous for its survival in turbulent environments, especially when the new technology requires new sets of core activities (Nagarajan and Mitchell, 1998). To adapt to turbulent environments, firms need to adjust their businesses swiftly and frequently to survive (Eisenhardt et al., 2010). However, there are barriers in front of the adaptation process. Researchers from different camps have identified cognitive inertia, resource rigidity, and process rigidity as the main impediments of adaptation (Christensen, 1997; Danneels, 2011; Gilbert, 2005; Leonard-Barton, 1992; Pfeffer and Salancik, 1978; Raffaelli et al., 2019; Tripsas, 2009; Tripsas and Gavetti, 2000; Winter, 2003). In this
dissertation, I present studies that disentangle the complicated relationship between resources, processes, and cognition required for incumbents’ adaptation in the digital revolution era.

Managerial cognition is key to developing and deploying resources for adaptation (March and Simon, 1958) and growth (Penrose, 1959). How managers attend to and interpret changes in the environment, and how they perceive who they are and what they do as an organization, form how firms respond to change—see Eggers & Kaplan (2013) for an extensive literature review. However, managers diverge in their interpretations across hierarchical organizational levels, for instance, due to their relative distance from the core business actions and their business priorities (Gavetti, 2005). Therefore, managers’ interaction across organizational hierarchy levels and functions matters in terms of how firms adapt to new technologies (Burgelman, 1983a; Floyd and Wooldridge, 1992). Burgelman (1991) theorizes how internal organizational ecology of autonomous strategy making works in parallel with its formal strategy process. Follow-up studies extend the theories of how top managers benefit from such a parallel strategizing process, i.e., top-down and bottom-up, intentionally (Kannan-Narasimhan and Lawrence, 2018; Lovas and Ghoshal, 2000). Notwithstanding, current studies rarely document how firms manage to break the co-evolutionary “lock-in effect” that prevents a successful strategy making for adaptation (Burgelman, 2002; Gavetti, 2012).

(Eggers and Kaplan, 2013), only a few studies have investigated the managerial cognition situatedness and its effects on organizational cognition and other firm-level outcomes in different organizational and institutional contexts (Ocasio, 1997). Specifically, how managers’ agency breaks the path dependency and creates a new path for adaptation at a cognitive level is under-explored (Gavetti, 2012; Gavetti and Menon, 2016; Hutzschenreuter et al., 2007; Jacobides and Winter, 2012).

The problem of adapting to technological change is a challenging one for technology innovators and their customers alike (Khanagha et al., 2018). Scholars have dedicated their endeavors to studying the emergence of dominant design (Cennamo, 2018; Chen et al., 2017; Suarez, 2004) or how market players adopt the dominant design (Gerstner et al., 2013; Raffaelli et al., 2019; Taylor and Helfat, 2009; Xue et al., 2011). Technology development and adaptation may take a considerably long time. Yet, studies that address the adaptation to a technological change while it is emerging are lacking. Given the strategic relevance of technological innovation and the consequences of failure in adaptation to new major technology in the early stage of its emergence, I study managerial and organizational adaptive behavior in this less attended stage of technology life cycles (Anderson and Tushman, 1990; Suarez, 2004) in this dissertation.

I aim to fill in these theoretical and empirical gaps by developing, blending, and testing theories of strategy process and managerial and organizational cognition. In particular, I build this dissertation on the theories of adaptation (Helfat and Martin, 2015; Helfat and Peteraf, 2015; Raffaelli et al., 2019; Tripsas and Gavetti, 2000) to portray how an organization-wide adaptation and growth process (Burgelman, 2002; Gavetti, 2005) enables incumbents to navigate through the high levels of complexity imposed by both internal and demand heterogeneity (Adner, 2002; Adner and Levinthal, 2001; Burgelman and Grove, 2007; Dattée et al., 2017), uncertainty, and ambiguity (Eisenhardt et al., 2010; Navis and Glynn, 2010; Santos and Eisenhardt, 2009). In this dissertation, I report on the adaptation—platform technology development, platform technology adoption, and ‘platformization’ (Nambisan et al., 2018)—of large and established firms during the digital revolution (Helfat and Raubitschek, 2018; van Knippenberg et al., 2015; Porter and Heppelmann, 2015; Teece, 2018). I examine the role of managerial and organizational
cognition and cognitive actions—including the interpretation of the environment (Kor et al., 2007), attention to change (Ocasio, 1997), and organizational identity (Albert and Whetten, 1985) as well as the organizational ability to identify and apply new knowledge (Zahra and George, 2002)—in adaptation. The studies that are presented in this dissertation concentrate on the early stages of digital technology adoption in different industries.

To meet the purpose of this research, I collected and analyzed original qualitative and quantitative data through interviewing managers and other informants, focus group discussion, document review, and online questionnaire survey, and combined them with publicly available data. I applied qualitative and statistical methods to analyze data and draw conclusions. In the next section, I outline the dissertation by presenting the research questions, major findings, and the context of each study.

1.2 Research questions

In this dissertation, I answer how the firm can proactively develop and adopt new digital technologies, given its cognitive limitations. I zoom in on the complex relationship between managerial and organizational capabilities and cognition: how organizational capabilities enable adaptation, what the role of managers’ cognition in the adaptation process is, and how organizational change agents manage their cognitive frames as well as their cognitive activities to adapt their organization. In the next chapters, I answer the following research questions:

I. What type of capabilities are required to simultaneously develop a revolutionary platform technology and deal with heterogeneous customer demands in an established global industry?

II. What is the joint effect of macro (institutional) and micro (managerial and organizational) factors on adopting an emerging platform technology?

III. How do managers overcome cognitive barriers rooted in an established organizational identity to adapt to the digital revolution proactively?

1.3 Basic conceptual model and summary of the studies
Figure 1.1 illustrates the conceptual model of my dissertation and the three studies. The relationship between misalignment capability and the development of a platform technology (i.e., Cloud technology) is investigated in Study 1 (Chapter 2). How organizational absorptive capacity indirectly influences the firm’s adoption of new platform technology (i.e., Cloud technology) through turning managerial attention towards the technology is the topic of Study 2 (Chapter 3). How managers at different hierarchical levels of an organization turn organizational identity into a driving force for platformization is the subject of Study 3 (Chapter 4). In the last chapter of this dissertation (Chapter 5), I reflect on the main findings and describe the overall contributions and the managerial implications of the three studies. I also suggest avenues for future research in the last chapter.

Figure 1.1 – Overarching conceptual model of studies presented in this dissertation

1.3.1 What type of capabilities are required for simultaneously developing a revolutionary platform technology and dealing with heterogeneous customer demands in a global and established industry?

Chapter 2 reports the study of the case of Ericsson, a multinational telecommunication technology provider, transitioning from product to platform business, driven by the development of Cloud technology. Employing an inductive method, we analyzed longitudinal qualitative data of the case and found that customers’ divergent demands and managers’ competing interpretations about the future of the technology and the market situate the firm in a complicated strategic context. In such a setting, Ericsson leverages its
misalignment capability—defined as the ability of the firm to accommodate a complex innovation process (experimentation, deployment, and ecosystem development) through contradictory and changing strategy, structure, and resource management—to address managers’ competing interpretations of the future. Misalignment capability is a second-order organizational ability utilized to consistently pursue inconsistent strategic directions, which we found and theorized about in Study 1. The findings of the study offer novel insights into how established firms adapt to technological change by devising a multifocused response strategy. The study contributed to literature by theorizing about the transition of a product-based business to a software- and service-based business, taking into account diverging market forces. The study extends current theories of ambidexterity and vacillation to provide a more nuanced understanding of firms’ adaptive response: Cloud technology (as an architectural innovation) can also cannibalize the existing products and services of the firm. In doing so, the study explicates the boundary conditions of internal alignment as a conventional recommendation for adaptation. The study also added to the literature by featuring new dimensions of complexity in analyzing how multinationals maintain responsiveness in the global market and improve efficiency in the corporate headquarters in the early stage of technological change.

1.3.2 What is the joint effect of macro (institutional) and micro (managerial and organizational) factors on adopting an emerging platform technology?

Chapter 3 presents Study 2 through which hypotheses are tested on how organizational and managerial cognition influence the adoption of new platform technology in different national contexts. From a microfoundational perspective, the study aims to provide a multilevel understanding of new platform technology adoption by examining a moderated mediation model. The baseline hypothesis is that managerial attention to a new platform technology mediates the relationship between organizational absorptive capacity and the adoption of new platform technology. The other hypotheses are on the role of country-level long-term orientation and regulatory system quality as boundary conditions of the mediation relationship. The study draws on the theory of absorptive capacity as a dynamic capability and attention-based view to analyze the effects of organization-, top management, and country-level factors on platform technology adoption. The main argument of the paper is
that absorptive capacity forms top managers’ (entrepreneurial) expectations about the technology, thus contributing to their sustained attention on the new technology. Formal and informal institutions, i.e., regulatory systems (regulations quality, rule of law, and government efficiency) and long-term orientation, can influence the way absorptive capacity forms an individual’s expectations; hence, there is a moderate relationship between organizational absorptive capacity and managerial attention. The findings support a significant role of management attention in technology adoption in countries with a short-term orientation. In other words, organizations in countries with a long-term orientation adopted new technology with an insignificant need for top managers’ attention. We found a similar effect for regulatory systems. In countries that had weak regulatory systems, the influence of absorptive capacity on new platform technology adoption was effectuated through managerial attention to the technology. We analyzed a combination of the original data we collected on a representative sample of telecommunication operators with widely used macro-level data.

1.3.3 What is the joint effect of macro (institutional) and micro (managerial and organizational) factors on adopting an emerging platform technology?

Chapter 3 presents Study 2 through which hypotheses are tested on how organizational and managerial cognition influence the adoption of new platform technology in different national contexts. From a microfoundational perspective, the study aims to provide a multi-level understanding of new platform technology adoption by examining a moderated mediation model. The baseline hypothesis is that managerial attention to a new platform technology mediates the relationship between organizational absorptive capacity and the adoption of new platform technology. The other hypotheses are on the role of country-level long-term orientation and regulatory system quality as boundary conditions of the mediation relationship. The study draws on the theory of absorptive capacity as a dynamic capability and attention-based view to analyze the effects of organization-, top management, and country-level factors on platform technology adoption. The main argument of the paper is that absorptive capacity forms top managers’ (entrepreneurial) expectations about the technology, thus contributing to their sustained attention on the new technology. Formal and informal institutions, i.e., regulatory systems (regulations quality, rule of law, and
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1.3.4 How do managers overcome cognitive barriers rooted in an established organizational identity to adapt to the digital revolution proactively?

Chapter 4 presents the study of three large, established Dutch firms to understand how managers from different levels think and act to advance the digital transformation of their organizations. In this study, the focus is on the cognitive barriers of transformation. Organizational identity forms managers’ cognitive frames and consequently determines if and how they attend to opportunities in their environment. Organizational identity also motivates organizational members to take initiative and risks to enhance their organization’s performance. The study provides insights into pluralistic identity strategies and their usefulness for adaptation. The multiplicity of sub-identities, which is rooted in functional and hierarchical segmentation, and different narratives of organizational identity, is a theoretical base of this study. Top managers provide cognitive freedom to middle and line managers to explore by communicating a meta-identity, i.e., an abstract reading of the existing identity that underscores the multipotent capabilities of the organization. The meta-identity is also in line with a vision of the desirable future, i.e., the image of the organization after adopting new digital technologies. In light of this cognitive freedom, entrepreneurial middle and line managers construct a sub-identity bricolage by combining existing sub-identities and desired identities. The desired identities are borrowed from challengers and entrepreneurial firms that are thought to become the reference points of the firm performance
in the digital era. It is less problematic to champion the adaptive projects with such sub-identity formation to key resources holders as the components of the bricolage are native to the organization or its meta-identity. As long as the sub-identity—in its work-in-progress state—remains within the boundaries of a meta-identity, it's associated adaptive project could garner organizational support based on its feasibility. The new sub-identity could also help top managers to clarify the meta-identity and play as a role model of a desirable future for the firm. In this process, managers of different hierarchical levels devise different strategies to maintain the stability of the organizational identity while aiming for a change in the core aspect of the business.

In Table 1.1, a summary of the key elements of the three studies is presented.

### 1.4 Declaration of contributions and acknowledgment

I would like to express my gratitude to my brilliant and knowledgeable coauthors with whom I had the opportunity to write the studies presented in this dissertation. By acknowledging their contributions, I am declaring my role in the last versions of the three studies, which I included in this dissertation. In Study 1, I actively took part in finding the research gap, collecting data, and writing up the paper. I specifically wrote a part of the theoretical background, most of the data and methods, and the analysis sections of the study. Dr. Saeed Khanagha, the lead author of the study, and I developed the theoretical model of the study benefitting from the other coauthors’ comments, namely Dr. Oli Mihalache and Prof. Dr. Henk W. Volberda. I incorporated the other coauthors’ comments into my writings. The study is published in volume 55, issue 7 of the Journal of Management Studies.

In Study 2, for which I am the lead author, Dr. Saeed Khanagha and I cooperated closely to find the research gap and collect data. I performed data analysis and wrote the text of the study. Likewise, I implemented my coauthors’ comments, namely Dr. Saeed Khanagha, Dr. Oli Mihalache, and Prof. Dr. Henk W. Volberda. All coauthors worked together to develop the theoretical framework of the study.
For the first two studies, we used original data we collected from the headquarters of Ericsson AB, Kista, Sweden. This opportunity was granted to me as a researcher through a temporary employment contract with Ericsson in 2014.

In Study 3, as the lead author, I found the research gap, designed the research, collected and analyzed data, developed the model, and wrote the text. I benefitted largely from Prof. Dr. Henk W. Volberda’s advice and comments on collecting data and developing the study. I obtained permission to collect and analyze the data of Study 3 and present the work through participating in the research consortium of a project, namely "Intrapreneurship: Enabling talent for innovation." My Ph.D. position was partially funded through this project by the Netherlands Organization for Scientific Research (NWO) under project number: 409.13.210.
Table 1.1– Key elements of the studies presented in the dissertation

<table>
<thead>
<tr>
<th>Study</th>
<th>(Chapter)</th>
<th>Key concepts</th>
<th>Theoretical framework</th>
<th>Empirical setting</th>
<th>Data and method</th>
<th>Main findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Study 1</td>
<td>2</td>
<td>Demand heterogeneity; Technological uncertainty; Business ambiguity; Organizational capabilities; Adaptation to technological change</td>
<td>Resource-dependence; Organizational and managerial capabilities; Paradox;</td>
<td>Development and adoption of Cloud technology (platform technology) by telecommunication manufacturer</td>
<td>Longitudinal qualitative data; Single case study; Grounded theory and the result are corroborated by quantitative data from an online survey.</td>
<td>Ericsson managed to develop a new revolutionary technology that had the potential to cannibalize its current values and deal with customers’ divergent demands, although its financial performance declined. Misalignment capability and a complex innovation strategy enabled Ericsson to transform into a Cloud technology (platform) provider.</td>
</tr>
<tr>
<td>Study 2</td>
<td>3</td>
<td>Organizational absorptive capacity, Managerial attention, Nations’ temporal orientation, Regulatory system quality, Platform technology adoption</td>
<td>Attention-based view; Organizational capabilities</td>
<td>Global adoption of Cloud technology; Telecommunication operators worldwide</td>
<td>Online survey data from 79 countries; Archival data on countries’ cultures and governments; Complementary interviews with the operations managers; Moderated mediation analysis</td>
<td>Confirmed mediation model; A significant effect for top management (organizational) agency, through their sustained attention, in poor (strong) institutional settings is confirmed.</td>
</tr>
<tr>
<td>Study 3</td>
<td>4</td>
<td>Organizational identity, Cognitive inertia, Intrapreneurship, Adaptation to technological change</td>
<td>Social Identity theory and Identity-Innovation framework</td>
<td>Transforming to a platform-based business; Public and private service providers</td>
<td>Interview, document review, focus group data; Embedded multiple case study; Grounded theory and results are corroborated by analyzing quantitative data from an online survey.</td>
<td>Established organizations adapt to technological change by taking four steps: reflecting on and flexing, pluralizing, leveraging, and extending organizational identity. This occurs through promoting a pluralistic identity and an abstract meta-identity and constructing a sub-identity bricolage.</td>
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Chapter 2: Embracing bewilderment

Responding to technological disruption in heterogeneous market environments

Abstract. In an age of rapid advances in technology, understanding how firms can respond to emergence of disruptive technologies is paramount for survival. While prior research on incumbents’ responses to disruptive technologies assumes demand homogeneity, many firms, including multinational enterprises (MNEs), need to respond to technological disruption in heterogeneous markets. To address this lacuna in our understanding, we study how Ericsson tried to respond to the emergence of Cloud computing, a digital platform technology, across its operations in more than 170 countries. We reveal how incumbents need to match diverging customer demands with a complex innovation process, involving different approaches to experiments and trials, deployment strategy, and ecosystem development. We also find that the success of incumbents’ responses depends on their capability for misalignment, which allows them to manage the inconsistencies in strategic direction, structure, and resource configuration associated with a complex innovation process.

Keywords: Technological disruption, multinational enterprises, heterogeneous markets, strategic contradictions, misalignment capability

2 Embracing bewilderment: Responding to technological disruption in heterogeneous market environments

“Sell your cleverness and buy bewilderment.” - Jalaluddin Rumi (1207–1273)

2.1 Introduction

In an age of rapid technological advances, the survival of firms often rests on their ability to deal with disruption in the environment. As new technologies challenge existing industry logics, firms need to adopt new ways of doing business to remain relevant. Mirroring this trend, there has also been a growth in recent years of management research on the challenges firms face during times of disruption (Cohen and Levinthal, 1990; Hannan and Freeman, 1984; Nelson and Winter, 1982) and on how firms can respond to disruption (Ansari et al., 2016; Ansari and Krop, 2012; Tripsas and Gavetti, 2000).

The conventional line of thought holds that as major technological change has a fundamental effect on many aspects of organizations (Taylor and Helfat, 2009) and their business models (Markides, 2006; Markides and Oyon, 2010), a coordinated adaptation that maintains strategic alignment between organizational assets and elements is recommended in order to achieve a sustainable competitive advantage (Birkinshaw et al., 2016; Helfat and Peteraf, 2015; Zajac et al., 2000). That is, drawing on contingency theory, existing research argues for the importance of internal fit, i.e., the alignment between internal aspects of the organization such as strategy, structure, and organizational activities (Peteraf and Reed, 2007).

However, despite the pervasiveness of this recommendation, many firms are unsuccessful in responding to disruption (Christensen et al., 2015; Fuentelsaz et al., 2015; King and Baatartogtokh, 2015; Uzunca, 2017) raising the question of the validity, feasibility, or boundaries of such an internal fit perspective. The universality of the strategic alignment perspective has recently been challenged by the idea that consistency can become less viable when firms face diverse contingencies and conflicting requirements (Le Breton-Miller and Miller, 2015; Poulis and Poulis, 2016; Smith, 2014). In this opposing perspective, it is argued that organizations are able to thrive by embracing misalignment between internal
components (Gulati and Puranam, 2009) and promoting inconsistent mentalities and structures (Smith et al., 2016).

In an effort to understand how firms can cope with disruption in their industries, we study how Ericsson, a leading global provider of telecommunications infrastructure with operations in more than 170 countries, is attempting to respond to technological disruption in its industry. The emergence of Cloud computing and its underlying technologies is challenging Ericsson’s existing value logic by shifting value in the industry from the sale of hardware to the provision of Cloud-enabled services. This threatens Ericsson’s standing in the industry as its key capabilities are designing and selling telecommunication equipment. We study Ericsson’s adoption of a disruptive technology using an inductive approach involving analysis of chiefly qualitative data from multiple sources (i.e., internal documents and communications, 33 interviews with managers at different hierarchical levels, written comments from 170 relationship managers worldwide, and insights and observations from a five-year field study between 2010 and 2014).

We contribute to the discussion on how incumbents respond to technological disruption in several ways. First, our study contributes to disruption research by uncovering strategic tensions that arise from market heterogeneity when firms attempt to respond to industry disruption. We complement prior research that has generally considered incumbents’ responses to disruption in homogenous markets for the new technology (e.g., Gilbert, 2005; Taylor and Helfat, 2009). The incorporation of demand-side heterogeneity in our study allows us to study the subsequent strains on an incumbent’s attempts to form a shared interpretation of the future. This is in line with the growing attention being given to multi-sided markets and platform ecosystems by strategy and organization scholars who consider heterogeneity an important, yet less examined, factor that influences the strategic behavior of suppliers (e.g., McIntyre & Srinivasan, 2017; Rietveld & Eggers, 2018)). Our findings highlight how firms facing high levels of market heterogeneity need to understand and accommodate the presence of tensions between different interpretations of the future in terms of the magnitude and speed of changes in the market.
Second, we add to the recent debates over whether internal alignment has a universal value as a lever for effective strategic change (Le Breton-Miller and Miller, 2015; Poulis and Poulis, 2016; Smith et al., 2016). In particular, we propose market heterogeneity as a potential a boundary condition for whether focusing on internal fit may constitute an effective response to disruption. We therefore prepare the ground for discussing the organizational capabilities that allow an incumbent to appreciate, nurture, and deal with the tensions of misalignment – capabilities that could be argued to be crucial for the firm’s survival.

Third, we contribute to research on international business by providing grounded theory on how MNEs respond to disruption. We advance previous research which acknowledges that MNEs often have to deal with a far greater number of contingencies and a higher degree of market heterogeneity compared to other organizations (Teece, 2014) in that we show how this type of complexity affects MNEs’ responses to disruption. We also complement research on how MNEs can deal effectively with demand heterogeneity in relatively stable conditions by considering their need for responsiveness and efficiency (Ghoshal and Nohria, 1989, 1993; Nohria and Ghoshal, 1994, 1997).

2.2 Theoretical motivation

2.2.1 Organizational alignment, misalignment, and strategic change

The strategic management literature lays considerable stress on the importance of alignment and realignment between strategy, structure, people, and culture for the long-term survival and competitiveness of firms (Tushman and O’Reilly, 1996). Fit between organizational elements is said to enhance performance because it provides employees with clear direction about appropriate actions and behavior, it aligns different organizational elements so that they reinforce one another, and it helps to maintain a coherent image of the organization both internally and externally (Miller, 1992; Nadler et al., 1997; Porter, 1996; Soda and Zaheer, 2012). When there is major change, the success of an organization is dependent on ensuring that plans and decisions are in alignment and that the actions undertaken are consistent (Stettner and Lavie, 2014; Taylor and Helfat, 2009); the effectiveness of specific organizational change efforts and strategies depends on the degree to which they are aligned.
with other elements of the organization (Helfat and Peteraf, 2015; Whittington et al., 1999). In other words, the ability to achieve internal fit as conditions change is a key managerial capability required for organizational change. Further advancing the contingency view, Donaldson (2001) developed the concept of quasi fit to address the issue that permanent disequilibrium requires a constant search for strategic and structural change and therefore perfect fit becomes of less relevance. Neo-contingency theorists conceptualize, and provide empirical support for, the benefits of ‘dynamic fit’ – that is, continuous alignment and realignment with internal resource profiles and with external environmental factors – when dealing with organizational change efforts (Zajac, Kraatz, and Bresser, 2000). The modern contingency view maintains that high performance is a consequence of co-alignment between a limited number of organizational and environmental factors (Volberda et al., 2012). From a configurational perspective, Birkinshaw, Zimmermann, and Raisch (2016) contend that any of the alternative strategies for responding to discontinuous change are effective only if they are in harmony with the constellation of an organization’s vision, culture, and people development model. Other researchers argue for the importance of ‘fit’ by drawing on the complementary theory that contends that “doing more of one thing increases the returns to doing more of another” (Milgrom and Roberts, 1995, p. 181) and that changes in one activity may affect the benefits accruing from other activities. From this perspective, firms must find the best fit between various types of activity in order to achieve better performance (Huesch, 2013).

In spite of the pervasiveness of the ‘fit’ perspective and the intuitive benefits of organizational alignment in the face of change, there is emerging theoretical argumentation and empirical evidence to suggest that alignment may not always be either beneficial or applicable. As the desired functionality may sometimes lie in-between the steady-state functionality delivered by two discrete choices, such as two organizational forms, going for what appears to offer the best ‘fit’ choice may prove unproductive (Nickerson and Zenger, 2002). Instead, organizations may focus on modulating between alternative choices over time in order to enjoy the advantages of both. This is feasible because when the formal organization changes, the informal organization remains intact for a while, and the subsequent misalignment between the formal and informal organization allow the benefits of both options to be enjoyed concurrently (Boumgarden et al., 2012; Gulati and Puranam,
2009). Also, when the value of a resource is dependent on the context in which it is employed, a change in context may then take away the advantages of that resource (Priem and Butler, 2001), and an attempt to adapt one part of the system to a changing competitive landscape might destroy its fit with other parts of the system (Le Breton-Miller and Miller, 2015). This creates a conflict between the internal fit required for a smoothly functioning system and the external fit to a changing environment (D. Miller, 1993).

Such discussions bring into question the usefulness of internal fit as a universal solution for responding to disruption, particularly for organizations that have to balance many different factors. While these few studies might provide the initial ground for challenging conventional thinking, we are a long way from understanding the boundaries of internal fit, the mechanisms through which these boundaries work, or what the alternative solutions might be. Since large incumbents appear to face the most challenges in terms of dealing with disruption and have a greater number of factors to consider in how they respond to disruption, we set out to explore how large MNEs adapt to drastic technological change in their industry.

2.2.2 How MNEs respond to disruption

As MNEs operate in several different institutional, cultural, and economic contexts (Doz et al., 1981), the environment they have to work within when responding to disruption is highly complex. They have to deal with competing forces, some of which require local responsiveness from subsidiaries and others global integration under the umbrella of the MNE’s overall structure (Ghoshal and Nohria, 1989; Nohria and Ghoshal, 1994, 1997), and reconciling these conflicting forces often proves to be a serious challenge for headquarters (Meyer et al., 2011).

So far research has considered only how headquarters influence the adoption of new strategies within individual subsidiaries, overlooking how MNEs can take orchestrated action to respond to disruption. We know that subsidiary characteristics affect the absorption of information from headquarters (Markóczy, 2000; Schleimer and Pedersen, 2013) and that managing nested hierarchical relationships across multiple organizational layers, and coordinating these relationships across diverse subunits embedded in different social
contexts, can overcome such challenges (Hoenen and Kostova, 2015). Despite the importance of dealing with disruption for a firm’s survival, there is a lack of research on how MNEs can respond to technological disruption. There are several reasons why responding to industry disruption is more challenging for MNEs than other organizations.

First of all, MNEs serve a multitude of customers who have different expectations of the MNE, given that they are embedded in different environments. This is a key challenge for MNEs as we know that, due to resource dependency, their response can be affected by customers’ perceptions of the importance of disruption. Resource dependence theory suggests that a firm’s external resource providers, including customers, shape and constrain its internal strategic choices (Pfeffer and Salancik, 1978). For instance, Gilbert (2005) finds that publishers’ decisions on whether to take their newspapers online were influenced by the interest shown by advertisers in the new medium. This is understandable since a mismatch between a new offering and customer needs may prove to be extremely costly for the provider company (Hargadon and Douglas, 2001). However, prior research has not given sufficient consideration to the possibility of differential responses from customers, nor has it provided any real clarity on the consequences of different responses from independent units of the organization. Indeed, customers may differ in their willingness and ability to change, due to the particular characteristics of their company or the context in which they operate (Rogers, 2002; Xue et al., 2011) and this can have serious implications for an incumbent that is dependent on its customers (Priem et al., 2012). Moving to a new technology early on can be costly and can mean lost revenues since lead customers tend to be smaller in size and business volume than laggards (Christensen, 1997). Also, exploratory activities may backfire, taking the firm in a direction that is at odds with its existing business model and causing it to fall behind its competitors, thus undermining its position. Conversely, customers who perceive the new technology to be truly disruptive might demand new solutions early on, as they might see this technology as being central to their own survival. As von Hippel (1988) contended, lead customers expect their supplier to demonstrate leadership and active participation in radical change processes. In addition to providing resources to the incumbent, these early users can actually contribute to the development of the new competencies and solutions (Lettl et al., 2006). Prior research on resource dependence suggests that heterogeneity creates challenges in terms of controlling
the dependencies (Aharoni et al., 1981; Hillman et al., 2009). The discussion above also suggests that customer heterogeneity increases the challenges for incumbents in responding to disruption since it makes it more difficult for them to anticipate future demand.

Second, MNEs face particular difficulties in responding to disruption because foreign subsidiaries can also influence strategic behavior at MNE headquarters (Andersson et al., 2007; Andersson and Pahlberg, 1997; Bouquet and Birkinshaw, 2011). Research advocates that, in order to understand the needs of different customer groups and how to address them profitably (e.g., Hamel and Prahalad, 1989; Teece, 2007, 2010), MNEs should maintain an outside-in focus (McGrath, 2010) and foreign subsidiaries should act as sensing mechanisms about the market. The problem is that, because of market heterogeneity, mixed messages about customer expectations are likely to be received at MNE headquarters. While we know how MNEs can manage the trade-off between maximizing revenues by adapting to customer heterogeneity or minimizing costs through standardization (Bartlett and Ghoshal, 1988), we do not know how they might manage such demand heterogeneity when responding to disruption. In the case of technological disruption, the trade-off is much more complex and dramatic than the trade-off between local adaptation and standardization: here MNEs face much stronger tensions between their established business with its prevailing logic, structure, and culture, and a different business which involves new ways of creating and capturing value.

These tensions, stemming from the heterogeneity of MNEs’ markets, create an inordinate number of contingencies that complicate MNEs’ strategic management and the capabilities required for adaptation (Teece, 2014). While we know that customer expectations are important for incumbents’ strategic decisions and behavior, we do not know the mechanisms by which demand heterogeneity affects these firms’ responses to disruption. With this study, we therefore attempt to learn more about the challenges that demand heterogeneity poses for MNEs facing disruption and how they might begin to overcome them.
2.3 Research context and methods

Our research context is the mobile telecommunication industry, and we chose Ericsson because the company is dealing with a new technology with major disruptive implications and extreme heterogeneity in the market. This particular industry has traditionally been populated by a few infrastructure providers that enable mobile service providers (mobile operators) in different countries and regions to provide telecommunications services to individuals and enterprises. For many years, technological developments were mostly gradual and incremental in nature: increases in bandwidth and speed of telecommunication and the introduction of multimedia services based on these advances. It was only recently that the industry experienced the so-called ‘digital disruption’, in which Cloud computing is a key force (Ahmadi, Khanagha, Berchicci, Jansen, 2017; Alexiou, Khanagha, and Schippers, 2018; Haug, Kretschmer, and Strobel, 2016). The Cloud is expected to put an end to many of the existing business models and technologies in the telecommunication sector. This context therefore provides a fertile ground for empirical investigation of technological disruption, and we selected Ericsson as one of the leading MNEs affected by this emergent disruption.

2.3.1 Data collection

The focus of this study is theory-building and we therefore apply an inductive approach. Our focus is on extracting insights from the qualitative data, from interviews and other textual data. As detailed below, we started by building a case archive and conducting exploratory interviews. We then investigated company documents which gave us a longitudinal perspective on the process of technology adoption. We subsequently undertook additional interviews, conducted a survey, and amassed a substantial collection of secondary data from various sources.

We employed four main sources of data to study the antecedents, contents, and outcomes of the Ericsson strategy in relation to Cloud technology: (1) interviews with senior managers who had been involved in Cloud technology adoption at Ericsson, plus our own notes from internal briefing sessions on Ericsson’s strategy from 2009 to 2016. The interviews focused on the key research questions presented in this paper, and each was semi-
structured, using a questionnaire with a set of prompts. Interviews typically lasted between 60 and 90 minutes; (2) Ericsson’s internal archives, including strategy meeting presentation slides and notes, an online forum, involving more than 1000 managers, where managers discuss Ericsson’s strategies, etc.; and (3) published reports, commentaries, and articles on the ICT industry, and analyses that were specific to Ericsson. In Table 2.1 we present details of the data sources and how these were used in our analysis.

2.3.2 Data analysis

We applied a longitudinal case study approach to build a grounded theoretical model of how the incumbents respond to technological disruption when there are heterogeneous customer demands. We used content analysis techniques to make sense of the data from our various sources. Starting from an analysis of the data, we developed a preliminary abstract theoretical model.

To ensure a high level of credibility, consistency, and transferability, we followed established methods: (i) long-time engagement with the field to ensure sufficient involvement with the context and data (Lincoln and Guba, 1985); (ii) both retrospective and real-time data collection (Eisenhardt and Graebner, 2007) from several different sources of data for triangulation (Eisenhardt, 1989); and (iii) thick description, and informant as well as outsider feedback to increase the validity of our interpretations (Langley, 2007; Lincoln and Guba, 1985). We now outline in detail the procedure used for the qualitative data analysis, where the research process was recursive and included feedback loops between each step.

**Step 1: Drawing a timeline of events.** We searched Ericsson’s intranet to extract any documents relating to Cloud computing issued during the period from 2008 (three years before our data collection began) to 2014. We also asked relevant managers to share with us strategy material and documentation relating to specific projects and initiatives. Additionally, we secured access to a strategic management online forum in which around 1,000 of the company’s strategy managers and professionals present and debate key strategic issues. Cloud computing has been one of the top items for discussion for quite some time. This process enabled us to identify the sequence of key events which could then be used as a basis for further analysis of the events.
<table>
<thead>
<tr>
<th>Data sources</th>
<th>Details</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviews and memos</td>
<td>- The transcripts (almost 700 pages) of interviews with 33 managers involved in Ericsson’s Cloud technology initiatives from 2009 to 2016, conducted in the company’s headquarters or over the phone with managers working in the account offices. Includes follow-up interviews (350 pages).&lt;br&gt;  - 105 pages of notes from attending management presentation sessions on Cloud strategy.</td>
<td>- Identify managers’ opinions on how Ericsson is responding to Cloud technology in terms of strategy and structure; track the changes of Ericsson’s strategy germane to the Cloud both historically and as it unfolds and evolves; identify and refine theoretical themes.</td>
</tr>
<tr>
<td>Internal archives</td>
<td>- Ericsson’s managers’ comments in an internal online strategy forum from 2009–2014.&lt;br&gt;  - Presentation files (40 files, with almost 1600 slides), video recordings of Ericsson’s senior managers’ interviews and lectures, and video recordings of internal meetings on Cloud technology (20 videos, containing around 100 minutes of recording).</td>
<td>- Identify official plans and the history/progress of plans for the adoption of Cloud technology; understand topical discussions within the organization on Ericsson’s Cloud-related strategies; verify data from observations and facts based on the content of presentations and discussions as Cloud-related strategy unfolds.</td>
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<td>Survey</td>
<td>- 138 managers’ answers to open questions from 114 Ericsson’s accounts worldwide in November and December 2014.&lt;br&gt;  - Secondary data collection relating to Ericsson customers worldwide in terms of their regional development, based on OECD categorizations of countries’ economic development.</td>
<td>- Acquire a fine-grained understanding of Ericsson’s strategy in terms of Cloud technology as it unfolds; understand the strategic concerns of different departments.</td>
</tr>
<tr>
<td>Published reports, articles, and commentaries</td>
<td>- Ericsson’s annual reports from 2009 to 2016; Ericsson’s publicly available histories of key events associated with Cloud technology, including managers’ appearances in the media.</td>
<td>- Identify the expectations of Ericsson’s customers regarding the required changes in technology and the change in Ericsson’s business model; gather data on the customers’ progress in adopting Cloud technology.&lt;br&gt;  - Acquire macroeconomic data on customers’ regional development.</td>
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<td></td>
<td>- Telecom industry reports and analyst reports specific to Ericsson (around 400 pages) on the consequences of the emergence of Cloud technology and on convergence in the IT and telecom industry (BCG, TBR, Data Monitor, Marketline, Gartner, and the Telecommunication Industry Association) accessed from EBSCO databases and via Google searches; scholarly publications on Ericsson’s Cloud-related initiatives.</td>
<td>- Gain additional understanding of the context and secure an outsider view of the evolution of Ericsson strategy with regard to Cloud technology; triangulate observations and facts.</td>
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</tbody>
</table>
### Figure 2.1– Data structure

<table>
<thead>
<tr>
<th>Empirical observations</th>
<th>Theoretical observations</th>
<th>Theoretical constructs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variation in:</td>
<td>Various magnitudes of technology adoption</td>
<td>Market heterogeneity</td>
</tr>
<tr>
<td>- Customers’ regional development and macro-economic factors</td>
<td>Various speeds of technology adoption</td>
<td></td>
</tr>
<tr>
<td>- Customers’ slack resources and investment strategies</td>
<td>Various directions of business model change</td>
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<td>- Customers’ technological capabilities</td>
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<td>- Customers’ organizational readiness for transformation</td>
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<tr>
<td>Customers have options of:</td>
<td></td>
<td>Complex innovation processes</td>
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<tr>
<td>- Focus on end users</td>
<td>multiple interpretations of the future</td>
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<tr>
<td>- Selling wide array of products/services, e.g., content, device, application, platform, network and data center</td>
<td>Inconsistency in technology trials</td>
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<tr>
<td>- Selection of different value propositions for different business or consumer markets</td>
<td>Opposing technology deployment ways</td>
<td></td>
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<tr>
<td>- Predicting rapid and drastic changes in the core telecom technologies and hence industry</td>
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<tr>
<td>- Anticipating incremental changes in the core technology of the telecom industry</td>
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<tr>
<td>- Identifying different audiences for telecom core technologies and the Cloud technologies</td>
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<td>- Co-creation with customers from developed markets with different technology preferences</td>
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<td>- Limited test and trials only with selected lead customers</td>
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<td>- In-house technology development</td>
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<td>- Quick-win deployments and proof of concept with a focus on lead customers’ environments</td>
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<tr>
<td>- Distributed innovation activities between different customers and transfer of new technological knowledge and commercial know-how from leads to laggards</td>
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<tr>
<td>- Extensive collaboration with Silicon Valley Information Technology firms and aggressive participation in developing a converging industry ecosystem</td>
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<tr>
<td>- Focusing on the development of an industry-specific ecosystem for telecommunications</td>
<td>Inconsistent Ecosystem strategy</td>
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<tr>
<td>- Emphasis on global strategic alignment and also on strategic flexibility in relation to customers</td>
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<tr>
<td>- Parallel and contradictory strategic directions taken by business units</td>
<td>Versatility in strategic direction</td>
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<tr>
<td>- Cross-functional collaboration for new technology development</td>
<td>Pluralistic structural approach</td>
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<td>- Focused initiative for new technology development</td>
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<tr>
<td>- More frequent adaptation of the organizational design with respect to the specialized Cloud units’ updated missions</td>
<td>Multifocal resource reconfiguration</td>
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<tr>
<td>- Training staff to internally develop and deliver Cloud technology</td>
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<tr>
<td>- Gaining external knowledge through the acquisition of IT companies and extensive recruitment</td>
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<tr>
<td>- Joint-development project to impress the market with timely presentation of Cloud technologies</td>
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</table>
Step 2: Understanding the responses of MNEs and theory-building. Drawing on our data, we conducted formal interviews with 33 individuals, including managers from different business units, technology experts, and regional managers representing 13 global regions in order to contextualize the data previously acquired. Given that our focus was on a global market, interviews with managers at the company’s headquarters as well as in its various subsidiaries were essential to address the research questions of this study.

To analyze the interview transcripts and other available data we used open, axial, and selective coding procedures (Strauss and Corbin, 2008). First, we used open coding to identify and group relevant concepts into categories. Then, we used axial coding to investigate the connections between the existing categories. We continued the analysis and allowed codes to emerge until we had a clear understanding of the relationship between different categories. The findings are based on repeated observation of a particular category in different interviews and the other data sources.

To this end, two of the authors began by identifying an initial set of salient concepts, particularly those relating to issues around technology disruption in different regions and tried to identify patterns of similarity and difference. In addition to analyzing the interview data, we did extensive analysis of archival data, field memos, and publicly available data on Ericsson’s Cloud technology programs. This allowed us to investigate the conditions that gave rise to the phenomena under study, and to explore the connections between emerging concepts in our theoretical model. However, as there are limits to the causal interpretations we can make from the qualitative data, we found it useful to combine those data with quantitative data during the later stages of data collection and analysis. By using quantitative data and analysis, we went beyond a merely qualitative inquiry, enriching and expanding our analysis and ensuring the robustness of our findings (Creswell, 2009; Tunarosa and Glynn, 2016).

Step 3: Additional data collection to delineate the theory. Since our data collection and analysis were progressing in parallel, we were able to dig deep into our various sources of data and to ask interviewees questions that allowed us to corroborate or refine our coding. This approach was useful for zooming in on the dimensions of our theoretical model on the basis of more focused data collection and analyses.

We concluded by validating core concepts and relating them systematically to each other to form our data structure (Gioia, Corley, et al., 2012; Saini and Shlonsky, 2012). We used the memos and observations of one of the authors who had been researching Ericsson for more than five years. Furthermore, after any iteration or update two of the authors who
had collected the data would cross-check their understandings, exploratory findings, and themes with respect to the research question and the theoretical lens being applied. These two authors would then present their new agreed understanding to the other two authors, who took on the role of ‘outsiders’ questioning their understanding. In parallel, one of the authors, a senior researcher at Ericsson, presented the exploratory findings of this research to Ericsson managers dealing with the adoption of Cloud technology, in several focus group sessions. In this way, we were able to obtain and incorporate their comments to rectify and validate our interpretations of events, processes, and themes emerging in Ericsson’s adoption of this technology. We devised these various means of refining our analytical schemes after first discussing within the research team the potential discrepancies in understanding between researchers and practitioners (Evered and Louis, 1981; Miles and Huberman, 1994).

Figure 2.1 illustrates a structure that contains the core concepts we found in our data. We categorized the relevant pieces of raw data – for instance, interview excerpts, quotations, or notes – as first-order concepts. The content of the second-order categories was built based on the first category and was informed by existing theoretical views. We drew on the second-order categories to develop our theoretical model of the relationship between the antecedents of market heterogeneity in response to disruptive innovation and the consequences of this heterogeneity for MNEs.

2.4 Responding to disruption in heterogeneous markets

Ericsson is a global provider of networking and telecommunications equipment and services, and after divesting its cellphone production unit in 2013, it now focuses solely on the business-to-business telecommunication market.

The company was founded in 1876 in a small mechanical workshop and has grown to become a key player in communications technologies over the past 150 years. In 2012, Ericsson had around 35% percent of the global market and was the leading telecommunications company in terms of revenues. Since then, however, this position has been seriously challenged; in 2016, a Chinese competitor overtook Ericsson in revenues for the first time and Ericsson experienced a net loss after years of profitability. Although this
worrying decline in performance became most apparent around 2015, the trend can be seen further back in history, and Ericsson’s key competitors have experienced similar problems (Figure 2.2).

**Figure 2.2– Forecasts for telecommunication infrastructure revenue, 2016–2020**
*(Source: www.bloomberg.com)*

Ericsson’s rapid growth in the past was due to its technical superiority and its capacity to sell reliable, high-quality equipment to major customers around the world. However, recent changes in the firm’s environment have put Ericsson’s success formula under threat. One main issue is that technological advances have meant that hardware products are becoming less and less valuable, and it is now virtually impossible for Ericsson to outcompete low-cost competitors on price. In fact, Ericsson’s customers are now less willing to invest in new hardware technologies, especially now that alternative solutions are emerging because of rapid technological changes. Traditionally, launching a new network service has often required large amounts of physical space to accommodate new products, and this is compounded by increasing energy costs, the need for substantial capital investment, and a shortage of skills in designing, integrating, and operating increasingly complex hardware-based appliances. Hardware appliances have a very short life cycle, requiring much of the procure-design-integrate-deploy cycle to be repeated with little or no revenue benefit. Even worse, hardware life cycles are now becoming even shorter as technology and services innovation accelerates, inhibiting the roll-out of new revenue-earning network services and constraining innovation in a world that is increasingly
network-centric. The advent of Cloud computing technologies provides a new way of avoiding such costs and difficulties, even though it comes at the cost of disrupting Ericsson’s core business.

**Figure 2.3– An indication of the growth of Cloud computing technologies**

While the Cloud appears to Ericsson’s customers to be a sustainable innovation because it allows them to provide more and better services, exploiting this technology to the full is disruptive for Ericsson’s core technology and business model. First, Cloud makes it possible for many new entrants from the IT sector, both large and small, to provide services to operators. As the Cloud is open and no specialized hardware is required, many IT companies, including small software developers with only a handful of engineers, will effectively be able to provide Cloud-based functionality that is commensurate with what Ericsson delivers, with thousands of engineers. In the initial stages, Cloud solutions for mobile operators were fairly basic and less attractive to potential users, because of issues such as security and performance. However, when their full potential is realized, Cloud solutions are expected to upend existing markets and create a fertile ground for new entrants to take away the business of incumbents such as Ericsson. As shown in Figure 2.3, the main underlying technologies have been under development since the early years of the twenty-first century, and the technology became relatively mature and ready for commercial use around 2014. Despite the availability of the technologies, adoption by providers of network services was delayed for a variety of reasons. Our focus in the qualitative data collection
was on investigating the strategic aspects of the adoption of Cloud computing technologies by looking at key players in the telecommunication sector.

As a truly global organization, Ericsson follows a complex regional structure similar to that used by most modern MNEs. A few of Ericsson’s business units are specialized to deal with different products and solutions. These solutions need to fulfill the demands and expectations of mobile network operators in different markets. Given the importance and power of their customers, Ericsson and its competitors need to devote significant resources and attention to individual customer units. Dedicated teams for technical and commercial sales, delivery, logistics, and support are allocated to each customer to manage the relationships and fulfill their expectations. Although corporate-level strategic decisions are managed at corporate headquarters, input from dispersed units is a key ingredient in Ericsson’s technology and market strategies in that key customers can ask the CEO or other senior managers to meet certain expectations and can do so either directly or indirectly via Ericsson’s key account managers.

When it comes to roll-out of the telecommunication standard technologies, it is quite usual for Ericsson to start the initial trials with lead customers who are technically and financially stronger and can afford the costs of rolling out the next generation of technologies so that they can enjoy the benefits of differentiation. This phased roll-out procedure, however, forms part of the long-term strategic product roadmap of the company and is done in a way that is very coordinated and aligned in terms of timing and speed of implementation. The Cloud, however, was not part of such plans, and its emergence and development has been too uncertain to allow Ericsson to formulate a unified technology strategy, let alone develop a coordinated roll-out plan.

2.4.1 Market Heterogeneity

As a technology-driven company, Ericsson has been quick to realize the importance of Cloud-based technologies and their implications. The company has a clear ambition to

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2Cloud computing is used to cover a wide range of concepts but there are two fundamental underlying technologies: network functions virtualization (NFV) and software-defined
become a leader both during the emergent technological change and after it, and in 2012 it announced its plan to develop a platform that would enable operators to drive new revenues and evolve network capabilities.

However, realizing this ambition has proved to be much more challenging. A key barrier to Ericsson’s response to disruption is the market heterogeneity as its clients differ in how rapidly and to what extent they expect to adopt Cloud technologies. While one group of mobile operators have signaled a clear and ambitious intent to use Cloud technologies to redefine their networks and offerings, others are seeking mainly to use these technologies for efficiency gains and are not contemplating any major overhaul of their own technologies or offerings. Furthermore, in both groups there are some companies that started to adopt the new technology quite early on and proceeded swiftly with initial projects, while there are others that have delayed both their initial investments and their plans.

Our data (survey and archival) from 114 Ericsson customer accounts indicates a large degree of heterogeneity in its customers’ expectations regarding the Cloud, showing these to vary according to their geographic location. Market-driven factors are linked to macroeconomic factors in different regions that affect the availability of resources and the motivation to embark on the risky and substantial investment required to deal with a disruptive technology. Our data show that 17% of operators from less developed or developing regions aim to adopt a wide and conflicting range of Cloud technologies; in developed regions similar ambitions are found in around 23% of operators. In addition, operators from less developed and developing regions tend to favor Cloud technologies that enable innovation rather than technologies to improve efficiency. This is very different from the operators from developed regions. In North America, Western Europe, and North East Asia we saw there was greater eagerness to invest in Cloud technologies and a stronger sense of momentum; this was true of 27% of operators in these regions, while in other parts of the world only 7% of operators were lead adopters of the Cloud technologies. In some other regions, there were few mobile operators who had made any significant effort to adopt Cloud technologies. In addition, there are regional differences in the magnitude of Cloud networking (SDN). These two technologies are mutually beneficial but not dependent upon one another.
technology adoption. Customers from developed markets are either highly or moderately ambitious in terms of their plans to adopt Cloud technologies, whereas those from developing markets have only low to moderate ambition. For instance, 40% of the operators in developed markets tend to invest in quite a wide scope of Cloud technologies.

Market heterogeneity has important implications for Ericsson and its response to disruption. Aligning itself to key customers and their strategies has been a cornerstone of Ericsson’s strategy, and, given the increased competition, it has become especially important for the company to understand its customers’ needs and plans and to try to influence them whenever possible. Due to its large size, Ericsson is dependent on repeat and new business from its global customers – and failure to be responsive to customers’ expectations and demands may result in business being lost to competitors. Prioritizing one particular group of customers may not necessarily be the most appropriate approach, as it is difficult to predict how the industry may evolve, what the implications this might have for Ericsson, and how it could respond appropriately. To add to this confusion, there are also uncertainties about how aggressive competitors from the IT industry might target different parts of the telecommunication market with respect to Cloud technologies.

The diverse requests from customers make it impossible for decision-makers and managers at different levels within the organization to share a common understanding of what is happening and what needs to be done. We now discuss the conflicting interpretations within Ericsson regarding the market dynamics and the contradictory responses in terms of (1) experiments and trials, (2) deployment of resources, and (3) ecosystem strategies.

2.4.2 Conflicting interpretations of the market dynamics

While managers have their own predispositions – for example, because of individual differences and the specific division that they work in – the input from specific markets and customers encourages them to develop different understandings of the future, even though these may not be in line with the official stance of the organization. As a result, at any one point in time there will be different interpretations of the magnitude and speed of change in different strategic organizational units, and within any one unit these interpretations will also vary over time. To show more clearly how these understandings differ, we present four
interpretations of the market dynamics that differ in their estimation of timing and magnitude of the potential impact.

In the first interpretation, there is an expectation that customers will make some significant advances, but not very rapidly. According to this interpretation, a considerable proportion of the current network hardware and structure will be affected, but important parts of it will remain intact for the foreseeable future. The reason for this rather slow transition process is that first-mover customers will encounter various challenges in adapting their business, as was concluded in one of Ericsson’s strategy discussions:

“[Cloud] technologies and [their] use-cases [i.e. application] gradually mature to generate tangible benefits for operators, but complexity and investment limitations continue to cap deployment speed. Lead customers will still be a key challenge. [Especially.] the cost and revenue advantages of NFV [i.e., one of the Cloud technologies] are confirmed but complexity will remain a challenge. Lead operators can meet almost all milestones and the industry standards are mature by 2020.”

The second interpretation foresees a similarly radical change, but one that takes place more rapidly. This view of the future predicts that first-movers will be very successful in their initial activities and assumes a fast business-driven change, reorganization, and changes in managerial practices. The expectation is that a large proportion of the telecom operators’ current networks, infrastructure, and hardware will be replaced by Cloud technologies in the near future and only a small part will remain intact. Managers with this type of view of the future believe, for instance, that:

“Large first-movers will have fully realized their IT/Telco Cloud ambition, and deployed completely virtualized and de-coupled multi-vendor solutions, in a five-year period of time [from 2014]. Followers will have also developed and accomplished their IT/Telco Cloud ambitions.”

The third interpretation foresees a rapid but less drastic transition to the new Cloud technologies, in which a large proportion of the network remains unchanged; only the most
feasible and convenient aspects will be replaced by Cloud technologies, with the aim being
to generate additional revenues or cost savings without any need for major adaptations. An
Ericsson manager summarized this as:

“After the first wave of investments, the ambitions of operators will diminish because of a lack of expected benefits of the Cloud ... The complexities of technology deployment will be uncovered: for example, interoperability issues place practical limitations on multi-vendor implementations as promised by the Cloud technologies. The result is a reduced scope of virtualization plans.”

The fourth and last interpretation is one likely to be made by those who are suspicious
of any radical change and who envisage that the failure of initial activities, due to factors
such as slow progress in the activities required for standardization, will stop any important
adaptation taking place for the foreseeable future. According to this interpretation, only a
relatively insignificant proportion of the networks will be affected. This type of view was
expressed by some Ericsson managers in a strategy discussion as follows:

“In the telecom history, we have had other technological fads that did not make operators to radically change their core technologies ... Cloud technologies’ cost and revenue advantages are not proven .... This will not change in the near future. We should keep working on the quality and efficiency of our native technologies as they are the sources of our advantage. Perhaps [we can still] use the Cloud for this purpose too.”

These various interpretations of the market dynamics were influential in driving the
actions of those who held them. A large organization like Ericsson is decentralized to a large
extent, and paying attention to customers’ input is always considered a priority. It is thus
seen as a legitimate reason for action even when the action is not in harmony with the
organization’s official stance. As we implied earlier, these interpretations were not formed
arbitrarily, but were often a direct reflection of customers’ expressed plans of action in the
short and the long term. It is important to note that, in terms of the organization’s overall
position, the desire to minimize the disruptive effects of Cloud technologies was aligned
more closely to the interpretation in which change is seen as likely to be slower and more limited in scope. Conversely, those interpretations which predict the changes to be both more extensive and more rapid are much less in alignment with the organization’s official position. Despite this lack of alignment, the regional units whose customers favor more radical approaches to the Cloud largely support such interpretations and regard them as a legitimate basis for action.

The fact that there are competing interpretations of the market dynamics, each involving conflicting assumptions about the technical and business implications, raises some important issues for the MNE. When there are multiple answers to the question of what is happening, this will inevitably affect key aspects of the process of adopting and implementing a potentially disruptive technology. Below, we discuss three specific types of contradiction that arise from market heterogeneity and how they affect different stages in the innovation process.

2.4.3 Experimentation and trials

To a large extent, telecom firms use trials and proof of concepts to help them make sense of the commercial values and work out the optimal implementation strategies for Cloud technologies. Keeping up with new technological trends compels firms to experiment in a variety of ways in their technology research and development, as one technology manager acknowledged:

“[T]echnology evolution is so fast these days ... that if you as a product/systems owner don’t regularly (every quarter) set aside money to evolve your technology base – even though no customer is asking for it – you will eventually find yourself with such a huge technology backlog that you have to start from scratch when suddenly it becomes a requirement from your customers – and you have to choose wisely because not all technology trends lead into the future.”

Finding the right approach to collaboration in these initial investments (Moeen, 2017) was a key strategic issue for Ericsson, and the existence of competing visions of the future
makes it difficult to make a choice. Initially (2010), the experimentations were mostly small prototypes being developed by a dozen researchers at Ericsson headquarters. Expanding such activities required larger investment and more involvement from strategic business units and regional organizations. It was at this time that some key customers in various regions also started to ask Ericsson to participate in their Cloud-related developments and trials. The challenge here is that the success and failure of initial trials with key customers to a large extent determines future technological trajectories, and Ericsson often has to be careful therefore when committing to new development projects. In the case of the Cloud, however, the divergent customer plans and demands led to engagement in several streams of experimental activities which were not necessarily aligned with one another. One of the strategy managers involved in such projects explains what they were focused on in their initial development activities:

“The underlying hardware platform will not be our unique selling point anyway. [We should] allow ourselves to focus on the differentiating functionality of our services [...] and quickly launch trials where there are opportunities and see if the business takes off.”

There were other more radical initiatives launched at this time. In Budapest, for example, Ericsson introduced a new concept called Ericsson Garage, designed to take a more fundamental approach to Cloud-related innovations. In this new platform, Ericsson envisioned having little control over the types of activities being undertaken by entrepreneurs, and therefore divergent experimentations were inevitable. The head of the garage explained the purpose of this initiative:

“I believe the new Ericsson Garage will strengthen our foundation for creating sustainable business for Ericsson and its customers in a networked society. For example, we can look at one area that the garage will showcase: Cloud and virtualization technologies as the first step. We believe this area will transform the economics of delivering new services to market.”

Besides the divergent and more radical trials, Ericsson started to collaborate in some focused trials with a number of key customers in different locations who were focusing
mainly on gradual and incremental projects designed to add limited Cloud functionalities to their infrastructure. These projects were indeed quite successful in delivering the intended outcome and were celebrated as initial Cloud successes. In addition, Ericsson tried to create some dedicated resources focused on addressing customer demands with respect to the Cloud. In 2014, the firm opened three experimental labs, in Germany, Italy, and South Korea.

In sum, Ericsson was following different trials with varying motivations. Some were more internally focused, slower-paced, and more conservative, and were designed to provide “More local expertise close to the customers [and] be more open, listening, and sales driven” (SUR, ACM1114). Others were aimed at more rapid and larger-scale change in the industry. Account managers supported this second idea when they said, “[Ericsson should] dramatically embrace a strategic IT transformation partner role” ... and “have relevant competence and capabilities on the ground.” (SUR, ACM1114). However, involvement in many diverse experimental projects, each with a different magnitude and speed, is costly in terms of the effort required.

2.4.4 Deployment strategy

Another key question for Ericsson concerned the plan for product road maps and the changes required for commercial deployment, or market entry (Moeen, 2017), of Cloud technologies in existing products. Different interpretations of the future result in different approaches to updating and revising the product roadmap and strategic plans used as the basis for operations by thousands of product managers and engineers at Ericsson. At Ericsson, product roadmaps are meant to be intact and many groups of managers and engineers, who had a conservative interpretation of future, simply updated their product plans by adding Cloud technologies on top of existing technologies. These groups worked closely with large customer organizations who also had a conservative understanding of future and a tendency to preserve their prior investments and technological stability.

More radical interpretations of the future were used when setting deployment strategies as well. Those who held such views suggested that the existing architecture and
related complementary assets should be discarded in favor of a new architecture and assets, and to what extent this should be done.

In line with this interpretation of the future, a group of experts at Ericsson started to develop new software applications that were not dependent on the firm’s legacy networks and were therefore attempting to deploy projects that were largely independent from Ericsson’s existing product roadmaps. When dealing with more progressive customers, it was important to emphasize this approach in order to position Ericsson as a reliable partner in more radical innovation projects. As one operations manager said: “[At Ericsson, we] have to fully align and "cloudify" and virtualize our [product and service] portfolios.” (FOR, CLD-515)

As one would expect, the radical approaches towards change were not focused on a single path to change, and issues relating to several different architectural and business models were given serious debate. For example, whether Ericsson should utilize third-party data centers or should establish its own data centers was an important consideration when discussing cloudification of the telecom network:

“Personally I'm [a] little bit concerned with a strategy where we basically would just be providing some of the software running in Amazon's data centers. […] We have been around a lot longer than Amazon and are also building data centers for our own needs anyway. Why not leverage that investment to also provide hosted services to operators?”

### 2.4.5 Long-term ecosystem strategy

Cloud and related technologies were expected to have effects that go beyond firm boundaries, and this may entail the potential for addressing new markets and customers. While addressing the divergent demands from existing customers is already problematic, attempting to undertake innovation activities focused on new types of customer in the emerging ecosystem complicated things even more. Misalignment with the speed and scope of some customers was inevitable, as we have already discussed; however, working against the interests of the current customer category (i.e. mobile operators) by developing solutions
that did not support customers’ businesses was perceived to be inherently problematic. This was not only because the firm was expected to show loyalty to its existing customers, but also because a shortage of resources made it difficult to carry out exploration activities focused on the firm’s existing customers and ecosystem. Therefore, many of the managers believed that Ericsson must “excel at [its] core business before branching out,” meaning that it was important for the firm to maintain and nurture its existing role in a business ecosystem that remained more or less the same.

Ericsson started to engage in several new segments, including transportation, government, utilities, health, and education to develop Cloud technologies that would serve customers outside its traditional market segment. The importance of new customer segments and groups in the emergent ecosystem was not in doubt. In the words of Ericsson’s CEO:

“We are focusing on increased visibility and scale of skills in [new customer categories, which are] IT and Cloud, media, and industry and society to better support [these new categories of] customers in their digital transformation. It is now the right time to seize further opportunities by better aligning to their needs, both of our existing customers, and also new customers in segments beyond the traditional telecom space.”

The activities in these new segments were in constant competition with those in the regular market, and because of the prominence and power of conventional businesses, it was often very challenging to secure the required competence and resources to explore new markets.

In addition to questions over the roles of existing and new customers, Ericsson’s supplier and partnership strategies were also subject to different interpretations. Those with more radical visions of the future tended to favor redefining the role of the technology provider and focusing on who the suppliers and allies were likely to be in the longer term. This group maintained that, with respect to suppliers, Ericsson needed to make important changes:
“[Ericsson] currently [has] limitations or dependencies with 3PP [i.e., third-party providers] and needs to lead the segment and to be considered ICT leader company in 2020. Ericsson has to engage in a better corporate venturing and partnership abilities to tap into the growing number of start-ups driving innovation in the ICT industry. For example, [they should] create strategic alliances with Silicon Valley key influential companies in the Cloud ecosystem.”

According to this group of managers, Ericsson needed to increase its “go-to-market-ability to sell jointly to new end-markets”. In our online survey account managers reflected on what they saw as responses to the change needed in the ecosystem, referring to the importance of “open integrations for non-Ericsson equipment (at least the image should change)” and of “not pushing for Ericsson Cloud but rather being open to accepting ANY Cloud interpretation coming from customers that can be very different.” They also made the point that “large operators focus on hardware savings where Ericsson is too expensive. [Therefore, it is needed to] focus on providing vertical integration with IT companies to develop on E2E system integration capabilities [because we will not be able to sell all our native hardware].”

The fundamental issue here is that focusing on developing a new ecosystem and businesses is not in line with maintaining an ongoing commitment to the firm’s current networks of suppliers, customers, and complementors. In fact, some aspects of future ecosystems may directly damage existing allies and supporting this kind of change may have negative consequences for the firm. Table 2.2 presents a number of representative quotations which highlight the tensions created by market heterogeneity.

In this section, we have shown how differing understandings and interpretations of the future influence managers’ approaches to innovation processes. Each of the regional and customer units were attempting to do something to satisfy the demands of their own customer groups. Specifically, this analysis suggests that different regional and customer units within Ericsson were adopting different approaches to experimentation and trials which were inconsistent with one another and sometimes with the official stance of the company. While the business unit managers tended to favor more incremental and gradual
approaches to innovation activities and strategies that would help reduce the disruptive effects of the Cloud, Ericsson’s research department and units that were dealing with more ambitious customers were looking at more radical trials and at deployment and ecosystem strategies. In the next section, we look at how such inconsistencies affected Ericsson’s strategic choices and behavior.

2.4.6 Accommodating a complex innovation process

We have highlighted how there were multiple visions of the future that were rooted in market heterogeneity and that led to complexities in Ericsson’s innovation processes and strategies with respect to the Cloud. While the list of inconsistencies that we present is not meant to be exhaustive, it creates a basis for understanding the types of strategic dilemma that an MNE must deal with when there is technological disruption on a global scale. Differences in interpretations of the future and thus in approaches to the innovation process have important implications for key dimensions of Ericsson’s strategy, particularly its strategic direction, structure, and resource reconfiguration. In Table 2.3 we present representative evidence of these implications.

**Strategic direction** – As highlighted above, for legitimate reasons, different groups of decision-makers had different visions of the future and therefore tended to favor approaches that were inconsistent with one another. Ericsson’s senior management used an approach that resulted in a high level of ambiguity in the firm’s formal strategies with respect to the Cloud and meant that managers and units were able to engage in very different innovation activities and approaches. Giving out seemingly contradictory messages, and letting business units follow their own preferred strategies, were some of the ways in which the firm’s approach to strategic direction allowed these very different activities to evolve. For instance, looking only at Ericsson’s vision and formal strategies, one might infer the company had put emphasis on a high level of alignment in Cloud-related strategies. For example, in 2010 Ericsson’s CEO formulated a clear vision for the company, one which reflected its aspiration to be the industry leader, and stated that he expected an aligned approach to change:
### Table 2.2 – Representative quotations reflecting contradictory interpretations of the Cloud (Continue on the next page)

<table>
<thead>
<tr>
<th>Interpretation of the market dynamics</th>
<th>Example quotations</th>
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<tr>
<td>Rapid, large-scale changes</td>
<td>Customers will move ahead with Ericsson or without Ericsson, so we need to act fast. With the Cloud, we need to have a view based on what’s going to be in one or two years… the future technology will be replacing existing businesses. Ericsson should fully align and cloudify and virtualize our product portfolios during the coming years. Cloud affects so many things with new business model, with new technology, etc. It affects the whole of the organization; it changes the industry. We should quickly expand the scope from being a technology supplier into doing operations, doing different business models, potentially financing and those kinds of things, transacting CAPEX into OPEX, those kinds of things. [Anything that has to do with the actual technology] to do with the actual technology. Cloud is very disruptive to the telecom business model. The telecom business model is about [increasing] complexity and having [a] vertically integrated and very well-tested network down to the component level. So, you make the system in a different way when you are working [with] this sort of high-quality IT approach rather than the telecom approach.</td>
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<tr>
<td>Slow-paced, small-scale changes</td>
<td>I think the practical impact [of] Ericsson’s … Cloud will still be smaller than [what] it looks when you do this analysis, where it looks like everything will be changed. But just because of the main sources of revenue for us, it will be a smaller impact, especially because of the base stations and so on. That [the Cloud] will be one of the less important elements, I guess. They [some main customers] are very conservative and will bring new things in much slower than what is possible. So, I think when it comes to timing as well, we have to try to do a lot of work estimating how quickly this can really go, both when it comes to our own products but also when it comes to what our customers can do [for] their end customers. In 2010, every telecom provider wanted to have [its] own Cloud. What happened in the past six years? Even big names, they all have their own infrastructures, etc., but who is using them? It is very rare, and it is not good at all. Since it is not their core business. Cloud can be realized in so many ways. The Google Cloud and the Amazon Cloud is one way. And then we have the enterprise Clouds, the private Clouds, the telecom Clouds, and they have different needs, and the timing of these different aspects can be probably discussed – when they will happen, and so on. But the telecom Cloud, it is just the best that could happen for Ericsson, I would say, to leverage upon existing technologies.</td>
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Table 2.2– Representative quotations reflecting contradictory interpretations of the Cloud (Continue)

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<tr>
<th>Experiments and trials</th>
<th>Diverse trials with many customers</th>
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<td></td>
<td>Present some new ideas, talk to different customers: if they like it, move on. So, that is an example of a disciplined experiment in an innovation project. Yes, we need to do experiment, but not just one type of experiment: we shouldn’t sell a prototype to a customer. We shouldn’t think in a very one-dimensional way then. And for the Cloud, we need to make it more intelligent, with different types of experiments and customers. If you already have an idea in your mind that you want to push, you don’t listen any longer because you hear those things that fit to yours that you would like to push. And you might miss out a few important issues … We [come] to a long list here: Telefonica in various countries, Turk Telecom, Hutch, Orange, Portugal Telecom, AT&amp;T, Vodacom, Safaricom, EPT Luxembourg, Belgium, Swisscom, Swisscom IT, and so forth. There is a tendency in [working with] Ericsson, in many cases, to— you have selected customers. We have in the service organization know-how [on how] to integrate IT things in North America. They are competent, whereas we have no staff in maybe India, etc. So, it varies geographically. But the threat is that our competitors are active in India, for example. They know the local requirements and solutions.</td>
</tr>
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| Focused trials, only with key customers | Consistently bring new ideas to AT&T who are looking to leading suppliers to co-invest with them in new domains. When I come from the Cloud program and say, hey, you should make your product Cloud-ready, those from other departments will ask: where is the money? Are there customers asking for it? And I will say, there are some advanced customers. We don’t want to open up discussions with all of the customers unnecessarily. We see the customers that are talking about Cloud and their requirements. Do we have a shortlist of customers, so it’s like three key customers identified? Ericsson is heavily engaging with them in all pre-commercial phases, very much in the technology phases. |
Table 2.2– Representative quotations reflecting contradictory interpretations of the Cloud (Continue)

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<th>Initial deployments</th>
<th>Redefining the portfolio of offerings</th>
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<td>We really need to change the content of our portfolio radically because we have identified something that really threatens the way that we are doing things. If you move into another area such as Cloud, this is something that you don’t have under control. This is like the wild west out there where, you know, like, small start-ups can change overnight, and they do… suddenly it is totally out of Ericsson’s comfort zone. Then there is a challenge. And then it gets very complicated. Cloud is very big. Therefore, it’s very difficult to get a grip on it. Cloud affects so many things with new business models, with new technology, etc. So just being able to talk with each other and understand and have a continuous dialogue, a discussion. That is a major obstacle. It affects the whole of [the] organization, it changes the industry. When it comes to Cloud services [the proportion of resources we allocate in comparison to the traditional business is] a 30/70, maybe 20/80 or something like that, 20/80. We need to change the support systems. This could be educating salesmen. [In] data centers, [it should increase and become] let’s say, 40/60 maybe, 30/70. If we want to build products according to the Cloud architecture and Cloud business model, then it’s going to be a huge impact because this is horizontally layered architecture and it’s a business model that is totally different. That’s totally different from what we are doing today selling boxes, sort of; pay-as-you-go services probably in the future.</td>
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<table>
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<tr>
<th>Close to the existing portfolio of offerings</th>
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<td>I think there is part of what I would consider as Cloud that is close to what we were doing before, so we were investing anyways [in] products that were useful. We sensed Cloud as a topic until we [were] looking it in connection with our portfolio and [seeing] how we [could] apply Cloud. The first step is establishing the teams that are going to run small innovative projects … to get the right level of attachment to your existing business, and that’s the art of an innovator. When we talked about problem in [the] connection platform, we said, why don’t we look at this as a Cloud business, because it will generate more money for us when compared to [the] traditional way and be more future-proof. We can say that we are cloudified, even if we continue doing what we’re doing.</td>
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Table 2.2 – Representative quotations reflecting contradictory interpretations of the Cloud

<table>
<thead>
<tr>
<th>Ecosystem strategy</th>
<th>Disturbing the existing ecosystem</th>
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<td></td>
<td>[We don’t] necessarily [have to] increase profitability but [we can also focus on] growing our revenues by focusing on new offerings and new customers as well. I think a challenge that we have in Ericsson is that we are a company [which] is only very good at driving business with mobile operators [i.e. existing customers]. We should have better corporate venturing and partnership abilities to tap into the growing number of start-ups driving innovation in the ICT industry. So perhaps we need to focus on some targets other than revenues and profitability – for example, putting some money [into] new ideas or getting new customers [for] Cloud solutions somehow. We should create strategic alliances with Silicon Valley key influential companies in the Cloud ecosystem. My competition is … not Huawei. I don’t see them in my engagement. My competition is HP, IBM, and the traditional IT equipment suppliers.</td>
</tr>
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</table>

<p>| Supporting the existing ecosystem | We can say that we are cloudified, even if we continue doing what we’re doing. … I think we need to listen to them, what plans they have. I mean, the whole internet is becoming a huge Cloud... I mean, so that is happening. But will telecom be a huge Cloud in the future? I doubt it will be. Consider enterprises, for example. When … will they be cloudified? Will enterprises really trust Google or Amazon or another Cloud provider to put their most secret [and] precious documents, strategies in their databases. The telecom operators, our current customers, are the companies that can help out there. We need to focus on what our customers want to do in the future. I think we need to listen to them, what plans they have. I think it’s going to be an evolution, yeah. And we see doubts about the consumers. They realize that they are giving away so much information [on] Facebook and everything, so that it could hit back. In fact, so the public Cloud could be questioned as a reliable service provider in the future. |</p>
<table>
<thead>
<tr>
<th>Strategic dimension</th>
<th>Representative incidents and activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic direction</strong></td>
<td></td>
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</table>
| Unified | - Articulation of a shared vision, reflected in the strategy plans of all units (2010–2014).  
- A steering committee reporting to CEO to align Cloud initiatives (2012).  
- Incorporation of the Cloud in the official product roadmap (2013). |
| Versatile | - Emphasizing the ‘customer first’ approach (2011–2014)  
- Allowing local Cloud projects in different units with different agenda (2011–2014).  
- Focus on development of the next generation of hardware products while letting other units work on technologies that will potentially replace that generation of products (2012–2014).  
- Allowing projects that are not in line with the official product roadmap. |
| **Structure of Cloud initiative** | | |
| Centralized and coordinated | - Centralizing decision-making for the Cloud in the largest business unit (2011).  
- Reassigning the decision-making for the Cloud to the largest business unit (2013–2014)  
| Decentralized and uncoordinated | - Organizing high-level coordinating and cross-functional teams for Cloud technology (2012)  
- Establishing small Cloud sub-units in different units (2012–2014) |
- Increasing the number of Cloud-technology-certified engineers to over 300 persons for a single region of 23 countries.  
- First independent sales summit on Cloud technology (2014). 600 of Ericsson’s sales force focused on Cloud. |
| **Resources Configuration** | | |
| Acquisition of new resources | - Laying off employees for three successive years (2012–2014) and recruiting recent graduates to replace them for Cloud-related activities.  
- Three new R&D centers focused on Cloud computing, with 700 new recruits.  
- Acquisitions in Cloud technology: Ericpol (software development in Cloud and IP), TimelessMind (software systems integration), Sentilla (analytics over Cloud), and Telcordia (IT support for Cloud technologies). Alliances in Cloud technology: OPNFV (industry alliance) and Clever Safe (partnership). |
“Management has taken action to adapt the company to this change that is an important foundation for Ericsson’s future growth. [...] We will get there with aligned strategies in all of the business units, as well as with our joint ventures” Ericsson CEO, internal blog, 2010

However, and despite emphasizing the need for “full alignment of all regional and business unit strategies” in several of his communications, the CEO also stressed the importance of a “customer-first perspective,” which implied that Ericsson must work hard to understand operators’ needs, objectives, and constraints. He went on to say that:

“In today’s market, however, we are seeing a clear shift toward building customer intimacy by being more agile, more flexible, and responding to customer demands with a different mix of specific solutions and global ones. Our primary aim is to help customers reach their targets and address their needs.” Ericsson CEO letter, 2010 annual report

Hence, while strategic alignment was being emphasized, great attention was also being paid to responsiveness to customer-specific demands and expectations. Indeed, the emphasis on responsiveness to and closeness§ with a heterogeneous market – and high levels of decentralization and delegation to enable this – gave rise to contradictory visions of the future in different parts of the organization and reduced the pressure to pursue a uniform global strategy. Hence, the high-level vision of the organization did not result in a correspondingly high degree of alignment and harmony in the actions taken by the organization. In fact, it was apparent that those units and employees dealing with less advanced customers or with developing countries were focusing on less radical variants of the strategy and taking a more gradual path towards Cloud deployment. Others tended to focus on visions of the future in which the existing network structure and the associated products and solutions would have to change substantially and in which incremental changes to existing products were perceived to be less valuable. Despite not being aligned to one another or to the official strategy, the various approaches to Cloud adoption and implementation still had a high degree of legitimacy, because each was supported by a reasonably large customer base.
Structure – Our observations confirm that there is a pattern in the density of individuals and groups within the firm who favored particular visions, and this maps to the organizational structure. While the disruptive impact of the Cloud concerns almost every aspect of Ericsson’s products and services, in the earlier stages of technological change only those groups that were outside the existing business units tended to be strongly in favor of a radical approach to Cloud deployment. The business units demonstrated little willingness to support ambitious plans as this was not in keeping with their existing incentive structures and abilities. A manager who had been involved in developing Cloud-related services explained how the initial processes in Cloud-related innovation worked:

“We have these innovation cells which are small teams which have a goal, but they don’t have processes and just work on a daily basis. Of course, a company can always have these innovation cells. But the difficulty is when you have initiatives, such as ten innovation cells in parallel, and all of them go back to the existing line organization – which is modular, as we talked about – looking for information and assistance, and so on. Then we start to overload these traditional modules with work that they are not dimensioned for, so the innovation cells will not get the support that they need and that will become a pain in the neck for the module.”

Intensified competition meant that the business units were under pressure to achieve greater efficiency and performance, and investment in future visions that could potentially undermine existing revenue streams was not a preferred option for business unit managers. Reliance on existing customers and their investment plans was a key reason why units were unwilling to support a radical move. The issue became apparent to senior managers when they received a signal from a few leading customers that Ericsson was being perceived as a laggard in terms of the Cloud. This was a trigger for several rounds of restructuring. The main reason behind the restructuring was to create a cross-functional team that would be in keeping with the disruptive nature of the Cloud, which affected all teams within the business. Creating such a team would also be in line with the plans of the company's more ambitious customers. One manager explained the initiation of this program as follows:
“… we started to get RFQs from one key customer in the Cloud area. And also we had a lot of questions around not only new solutions but also how our existing portfolio would transform related to Cloud- and service-based applications, and so on. So, the Cloud program was initiated.

Having a centralized lead and access to resources from different business units seemed to be the right solution for proceeding with strategy formulation, experimentation and trials, and other activities required in order to respond to market demand for ambitious utilization of Cloud potential. Starting with a small cross-unit team to develop Cloud technologies, company managers soon realized that it was very difficult to access resources dispersed across different business units that were themselves busy dealing with existing situations in the market. In order to overcome this, the company decided to dedicate more and more resources to a cross-unit Cloud initiative. Although this approach had some advantages in terms of allocating resources to more ambitious experimental projects, the cross-unit initiative became too large, creating many administrative issues. The company decided to dissolve the cross-functional unit and to embed it within the largest business unit, which had most of the available organizational resources. One manager described this change as follows:

“… the Cloud program set up was a good start but sooner or later it had to be transferred to something else. I think when we want to spend a lot of money and so on, then that will be typically handed over to a line organization that we decide.”

Although this move eliminated the administrative issues connected with having a temporary unit, and at the same time allowed ambitious Cloud projects to continue, it did not take long before the pressure to generate revenue and achieve financial targets meant that more ambitious projects and activities were losing out to more incremental development projects. Another round of cross-functional activities began but the results were not regarded as adequate. It was at this point that the company decided to go for two major restructurings that resulted in a new business unit dedicated to Cloud technologies. While having a new business unit with its own resources to some extent guaranteed a longer-term orientation to development activities, the fact that it was a profit center drove the new unit to seek more
immediate revenue streams, bringing it more into line with the slower and less ambitious plans. More cross-functional projects were therefore needed to ensure that the company maintained a focus on more radical visions. At the time of writing this paper, there have been around seven years of repeated restructuring and reassignment of resources for Cloud technologies, and these changes – albeit all made for legitimate reasons – have been very costly and created tensions within the organization. Employees often perceive the changes as stemming from a lack of vision and sometimes become frustrated because of the uncertainties surrounding the structure of Cloud initiatives.

From the negative experiences of employees during the various restructurings one could conclude that the changes made were either based on poor decisions or badly executed, but one needs also to recognize the complexity of the problems involved. It is also important to note that, although the cross-functional unit was officially responsible for dealing with the Cloud, this does not mean that other groups were not active in this area. On the contrary, several research groups and business units had their own initiatives, addressing their own interests. There was thus a complex combination of separate cross-functional teams and integrated intra-unit projects dealing concurrently with the new technology.

**Configuration of resources** – The focus on specific visions of the future has implications for the ways in which existing organizational resources, particularly human resources, are planned for and reconfigured. An Ericsson strategist put this in the following words:

“[To] leverage the market transitions in the right way, it will require changes to culture, incentives, organization, and new talents and new investments.”

A slower and less ambitious transition would enable Ericsson to evolve more gradually and redeploy its existing staff through training and development programs. As those in the older generation leave, the firm would be able to recruit people with new competences. This approach to redeploying employees may minimize internal challenges and tensions as well as issues with unions and other stakeholders. Two operational managers working on the development of Cloud technology talked about on-the-job training in the following terms:
“[With respect to the Cloud,] we really have the needed competence, also here, even if it’s of course, a fairly limited amount of people. We didn’t hire so many people. Very few. … [L]earning in Ericsson over the years has become much, much more on-the-job training... it’s very much around trying to get people to work where we have the action [for Cloud technology development] …”

“people take a huge responsibility for training themselves to keep abreast of technology development and I was impressed with what they knew and achieved...”

One key approach for developing capabilities and resource from this perspective is to gather a cross-functional group of engineers to learn by working on the technology, and then to dismantle the team and spread that knowledge throughout the organization.

“One of the ideas with the initial Cloud program was to get people doing things together, to have a chance to get other people in that project to learn and to have hands on experience during the pilots, trials and so on. Then they go back to their organizations [and spread the learning] ... today, it’s going to be much more around this competence spreading as we’re doing something between the regions, but really trying to identify where do we have the sources of knowledge [to spread].”

However, where the vision was more radical, a large proportion of the company’s current employees did not have the requisite skills and abilities, and the company needed to recruit many new people, with a different set of competences. Acquiring these new recruits, however, necessitated major cutbacks. According to Ericsson’s annual reports, between 2010 and 2014 an average of 13,500 employees left the firm each year and 16,500 employees joined, while the total headcount per year averaged around 110,000 persons. The number of employees leaving the company increased over this period.

The business units naturally favored redeploying existing staff and avoiding major changes in order to continue the planned evolution of products which most of the units’ customers had built into their plans. The issue was that when business units were pursuing
their deployment plans, they were likely to favor the immediate and least ambitious approaches, mainly because of the difficulties associated with major reconfiguration of resources. However, once the technology started to have an impact on different parts of the product portfolio, it became apparent that certain groups of employees were no longer needed, and at the same time and could not be developed in the short run. The only solution to this was to lay off a large group of experienced people and to recruit new staff. While such solutions resolved some of the problems regarding the competences and skills required to deal with Cloud technologies, the tensions and challenges associated with laying people off made it even harder to start bringing in any new recruits until the next round of major resource reconfiguration.

Our observations confirm that the firm tried out a variety of contrary strategies and approaches in order to enable an innovation process, which itself contained inconsistencies; this was a reflection of the different and often contradictory visions of the future that existed within the organization. Analyzing Ericsson’s case, we identified some desirable outcomes as well a number of unresolved challenges.

Our analyses suggest that Ericsson was able to leverage strategic ambiguity in internal communication to stimulate and legitimize a range of different activities. An important enabler here was the decentralized organization that was helpful in letting people make their own interpretations based on market insights that were not necessarily available to central decision-makers. Being open to and capable of making swift structural changes, sometimes involving thousands of individuals, and able to embrace the subsequent challenges so that the new technology could be adopted was certainly necessary and helpful for dealing with the fact that there was no one shared interpretation of the future. Finally, having a variety of resource development and acquisition strategies enabled the organization to accommodate both radical and more gradually evolving views of what the future might hold.

On the negative side, however, it has proved quite challenging for Ericsson to accommodate those visions of the future that were outside the organization's comfort zone or not in line with its official position. Several progressive members of the organization told
us that they are allowed to do the research that they want, even if their activities are at odds with what senior managers are asking for. However, when they require support and resources from other units which foresee changes taking place at a slower pace and in a more limited way, they will not be given what they need to succeed. Also, while with more radical approaches failures are understandably more common, and while those who favor a more cautious and conservative approach can demonstrate initial success relatively quickly, by securing trials and even contracts with customers, with more advanced innovation the learning outcomes often look less impressive – even to customers who advocate a more ambitious approach. Hence, while senior managers allow competing interpretations and activities to co-exist, it does not mean that these are given equal amounts of attention and resources.

2.5 A model of firm response to technological disruption in heterogeneous market environments

In this section, we reiterate the model of responding to technological disruption when firms face market heterogeneity. Ericsson’s efforts to respond to the rise of Cloud technology and the risk that its value creation and capture models would become obsolete indicate that market heterogeneity creates a situation in which a direct and unified response to disruption might be less appropriate than a response which uses misaligned and contradictory approaches to address the environmental complexity. Large MNEs like Ericsson are embedded in multiple environments with different technological sophistication and demand requirements. This leads to different interpretations of the future in different parts of the organization. That is, while there might be agreement across the organization that there needs to be a response to disruption, there can be significant disagreement regarding the scale and the speed of changes required. This is not merely a matter of different perceptions in different organizational units but is grounded in actual differences between customer needs in different markets.

A successful response to disruption in conditions of market heterogeneity is one that preserves the firm’s strategic relationships with heterogeneous customers and one that allows strategic flexibility (Khanagha et al., 2017; Volberda, 1996) to expand the range of
strategic options available to the firm – in other words, a response that allows the firm to implement change in a way that does not lead to the loss of key customers or lock it early on into a response that eventually proves inappropriate. As the Ericsson case suggests, developing such a response involves establishing a complex innovation process and managing internal misalignment to support divergent approaches to innovation. A complex innovation process is one that accommodates various approaches to experimentation (e.g., investment in radical new models of centralized innovation but also decentralized trials with key customers), varying deployment strategies (e.g., providing solutions close to the existing portfolio of offerings and also redefining the portfolio), and engagement in divergent long-term ecosystem strategies (e.g., on the one hand supporting the existing ecosystem by investing in initiatives with existing suppliers and customers, while on the other hand disturbing that existing ecosystem by questioning who the firm’s suppliers and partners should be in the long term). Having this kind of flexibility within the innovation process allow firms to deal with differing expectations in different parts of the organization regarding the magnitude and speed of response and the complex environment in which they operate.

These discrepancies in the innovation process – rooted in the different interpretations of the future in different parts of the organization – are possible only if the organization allows there to be internal misalignment regarding its strategic direction, structure, and reconfiguration of resources. While the top leadership provides a clear message that responding to disruption is essential for the firm’s survival, it might support multiple interpretations of the future in global units by giving ambiguous signals as to whether it favors a unified or more multi-pronged organizational response. The Ericsson CEO achieved this by formulating a clear vision of a unified response to the Cloud, while outlining customer-focused strategies in other communications. In addition, to allow for the different approaches in the innovation process, organizations need to manage internal misalignment with respect to the organizational structure. Structural flexibility characterized by fluidity between a multiplicity of approaches to structuring ranging between uncoordinated and decentralized structures to highly coordinated and centralized. In the Ericsson case, this was visible in how the company switched between different ways of structuring its Cloud-related research efforts, going from centralized to decentralized, and
vice-versa. Organizations can allow for inconsistencies in the innovation process by providing resources for divergent paths. This can be done by alternating between redeploying existing resources and acquiring new resources.

The proposed model for responding to disruption is likely to be more appropriate in situations where there is high market heterogeneity of the kind faced by MNEs, rather than in the more homogeneous markets served by some other firms. Similarly, this approach might be more appropriate than a unified organizational response when it is unclear what the best form of response should be. A key challenge in the approach taken by Ericsson is that leaders need to be capable of overseeing organizational misalignment. This requires leaders to be capable of embracing strategic contradictions (Mihalache et al., 2014) and of supporting inconsistencies in the innovation process by giving out mixed signals while at the same time satisfying external stakeholders that there is indeed a reasoning behind the response. Figure 4 illustrates our theoretical model of the complexities that MNEs face when dealing with disruption.

2.6 Contributions

Our study aims to increase understanding of how large firms respond to technological disruption. We answer calls (Kor and Leblebici, 2005; Kor and Mesko, 2013; Sirmon and Hitt, 2009) for a deeper understanding of the complex interdependencies between the firm’s strategic choices about resource development, deployment, and investments. As contended by Kor and Mesko (2013, p. 241), “it is these multilevel asset-strategy interdependencies that are at the hearth of a firm’s ability to achieve internal fit, external fit, and evolutionary fit.” Our study offers three main contributions to ongoing debates in the technology and strategy literatures.

First, by uncovering the mechanisms through which demand-side heterogeneity affects responses to disruption, we complement earlier work on technological disruption (Adner, 2002; Adner and Levinthal, 2002; Adner and Snow, 2010a, 2010b) that emphasized the need to consider market heterogeneity in order to understand technological disruption.
Figure 2.4– Technology disruption, market heterogeneity, and the implications for MNEs

**Market expectations:**

**Heterogeneity in MNE's market**
- **Low Speed of change**
- **High Speed of change**

**Magnitude of change**
- **Drastic**
- **Moderate**

**Drivers:**
- Technical capabilities
- Business transformation capabilities
- Investment strategies
- Macroeconomic factors

**Firm's misalignment capability**

- **Unified Strategic direction**
- **Coordinated & centralized Structure**
- **Redeployment**
  - **Reconfiguration of resources**
  - **Acquisition**

**MNE's response:**

- **Versatility in strategic direction**
- **Structural flexibility**
- **Resourcing multiple transformation paths**

**Outcomes:**

- **Preserving strategic relationships with heterogeneous customers**
- **Strategic flexibility and expanding the array of available options**
- **Organizational tensions and inefficiency**

**A complex innovation process**

- **Experiments and trials**
  - Diverse trials with many customers
  - Focused trials, only with key customers

- **Initial deployment strategy**
  - Redefining the portfolio of offerings
  - Close to existing portfolio of offerings

- **Long-term ecosystem strategy**
  - Disturbing existing ecosystem
  - Supporting existing ecosystem
We also add to later research that suggested that focusing one’s strategies on demand-side heterogeneity can lead to superior performance (Priem et al., 2012), particularly in the context of two-sided markets and platform ecosystems (Cennamo et al., 2018; Rietveld and Eggers, 2018). Specifically, our study reveals that market heterogeneity and conflicting and potentially contradictory customer demands give rise to divergent interpretations of the future and of what needs to be done to deal with the new technology. These divergent interpretations, in turn, engender inconsistent and potentially contradictory strategies and practices. We identify factors such as allowing multiple strategic directions, providing structural flexibility, and using inconsistent strategies, either concurrently or sequentially, as being important for managing such contradictions effectively during technological disruption in heterogeneous markets. These findings resonate with recent developments in the conceptualization of strategies for dealing with paradoxes in complex environments and emerging ecosystems (Ansari et al., 2016), and they extend prior research that considers the importance of customers in incumbents’ responses to technological change without incorporating the effects of market heterogeneity (e.g. Gilbert, 2005; Lavie, 2006; Taylor & Helfat, 2009).

Second, we contribute to the literature on incumbents’ responses to technological change by conceptualizing and highlighting the importance of firms’ misalignment capability, namely their ability to allow and manage misalignment in order to cope with the complexities of a technological disruption. Prior research suggests that the fit between environment and strategy is a critical factor for performance in complex and dynamic market settings (Luo and Park, 2001; Tan and Litsschert, 1994) and that this should be supported by internal fit (i.e., the alignment between internal aspects of the organization such as strategy, structure, and organizational activities) (Peteraf and Reed, 2007). However, our study suggests that this is different in heterogeneous markets. When firms respond to disruption and consider their fit to contradictory environmental requirements, the value of internal fit diminishes, and misalignment capability becomes more relevant. We identified three specific underlying dimensions for such this capability. One dimension of misalignment capability relates to the appreciation and nurturing of versatility in strategic direction. Prior research suggests that unified strategic direction (Dess, 1987; Taylor and
Helfat, 2009) is of paramount importance during strategic change processes. However, our findings suggest that strategic unity may work against the ambition to expand the range of options available to the firm and to maintain the strategic relationships with key customers. While the idea that inconsistency detracts from the internal fit between organizational elements (Boumgarden et al., 2012) might lead one to expect an organization to adopt internally consistent approaches, our case study indicated that accommodating and even nurturing inconsistent visions of future may be unavoidable and even vital. The second dimension of misalignment capability has to do with resource strategies. Our study suggests that rather than a ‘best fit’ approach (see Karim & Capron, 2016; Lavie, 2006), different resource reconfiguration strategies may be needed at various times and in different units of the organization. Our case study suggests that organizations dealing with complex environments may need to use a combination of redeployment strategies, rather than a single contingent-fit approach. The third dimension of misalignment capability relates to structural mechanisms and organizational redesign. Our case also confirms theories that emphasize the importance of a dynamic approach to organizational structure (Boumgarden et al., 2012; Gulati and Puranam, 2009; Kang et al., 2017; Nickerson and Zenger, 2002), and we conclude that a high level of structural dynamicity may be essential to enable an internal learning process to take place when a high level of uncertainty and multiple interpretations of the market dynamics make it impossible for the firm to reach a unified vision of the future.

Third, we contribute to the international management literature by revealing how market heterogeneity affects the processes of renewal in MNEs. Prior research has considered the effect of market heterogeneity on MNE subsidiaries (Hoene and Kostova, 2015; Luo and Park, 2001; Tan and Litsschert, 1994) and firm performance in different conditions (Chakrabarti et al., 2011). Our research addresses the call for further research (see Teece, 2014) on MNEs’ dynamic capabilities, and particularly for research which examines the role of market and internal heterogeneity in determining those capabilities. Even though research on MNE innovation abounds (e.g., Mihalache, Jansen, van den Bosch, & Volberda, 2012), our analysis of the Ericsson case is one of the first attempts to consider the strategizing and innovation processes used by MNEs when responding to technological disruption. In contrast to prior MNE research that suggests that the environment–strategy alignment is of paramount importance for achieving competitive advantage (Ghoshal, 1987;
Morrison and Roth, 1992; Schleimer and Pedersen, 2013) our model of MNEs’ responses to disruption tries to account for the complexities caused by divergent and sometimes contradictory customer demands. Our findings highlight the implications of market heterogeneity for the adaptive responses of MNEs, in particular the importance of being able to handle misaligned strategies, structures, and organizational actions.

2.7 Managerial implications

Our findings may provide important insights for those managers dealing with technological disruption in a heterogeneous market. Managers tend to believe that internal alignment is a core capability for enabling effective change. Our case study suggests that organizations may need to allow and support inconsistent and sometimes contradictory organizational strategies, structures, and activities in order to deal with complexity in the external environment. Ashby (1956) suggests that external complexity needs to be matched to internal complexity or, in his words, “only variety destroys variety”. Our findings show what can happen when a firm responds to disruption in a heterogeneous market in ways that are complex to handle internally. In this situation, managers may find it beneficial to broaden their scope of experimentation and trials to include different and sometimes divergent directions. Le Breton-Miller and Miller (2015) suggest that firms need to overcome the vulnerabilities associated with resource alignment in a changing environment. Expanding the range of options and strategic flexibility can be achieved by experimentation in different directions. To deal with high levels of complexity and uncertainty managers may benefit from a wider cognitive variety – i.e., diverse mental templates for problem-solving, here used to deal with coexisting and contradictory interpretations of the market dynamics and corresponding agendas (Eisenhardt, Furr, and Bingham, 2010).

Accommodating a range of activities within the organization that are based on differing interpretations of the market dynamics is obviously costly, and without active involvement from senior managers may take organizational resources in different directions (Coen and Maritan, 2010). To ensure a successful response to disruptive technologies, senior managers need to combine the stressing of overarching changes (Smith, 2014) with monitoring, reassessment, and direction change when necessary (Eisenhardt et al., 2010).
However, such interventions are very complex and require senior leaders to handle inconsistent strategies so that they can discern when an intervention is necessary to ensure a successful adoption of disruptive technologies (Volberda, 2017); interruptions based on inappropriate assumptions may deprive the organization of important learning outcomes.

Failure to distinguish between the assumptions behind different types of experimental activity and evaluating fundamentally different experiments using common organizational systems and approaches, may lead to errors of omission and a preference for projects that are within the organization’s comfort zone and in line with the preferences of their more important customers. Hence, in addition to providing slack, delegating authority, and accepting skunk works, it is important for firms to secure the organizational and managerial capabilities needed to deal with the various tensions we have discussed. In particular, firms need a variety of approaches to problem-solving and organizational systems that allow sufficiently diverse experimentation.

2.8 Limitations and future research

Our research has its limitations, and it is worth taking a closer look, for example, at what makes some MNEs more successful than others at coping with disruption in a heterogeneous market. Our findings imply that organizations need to be both dynamic and flexible, and we therefore need to know how this can be achieved. At the micro-level, we found managerial capabilities such as cognitive variety to be quite important in enabling firms to navigate effectively between contradictory visions of the future and their consequences. Firm-level factors such as capacity for learning, governance structure, and incentive systems may also play different enabling roles in the complex and challenging process of change that we illuminated in this case. While using a single case study was appropriate for understanding the nature of these challenges and their consequences, a multiple case study setting or quantitative techniques might enable us to identify the drivers of success or failure in the context of MNEs dealing with technological disruption in a heterogeneous market. In this paper, we advocated the necessity and potential benefits of moving away from attempting to follow an aligned strategy for change or trying to ensure that organizational structures and activities are in keeping with such a strategy. Moreover, our findings concerning the
structural approaches to deal with disruption may also encourage other researchers to choose not to focus on either separation, integration, or vacillation (e.g., Birkinshaw, Zimmermann, and Raisch, 2016; O’Reilly and Tushman, 2013) but instead to examine more closely at how these different approaches might be used concurrently.

This study emphasized demand heterogeneity as a key factor affecting firms’ responses to technological disruption. By studying Ericsson’s response to Cloud technology, we uncovered the several tensions around the innovation processes that arose from demand heterogeneity and we examined the organizational implications of these tensions. A key finding of the study is that, when facing market heterogeneity, organizations need to manage internal misalignment rather than striving for a single contingent-fit approach. We hope that the insights of this study will stimulate further research on global organizations’ responses to technological disruption.
Chapter 5: Conclusion
5 Conclusion

The studies that I presented in this dissertation aim to answer questions about how managers think and act (Ott et al., 2017) to navigate their organizations in an uncertain environment to adapt to an ‘encompassing technological change’ (Nagarajan and Mitchell, 1998) in different institutional settings (North, 1990, 1991). We built on literature covering the relationship between organizational capabilities, managerial cognition, and adaptation. By taking heed of the link between managers’ and organizations’ capabilities and cognition, we elaborated on strategy-making complications for adaptation given divergent forces of supply and demand in different institutional settings. To do so within the boundaries of a Ph.D. project, we addressed

1. the type of organizational capabilities to which incumbents need to be able to adapt,

2. how the capabilities relate to managers’ cognition, and

3. how managers’ cognitive activities help their organization adapt.

In the first study, we explored how a specific organizational capability—misalignment capability, which enables an organization to accommodate managers’ competing interpretation of the future of emerging technology, facilitates incumbents’ response to technology-driven market heterogeneity. Next, we examined how the organization’s cognitive capabilities, e.g., absorptive capacity, and the manager’s cognition play a role in the adoption of a new platform technology. We accounted for the effects of country-level characteristics, specifically by testing the contingency effect of countries’ regulatory system quality and national temporal orientation on the relationship between the organizational absorptive capacity and the manager’s attention. In the third study, we developed a theory that explains strategies to utilize existing organizational capabilities and cognition to adapt. We focused on organizational identity as it is the cognitive frame that controls how organizational capabilities and cognition work. Managers use a pluralistic identity strategy to motivate change projects to adapt their established business. Together, these studies shed light on the unnoticed or less attended aspects of the strategy process and managerial and organizational cognition in the digital era.
5.1 Contributions of the dissertation

This dissertation’s main contribution is providing evidence for the utility of a pluralistic strategy and the microfoundational underpinnings of a pluralistic strategy-making process in highly uncertain and ambiguous environments. Here, strategy pluralism means that incumbents pursue parallel strategic directions, rather than developing a focused, predetermined one. Strategic pluralism deviates from the logic of scenario planning in that pluralism suggests equal attention to, and simultaneous investments in, parallel scenarios of the future. The emergence of ‘encompassing technological change’ (Nagarajan and Mitchell, 1998) constrains managers’ and organizations’ ability to predict the future. Our studies provide evidence and develop theories of how managers devise pluralistic strategy-making processes and rely on pluralistic strategies to survive in such situations.

Inspired by studies that indicate the boundary conditions of focused and aligned strategy and organizations (Le Breton-Miller and Miller, 2015; Dattée et al., 2017; Khanna and Palepu, 1997; Poulis and Poulis, 2016), we theorized about managerial and organizational capabilities, cognition, and cognitive actions required to design and benefit from multi-focused strategy. Prior studies of managerial and organizational cognition have signified the importance parallel search (Leiponen and Helfat, 2010), cognitive differentiation (Smith and Tushman, 2005), fragmented sensemaking (Balogun and Johnson, 2004), distributed attention (Ocasio, 1997, 2011), and pluralistic organizational identity (Pratt and Foreman, 2000) for strategic change. Researchers of strategy also have long been documenting the contributions of bottom-up strategy processes to the firm’s performance (Burgelman, 1983b; Floyd and Wooldridge, 1992; Heyden et al., 2017; Huy, 2002; Kannan-Narasimhan and Lawrence, 2018; Lovas and Ghoshal, 2000). We added to the literature, primarily by blending theories from these two research streams. Extant research recognizes the ‘strategic cognitive lock-in’ (Burgelman, 2002) as a barrier in front of organization-wide strategizing activities. We explored how organizations can break the lock-in effect by unifying ‘induced’ and ‘autonomous’ strategy processes (Burgelman and Grove, 2007) when there is a lack of visibility of the future (Dattée et al., 2017). In this kind of environment, managers cannot develop and communicate a clear strategy; therefore, they lead ‘emergent strategy’ processes.
In study 1, we identified misalignment capability as a source of survival. We elaborated on underlying cognitive processes to show how multi-focused organizational attention helps an incumbent maintain its market position during industry disruption. We documented how frequent alteration of strategic directions, structure design, and resource management practice enables the incumbent to lead a complex innovation process of a platform technology development. By this, we complemented theories of alignment and fit as we documented that internal alignment might fall short in coping with divergent market forces. We also enhanced the theories of MNEs by clarifying the paradoxical aspects of an MNE’s global integration and local responsiveness during a technological disruption.

In study 2, we joined the conversation on the microfoundation of international business research. We investigated how managerial and organizational cognition explains the variation of platform technology adoption in different national regulatory and cultural contexts. We extended the existing theories of cross-country technology adoption, using macro- and micro-level concepts. We specifically disentangled how regulatory systems’ quality and nation’s long-term orientation shift the relative importance of absorptive capacity and managerial attention for technology adoption. This result highlighted a boundary of the classic theories of the international adoption of technology by recognizing a significant role for firm-level characteristics in the early adoption of a platform technology. We also tested the situatedness of managerial attention to a technological change by examining two different contexts: organizational and national. We found that organizational context provided by absorptive capacity can override the effect of countries’ regulatory and cultural contexts in directing managerial attention towards the new platform technology. Through this research, we contributed to international business literature on digital platform technology adoption.

In study 3, we focused on a cognitive barrier of adaptation to technological change: organizational identity rigidity. By looking at how incumbents succeed in initiating adaptive projects, we theorized about how organizational identity can foster adaptation to a revolutionary technological regime. Tapping into existing conceptualizations of identity segmentation and openness to various narratives, we recognized that middle and front-line managers leverage an existing pluralism in the organizational identity by constructing a sub-
identity bricolage to advance their adaptive projects. We also identified how top managers could guide and promote middle and front-line managers’ change projects by pluralizing the organizational identity even more though propagating a meta-identity. In this way, we developed a model of strategy process informed by organizational identity work. Our third study contributed to the literature on strategy process, organizational inertia, and organizational identity theory by initiating a mutual conversation between them. We also theorized about how to overcome the cognitive lock-in effect caused by a rigid organizational identity. The result was a theoretical model that unifies autonomous and induced strategy processes. Our study contributed to the theories of paradoxical management by documenting how managers could contain tensions caused by identity stability and change paradoxes.

New business problems of the digital era call for new theories. This dissertation contributes to the literature by explicating the relationship between organizational capabilities and managerial cognition in the process of adaptation. The three studies’ findings extend our knowledge by theorizing about underexplored domains of incumbents’ adaptation: organizational misalignment capabilities, microfoundations of cross-country technology adoption, and pluralistic identity strategy.

1- Organizational misalignment capability (Gulati and Puranam, 2009) is a dynamic capability (Teece, 2007) that enables multinational firms to cope with technological disruption (Gilbert, 2005) while managing the paradoxical tensions (Schad et al., 2016; Smith and Tushman, 2005) of such a response in a global context (Ghoshal and Nohria, 1989; Nohria and Ghoshal, 1994, 1997). We clarified the mechanisms through which demand-side divergent forces affect incumbents strategies (Adner and Kapoor, 2010). We complemented existing theories by uncovering how incumbents accommodate contradicting visions of the future, a combination of deployment strategies (Karim and Capron, 2016), and dynamic design of the organizations’ structure (Boumgarden et al., 2012) to deal with the digital revolution.

2- We joined and bridged between isolated conversations in strategy and international business on the complexities of cross-country adoption of digital platform technology (Nambisan, Zahra, et al., 2019) and microfoundations of international business strategy
We offer new insights into the combined effects of institutions, organizations, and managers on technology adoption at a cognition level. We tested hypotheses on the moderating effects of regulations (Blind, 2012) and long-term orientation culture (Hofstede and Minkov, 2010) on the organizational process of platform technology adoption. Testing for the effects of path-dependence and agency (Hutzschenreuter et al., 2007; Thietart, 2016), we provide evidence of how path-dependent capabilities trigger managerial agency to compensate for shortcomings of institutions and drive platform technology adoption in countries with weak institutions. We offer a multi-level theory of cross-country technology adoption that complements the classic model of technology lifecycles (Galang, 2012; Vernon, 1966). We also answered the recent calls for investigating institutional voids and their effects in international business (Doh et al., 2017).

By conceptualizing about pluralistic identity, we built a cognitively rich theory of adaptation that accounts for identity dimensionality, multiple organizational identities, and identity narratives (Ashforth et al., 2008, 2011; Ashforth and Mael, 1996; Brown, 2006; Corley, 2004; Foreman and Whetten, 2002; Pratt and Foreman, 2000; Whetten and Godfrey, 1998) in large and established organizations. We selected a context with high uncertainty and ambiguity (Navis and Glynn, 2010; Santos and Eisenhardt, 2009). We provide evidence of how organizational identity, a known source of organizational inertia (Levitt, 1960; Prahalad and Bettis, 1986; Tripsas, 2009), can motivate adaptation (Corley et al., 2011). Our grounded theoretical model shows how top managers and intrapreneurs contain the tensions of identity stability and change paradox, respectively, by pluralizing their organizational identity and constructing a bricolage identity for their adaptation projects. Thus, we extend and complement recent theorizing efforts on adaptation (Raffaelli et al., 2019), organizational identity (Cloutier and Ravasi, 2019), and strategy process (Kannan-Narasimhan and Lawrence, 2018).

Our theoretical contributions also come with empirical contributions. We collected unique qualitative and quantitative data of how an MNE and its international customers adopt a platform technology. We combined this dataset with publicly available data to increase our research quality and test the multi-level model of technology adoption (Eggers and Park, 2018). We also built theory grounded in longitudinal data in a pluralistic setting.
of strategy making (Jarzabkowski and Fenton, 2006) for platformization in private and public sectors.

5.2 Managerial implications

Strategic management literature recommends internal alignment and a focused strategy for strategic change. Based on the evidence presented in Study 1, Chapter 2, we recommend managers make their firms flexible by embracing internal misalignment and adopting a multi-focused strategy when their organization is under pressure by divergent demand for emerging technology. Technological uncertainty in the early stages of the technology development calls for extraordinary flexibility to enable the incumbent to maintain its market power facing disruptive technological forces. The flexibility is obtained by paying attention to and investing in parallel technology development paths. The required capability to be flexible comes from devising an accommodating market strategy, alternating different structural designs, and adopting different resource management practices. By that means, managers are more likely to survive disruption and be able to navigate their business in the conditions of poor visibility of the technological future, although their profit margins may decline for some time.

We knew that organizations with a sizeable ability to identify and apply new technologies are more likely to adopt revolutionary technology. According to Study 2, managers have a critical role in technology adoption, especially in the less prepared institutional contexts. When a national regulatory system—i.e., regulations, government efficiency, and rule of law—and culture play against the proactive adoption of new platform technology, managers’ sufficient and sustained attention to new technology can effectuate organizational capability to adopt the technology. Thus, understanding the fact that the institutions, e.g., culture and regulatory systems, are stable, international partners or policy-makers who are interested in faster adoption of the new platform technology can assist local incumbents in two ways: First, with improving the technological capabilities of the local incumbents, they accelerate new platform technology adoption. Second, by directing managers’ attention to the technology, they can offset the adverse effects of unprepared institutions and expedite adopting a new platform technology.
Strategic management scholars have identified benefits of clarity in the image of the future for motivating the organization to change. Sometimes attaining such clarity is impossible. In study 3, we found that managers also portray an ambiguous image of the future to overcome identity-based cognitive resistance against transforming the business. They also motivate their organization to change using organizational identity when the future is uncertain. Leaders can communicate a meta-identity that is abstract but relatable by organizational members to help their organizations accommodate innovative ideas that otherwise can receive "it is not our business" responses. The meta-identity creates a positive mindset toward transformation as well. Managers are motivated to accept innovative projects that can be defined in their organizational identity’s abstract and expanded boundaries to reduce the ambiguity. Our study shows that when intrapreneurs negotiate their innovative projects with strong links to current sub-identities, they can secure support. Our findings provide evidence for constructing a bricolage identity to overcome the cognitive barriers against the adaptation of incumbents.

Through the studies presented in this dissertation, I offer new insights into how managers can adapt their organizations in the digital era. Because of today’s different business requirements, managers need to reconsider the business logic of the pre-digital era. Firms should become more flexible and versatile by developing misalignment capabilities, paying multi-focused attention to their environment, and embracing pluralistic identity to be able to adapt. Our studies suggest that firms have the potential to do so, even when institutions resist against their strategies. This, of course, comes with extra costs that ensure their survival.

5.3 Limitations and avenues for future studies

The studies of this dissertation are subject to methodological and operational limitations. For example, a purpose of qualitative research is to build theories based on revealing and extreme cases (Eisenhardt, 1989; Eisenhardt and Graebner, 2007); therefore, generalizability is hardly achievable (Thorngate, 1976). Two pieces of qualitative research are presented in this dissertation about how firms strategize under extreme conditions: Study 1, a MNE facing technological disruption, and Study 3, established incumbents leveraging
their organizational identity to adapt. Where it was possible, we extended generalizable conclusions. However, each of the studies has limitations that can motivate future research.

In Study 1, we elaborated on misalignment capability, which helps an MNE survive technological disruption and maintain its relations with existing customers, although its performance may decline. Future studies can elaborate on how such a capability can evolve over a longer period of time to yield sustainable performance. We specifically scrutinized an MNE’s critical capabilities to survive disruption. Future studies can shed further light on the effects of competitive strategies among MNEs (Makhija, 2003; Peteraf and Bergen, 2003) for neutralizing disruptors’ strategic actions and seeking advantage over them (Markides, 2008; Markides and Geroski, 2005; Volberda et al., 2018). Another path forward is to investigate strategies that accommodate both incumbents and disruptors in an emerging ecosystem (Jacobides et al., 2018).

In Study 2, we use a unique set of cross-sectional data of a representative sample of Cloud technology adopters worldwide. Analyzing the dataset illustrates a snapshot of an ongoing process of adopting a new platform technology within a global industry. We developed and tested hypotheses on the state of the new technology adoption in a specific period. Future research can test theories on the adoption process by collecting and analyzing longitudinal data of technology adopters. Within a focus on technology adopters, future research can answer questions related to more dynamic boundary conditions of platform technology adoption, e.g., market turbulence, macro and microeconomic measures, complementary technology developments (Cenamor et al., 2013; Rietveld and Eggers, 2018), and network effects (Gowrisankaran and Stavins, 2002; Parker and Van Alstyne, 2005).

Promoting a diversified view of identity that fosters innovation in an organization (Perra et al., 2017) can increase internal competition (Smith and Tushman, 2005). To control this side-effect, leaders employ structural and social integration mechanisms. Based on our analysis in Study 3, we proposed a socio-cognitive mechanism of integration: a widely accepted meta-identity can create a flexible cognitive framework for innovative cognitive activities. Constructing a sub-identity bricolage can represent the cognitive process through
which leaders can accommodate the tensions of organizational change. Future studies can explicate boundary conditions of such strategy by investigating the salience of organizational identity among different sub-units (Corley, 2004); existing reputation and image of the incumbents (Dukerich et al., 2002; Labianca et al., 2001); symbolic, social capital and trust within the organization (Li et al., 2020; Prato and Ferraro, 2018; Shah et al., 2019); and resource availability. We can understand dimensions of organizational identity that relate to who we are, what we do, why we do what we do, and how we do what we do (Ashforth et al., 2008; Cloutier and Ravasi, 2019). Various environmental triggers can prime the dimensions for organization members differently. “How these dimensions are stimulated and how the stimulated identity dimensions can foster or hinder adaptation?” can be two questions for future studies. In answering the second question, scholars can investigate the relationship between identity, as a cognitive frame, and attention, as a cognitive process, and its effect on incumbents’ adapatation to digital revolution.

5.4 Last words

In the studies presented in this dissertation, we scrutinized the relationship between the firm’s adaptive capabilities and the managerial and organizational cognition and how they play a role in the adaptation of the firm. The studies presented here answer the calls for new research on business in the digital era. We did so by investigating business today and offering sophisticated, dynamic, and cognitively hot views of strategy and organization. By conducting these studies, we join theoretical discussions on the edge of strategy and organization research. The studies here set the agenda for future research to understand how managers navigate their organizations in the volatile, uncertain, complex, and ambiguous environment of the digital revolution. Overall, the research appreciates complex managerial cognition and organizational cognitive capabilities, and their agency in developing and employing digital technology in different institutional contexts.
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157


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Summary

Digital-driven technological innovations are revolutionizing our world. They provide business opportunities and, at the same time, face incumbent firms with various threats. Such firms have to cope with digital innovations to survive. Coming to grips with these innovations can be problematic, even for historically successful incumbent firms. For instance, we know insufficiently about how managers of different organizational hierarchical levels proactively play a part in the incumbents’ adaptation in the digital time. Contributing to the literature on the incumbents’ adaptation, I present three studies of the firms’ strategy and organization in developing and adopting digital technological innovations in this dissertation. In the studies, I answer questions about organizational capabilities, managers’ cognition (i.e., attention and identity), and how they (jointly) influence the firms’ adaptation.

The first study is an in-depth case study of an incumbent firm’s response to technological disruption in the early stages of technology development. During such time, managers have competing perceptions of the future, and the existence of the competing perceptions adds to technology development complications. The study conveys how a firm with “misalignment capability” and “multi-focus attention” can cope with its customers’ divergent demands and avoid disruption. This study’s findings show that, when faced with technological disruption and market heterogeneity, incumbents should eschew sustaining strategic alignment. Instead, they need to broaden the scope of their strategic experimentations to maintain a complex innovation process in order to survive. By doing so, they will preserve their strategic relationship with their key customers, although this may cause inefficiency. According to this study’s findings, for a successful response to disruption, top managers need to follow inconsistent strategies simultaneously, experiment with various problem-solving methods and organizational systems recurrently, monitor the situations closely, assess the firm’s performance frequently, and interrupt and change direction when necessary. In this study, the focus is on the capabilities required for surviving a technological disruption through adaptation that opens avenue for future studies. A path
forward for future studies can be to investigate the competitive strategies that MNEs can devise to neutralize disrupters’ strategies or co-create the industries’ future.

In the second study, the combined effect of macro- and micro-factors on platform technology adoption is scrutinized. Based on the analysis of unique and representative data of telecommunication operators worldwide, this study reveals that organizational and managerial cognitive capabilities can compensate for the effects of institutional shortcomings (i.e., a weak regulatory system and unconducive temporal orientation) in speeding up technology adoption. The findings support the idea that a greater absorptive capacity guides top managers’ attention to the new technology to adopt the platform technology fast, despite weak national regulatory systems. The study results confirm that in short-term oriented national cultures, e.g., US, greater capabilities and managerial attention to the emerging platform technology increase the platform technology adoption speed. However, this effect is not confirmed for the long-term oriented cultures such as Germany. Future studies can scrutinize the effects of platform ecosystem characteristics on the speed of the adoption of new platform technology: ecosystem readiness, network effects, platform governance mechanisms.

The third study concentrates on the role of organizational identity in firms’ digital transformations. Based on rich qualitative data of three Dutch incumbent firms, this study offers a model of how firms manage adaptation tensions, rooted in their rigid organizational identity, by reflecting on organizational identity, pluralizing organizational identity, leveraging identity pluralism, and extending organizational identity. This research shows that top managers and intrapreneurs together can manage the socio-cognitive tensions of adaptation in large established firms. Top managers communicate an abstract narrative of organizational identity (i.e., meta-identity) in line with a desirable ambiguous future identity to foster innovativeness. Intrapreneurs form sub-identities of their innovations so that they are more likely to receive support and resources. The sub-identities formed through constructing sub-identity bricolage can enrich the meta-identity and incrementally effectuate the firm’s future identity. In this study, two types of meta-identities are also recognized with different implications for the firm’s adaptation process. An avenue to follow-up this study is to investigate how managers can adapt identity-innovation concerning organizational
identity salience at different levels and functions. Researchers can also explore the relationship between cognitive processes such as attention and cognitive frames, such as identity, to better understand incumbents’ adaptation.

In this dissertation’s research, new models that take into account managers’ agency in incumbents’ adaptation are developed and tested and the boundary conditions of the current theories (e.g., path dependent capabilities and institutional view) in the digital era are identified. The results are discussed, and consequently, recommendations are provided for practice. Avenues for future research are also suggested.
Samenvatting

Digitaal gedreven technologische innovaties veranderen onze wereld radicaal. Ze bieden nieuwe bedrijfsperspectieven en leveren tegelijkertijd bedreigingen op voor bestaande bedrijven. Deze bedrijven moeten leren omgaan met digitale technologische innovaties om te overleven. Het implementeren van deze innovaties kan problematisch zijn, zelfs voor bestaande bedrijven die al jaren succesvol zijn. Dit zorgt ervoor dat academici en mensen uit de praktijk geïnteresseerd zijn in het begrijpen hoe bedrijven met digitale innovaties omgaan. We weten vooral onvoldoende hoe managers van verschillende organisatorische hiërarchische niveaus proactief een rol spelen bij de aanpassing van de gevestigde exploitanten. Als bijdrage aan de literatuur over de aanpassing van de gevestigde exploitanten, uitgelicht ik drie individuele onderzoeken die gaan over de strategie en organisatie van bedrijven bij het ontwikkelen en toepassen van digitale technologische innovaties. In de onderzoeken, vragen over organisatorische capaciteiten, de cognitie van managers (d.w.z. aandacht en identiteit), en hoe deze het adaptieve gedrag van de firma's (gezamenlijk) beïnvloeden, worden beantwoord.

De eerste studie is een diepgaande casestudy en betreft de reactie van een bestaand bedrijf op technologische ontwrichting in een vroeg stadium van technologische ontwikkelingen. Gedurende die fase hebben managers concurrerende percepties van de toekomst, en het bestaan van de twee verschillende percepties zorgt voor vertraging en misverstanden bij de ontwikkeling van technologie. De studie laat zien hoe een bedrijf met “misalignement capability” en “multi-focus attention” kan omgaan met de uiteenlopende eisen van zijn klanten en hoe dit misverstanden kan voorkomen. De bevindingen van deze studie tonen aan dat wanneer bestaande bedrijven worden geconfronteerd met technologische ontwrichting en heterogeniteit op de markt, ze moeten vermijden om de bestaande strategische afstemming te behouden. In plaats daarvan moeten ze de reikwijdte van hun strategische experimenten verbreden zodat een complex innovatieproces in stand gehouden wordt om te kunnen overleven. Door dit te doen, behouden deze bedrijven hun strategische relatie met hun belangrijkste klanten, terwijl dit ook eventuele inefficiëntie kan veroorzaken. Volgens de bevindingen van deze studie moeten topmanagers herhaaldelijk experimenteren met verschillende probleemoplossende methoden en organisatiesystemen.
en tegelijkertijd inconsistentie strategieën implementeren om succesvol te reageren op verstoringen. Daarnaast komt er uit deze studie dat topmanagers de situaties in de maatschappij nauwlettend moeten volgen, de prestaties van het bedrijf regelmatig beoordelen en de koers van het bedrijf en strategische richting continue blijven analyseren en veranderen wanneer nodig. In deze studie ligt de focus op de capaciteiten die een bedrijf nodig heeft om een technologische ontwrichting te overleven. De bevindingen van deze studie openen wegen voor toekomstig onderzoek. Toekomstige studies kunnen zich focussen op de concurrentiestrategieën te onderzoeken die bestaande bedrijven kunnen helpen om de disruptieve digitale technologische innovaties te kunnen implementeren en strategische richtingen te veranderen om bijvoorbeeld de toekomst van de industrie mede te creëren.

In de tweede studie wordt het effect van macro- en microfactoren op de acceptatie van platformtechnologie onderzocht. Deze studie laat zien dat organisatorische en bestuurlijke cognitieve capaciteiten de effecten van institutionele tekortkomingen (d.w.z. een zwak systeem voor regelgeving en een weinig bevorderlijke tijdelijke oriëntatie) kunnen compenseren door het sneller toepassen van technologie. De bevindingen ondersteunen het idee dat topmanagers met een groot absorptieve vermogen de nieuwe platformtechnologie snel toe willen passen, ook wanneer het nationale systeem voor regelgeving zwak is. De studieresultaten bevestigen dat in nationale culturen waar veelal op de korte termijn wordt gericht, bijvoorbeeld in de Verenigde Staten, meer aandacht vanuit het management voor de opkomende platformtechnologie de acceptatiesnelheid van platformtechnologie vergroten. Dit effect wordt echter niet bevestigd voor de culturen die zich veelal op de langere termijn focussen zoals Duitsland. Toekomstige studies kunnen dit onderzoek uitbreiden door de effecten en kenmerken van platformecosystemen te onderzoeken op de snelheid waarmee de nieuwe platformtechnologie wordt geaccepteerd en geïmplementeerd binnen bedrijven. Dit kan ingaan op aspecten waaronder ecosysteemgereedheid, netwerkeffecten en mechanismen voor platformbeheer.

De derde studie richt zich op de rol van bedrijfsidentiteit in de digitale transformaties van bedrijven. In deze studie wordt gebruik gemaakt van kwalitatieve gegevens van drie Nederlandse bedrijven. Op basis van deze data wordt er in deze studie
een model gepresenteerd over hoe bedrijven omgaan met spanningen op het gebied van het adaptieve vermogen van bedrijven. Deze spanningen zijn geworteld in hun rigide organisatorische identiteit, door na te denken over de identiteit van de organisatie, de identiteit van de organisatie te pluraliseren, identiteitspluralisme te benutten en de identiteit van de organisatie uit te breiden.

Dit onderzoek toont aan dat topmanagers en intrapreneurs samen de sociaal-cognitieve spanningen van adaptatie in grote bestaande bedrijven kunnen beheersen. Topmanagers communiceren een abstract verhaal over de identiteit van de organisatie (d.w.z. meta-identiteit) in overeenstemming met een wenselijke toekomstige identiteit om innovatie vermogen en prestaties te bevorderen. Intrapreneurs vormen sub-identiteiten van hun innovaties, zodat ze eerder ondersteuning en middelen zullen ontvangen. De sub-identiteiten die gevormd worden door het ontwikkelen van “sub-identity bricolage” kunnen de meta-identiteit van het hele bedrijf verrijken en de toekomstige identiteit van het bedrijf stapsgewijs te verbreden. In deze studie worden ook twee soorten meta-identiteiten erkend met verschillende implicaties voor het aanpassingsproces van een bedrijf. Een manier om vervolgonderzoek uit te voeren, is om te onderzoeken hoe managers identiteitsinnovatie kunnen toepassen met betrekking tot de identiteit van de organisatie op verschillende niveaus en functies. Onderzoekers kunnen ook de relatie onderzoeken tussen cognitieve processen zoals aandacht en cognitieve kaders, zoals identiteit, om de aanpassingen van het bestaande bedrijf beter te begrijpen.

In dit proefschrift worden nieuwe modellen ontwikkeld en getest die rekening houden met de leidinggevend agency bij de aanpassing van gevestigde exploitanten en worden de randvoorwaarden van de huidige theorieën (bijv. ‘path dependence’ capaciteiten en institutionele visie) in het digitale tijdperk geïdentificeerd. De resultaten van de drie individuele onderzoeken worden toegelicht, vervolgens worden aanbevelingen gedaan voor de praktijk en als laatste worden mogelijkheden voor toekomstig onderzoek voorgesteld.
خلاصه

فن اوری ابیر، هوش مصنوعی و پلت‌فرم‌های دیجیتال نمونه‌هایی نوآوری برای صنایع فرصت‌های رشد و توسعه خلق می‌کند و بی‌توجهی به آن‌ها به آن‌ها می‌تواند سابقه کلیک صندوق شود. به این معنی که صنایع مجهز‌تر برای بقا در محتوی قابلیت شد، خونا را ایفا فن اوری و فن اوری دهد. از آنجا که نگرشی خاصی مغز و اساس پیش رفت و دگرگونی در صنعت شده‌اند. فن اوری برای صنایع فرصت‌های رشد و نوسازی خلق می‌کند و بی‌توجهی به آن‌ها می‌تواند سابقه کلیک صندوق شود. به این معنی که صنایع مجهز‌تر برای بقا در محتوی قابلیت شد، خونا را ایفا فن اوری و فن اوری دهد. از آنجا که نگرشی خاصی مغز و اساس پیش رفت و دگرگونی در صنعت شده‌اند. فن اوری برای صنایع فرصت‌های رشد و نوسازی خلق می‌ک

در مقدمه، مؤلف به ضرورت نظری تحقیقات منتشر شده در این رساله و ساختار آن‌ها توضیح می‌دهد. در مقاله‌ی نخست، نتیجه‌ی مطالعه‌ی بلندمدت یک شرکت چندملیتی تأمین کننده‌ی فن اوری مخابراتی است، نظریه بر اساس مطالب جنبه خود و هم‌کاران، نظریه‌های برای تبلیغ بهتر مسائل ارائه و روش‌های مؤثری برای مدیریت شرایط جدید پیش‌بین می‌کند. این رسانه از مقدمه، سه مقاله دیگر تدوین و جذب فن اوری و تحلیل جنبه‌های جمعیت در یک شرکت چندملیتی شکل گرفته است. قابلیت‌های ادراک مدیران و سازمان‌ها محور نظری‌های مقالاتیاند. این مقالات نتیجه‌ی مطالعاتی کمی و کیفی می‌باشد و هم‌کاران او از سال ۱۳۹۱ تا ۱۳۹۲ میلادی در شرکت‌های معظم چندملیتی و محلی بوده‌اند.

در مقاله‌ی نخست، نتیجه‌ی مطالعه‌ی بر اساس مفهوم قابلیت ناهم‌راستی سازمان (misalignment capability) و اهمیت آن در زمان تخریب فن اوری (disruption) ارائه شده است: شرکت‌هایی که این قابلیت را کسب و استفاده می‌کنند، می‌توانند با داشتن توجه چندگانه («شتن» multi-focus attention)، تقاضاهای متعدد، متفاوت و متضاد مشتریان را در شرکت‌هایی محلی شامل خود را برآورده کنند. در مقاله‌ی دوم، اثر ترکیب عوامل خرد و کلان در فرآیند جذب فن اوری در شرکت‌های معظم محلی بررسی شده است. این مطالعه در دوره اولیه پیدایش فن اوری در ۸۰ کشور انجام شده است. این مطالعه توانست که طبق این نظریه مبنای مفهوم فن اوری (institutional voids) و نقش شرکت‌های محلی در جذب فن اوری را منعکس کند. در مقاله‌ی سوم، به نظیر «هویت سازمانی» (organizational identity) و مفاهیم مکمل آن، نظریه‌های ارائه‌شده که نقش تکنیک هویت در غلبه بر صیانت (rigidity) سازمان‌ها را تشریح کند در مقاله‌ی سوم، به نظیر «هویت سازمانی» (organizational identity) و مفاهیم مکمل آن، نظریه‌های ارائه‌شده که نقش تکنیک هویت در غلبه بر صیانت (rigidity) سازمان‌ها را تشریح کند در مقاله‌ی سوم.
About the author

Mohammad Taghi Ramezan Zadeh (1979) is a PhD candidate in strategic management at Rotterdam School of Management, Erasmus University. He obtained his BSc in Engineering and his MSc in management. In 2015, he started his PhD with over a decade of experience as a consultant and a manager. From 2018 until January 2020, Taghi was part of Science-Based Business Center, Faculty of Science, Leiden University as a postdoctoral researcher. He is currently an Assistant Professor of Strategy at Amsterdam Business School, University of Amsterdam.

Taghi’s research bridges managerial and organizational cognition and strategy theories to explain incumbent firms’ adaptation to digital revolution. He has presented his studies at the leading conferences of management and organization research. The Strategic Management Interest Group of the European Academy of Management recognized his co-authored paper as the best paper of the Interest Group (2015). His paper on the identity strategies for the firm’s adaptation (Chapter 4 of his PhD dissertation) was nominated for the best paper prize of the Strategic Management Society Annual Conference (2020). One of his co-authored papers is published in the Journal of Management Studies (Chapter 2 of his PhD dissertation). He has also developed and taught courses on strategy, (corporate) entrepreneurship, and digital transformation in MSc and BSc programs at Erasmus University, Leiden University, and the University of Amsterdam.
Portfolio

Published paper

Work in progress papers
Who is first to the Cloud?: A microfoundational study of cross-country adoption of platform technology. With Saeed Khanagha, Oli Mihalache, and Henk W. Volberda. Being revised for new submission. Target journal: *Research Policy*

We are going digital: Leveraging organizational identity pluralism for proactive adaptation.
With Henk W. Volberda. Final considerations before submission. Target journal: *Strategic Entrepreneurship Journal."

Metaphorical Twists and Turns: March and Simon’s Organizations, the Attention Based View and Progressive Theorizing. Led by Joep Cornelissen and with Magdalena Cholakova and Henk W. Volberda. Revise and Resubmission at *Journal of Management Studie."

How far is too far?: The effects of CVC-portfolio distance on parent’s technological performance. With Niels Seiffert and Henk W. Volberda. Data collection stage. Target journal: *Journal of Business Venturing*
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Mohammad Taghi Ramezan Zadeh (1979) is a PhD candidate in strategic management at the Rotterdam School of Management (RSM), Erasmus University. He obtained his BSc in Engineering and his MSc in management. In 2015, after more than a decade working in the industry, he started his PhD at the RSM. His research bridges managerial and organizational cognition and strategy process theories to explain incumbent firms’ proactive adaptation in the digital era.

Taghi has presented his findings in the leading conferences of management and organization research. The Strategic Management Interest Group of the European Academy of Management Annual Conference (2015) recognized a co-authored paper of him as the conference’s best paper (2015). His research on the identity strategies for incumbent’s adaptation (Chapter 4 of his PhD dissertation) was nominated for the best paper prize of the Strategic Management Society Annual Conference (2020). And one of his co-authored works is published in the Journal of Management Studies (Chapter 2 of his PhD dissertation).

Besides research, Taghi is passionate about teaching. He has given lecture in MSc and BSc programs at Erasmus University, Leiden University, and the University of Amsterdam. He was part of the Science-Based Business Center, Faculty of Science, Leiden University as a postdoctoral researcher from 2018 until January 2020. Now, he is an Assistant Professor of Strategy at the Amsterdam Business School, University of Amsterdam.

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