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Organisational Adaptation: The Factors Considered by Executives in the Short-Term Insurance Industry when Making Decisions

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Abstract

The need for this research stemmed from the lack of a practical understanding and framework on how organisational adaptation really works. Research thus far has been largely practitioner orientated and focussed on the theoretical constructs of adaptation. The report explores how and why organisations adapt in an effort to remain relevant, sustainable and profitable.

The research investigated the components of organisational adaptation, their constructs and the individual theories behind them. Based on a comprehensive review of literature, the *de jure* model (Figure 7) of organisational adaptation was developed around the concepts and theories extracted from this review. This conceptual model was tested through in depth interviews with 12 C-level executives from the short-term insurance industry to assess its validity.

Emerging from the research findings, the *de facto* model of organisational adaptation (Figure 11) provides a practical illustration of organisational adaptation and an integrated view of its components. The model validated elements of the literature and provided new insights in this area of research. In addition, it is a practical framework that can be used by organisations across all levels of hierarchy to encourage robust, comprehensive decision making and drive the adaptive process.

Keywords

Organisational Adaptation, Determinism, Voluntarism, Co-Evolution, Organisational Change.



Declaration

I declare that this research project is my own, unaided work. It is submitted in partial fulfilment of the requirements of the degree Master of Business Administration for the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination. The necessary authorisation from the University and consent from participants has been obtained to carry out this research.

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Zuriel Naiker

Date 10 November 2014



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Chapter 1 - Introduction to the Research Problem

1.1 Research Title

Organisational Adaptation: The Factors Considered by Executives in Short-Term Insurance when Making Decisions

1.2 Description of the Problem and Background

How and why do organisations adapt? “Adaptationists,” have noted that literature in respect of how top management teams make decisions is still in its infancy, indicating there is an opportunity for researchers to broaden their understanding of the internal dynamics of these teams in addition to learning about useful corporate governance lessons in specific situations (Abatecola, Mandarelli, & Poggesi, 2013). Previous research has investigated the personality factor and its impact on behaviour and decision making (Abatecola et al., 2013; Barrick, Mount, & Li, 2013), however this has focussed on the personality traits in particular and not on the factors which drive decision making. Critically, research has not investigated how organisational adaptation really works and empirically considered the impact of executive decision making (Abatecola, 2012b). Research in respect of the role of managerial intentionality in organisational adaptation is inconclusive (Volberda & Lewin, 2003) and provides a gap in respect of investigating the role managers have in the adaptation of firms.

The intention of this study is to understand how an organisation adapts and the degree to which executive decision making is influenced by the external environment, defined as determinism, or is self-directing and driven independently, defined as voluntarism. The fact that adaptation does and must occur is evident in the business world where a business evolves from a single person entity to a multifaceted organization (Hodgson, 2013).



Hodgson suggests that this change requires considerable organisational development and adaptation (in context, managerial voluntarism) in order to prevent extinction. Rapidly changing environments, new entrants, technologies and products require a degree of adaptation. Even small differences in adaptive capacity may be critical to the success of a firm.

1.3 Academic Motivation

A number of adaptation authors have called for further studies to be conducted in the field of organisational adaptation (Abatecola, 2013; Cayla, 2008; Hambrick, 2007; Volberda & Lewin, 2003). The research concluded thus remains fragmented and inconclusive. Furthermore, research to date has remained largely theoretical and recent studies have continued to articulate the demand for empirical research in the field of adaptation (Abatecola, 2012b; Hodgson, 2013).

The primary concerns for adaptationists thus far, has been on how an organisation changes and what the key drivers of change are. This has been explained through a number of theories which are outlined in the literature review in chapter 2.

While there is a significant amount of literature that exists around adaptation and theories that support the lenses of adaptation as drivers of change within an organisation, more insight is required into the practical execution of organisational adaptation within companies. The relative importance of adaptation and selection can only be discovered by empirical enquiry (Hodgson, 2013). A conceptual framework may assist in understanding how organisational adaptation occurs.



1.4 Societal and Public Motivation

The global financial crises, increasing environmental turbulence and a general focus on corporate survival and competitiveness has highlighted the importance of organisational adaptation (Abatecola, 2013). Factors such as increased competition, demanding consumers, globalisation, regulatory constraints, and the acquisition costs of customers are creating a more complex and challenging marketplace (Perrott, 2008). Through the lenses of determinism, influenced by external factors and managerial voluntarism, autonomous and self-directed decision making, this paper seeks to investigate the manner in which executive teams make decisions in adapting their businesses to a changing environment.

These individual and combined pressures mean that business executives must ensure that their organisations remain relevant in a rapidly changing external environment. The increased turbulence in our external environment is challenged by the emergence of strategic issues and will influence the way in which an organisation plans and implements its strategy (Perrott, 2008). Organisations require a sense of agility and adaptability in order to evolve and effectively tackle the challenges associated with business in the current context. The need for further research in the field of organisational adaptation is further highlighted by Abatecola, (2012) who outlines in his update on the subject that there are important questions and gaps which still exist in this research area.

1.5 Contextual Environment

The research was conducted within the short-term insurance industry in South Africa. The population included insurers and reinsurers who are recognised participants in the industry. The insurers who participated in the study are registered financial service providers. The primary filter for participation was the inclusion of the insurer or reinsurer in the KPMG Insurance Survey 2014 ("South African Insurance Survey 2014 | KPMG | ZA," 2014).



The insurance industry is a suitable candidate for investigation given the vast majority of changes it continues to adapt to and in anticipation of further regulatory changes. These include regulatory changes, changes in legislation and competitive market forces such as the advent of direct players in a traditionally intermediated market (Burrows, 2013; le Cordeur, 2014)

1.6 Business Motivation

The McKinsey Quarterly, in the practice of leadership and cultural transformation has indicated that organisational change is inseparable from individual change (Boaz, Nate, 2014). As the leadership team of an organisation, the decisions executive teams make have a significant impact on the way in which an organisation evolves within and adapts to its business environment. In an update of his seminal piece, Hambrick, (2007) postulates that if we want to understand why organisations do what they do, we must consider the biases and depositions of their executive management team.

Adaptation has become as essential element of corporate survival and competitiveness. A changing and often turbulent external environment, coupled with poor strategic choices has resulted in many of the giants of old such as Nokia, Blackberry, Pick and Pay struggling to maintain their market status, let alone deliver additional shareholder value through growth in revenues and profitability. In their article titled "Adaptability, the new competitive advantage," Reeves & Deimler, (2011) argue that scale, producing a product or delivering an offering are no longer good enough to sustain a competitive advantage. Furthermore, the authors pose that companies must obtain an adaptive advantage and improve organisational skills in respect of learning new behaviours in order to ensure that firms survive and thrive in a changing environment.



1.7 Research Aim

This study, through the lenses of determinism influenced by external factors and managerial voluntarism being autonomous and self-directed decision making, seek to investigate the manner in which executive teams make decisions in adapting their business in a changing environment.

Through the literary exploration of the key drivers of organisational adaptation, determinism and voluntarism, and evaluation of the current literature on executive decision making, this report seeks to practically understand the drivers behind organisational adaptation based on the business and academic needs outlined above. A review of the literature facilitated the creation of a *de jure* model (Figure 7) outlining how, in theory, organisational adaptation occurs within firms. This model was then tested and updated as the *de facto* model (Figure 11) following qualitative input.



Chapter 2 - Literature Review

2.1 Introduction

The literature review comprises four main sections. The first section is a review of the current contextual environment in the field of organisational adaptation. This section goes on to define the aspects of organisation adaptation, environmental determinism and managerial voluntarism and explores their key characteristics and impact on executive decision making. The second section explores alternative theories in the field of organisational adaptation and change through the lenses of determinism and voluntarism explored prior. The third section seeks to investigate the role of the executive in organisational adaptation and the relevance of selecting the executive as a unit of analysis. The final section provides a composite view through a discussion of the literature detailed within the report and suggests a *de jure* model based on the findings.

These topics have been explored in detail in order to provide the researcher with the required background to conduct in-depth qualitative interviews. The literature review provides the basis for the *de jure* model detailed at the end of the chapter. This model integrates the themes investigated in the literature review, illustrates the relationship between them and provides a conceptual structure for organisational adaptation through executive decision making.

The focus of recent literature in the field of organisational adaptation focusses on the evolution of the concept and highlights the most relevant theories which continue to inform the debate. It shows that the research concluded to date centres around defining the components of organisation adaptation, but lacks a framework illustrating how the elements conceptually apply within an organisation. This argument is supported by in the paper Organisational adaptation: an update (Abatecola, 2012b) in which the author in his closing paragraph, indicates that the current literature has not provided exhaustive and conclusive results on how organisational adaptation really works.



2.2 Organisation Adaptation

To date, organisational adaptation literature has had a strong focus on the interrelationship between organisations and their task or general environment and the focus of the research has been largely practitioner orientated (Abatecola et al., 2013). The current literature focusses on the drivers of organisational adaptation from an academic perspective, namely determinism and voluntarism (Abatecola, 2012b, 2013; Abatecola et al., 2013; Astley & Ven, 1983; Hrebiniak & Joyce, 1985; Moran, Simoni, & Vagnani, 2011). It can be argued that these investigations have remained largely theoretical and there is a need for research in respect of the practical application of organisational adaptation within a company. It is noted that this research study differs from the existing academic literature by virtue of defining a practical and conceptual framework.

The term organisational adaptation has been used widely in the discipline of general management. Having changed many times over the years, the definition of organisational adaptation has had a variety of different, but related meaning attached to it. These have extended from a mere change, to the more specific reaction to environmental forces and demands. The breadth of the definition extends from the use of the term to consider all reactive and proactive organisational changes to the more specific definition which focuses on the organisational reaction to environmental pressures (Abatecola et al., 2013; Astley & Ven, 1983; Hrebiniak & Joyce, 1985).

Organisations do not exist independently of their external environment. In fact, following the global financial crises, many organisations were marginalised or forced to close down completely as a result of factors that extended beyond their strategic choices. While the two are interrelated, there is a distinct need for an organisation to balance its strategy with the conditions of the external environment as well as its capacity in respect of implementing such strategies (Perrott, 2008).



In his paper which addresses managing strategy in a turbulent environment, Perrott, (2008), posits that as environmental turbulence increases, strategic issues emerge that will challenge the way in which an organisation will plan and how it will implement its strategy. Ecologists have widely argued that a firm is completely dependent on its external environment, postulating that volumes and growth rates within the environment directly affect the evolution of a company (Abatecola, 2012b).

The need to adapt has always been present in the organisation. The need to remain relevant, to ensure that customers still see value in your offering and are prepared to purchase the organisations goods or services. However, as the turbulence in the environment increases over time, the pressure in respect of organisational adaptation is that much greater. Literature suggests that there is a need to provide conclusive results on how organisational adaptation works (Abatecola, 2012b), in line with the direction of the current study.

The core concepts within the field of organisational adaptation are those of determinism and voluntarism. The theories were seminaly defined by Astley & Ven, (1983). Abatecola et al., (2013) noted the concepts, as well as the dichotomy between them as one of the most relevant adaptationist debates. The author goes on to clarify the definition of the two concepts. Determinists argue that the firm's top decision makers are substantially influenced by the external environment for their strategic planning, while voluntarists argue that strategic decision makers are focussed on the firm's corporate goals and are not concerned with the external environment.

In essence this debate directs the organisational focus in respect of how it adapts; from an external or internal perspective. The process of organisational adaptation is dynamic and the position of an organisation may change as a result of strategic choices or changes in the external environment (Hrebiniak & Joyce, 1985).



2.2.1 Determinism

Determinists fundamentally argue that a firm's actions are reactive to environmental pressures (Abatecola et al., 2013), and this strategy is a direct result of the activity within the external environment. The view is one that has been supported by ecologists in a widely argued concept that a firm is completely dependent on its external environment (Abatecola, 2012b). The theory focusses on the structural properties of the environmental context and the behaviour of individuals in directing the organisation, is seen as determined by and reacting to structural constraints (Astley & Ven, 1983). Determinism focusses not on individuals, but on the structural properties of the context within which the action unfolds. The individual behaviour is therefore seen as determined by and reacting to the structural constraints that provide organisational life, its environment (Astley & Ven, 1983).

The basis of deterministic theory forms the foundation of other concepts within the organisational studies area. These include contingency theory, organisational ecology and neo-institutionalism (Abatecola, 2012a)

In a study investigating CEO compensation from an organisational adaptation perspective, external deterministic factors were found to be the primary drivers in CEO remuneration (Chen-Ming Chu, Hsiu-Hua Hu, & Nai-Tai Chu, 2006). It could be argued that given the potential impact of a CEO on the business as part of an executive team, there is strong support for a more deterministic view on organisational adaptation.

2.2.2 Voluntarism

Voluntarists contend that the decision of a firm's executives are independent of the external environment and that their role is proactive in shaping corporate goals (Abatecola, 2012a).



Theorists in this area argue that individuals and their created institutions are autonomous, proactive and self-directing; the basic unit of analysis and source of organisational change (Astley & Ven, 1983).

From a Voluntaristic perspective, individuals and their created institutions are autonomous, proactive, self-directing agents and the source of change in an organisation. A voluntaristic adaptation view suggests that organisations respond to change by fine tuning themselves to the contingencies of their external environment (Astley & Ven, 1983). Voluntarism allows for individuals to choose their own decision making circumstances and construct, eliminate or redefine the objective features of an environment (Hrebiniak & Joyce, 1985).

In more recent literature, there is an evolved perspective. While not strictly voluntaristic by definition, it has been argued that voluntarism does not act completely independently of the external environment but rather is a response to it. In defining adaptability versus selection, adaptability used here from the perspective of voluntarism, is the capacity of an organisation to change its structure, strategy or core attributes in anticipation of or response to a change in its environment with the intention of improving performance (Hodgson, 2013). The emphasis of managerial selection in response to changes in the environment or proactively, form the base of a voluntaristic perspective. From a pure adaptationist stance, this favours a more co-evolutionary approach to change within an organisation. The theory of co-evolution is discussed in great detail at a later stage.

There are a number of theories which support the role of managerial voluntarism. These include evolutionary theory, resource dependency theory, organisational learning, strategic choice theory and upper echelons theory (Abatecola, 2012b).



2.2.3 Co-Evolution

The co-evolutionary debate considers that determinism and voluntarism are variables whose relationship is ever changing, with organisations being either reactive or proactive to environmental pressures (Abatecola, 2012b). Abatecola notes further that the co-evolutionary interpretations are still fragmented and much has to be done to comprehend how co-evolution effectively works. This report may be of some assistance in addressing this concern.

Hrebiniak and Joyce seminaly conclude that there is interdependence between strategic choice and environmental determinism and that together, these elements define adaptation (Hrebiniak & Joyce, 1985). They argue that individually they are insufficient and both are necessary for a satisfactory explication of adaptation. The authors purport that adaptation is a dynamic process that results from the relative strength and type of power dependency between the organisation and its environment. Furthermore, the author notes strategic choice and environmental determinism as both a cause and consequence of the adaptation process. This theoretical stance is yet to be investigated through an empirical study.

There is a view that the use of a single theme to explain organisational adaptation is no longer valid and that scholars should adopt research strategies that jointly consider the impact of managerial choice (adaptation), a voluntaristic view and environmental selection, a deterministic view (Volberda & Lewin, 2003).

Lawless and Finch highlight that prior to the 1985 article by Hrebiniak and Joyce, virtually all literature assumed there was no relationship between managerial choice and environmental determinism (Lawless & Finch, 1989). Hrebiniak and Joyce's paper introduced the concepts of both the environment and management being weak or powerful and interconnected.



The thought process began to highlight the possibility of a co-evolutionary approach to organisational adaptation.

Volberda & Lewin, (2003) noted that single theme explanations for organisational adaptation are no longer valid and that strategies which consider the joint impact of managerial adaptation and environmental selection must be considered. There is an increasing body of literature which favours a co-evolutionary approach to organisational change (Abatecola, 2012b; Meyer & Stensaker, 2006; Moran et al., 2011; Raisch & Birkinshaw, 2008). It has therefore been found that no single approach can comprehensively address the strategic needs of the organisation.

Co-evolution has been defined as “the joint dynamic outcome of managerial intentionality and environmental and institutional effects.”

Abatecola (2012b) suggests that while more research is needed in respect of a co-evolutionary approach and that in fact, the perceived dichotomy between determinism and voluntarism does not exist, theoretical and methodological conciliation in respect of adaptation can be reached through the concept. He has noted elsewhere that the intensity of determinism and voluntarism can differ and change depending on the corporate life cycle of a business (Abatecola, 2012a).

Levinthal (1997) noted that examining the process of adaptation (managerial choice) and selection is useful to gain an understanding of the implications of the two processes, but ultimately, a joint understanding is necessary in order to comprehend the effect of these two on industry (population) changes.

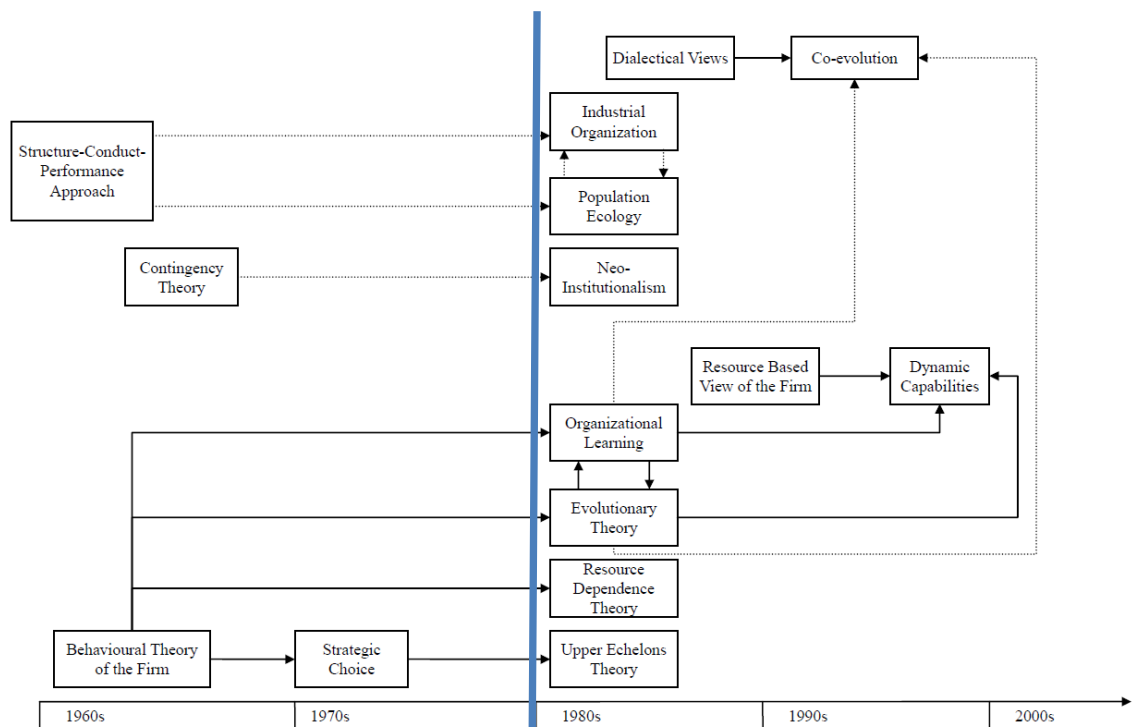
In the context of the current study, the co-evolution of environmental determinism and managerial voluntarism is an important aspect to consider.



While most modern literature suggests that a co-evolutionary approach is how organisations continue to adapt, a deterministic view in isolation would discount the personal impact of the executive on the organisational adaptation choice, favouring environmentally driven adaptation. This must be considered in the context of the current literature, and investigated. While not favoured in some literary circles, deterministic adaptation may be found to exist in organisations.

Figure 1 below outlines the evolution of the discussion and theory around the topic of organisational adaptation to a co-evolutionary approach. As the dichotomy between the two schools of thought has reduced over the year, there is a large body of convergent interpretations which view the connection between the two as dynamically changing. The model detailed below introduces the concept of “dynamic capability,” it is defined as the ability of an organisation to purposefully create, extend or modify its resource base (Helfa et al., 2007).

Figure 1: Perspectives on Organisational Adaptation: a timeline of the historical evolution



Notes: —→, strong ties between two theories; - - - - ->, weak ties between two theories;
← - - - -> (weak or strong) reciprocal ties between two theories

Source: Organisational Adaptation: An Update (Abatecola, 2012b)



The theories detailed in Figure 1 form part of an organisational adaptation framework. By their very nature, they adopt a particular stance, be it determinism or voluntarism or co-evolution. The individual theories will guide the research interviews and assist to structure the feedback within the current literary context. It is therefore essential that one has a clear understanding of the theories within the field in order to identify their impact, if any, on the research findings.

The theories selected were done so using Figure 1 above as the primary filter, followed by the identification and reference of these theories in the current literature. In addition, the more recent theories of Organisational Ambidexterity and Environmental turbulence were included, given their appearance in contemporary literature (Ates & Bititci, 2011; Meyer & Stensaker, 2006; Perrott, 2008; Raisch & Birkinshaw, 2008)

2.3 Alternative theories in Adaptation

Abatecola (2012b) defines the theories listed below as the most relevant in the field of organisational adaptation. These theories are detailed in Figure 1 above, extracted from the same report. Only theories post 1980 have been explored in any detail as these are the most recent and relevant debates within the field. It is for this reason that they have been included in the scope of this study. Further research has indicated that the theory of environmental turbulence and organisational ambidexterity have provided more recent support of the deterministic perspective on adaptation (Ates & Bititci, 2011; Perrott, 2008; Raisch & Birkinshaw, 2008). In order to ensure a comprehensive review of contemporary literature, these theories were included as part of the literature review.



2.3.1 Deterministic Perspectives

2.3.1.1 Population Ecology

Population ecology focuses on managing external relations with the environment and is heavily influenced by environmental forces. The model acknowledges little or no effect of top management in the success of individual firms and as such is largely deterministic in its outlook (Lawless & Finch, 1989). Population ecology emphasises that there are definite limits to the degree to which autonomous strategic choice is available and that organisations are limited in their ability to adapt and are placed at the mercy of their environments (Astley & Ven, 1983). The diversity in the forms of organisations is thought to be a reflection of the diversity in the environments in which organisations operate (Levinthal, 1997).

Through Darwinism, ecologists have aimed at explaining the long-term evolutionary processes that concerns the death and birth of “populations” of firms arguing that firms are completely dependent on their external environment (Abatecola, 2012b). Abatecola posits that the theory argues that the external environment is the primary driver for a firms’ evolution, particularly in respect of volume and growth rates. In defining a population, he states that it includes a set of firms which are within the same industry, share the same organisational structure and have similar strategic reactions to environmental pressure. The nature of this study and restriction of the research to the insurance industry, provides a good platform for empirical research in this field.

2.3.1.2 Neo-Institutionalism

The theory purports that a certain kind of environment obliges all its adapting firms to adopt the same forms of strategic and organisational alignment through the creation of an intra-industrial homogeneity (Abatecola, 2012b).



2.3.1.2 Organisational Ambidexterity

An organisation's response to their external environment is also investigated through the theory of organisational ambidexterity. The concept is defined as the organisations ability to manage the current demands of doing business, while at the same time, being adaptive to changes in the external environment (Raisch & Birkinshaw, 2008). Meyer & Stensaker, (2006) suggest that the capacity for change within an organisation is related to its ability to implement change and the need to maintain its daily operations.

In order to achieve ambidexterity, organisations, must reconcile their internal tensions with the conflicting demands in their task environment (Raisch & Birkinshaw, 2008). Thus the concept provides further support in respect of a co-evolutionary approach between environmental determinism and strategic voluntarism and a more holistic perspective on organisational decision making in respect of adaptation.

2.3.1.3 Environmental Turbulence

Ates & Bititci, (2011) noted that the business environment is constantly changing and that managing change to adapt to an uncertain future depends on the capacity of an organisation to survive, adapt, and sustain the business in the context of turbulent change within the business environment.

Turbulence has increased dramatically in recent years, from financial crises, to increased legislation, additional regulation, consumerism and the resultant consumer awareness placing additional demands on organisational outputs and a change in the business cycle of certain industries (Perrott, 2008). The author goes on to suggest that the organisation's response to environmental turbulence is critical to its success and survival and such a response is determined by the level of turbulence at any given time.



From the research it appears that as there are changes in the level of turbulence, the organisational response in respect of its adaptation will be forced to change as new strategic issues emerge that may contradict the initial strategic plan.

The impact of a changing environment is a key component of organisational adaptation in the determinist view supports that organisational strategy has a direct correlation to activity within the external environment. Furthermore, through the evolution of the literature towards a co-evolutionary approach to organisational adaptation, driven by both determinism and voluntarism, the need for environmental evaluation is once again emphasised.

2.3.2 Voluntaristic Perspectives

2.3.2.1 Organisational Learning

The theory that top decision makers have to effectively provide firms with a simultaneous, complementary and non-contradictory long-term balance between routines, incremental and radical innovations (Abatecola, 2012b; Levinthal & March, 1993).

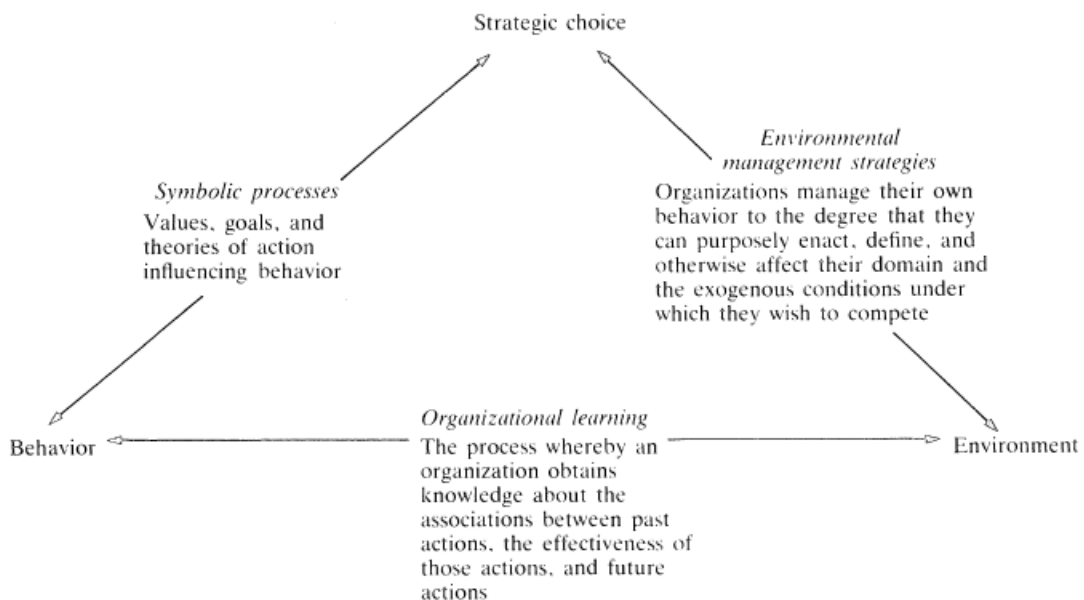
Cayla (2008) highlights two main forms of organisational learning in his paper, the first being an adaptive process that responds to a change in the environment. He further indicates that the main goals of the organization remain unchanged. It has been noted that while voluntarism plays a dominant role, the theories of voluntarism and determinism have been more balanced in the field of organisational learning (Abatecola, 2012b). The second type of organisational learning he calls guided organisational change. Cayla attributes it to the conscientious decision making of management. He goes on to state that it rests on a specific strategy, related to a goal or collective intention.



Within the field of organisational learning, there is a dichotomy between adaptive and guided processes in organisational learning. A deeper understanding of these concepts and to what extent each plays a part in organisational change, has been identified by the author as a way to understand how two organisational communities may act differently when faced by a similar disturbance in their environment (Cayla, 2008). Similarly, from an adaptation perspective, these findings can enhance the understanding of organisational responses and outcomes to changes in the environment.

Bedeian notes that organisations do not only react to their environments, but can also create or enact them (Bedeian, 1990). Importantly he introduces the concept of organisational learning to the adaptation process highlighting that these new environments in turn influence organisational and environmental changes, suggesting that the organisation is inseparable from its environment. Figure 2 below outlines his model.

Figure 2: A Basic Interactive Model of Organisational Adaptation



Source: Choice and Determinism: A comment (Bedeian, 1990)

Bedian concludes that strategic choice, environment and behaviour are indispensably linked and in doing so, also begins to shift this theory toward a co-evolutionary perspective.



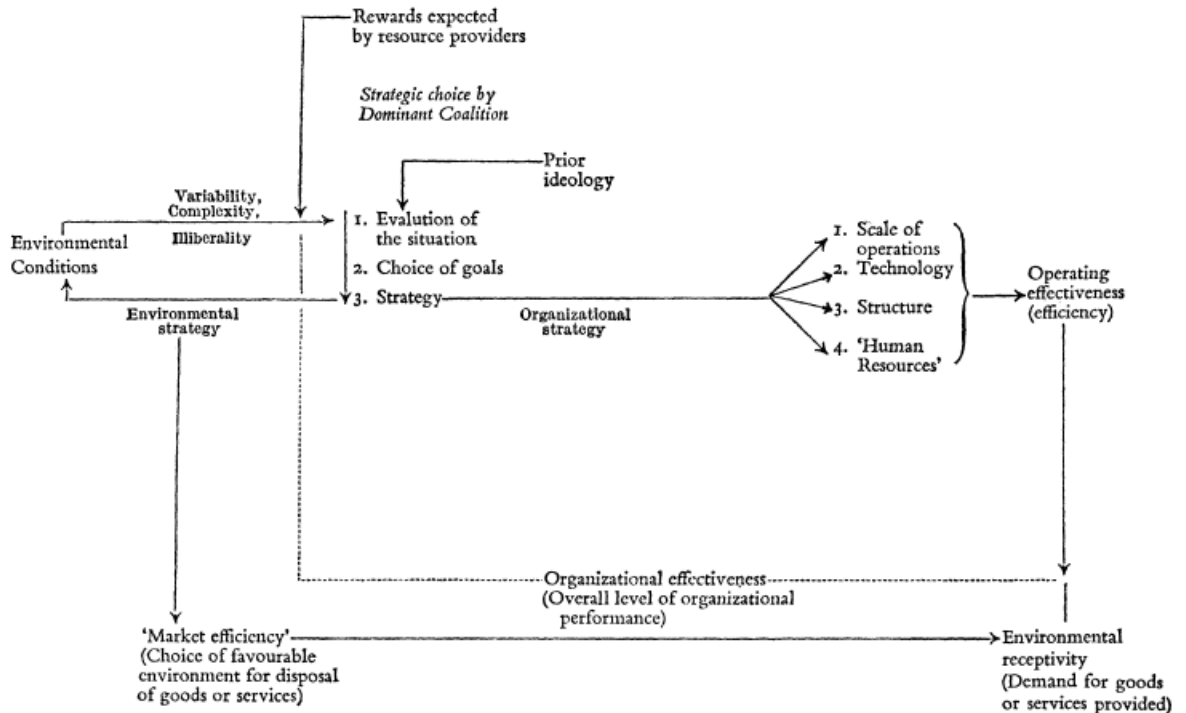
2.3.2.2 Strategic Choice Theory

Strategic choice theory has been defined as the process whereby power-holders within organisations decide on courses of strategic action. The definition includes only establishing structural forms within an organisation, as well as the manipulation of the external environment (Child, 1972). It is therefore human intentionality and specifically the dominant coalition, and not the environment which determines the performance of firms (Abatecola, 2012b). In reviewing his original article Child reiterated his initial findings, highlighting the active role of leading groups in their influence of organisational structure (Child, 1997).

Strategic choice describes both pro-active and re-active aspects in organisational decision making with regard to the environment, however, the agents of an organisation are seen to be autonomous in their actions. It is these actions which result in adaptive changes to the organisation, including the choice to enter or exit a market (Child, 1997).

Figure 3 below details the contextual environment of strategic choice through the model developed by Child in his original paper and echoed in his subsequent research. In it, Child proposes his view on a theoretical incorporation of structural decision making within the organisation, centring on the concept of strategic choice, exercised by the firm's dominant coalition.

Figure 3: The Role of Strategic Choice in the Theory of Organization



Source: Organisational Structure, Environment and Performance: The Role of Strategic Choice (Child, 1972)

The inclusion of this model and thinking are important. The dominant coalition aligns directly with this report in respect of its investigation into executives and their consideration of alternatives when making a decision.

2.3.2.3 Resource Dependency Theory

The theory sees the firm as a driver of its external environment, actively controlling and reducing environmental constraints by strategically managing relationships of interdependence (Abatecola, 2012b). The theory acknowledges that firms are unable to change or cancel specific environmental constraints and need to reduce or restructure their dependency through specific strategic action. This can involve changing the contextual environment through vertical integration, mergers and acquisitions and strategic partnerships.



2.3.2.4 Upper Echelons Theory

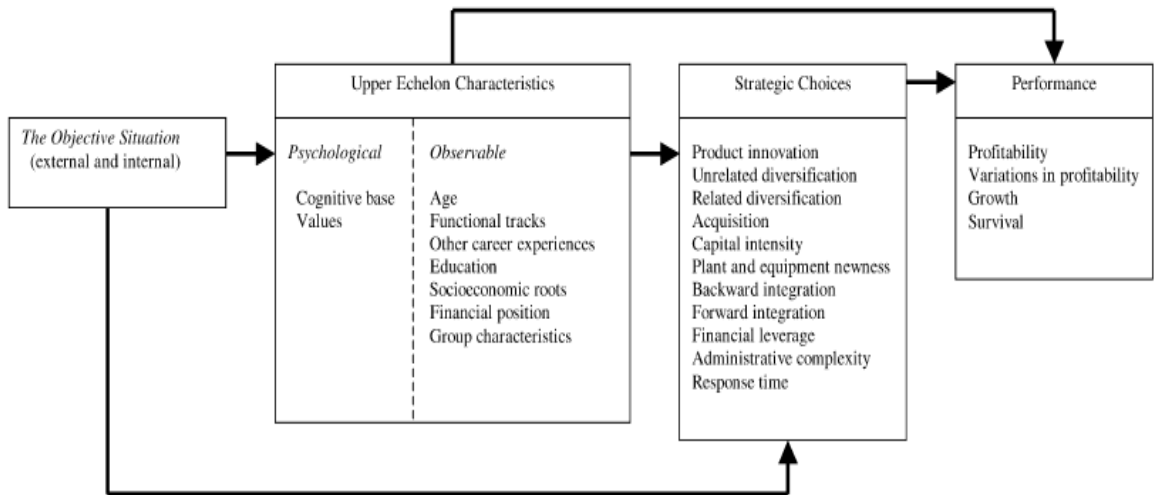
Upper echelons theory has been an important influencer in respect of voluntarism (Abatecola, 2013). Upper echelons theory was seminaly explored by Hambrick & Mason, (1984). The theory suggests the executive's experience, values and personalities greatly influence their interpretations of the situations they face', and in turn, their choices in dealing with such situations (Hambrick, 2007).

In a review of his seminal piece, Hambrick notes that executives vary and the strategic themes available to them vary as well (Hambrick, 2007). In essence, upper echelons theory supports the notion that the executive exercises managerial voluntarism absolutely and the impact of external factors is limited. It is suggested that the degree of managerial discretion allowed within an organisation can have a direct proportional influence on organisational outcomes. Therefore strategy and performance will reflect managerial characteristics to a greater or lesser extent. This supports Hambrick's initial focus on investigating the characteristics of executives and how they influence an organisation.

Hambrick and Mason propose the diagram below in their seminal paper on upper echelons theory (Hambrick & Mason, 1984). In doing so, they strongly support a voluntaristic view of adaptation. Carpenter in revisiting the research, considers the organisational outcomes beyond strategic choice, providing greater insight into the influencers of perception and perspective (Carpenter, Geletkanycz, & Sanders, 2004). However, while acknowledging the impact of external factors, the model indicates the decision made is fundamentally the executives, rather than being forced by the external environment. External factors are detailed as contingency relationships and not considered main-effect relationships by the author.

It can be argued that this view does not adequately consider the deterministic view and favours a voluntaristic approach to adaptation.

Figure 4: An Upper Echelons Perspective of Organisations



Source: Upper Echelons, the Organisation as a Reflection of its Top Managers

Authors have continued to build on the original theory suggested by Hambrick (Abatecola et al., 2013; Carpenter et al., 2004) The consideration of upper echelons theory in the context of the current research is important given that it too deals with the behaviour of executives as a driver for decision making.

The emphasis of upper echelons theory is on observable management characteristics as a driver of decisions. In contrast, this report seeks to understand the various drivers of executive decision making, taking cognisance of both internal factors such as this and those external to the organisation as an influencer of adaptation.



2.3.3 Co-Evolutionary Perspectives

2.3.3.1 Dynamic Capabilities

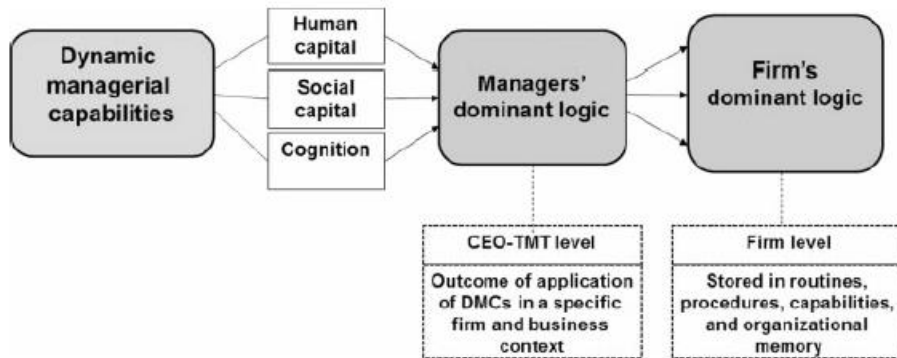
Dynamic capabilities refer to a change in the organisation through the purposeful extension, creation or modification of its resource base (Kor & Mesko, 2013). It is argued that in doing so, the firm is able to achieve evolutionary fitness through adaptation of the external environment. In essence, the author suggests that dynamic capabilities highlight the importance of the firm's adaptation to changing environmental conditions by making changes to the firm's resources and capabilities.

Dynamic capabilities highlight the importance of environmental scanning in order to identify new trends and opportunities and integrate them with the firm's capabilities (Kor & Mesko, 2013). The nature of the theory is that managers respond to changes in the environment and it suggests a voluntaristic approach.

Kor and Mesko (2013) posits that the current understanding of how managerial capabilities produce change in a firm (with particular reference to the configuration of resources and competencies), is limited. Further empirical research may assist in generating a greater understanding of this.

Dynamic capabilities consist of managerial human capital, managerial social capital and managerial cognition, all of which are intertwined and influence the organisational strategy. Kor and Mesko (2013) suggest that together, these form what are defined as the firm's dominant logic, being the articulation of the firm's fundamental strategic beliefs, assumptions and intentions of the executive team. Here again, it can be seen that the key driver behind a firm's direction in the dynamic managerial space is deemed to be the strategic choice of managers.

Figure 5: Managerial Capabilities and the Firms Dominant Logic



Source: Dynamic Managerial Capabilities: Configuration and Orchestration of Top Executives Capabilities and the Firms Dominant Logic.

2.4 The Role of the Executive in Organisational Adaptation

There are many choices that management make, explicit and implicit, that collectively constitute their influence over organisational adaptation (Moran et al., 2011). The top management team has been defined as the dominant coalition of the most senior executives who have responsibility for setting the overall direction of the organisation (Hambrick & Mason, 1984). It has also been referred to as a small group of the most influential executives within an organisation (Homburg & Bui, 2013), and thus the unit of analysis in this research report. As the dominant and most senior executives with the responsibility of setting the overall direction of the organisation, it can be argued that the executives are the primary drivers of adaptation within an organisation.

Upper echelons research has focussed on senior executives, arguing that this group which provides the interface between the organisation and its environment, is relatively powerful and that as a result their choices and actions are likely to have an impact on the organisation (Carpenter et al., 2004).

It has been argued that examining decisions detracts from understanding organisational processes. This is due to the fact that identifying an individual decision can be difficult.



An organisation may change in response to its external environment, as opposed to as a result of a systematic decision making process (Shepherd & Rudd, 2014). The author argues that a particular decision may be devoid of calculated input and not part of a systematic decision making process. The argument supports a deterministic view. It should also be noted that the research in respect of decision making focusses on a framework and process, but in a time of environmental pressure, this process may be ignored. The writer would therefore argue that a decision making process may not always prove valuable, however a conceptual framework outlining the context in which decisions can be made, may provide a broader understanding of the drivers in making a decision, and an awareness of decision making influences and their effect on adaptation.

Powell et al., (2011) note specifically that research in the area of strategy should increase its focus in respect of executive judgement in problem solving within organisations and further invite research around creating a sustained competitive advantage. The review of contemporary research therefore suggests that studies into the impact of executive behaviour and the impact of such behaviour on organisational adaptation would contribute to the existing body of knowledge.

It is argued that an organisations capacity to change is dependent on structured internal relations and not the intentions or attributes and an individual or group of individuals (Hodgson, 2013). Hodgson therefore argues that the decision to investigate top management teams as the drivers of decision making may not be conclusive given his view that an organisation is a more complex structure dependant on systemic factors to make decisions. One would argue that the executive management team are key drivers and determinants of those structured interactions.



The research will focus on executives and the effect that they have on organisational adaptation. It will examine the factors considered by executives when making decisions. It will identify them as internal or external drivers of decision making by executives. In doing so, the findings will provide a better understanding of the drivers of adaptation. This is based on the premise that strategies are developed by humans who act on the basis of experience, motives and dispositions. Organisational outcomes and change are therefore seen as a reflection of top managers (Olie, van Iterson, & Simsek, 2012).

2.5 Discussion

While organisational science has been keen to address the process of change within organisations, no adequate developed framework exists for populations and organisations (Hodgson, 2013).

Repeated behaviour or replicators play a critical role in the development and evolution of an organisation (Hodgson, 2013). The author argues that given the replication of key behaviours which may or may not be stimulated by the environment, a framework can be developed on the basis that decision making behaviour is often a replication of a decision previously made.

Hambrick and Mason seminally propose that organisational outcomes, in respect of both strategy and effectiveness are viewed as the reflections and values of a power base of top managers within an organisation (Hambrick & Mason, 1984). One would argue then, that the adaptation of an organisation is strongly dependent on the executives within an organisation and directly influenced by the manner in which they make their decisions.

The search for a greater understanding into how an organisation changes extends beyond the theory of adaptation and is explored in evolutionary theory and the theory of organisational learning (Cayla, 2008; Hodgson, 2013).



Here too, there is a dichotomy between adaptive and guided processes in organisational learning. A deeper understanding of these concepts and to what extent each plays a part in organisational change has been identified by Cayla as a way to understand how two organisational communities may act differently when faced by a similar disturbance in their environment. Similarly, from an adaptation perspective, these findings can enhance the understanding of organisational responses and outcomes to changes in the environment.

The field of organisational learning calls for more empirical research in examining the distinction between adaptive and guided process changes. The author would argue then that the call for further empirical research has a strong correlation to the need for further research in the field of organisational adaptation where the adaptive and guided processes align with deterministic and volantaristic perspectives respectively. The research findings may have bearing on each school of thought.

Carpenter et al. argued that individuals at higher levels of the organisation are expected to have greater influence on decisions of a strategic nature and as such a strategic outcome (Carpenter et al., 2004). It can be argued that executives will be best placed to determine the practical drivers of organisational adaptation given their influence on decisions of a strategic nature and the resultant outcome in respect of organisational change.

Firm variables such as industry, size, income, life cycle, must be taken into consideration. The study has attempted to limit the impact of these by focusing on one industry and by recognized firms in that industry (Lawless & Finch, 1989). Importantly organisations need to be observed across time in order to understand the adaptation process so that changes in behaviour can be examined.



In his interpretation of Hrebiniak and Joyce's 1985 work, Bedian emphasis that organisational adaptation is an ongoing and multi-directional relationship and that organisations neither exclusively react to environmental forces nor exercise unrestricted strategic choice (Bedeian, 1990). This is an important observation, compounding the initial findings. It however remains theoretical with a lack of empirical research. Lawless and Finch suggest that there is strong potential for a contribution of research that operationalises the organisational adaptation processes. The adaptation process has and still remains primarily theoretical. There is a need for a practical study into how this is applied within organisations which this report aims to investigate. Many years later, Abatecola 2012 argues that further empirical research is still required in this field (Abatecola, 2012b).

2.6 Conclusion of Formulation of the *de jure* Model

A comprehensive summary of the literature on organisational adaptation is provided in Figure 6 below:

Figure 6: Organisational Adaptation Literature Summary





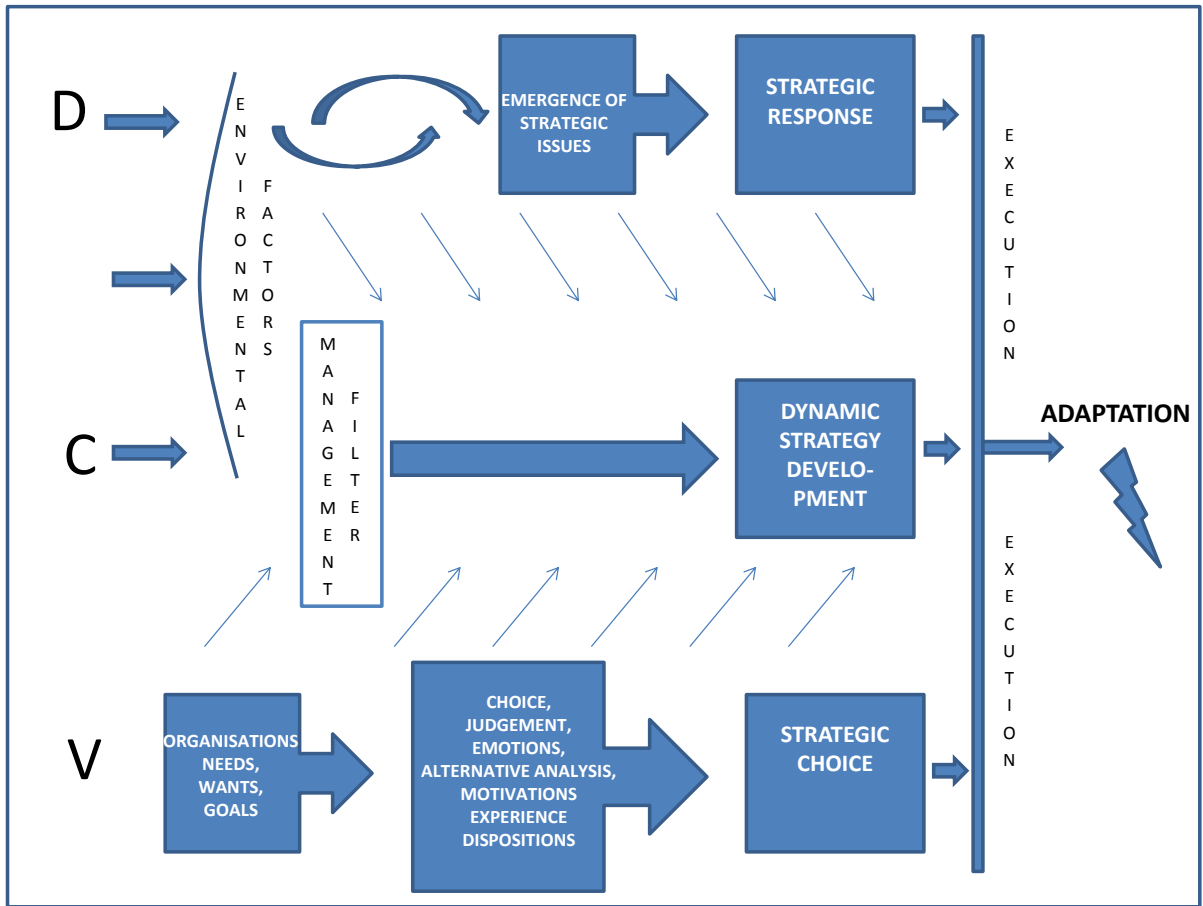
The literature review outlines the frameworks and concepts contained in the theories detailed in Figure 6. The views on organisational adaptation are considered through the executive decision making process, with executives highlighted as key drivers of adaptation within an organisation (Carpenter et al., 2004; Hambrick & Mason, 1984; Homberg & Bui, 2013; Moran et al., 2011).

This review has assisted in creating a conceptual model based on the current literature prior to conducting interviews. The purpose of such a model is that it interconnects the concepts outlined in the field of organisational adaptation, providing a contemporary and comprehensive contextual outline of the executive decision making process within an organisation from a theoretical standpoint.

The areas of determinism, voluntarism and co-evolution have been explored at length as part of the literature review. The intention of the *de jure* model is to illustrate practically, the manner in which an organisation adapts based on the current literature. In formulating the model, each of the organisational adaptation lenses were considered individually and provide a potential path and method of adaptation for an organisation through each of the lenses, labelled D (Determinism), C (Co-evolution) and V (Voluntarism). While considering the potential adaptation progression through each channel D, C and V individually, the model illustrates the interconnectedness of these lenses and the evolution to a more composite view of adaptation as the literature suggests. This model will then be tested in the interview process.



Figure 7: The de jure model of Organisational Adaptation





Chapter 3 - Research Questions

This chapter outlines the research questions posed and their associated propositions. The purpose of this research is to provide answers to the questions detailed in this chapter and to convert these findings into a practical framework which outlines the path that organisations follow in the adaptation process. This chapter draws from the issues emerging in the literature review of Chapter 2, as well as the concepts of organisational adaptation and the purpose of the research.

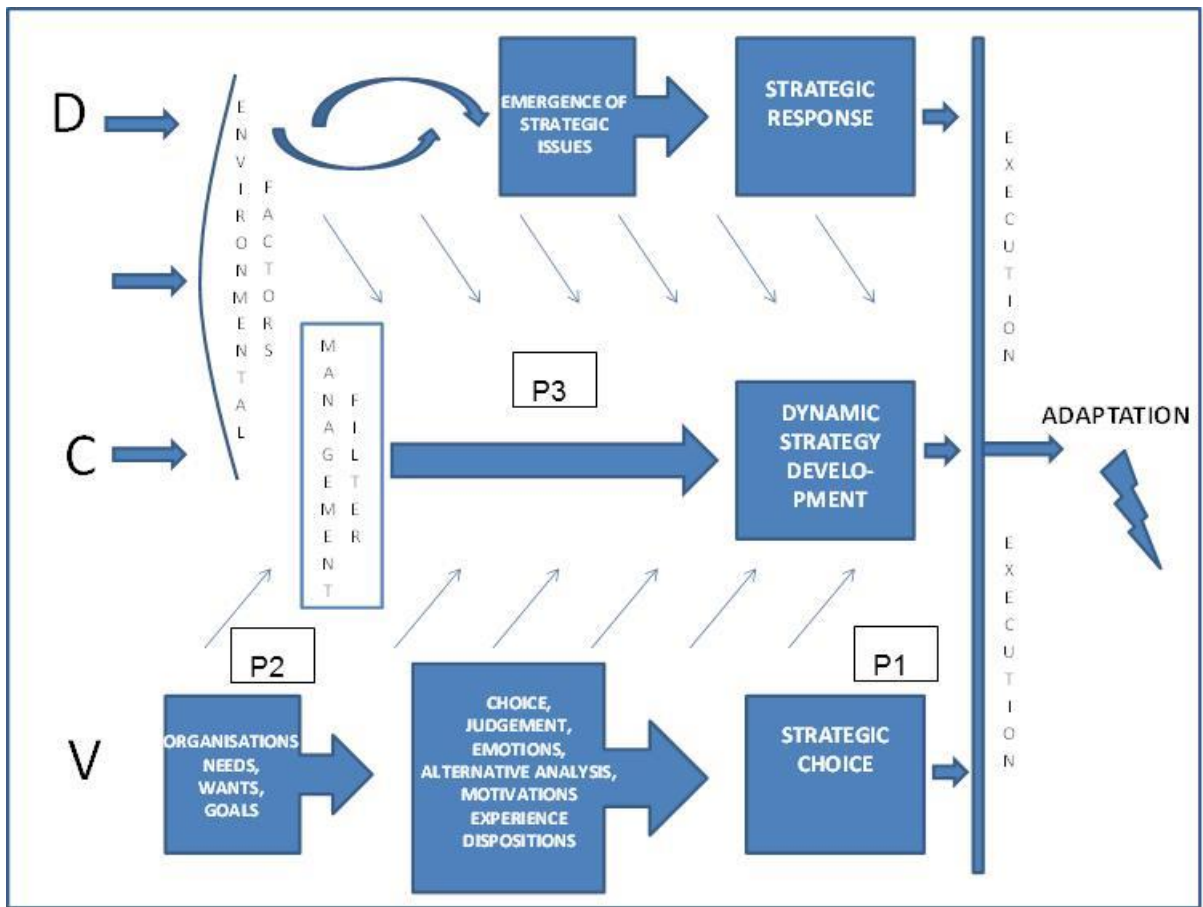
The research is pivoted around the theory of organisational adaptation. In order to practically explore how adaptation occurs within organisations, the elements of executive decisions are being investigated, given that executives are key drivers of adaptation within an organisation (Carpenter et al., 2004; Hambrick & Mason, 1984; Moran et al., 2011).

The questions were deliberately open ended to allow for the executives interviewed to delve deeper into the concepts they were questioned on, without providing too much direction and influencing the outcome.

The propositions defined in line with the primary questions can be identified as part of the *de jure* model of organisational adaptation, introduced in chapter 2. It is detailed here again in order to highlight the propositions defined in the research questions. There are four research questions. The propositions that follow from each question are denoted in the model as P1 – P4 respectively and correlate to the research question of the same number.

The representation of the propositions within the model provide a path to adaptation for the organisation based on the respective theory. This will be tested and the results detailed in chapter 5 of this report.

Figure 8: Propositions within the de jure model of Organisational Adaptation



3.1 Research Question 1

What are the factors that executives consider when making decisions that are intended to effect change?

Proposition:

Organisational adaption is determined by the strategic choices of executive management team's concept of as defined by the concepts of managerial voluntarism

Interview Sub-Questions:

1. What are the key factors you consider when making a decision?



3.2 Research Question 2

Whose interests drive a decision within the organisation?

Proposition:

The interests of internal stakeholders such as management, people and shareholders are the primary drivers of decision making within an organisation.

Interview Sub-Questions:

1. Whose interests drive the decision, the company, its people, shareholders or the environment?
2. How does your ownership structure effect your decision making and does being publicly listed company or private have an impact?

Purpose of question 1 and 2: These research questions sought to understand the composite list of factors an executive considers when making a decision. The sub-questions do not prompt the interviewee to consider internal or external variables. The intention was to establish if the executives focus was external (deterministic), internal (voluntaristic) or a combination of both (co-evolutionary). The joint impact of these factors have been considered in literature (Abatecola, 2012b; Hrebiniak & Joyce, 1985; Lawless & Finch, 1989; Volberda & Lewin, 2003) and will be tested practically.

3.3 Research Question 3

Are organisational decisions influenced by internal or external factors and in what proportion?

Proposition:

Organisational decisions are influenced by internal and external factors in varying degrees in line with co-evolutionary theory.



Interview Sub-Questions:

1. What are the key drivers of change, either internal or external; driving change in the insurance industry at the moment?
2. What is the strongest force influencing change at the moment within your organisation?
3. What are the elements that influence decisions within your company that are unique to dynamic (developing) markets?

Purpose of question 3: Authors have supported varied perspectives on the influencing factors considered in making a decision. These have been weighted to external factors in some cases (Abatecola, 2012b; Ates & Bititci, 2011; Levinthal, 1997; Raisch & Birkinshaw, 2008) and internal in others (Abatecola, 2012b; Cayla, 2008; Lawless & Finch, 1989). The purpose of this question is to establish the interconnectedness between these factors and their proportionate role in decision making.



Chapter 4 - Research Design and Methodology

4.1 Introduction

The literature review forms a comprehensive analysis of existing studies within the field and resulted in the development of the *de jure* model. Qualitative interviews were used to test the model and a *de facto* model developed based on the data received in the interview process. The exploratory nature of the research is evident in the design and methodology selected. This chapter will outline the research design, methodology of the study, the data collection method and sampling as well as the data analysis and limitations.

4.2 Methodology

The literature analysed in chapter 2 outlines the myriad of theoretical work concluded in the field of organisational adaptation (Abatecola, 2012b, 2013; Astley & Ven, 1983; Carley, 1997; Cayla, 2008; Håkonsson, Klaas, & Carroll, 2009; Hodgson, 2013; Hrebiniak & Joyce, 1985) and the role of executives in organisational change (Carpenter et al., 2004; Hambrick, 2007; Hambrick & Mason, 1984; Homberg & Bui, 2013). In addition to the needs highlighted by these authors, there are others who have also highlighted the need for further research in this area of study (Bedeian, 1990; Kor & Mesko, 2013). There is a need for a deeper practical insight into organisational adaptation within a company and a large driver of this is how decisions are made. A broader understanding of the internal dynamics of the executive team is required (Abatecola et al., 2013).

This is a qualitative study into the drivers of organisational adaptation within companies. Qualitative research is used for exploring a problem and developing a detailed understanding of central phenomenon, learning more from the participants through the exploration (Creswell, 2012).



The intention of the study was to delve deeper into the field of organisational adaptation through the constructs of determinism, voluntarism and co-evolution that were found in the literature, making qualitative enquiry the most appropriate. The report aims to review the current literature and modify the existing theory around these concepts within organisational adaptation based on the view of participants. This is known as a theoretical approach (Creswell, 2012) and the participants that will influence the outcome are the selected executives and CEO's.

There are three types of qualitative research, namely exploratory, descriptive and explanatory, which applies to causal research (Saunders & Lewis, 2012). Where not much is known about the topic, exploratory research is highlighted as being the most appropriate in instances where there is little information surrounding the specific topic and further investigation is required. The author would argue that research around organisational adaptation has been largely theoretical to date and not much has been done to test this within the organisation (Abatecola, 2012b). In addition, the author is not aware of any research that has been published focussing on how decisions are made by executive teams in relation to organisational adaptation. The approach undertaken will facilitate the collection of greater insights into the topic, allowing for further analysis and research.

4.3 Research Process

The research was conducted through a series of in-depth, semi-structured interviews with CEO's and executives of 5 insurance companies. These C-level individuals were selected given their impact as decision makers and influencers of organisational strategy and their role in creating vision, setting priorities and strategic choice and compromise (Millar, Hind, & Magala, 2012).



As leaders within an organisation, the decisions of executives are most likely to drive organisational adaptation (Carpenter et al., 2004; Hambrick, 2007; Hambrick & Mason, 1984) and as such the most appropriate parties to engage with for this exploratory research. The use of a qualitative research methodology is confirmed through the exploring of common experiences of individuals to develop a theory (Creswell, 2012).

Companies within the financial services and more specifically the insurance sector were selected. Qualitative research involves the identification of suitable participants who can best help the researcher understand the central phenomenon. The researcher is required to purposefully select the individuals and sites required (Creswell, 2012). The companies selected were based on data extracted from the KPMG Insurance survey (“South African Insurance Survey 2014 | KPMG | ZA,” 2014). The survey is conducted annually within the insurance industry in South Africa. KPMG are a global auditing and professional services firm with a strong representation in financial services. The survey outlines key areas of importance in the industry and importantly includes an analysis of financial results of companies within the insurance industry.

All of the companies selected for interview feature in 2014 KPMG Insurance Survey in the results analysis section. Two of the insurers, while not featured by name are included under “other.” One of these two is a multinational insurance company with representation in South Africa and as such was included in the study. The other is a private insurance company with significant insurance interest in South Africa and the United Kingdom. The insurance industry is vast, encompassing a number of organisations within the value chain. These include reinsurers, insurers, brokers and suppliers to the industry.

Each interview lasted between 45 and 90 minutes depending on the depth of answer provided and the time available by the respondent. The initial forecasted time to complete an interview was 1 hour.



Once the interviews were concluded they were independently transcribed from audio recording to written format. These interviews were then coded and categorised in order to test the *de jure* model outlined in chapter two.

4.4 Research Design

The research design is based on the concept of grounded theory. Grounded theory is a systematic, qualitative procedure that explains, at a broad conceptual level, a process, action or interaction about a substantive topic (Creswell, 2012). In this case the process that was studied was that of organisational adaptation as a result of the need identified in reviewing the current literature. The research problem derives from the need of empirical research within the field of adaptation (Abatecola, 2012b; Hodgson, 2013). Executives as key drivers and change agents within an organisation (Hambrick & Mason, 1984; Homberg & Bui, 2013; Moran et al., 2011) were identified as the unit of analysis.

A review of current literature was conducted in order to generate an understanding of the organisational adaptation field as well as identify and confirm the gap and need for the research. The key themes arising from the literature review were extracted. These were consolidated into a Microsoft Excel spreadsheet, Figure 7 detailed below. The characteristics, context, themes and decision making implications of the elements of organisational adaptation; determinism, voluntarism and co-evolution were recorded. These three elements are the primary schools of thought in organisational adaptation (Abatecola, 2012b), and defined the structure of the enquiry.



Figure 9: Key themes extracted from the literature review

Organisational Adaptation: How Executives in Insurance Make Decision			
The Drivers of Adaptation within an Organisation			
Executive Decision Making	Determinism	Voluntarism	Co-Evolution
Explicit and implicit choices that set goals and overall direction	Characteristics		
	The firms decision makers are substantially influenced by the external environment for strategic planning	Strategic decision makers are focussed on the firms corporate goals, and are not concerned with the external environment	The joint, dynamic outcome of managerial intentionality and environmental and institutional effects
	Externally focussed	Internally focussed	External and Internal Focus
	Context		
	Environmental turbulence and pressure	Organisational context	Dynamic Context
	Darwinist	Autonomy in decision making	
	Themes		
	Interdependence with external environment	Management have a proactive role in shaping corporate goals	Organisations are reactive or proactive to environmental pressure
	External Factors beyond organisational control	Firms strategic decisions are independent of external environment	Dynamic Process
	Strategy is a response to external change	Learning, routine and repetition have an impact	Balance strategy with external conditions
	Emergence of strategic issues through environmental changes	Strategy is self constructed - eliminates or redefines objective features of the environment	Deterministic and Voluntaristic variables in a constantly changing relationship
	Reactive to environmental pressure	The firm can drive the external environment	Managerial interpretation of external factors
Structural focus as opposed to individual focus	External factors are stimulus	Adapting to external environment by changing the firms capabilities	
Factor Analysis	Decision Making Implications		
Choice	Behaviour is determined by and reaction to the structural constraints	Individuals and organisations are autonomous	Environmental scanning followed by responsive or proactive changes to the organisation
Judgement		Human Intentionality	
Analysis of alternatives			
Internal and External Drivers	Little or no individual impact	Individual impact significant	
Emotion, motivations, experience, dispositions			

The key themes extracted were detailed in Figure 9. The illustration helped generate an understanding for the decision making implications across the elements of organisational adaptation.

The study will develop a *de facto* model to explain the process of organisational adaptation through the views received from executives in the insurance industry. Qualitative methods are used to generate a general explanation, which is grounded in the data sourced from participants to develop a general explanation that is intended to explain a process.



The procedures for developing a theory include the following (Creswell, 2012):

1. Collecting interview data
2. Developing and relating categories or themes
3. Composing a Figure or visual model that portrays the general explanation

The research study is driven by the research questions posed. These are the drivers in understanding the practical application of organisational adaptation within an insurance company. The design will adopt the philosophy of interpretivism, given that this perspective is very relevant for business and management research (Saunders & Lewis, 2012).

Interpretivism assists in understanding what is going on in a work organisation and relates to the study of social phenomena in a natural environment. This philosophy is deemed the most appropriate in that the research is aimed at understanding the application of organisational adaptation within the organisation and understanding how the literature and theory to date, relate to the reality that is executed within a company. Saunders and Lewis (2012) suggest that interpretivism necessitates interaction with the organisations “social actors,” who are the executive team in this instance. The interaction will provide their perception of how they deal with situations and allow for the identification of themes which may or may not align with the theoretical information available. This information will be interpreted and coded to identify any key themes in the data. The author is aware that there may be room for reflection of his own values in the interpretation of data.

The theory around organisational adaptation, its core principles of determinism and voluntarism, as well as their co-evolution, have driven the objectives and research questions. The findings will be measured against the current theory in order to confirm it or modify it.



The research study involved interaction with the CEO and at least three members of the executive team within the insurance company. Multiple interviews within an organisation are appropriate given the nature of the topic and intention to gain a more practical understanding of the concepts in line with the need identified by Abatecola (2012). In addition, it will allow the researchers an opportunity to perform a more robust test of the reality that is perceived by each individual within the same organisation.

4.6 Population and Sampling

4.6.1 Population

The population includes all executive leadership within a short-term insurance company. The researcher is firmly entrenched in the insurance industry and did not experience any difficulty in securing the required interviews. The interviews were intended to investigate the role of executives as drivers of organisational adaptation. The researcher has conducted in depth and semi-structured interviews with appropriate C-suite level individuals. Research was conducted until saturation point was reached where no new information or insights are being provided. Saturation point is the point where new information will not provide additional themes. It is important to note that reaching this point is subjective (Creswell, 2012). 12 interviews were concluded as part of the research process. At this stage saturation point was reached and the information generated from each additional interview was not adding to the existing data base that had already been gathered.

4.6.2 Sampling

Non-probability sampling was employed for the purpose of this study. The rationale behind the selection of this technique is that it will not be possible to select leaders from the entire population by random selection given that it does not represent the population statistically. These samples are often analysed using qualitative techniques (Saunders & Lewis, 2012).



A purposeful sampling technique was employed for the research. Purposeful sampling is used to develop a detailed understanding through selecting individuals who can best contribute to the current knowledge around the central phenomenon, in this case, organisational adaptation (Creswell, 2012). The researcher uses their judgement to select those who will best assist in answering the research questions (Saunders & Lewis, 2012).

Insurers have been chosen for inclusion in the study based on data from a market survey. It must be noted that the sampling process involved snowball sampling. This technique was employed as it is the intention of the author to request identified C level individuals as sample members to refer the author to other C-level individuals.

The unit of analysis is the executive within the companies in the proposed sample set given their influence on organisational adaptation.

4.7 Data Collection Method

Semi-structured, in-depth interviews were used to collect data from participants. These were done face-to-face with the exception of one interview that was completed in writing. A structured interview schedule was developed, however questions were open ended and allowed participants to explore the themes they felt were most relevant. The interview guide evolved continuously through the process starting with the schedule attached as Appendix A. The emerging design in grounded theory research helps the researcher make decisions on what data to collect next (Creswell, 2012).

In addition to the research questions detailed in this chapter, sub questions were developed to further explore these concepts. As with the research questions, they are open ended and leave room for emerging issues. These questions refine the primary questions that are to be addressed in the research (Creswell, 2012).



The interview focussed on the content of the schedule attached in appendix A. However, this proved to be a guide and was used to facilitate conversation that in certain instances led to more divergent thoughts. As a result, the interview guide evolved during the course of the interview and adjustments were made accordingly. The questions were deliberately open ended to allow for the executives being interviewed to delve deeper into the concepts they were questioned on, without providing too much direction and influencing the outcome.

Qualitative research relies on general interviews or observations and the views of the participants are not restricted (Creswell, 2012). The nature of this approach required the following sequential process to be followed (Saunders & Lewis, 2012):

1. Defining research questions from the general theory that exists
2. Operationalising these questions
3. Seeking answers to these questions
4. Analysing the results of the enquiry to determine whether it supports the theory or suggests the need for modification
5. Confirming the initial theory or modifying in the light of findings

4.8 Data Validity and Reliability

Qualitative research is particularly vulnerable to bias through the inclusion of the researchers own ideas, values and assumptions being actively recorded within the research (Creswell, 2012).

The outcomes of this research were as a result of findings which emerged from the engagement of the researcher and interviewee as opposed to solely from the interviewee. In order to mitigate this effect, the open ended questions recorded in the interview schedule were standard across all interviews.



4.9 Analysis

The interviews were recorded on an audio device in order to ensure a natural interaction, focus on content and the ability to identify and expand on themes without taking unnecessary time to capture these in writing. The recordings were then transcribed by an external service provider.

The transcribed interviews were then coded in order to identify data which was convergent and divergent from the information extracted in the literature review, as well as any new themes which arose in the data. It is necessary to identify recurring features in respect of the qualitative analysis (Miles & Huberman, 1994).

Miles & Huberman suggest the following in order to do so:

- Affixing codes to filed notes from observations or interviews
- Sorting through material to identify similar phrases, relationships between the variables, patterns, themes, differences and commonalities
- Isolating patterns, processes, commonalities and differences

The data collected from the 11 interviews was analysed using a content and frequency analysis in order to identify common themes. A coding framework was developed within the programme Atlas Ti 7. These codes were then attached to statements made by interviewees and the analysis performed using this tool.

The consolidated findings were aggregated using Microsoft Excel in order to ascertain the number of reference points and the frequency of occurrence. This assisted in identifying key factors and focus areas to tie back into the literature.



A summary of the qualitative insights following integration of the research findings in chapter 5 and literature from chapter 2 was produced (Appendix C) in order link the findings with the existing literature and identify changes that need to be made to the *de jure* model in the development of the *de facto* model.

4.10 Field Issues in Collecting Data

Issues did arise in the collection of data. However it was anticipated that potential issues may arise (Creswell, 2012). Access was achieved with relative ease given that the author is employed in the insurance industry.

Interviews were recorded and transcribed as detailed. Each interviewee gave express consent to be recorded. Due to the non-performance of a transcription service provider, additional resources were employed. This did however lead to varying transcription styles but did not materially affect the transcription quality or usability. Creswell, (2012) recognises the lengthy process and costliness of transcribing data as a potential field issue. The author experienced similar challenges.

There were extraordinary circumstances experienced with two interviews. One interview was rendered unusable given the audio quality and inability to decipher the interviewees' feedback. A second interview which was completed in the testing phase was completed in writing and not face to face through verbal communication. The response of this interview highlighted the importance of framing the research topic so as to solicit robust answers which could contribute to the topic. No further field issues were noted.



4.11 Research Limitations

The following are potential limitations:

1. The organisations interviewed are focussed on insurance within the financial services sector. The learnings in respect of the theory may therefore be limited to (or appropriate in) this sector.
2. The qualitative nature of the study may impact the quality of information generated. Individual bias, values and perception from the researcher may influence the outcome (Creswell, 2012).
3. According to Saunders and Lewis (2012 pg. 107), business situations are unique and complex and involve a particular set of circumstances and individuals. The set of circumstances per organisation may be unique for a period in time.



Chapter 5 - Research Results

5.1 Introduction

The research is pivoted around the theory of organisational adaptation. In order to practically explore how adaptation occurs within organisations, the elements of executive decisions were investigated, given that executives are key drivers of adaptation within an organisation (Carpenter et al., 2004; Hambrick & Mason, 1984; Moran et al., 2011).

This chapter describes the findings from eleven interviews with executives in the short-term insurance industry. The content and methodology of the interviews is outlined in chapter 4 of this report. The primary focus is how do organisations adapt? As described in chapter 2 and briefly above, the top management of a firm play a key role in organisational adaptation. The key question as indicated by the title of this report is what are the factors considered by short-term insurance executives in making decisions and what insight do these factors provide into the practical process of adaptation. The focus is on internal versus external factors, explored through the construct of voluntarism and determinism as described in chapter 2.

There are three questions which we recall from chapter 3 that were used to explore this in greater detail:

- What are the factors that executives consider when making decisions that are intended to effect change?
- Whose interests drive a decision within the organisation?
- Are organisational decisions influenced by internal or external factors and in what proportion?

The remainder of this chapter is structured according to the research questions. Before detailing the findings to these questions from the interviews conducted, a description of the interview sample is provided.



The questions and the respective feedback are then considered in the context of the *de jure* model outlined at the end of chapter 2.

5.2 Sample Description

As described first in chapter one and chapters 2 and 4 subsequently, the focus of this research was to understand how organisations adapt. Chapter 2, through a comprehensive review of literature indicated how executives and the factors they consider when making decisions are a strong measurement of the drivers of adaptation within an organisation. As such, executives were selected as the unit of analysis for this study.

All of the interviewees served as members of the executive committees of their companies. The research, as defined by the literature also refers to an executive committee as a top management team. The executives were from the short-term insurance industry. Two companies do however have dual insurance licences, namely life and short-term. The revenue from the short-term business segment however, exceeds that of the life segment of business. The interviewees comprised of four CEO's, two COO's and six executives. The companies are all based in Johannesburg, South Africa. A comprehensive list of interviewees is provided in Table 1 below. The table also details the reference point which the interviewee will be referred to as if quoted within this chapter.



Table 1: List of Interviewees

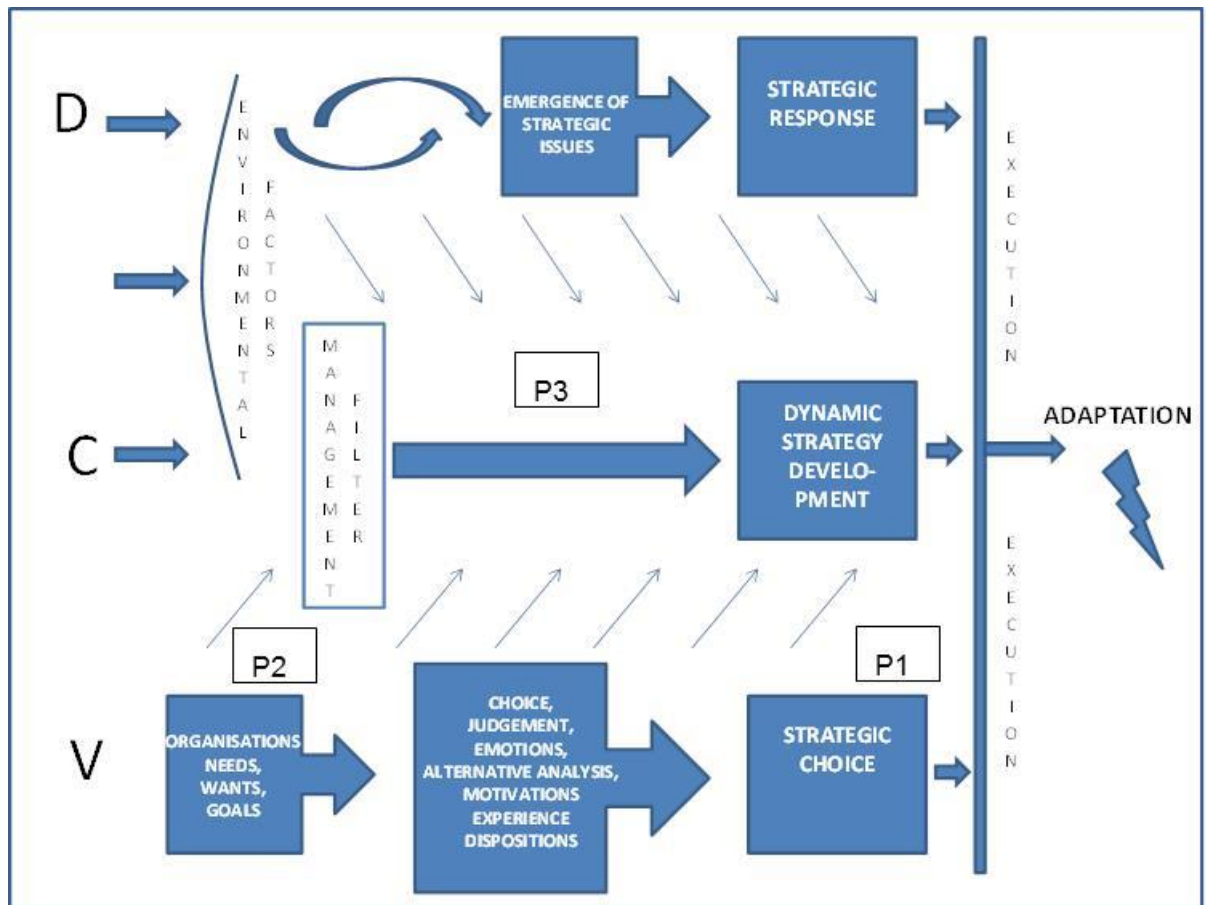
Number	Interviewee	Reference Point
1	CEO OF A SHORT-TERM RE-INSURER	P1
2	EXECUTIVE IN A SHORT-TERM INSURER	P2
3	COO OF A SHORT-TERM/LIFE INSURER	P3
4	EXECUTIVE IN A SHORT-TERM RE-INSURER	P4
5	EXECUTIVE IN A SHORT-TERM RE-INSURER	P5
6	CEO OF A SHORT-TERM INSURER	P6
7	CEO OF A SHORT-TERM/LIFE INSURER	P7
8	EXECUTIVE IN SHORT-TERM RE-INSURER	P8
9	COO OF A SHORT-TERM INSURER	P9
10	EXECUTIVE IN A SHORT-TERM RE-INSURER	P10
11	EXECUTIVE IN A SHORT-TERM RE-INSURER	P11
12	CEO OF A SHORT TERM INSURER*	-
	*NOT USED DUE TO INAUDIBLE INTERVIEW	

5.3 The *de jure* Model

To recall from chapter 2, a review of the literature in this chapter highlighted key themes and findings which resulted in the formation of the *de jure* model or organisational adaptation. The model considered the elements of organisational adaptation, namely determinism, voluntarism and co-evolution. These were labelled D, V and C respectively in the model.

While the elements of organisational adaptation have been discussed and considered at length in literature and theories that support these schools of thought evaluated, the proposed *de jure* model provides a practical illustration of how they work within an organisation and proposes a structure for the adaptation of a company. In formulating this model the elements of determinism, voluntarism and co-evolution are considered individually and integrated to provide a comprehensive adaptation framework. The *de jure* model of organisational adaptation is detailed in Figure 10 below. Recall from chapter 3, the introduction of the propositions relating to the research questions detailed in the model.

Figure 10: The de jure model of Organisational Adaptation



5.4 Application of the *de jure* Model

The model proposes that organisations can adapt in one of three ways. It presents a process flow considering the methods of adaptation and the factors that are considered by executives in order to drive decisions and eventually adaptive change. These are a deterministic process (D) which is an organisation that adapts as a result of external forces and environmental selection or a voluntaristic process (V) which is an organisation that adapts as a result of managerial choice. Chapter 2 defines these elements in greater detail. A third process of adaptation is an integrative approach which combines the two. It is known as co-evolution (C).



The model is intended to represent the practical execution of organisational adaptation as outlined by the current literature in chapter 2. The findings from interviews with short-term insurance executives will be detailed later in this chapter and will be highlighted on the model. Chapter 6 will detail changes to the *de jure* model based on these findings.

5.5 Findings from In-depth Interviews

In order to assess the findings of the in-depth interviews, this section sorts the data retrieved by reviewing the question posed and results. Furthermore, the relevance and applicability of the *de jure* model is highlighted in line with the propositions presented. In doing so, the process of adaptation suggested by the proposition is outlined which will be tested by the feedback from interviewees.

5.5.1 Research Results from Question 1

What are the factors that executives consider when making decisions that are intended to effect change?

Research question one aimed to ascertain the key elements considered by executives when making a decision. The intention was to understand if the factors considered by executives were internally or externally focussed by sorting either internal or external factors as part of the question. These findings would indicate if an organisation adapts as a result of internal needs or external pressure. Framed in the theory of organisational adaptation, this would translate to adaptation as a result of managerial voluntarism or environmental determinism.

The proposition defined in the consistency matrix (Appendix B) suggests that adaptation is determined by the strategic choices of the executive team as defined by the concepts of managerial voluntarism. Point P1 on Figure 10 above illustrates the impact of this on organisational adaptation.



It can be seen in the model that the process of adaptation is internally focussed based on organisation’s needs and wants. In order to further explore this question, the following sub-questions were asked to the interviewees:

1. What are the key factors you consider when making a decision?

The results from the interviewees are detailed in Table 2 below. The factors considered by executives when making decisions are ranked from 1-20. They are listed as either internal or external factors in line with the reasons articulated. The definitional construct of each of the factors listed, based on the research data is detailed in Table 3.

Table 2: Research Question 1 Feedback Analysis

Rank	External or Internal	Factor	Factor Reference
1	E	Regulatory Influences	17
2	I	Stakeholder Management - Shareholder	16
3	I	Financial Drivers	12
4	E	Stakeholder - Customer	11
5	E	Environmental Turbulance	10
6	E	Market Dynamics	9
7	I	Stakeholder - People	9
8	E	Compeitior Changes	8
9	E	Technology	7
10	E	Competitor Analysis	6
11	E	Financial Drivers	6
12	I	Strategic Choice	5
13	E	Environmental Selection	4
14	E	Market Share	4
15	I	High Ownership Influence	4
16	I	Talent and Skills	4
17	I	Adaptation Framework	3
18	I	Governance	3
19	I	Internal Adaptability	3
20	I	Ability	3

External factors were referenced a total of 82 times. Internal factors were referenced a total of 62 times in the data reviewed. ‘



Of the top 10 factors considered by executives when making decisions, 7 are externally focussed, while only 3 are internally focussed. The responses detailed in Table 2 indicate a higher focus on external factors compared to internal factors when making a decision. The point being clarified by this question is if organisations are deterministically or voluntaristically oriented in the factors considered when making decisions which result in changes in the organisation and adaptation.

Table 3 provides further insight into the definition of the decision making factors. The definitional construct provides insight, clarity and context to assist in further analysis in chapter 6.

Table 3: Research Question 1 Factor Construct

Factor	Constructs
Regulatory Influences	Current or new legislation imposed or proposed by the regulator
Stakeholder Management - Shareholder	The degree to which shareholders influence and impact decisions made
Financial Drivers	Revenue growth and profitability (including costs as a driver of profit)
Stakeholder - Customer	The impact of the customer on making decisions
Environmental Turbulence	Increasing uncertainty and change in the external environment
Market Dynamics	The construct of the short-term insurance market
Stakeholder - People	The consideration of human resources in decision making
Competitor Changes	Changes in the competitive landscape
Technology	The consideration of new or updated technology
Competitor Analysis	The consideration of the profile and strategy of competitors
Financial Drivers	Financial instruments in the external environment
Strategic Choice	The strategic choice of top management
Environmental Selection	Decisions forced on the organisation by environmental pressure
Market Share	The impact of the organisations' and competitor market share
High Ownership Influence	Organisations with a high level of ownership influence in decision making
Talent and Skills	The shortage within the talent and skill pool in the organisation and industry
Adaptation Framework	The presence of a structured framework for adaptation within the company
Governance	The impact of governance on decision making
Internal Adaptability	The ability of the organisation to change and the pace of change
Ability	The ability of the organisation to perform in line with the decision being made

Regulation (external) and Shareholders (internal) are the main factors considered when making decisions. While these two factors are close in referenced ranking, there is a clear gap between them and the next factor; internal financial drivers.



Regulation is viewed as a strong driver of change and an important factor to consider when making a decision. Respondent P7 highlighted the importance as follows:

“There are some very strong forces effecting how we evolve as a business and what we need to succeed and clearly one of them is regulatory change which has been behind a bunch of the changes that you see within our organization”

With reference to the impact of shareholders on decision making, there is a common importance attached to their consideration. This key internal factor will have a major impact on organisational adaptation. Respondent P8 articulated their importance:

“I think definitely shareholders in the form of our group who put their capital at risk in our company. They have a definite interest, they’re investing capital and they want to get that return. So they’re a very important stakeholder.”

5.5.2 Research Results from Question 2

Whose interests drive a decision within the organisation?

The second research question was posed to executives in order to understand the stakeholders that are top of mind when making a decision. The impact of these stakeholders on decision making can affect the way in which an organisation adapts. A business focussed on external stakeholders such as the regulator and competitors may be more inclined to adapt deterministically and be forced to change by changes in the environment. An organisation that prioritises the consideration internal stakeholders such as management and shareholders may be more inclined to adapt in line with the principle of voluntarism as a result.



Two questions were posed in order to validate the proposition. The questions posed were:

1. Whose interests drive the decision, the company, its people, shareholders or the environment?
2. How does your ownership structure effect your decision making and does being a publicly listed or private company have an impact?

An analysis of the impact of stakeholders in decision making is detailed in Table 4. Internal stakeholders were the primary drivers behind decision making. The first external stakeholder is ranked 4th.

Table 4: Research Question 2 Stakeholder Impact Analysis

Rank	Stakeholder	E/I	Reference Points
1	Shareholder	I	31
2	People	I	30
3	Board of Directors	I	25
4	Customer	E	21
5	Organisation	I	5
6	Analyst	E	4
7	Ownership Impact	I	3
8	Intermediary Customer	E	2
9	Internal	I	1
10	Community	E	1
11	Country	E	1
TOTAL			128

Interviewee P6 outlined the importance of input from shareholders, the board, people and customers, ranked the top four stakeholders.

“Input shareholders are a big stakeholder and then the board, so you take to the board what you know is good for customers and good for shareholders and good for staff, that’s what you take to the board.”

Interviewee P8 supported the argument for the board as a key consideration when making decisions.



“Our board is another important stakeholder; the holding body. So they are there to govern the company and make sure it does what it ought to do and to manage risk and to hold us to account and also to help influence direction, strategic direction and I think both of those entities do that, so they both have a view on strategic direction and they have that expectation of outcomes.”

There was a strong indication that people within the organisation are a key consideration factor in decision making within an organisation. Interviewee P3 supported this high ranking stakeholder through this statement:

“Ok, the people who work for the company for me that would be the first, the first stakeholder that I think is important. So for us here when we think about what we want to do with the business it is often driven by the ambitions of the people, so it’s people want...If we get it right as far as the people are concerned that then leads to the success of the company. Then the shareholders...”

In terms of the impact of ownership outlined in question two, the feedback is detailed in Table 5 below.

Table 5: Research Question 2 Impact of Ownership on Decision Making

Ownership Influence	Reference Points
High Ownership Influence	6
Low Ownership Influence	6
TOTAL	12

There were an equal number of reference points indicating low and high influence from ownership in respect of decision making. As can be seen there is no clear indication that ownership influences decision making to a greater or lesser degree.

The views expressed by executives in respect of being listed or not, generated three main schools of thought.



Firstly, privately owned companies were of the opinion that they were in a better position to take a long-term view on business decisions without focussing solely on short-term profitability. The focus could therefore be internal and not be influenced by external perception. In addition, they felt the ability to act in a more entrepreneurial manner. Interviewee P7 articulated it in the following manner:

“We are not part of the listed group so we can afford to take much longer to view on things, we are not under pressure to meet analysts, invest expectations in the next round of reporting or whatever and we can do so with the full support of the shareholders because we are able to sit down with them and have a conversation and thrash out any differences of opinion etc.”

Secondly, listed companies had to concern themselves with the perception of analysts when making business decisions. Interviewee P8 indicated that there is greater freedom and agility in respect of private companies.

“A privately owned company is much more agile than a listed company because they always have to think about – how does this look to the analysts and how is this going to play out with the analysts.”

Thirdly, the impact of parent companies as shareholders often impacted decisions and strategy to a great extent. The reason for this is that often the organisation would need to make a decision in line with the group strategy, but one which may not have been the best for the business. The reasons cited for this were a difference between the organisation and parent company in respect of geography and industry. These thoughts were well summarised by respondent P10.



“You need to have an intricate understanding of what it means to be a listed company – no doubt, because obviously you are in the public eye and anything that happens affects your business, (and) affects your share price.”

5.5.3 Research Results from Question 3

Are organisational decisions influenced by internal or external factors and in what proportion?

The third question sought to investigate the balancing of internal and external factors with the view of reviewing the concept of co-evolution. The following questions were posed.

1. What are the key drivers of change, either internal or external, driving change in the insurance industry at the moment?
2. What is the strongest force influencing change at the moment within your organisation?

Table 6 outlines the factors which interviewees identified as critical influencers of change in the organisational environment. While external factors rank higher, internal factors occupy a larger number of ranking slots. The external factors mentioned number 15 reference points, while the internal amount to 13.

Table 6: Research Question 3 Key Factor of Change

Rank	Key Factor	E/I	Factor Reference
1	Climate	E	4
2	Regulatory Influences	E	4
3	Technology	E	4
4	Stakeholder - Customer	E	3
5	Stakeholder - Shareholder	I	3
6	Financial Drivers	I	2
7	Profitability	I	2
8	Stakeholder - People	I	2
9	Sustainability	I	2
10	Talent and Skills	I	2



Interviewee P9 suggests the balancing of external and internal factors is critical to ensure success.

“I don't think you can say that there is a weighting but you have to consider both, you have got to start by understanding your environment, and how that is evolving, and then you have got to consider the internal impact so I think there is a, for me it's not a case of one being more important than the other, clearly in the end what you are working with internally has to be the decisive factor about what you can and can't achieve, because there is no driving something that makes sense from an external perspective if the nature of the organization is such that it's not going to accept that change or it doesn't have the capabilities to affect the change, or if it's going to undo your strengths etc., clearly the internal stuff is critical but you have got to always start with what's happening in your environment and work your way in as far as I am concerned.”

It was suggested by interviewee P6 that the consideration of external and internal factors in decision making will vary dependant on the life cycle of the business and 3 reference points were highlighted in this regard.

“Sometimes the external is a function of competitive forces, it forces you to look externally so I think at the moment, the industry is well balanced between internal and external, the regulatory is depends on how you look at regulatory, if the regulatory is seen as an external then I think external factors are the big drivers, in terms of where we are as a company, we have had just simply because of life cycle we have had to focus internally, quite a bit and that's pretty much coming to an end, so now we are transitioning into looking external, so it's more dependent, there is no point in looking external if you have to address efficiency, productivity, issues internally, you fixed those first before you look externally”



5.6 Significance of Findings

In order to confirm the significance of the findings generated through the data collection method of in-depth interviews, the consolidated data was provided in Tables 2, 4, 5 and 6 as detailed above. The frequency of key themes in line with the research questions was captured. Based on the findings and frequencies detailed, the results to the three research questions posed are deemed significant. This has been confirmed through the direct quotes from interviewees included in the body of this chapter. The impact of these results on organisational adaptation is discussed in chapter 6.

5.7 Validity and Reliability

To ensure a valid and reliable outcome, consistency and a standardised approach were adopted as outlined in chapter 4, research methodology.

5.8 Transferability of Findings

As detailed in chapter one of this report and again in chapter 4, the research has been conducted in the short-term insurance industry. The findings detailed here are deemed generic and applicable across industry. It must however be noted, that given the nature of insurance as a financial services instrument, the impact of regulation is a particular focus of executives in short-term insurance. Current and proposed legislation is a big focus in the insurance industry at the moment. Legislation around insurers outsourcing key business functions to intermediaries, binder regulations and the provision of information, the insurance laws amendment bill and ultimately Solvency Assessment and Management (SAM) are unique to the industry and a key focus of efforts at the moment ("South African Insurance Survey 2014 | KPMG | ZA," 2014). This factor may not be as prominent in alternate industries.



5.9 Conclusion

Research question 1 analysed the key elements considered by executives when making a decision. Executives were not asked to class these as internal or external factors. It was found that external factors appeared more frequently with 82 reference points and 7 of the top 10 factored considered being externally focussed. Internal factors had 62 reference points. The high focus on regulation, ranked first, is noted and discussed in section 5.8 of this chapter.

Research question 2 analysed the key stakeholders identified by executives as influencers of decision making within an organisation. Internal stakeholders ranked highly and occupied the top three places in terms of reference points recorded. They were the shareholder with 31 reference points, the people with 30 and the board with 25. In addition, the only external factor in the same range in respect of reference points recorded was the customer with 21 reference points. The next internal stakeholder who ranked at position 5 recorded only 5 reference points. There is clearly an internal focus in respect of whose interests drive decisions within an organisation.

Research Question 3 analysed the key decision factors in driving change, identified by executives and ranked by the interviewees as internal or external. The findings illustrated no significant difference in external and internal rankings, with 15 and 13 reference points respectively. The importance of the constant evolution of these factors due to company life cycle was highlighted and provides context to the small difference in reference points. In addition, specific points were made regarding the importance of balancing these factors in varying degrees as business needs dictate. The result articulates an even approach to external and internal drivers of change.

The three research questions generated robust findings which are significant in the empirical analysis of organisational adaptation.



The results extracted from the in-depth interview are supportive of the existing literature and discussed in this context in chapter 6. The results have provided unique findings which can enhance the *de jure* model further.



Chapter 6 - Discussion of Results

6.1 Introduction

This chapter discusses the research findings of chapter 5 in detail. Furthermore, it integrates the current understanding of organisational adaptation as defined by the literature review in chapter 2. The research questions presented which formed the basis for the structure and questions posed in the in-depth interview were informed by the existing organisational adaptation literature.

Researchers have for many years suggested there is a strong need for research that operationalizes the organisational adaptation process (Lawless & Finch, 1989), and the call for empirical research in the field has been repeated recently (Abatecola, 2012b) given the strong bank of theoretical information, but lack of insight into the practical application of adaptation.

This research study has focused on the factors executives consider when making decisions and if they are driven by internal wants and needs or external pressure. The reason for the selection of these two drivers is based on the fact that they are the key components of managerial voluntarism and environmental determinism respectively, the main constructs of organisational adaptation. The combined impact of integrating voluntaristic and deterministic views, detailed in chapter 2 as co-evolution has also been considered and will be explored in this chapter.

Collection and coding of data facilitated further refinement of the factors considered in decision making and driving adaptation within an organization. These research findings enhance the practical understanding of how adaptation occurs within an organization. This chapter will explore these empirical findings in the context of existing literature and provide insight and an enhanced understanding of organisational adaptation.



6.2 Research Question 1

Research question 1 sought to identify the factors that executives consider when making decisions that are intended to effect change. The interviewee was not prompted to consider internal or external variables in order to allow a subjective assessment. Once executives had identified individual factors which were considered when making adaptive decisions, these were coded according to whether they were internally or externally driven. These findings will form the base of the investigation into the practical application of determinism and voluntarism. The results generated from the in-depth interviews, coding of the data and analysis showed the following.

6.2.1 Research Findings

Data generated from the interviews highlighted the significant impact of external forces on decision making within an organization when considering the top 20 individual factors influencing a decision. The interviews conducted referenced external factors as a driver of decision making 82 times, 34% higher than that of internal factors, referenced 62 times. This data is extracted from the top 20 factors affecting decision making. This can be seen on Table 2 in chapter 5.

The primary external influencing factor was regulation which ranked at number 1 with 17 reference points across the 11 measured interviews. Customers as external stakeholders were ranked at number 4 and were the next external factor in the top ten. This was followed by environmental turbulence, market dynamics, competitor changes, technology and competitor analysis as the primary external drivers of organisational change.

The top ranking internal factors included shareholders and internal financial drivers such as growth, profitability and costs ranked 2 and 3 respectively. People, referring to human resources was the only other internal factor featuring in the top 10 ranked at 7.



6.2.2 Impact of Literature and Insight

In the context of the current literature, one should refer back to the work of Perrott, (2008) who indicated that an organization does not exist independently of its external environment as well as its capacity in respect of implementing such strategies. He suggests that there is a need for organizations to balance the strategy it develops with the conditions of the external environment. Interviewee P7 supports the views of Perrot.

“So now that (when) we have established that there’s an attractive environment, a viable insurance market within that, (and) a stable environment, then we have got to look at whether we have the skills required to actually take advantage of that opportunity. Does it play to our strengths? Can we partner with somebody who we trust and have confident to fill the gaps where we don't have experience in those particular areas? And then you got to look at your actual capacity to focus on it, and provide it with the right level of human and capital resources...”

From a voluntaristic perspective, individuals and their organizations are autonomous, proactive and self-directing agents and the source of organisational change (Astley & Ven, 1983). However, it is clear that executives do not support the view that their decisions are independent of the external environment. It is in fact inferred that they are interlinked and work in tandem to produce a decision.

Environmental determinism is fundamentally linked to the external environment and the firms reaction to environmental pressures (Abatecola et al., 2013). It is based on the view that organizations are naturally selected onto a specific pathway in respect of adaptation. There is a strong argument in support of this view in respect of regulatory changes in the insurance industry.



These are prescriptive and must be adhered to without debate. In addition, this can be seen in respect of climate change which in time, is anticipated will force insurers to make changes in respect of pricing and underwriting strategy. No one executive explicitly expressed the ability to drive change in the external environment through a strategic organisational choice. However, regulation and climate are only two of seven factors listed in the top ten most important. The findings therefore provide a more balanced perspective in respect of internal and external drivers based on the factor analysis.

Referring to internal and external factors involved in making a decision, interviewee P8 said the following:

“...it’s a constructive tension between the two and the realities of it sit somewhere in the middle...”

It has been suggested that the perceived dichotomy between determinism and voluntarism does not exist (Abatecola, 2012b). The findings following the data analysis support this view, and indicate that internal and external factors must both be considered in varying degrees dependent on the situation.

6.2.2 Conclusion of Findings

The initial proposition suggested that decision making factors would be largely internal and that adaptation would occur in line with managerial voluntarism. The results from interview data do not suggest this strongly enough. While internal influences in decision making have resulted in the highest number of factors mentioned, if one takes into account the frequency of the highest ranking factors in the top 10, they are externally weighted.

There is a stronger external and deterministic argument based on the top ten factor analysis in Table 2. However, one must take into account the qualitative insights secured from interviewees.



These insights, coupled with the 62 reference points for internal stakeholders, suggest that internal and external factors must be considered in parallel. It can be inferred that the dichotomy of determinism versus voluntarism in respect of how an organization develops is not valid, but rather that the careful consideration of internal and external factors in varying degrees, results in the adaptation of an organization. However, the results from the research findings do not support the initial proposition and favor an integrated co-evolutionary view which is deterministically weighted.

In summary, the findings from this research question can be summarized as follows:

- Organisational adaptation is influenced by internal and external factors.
- External factors rank highly as the most referenced factors in the top 20 factors due to their frequency.
- Internal and external factors are both present in any one decision, in varying degrees.
- The view of adaptation does not in fact follow a monolithic path of determinism and voluntarism, but combines elements of both.
- Abatecola's 2012 perspective that the dichotomy between voluntarism and determinism does not exist is supported by these findings.

6.3 Research Question 2

Research question 2 sought to identify the main stakeholders that influence the outcome of a decision, those who are considered top-of-mind in the decision making process. In addition, it sought to ascertain the effects of ownership on decision making outputs. These individuals or groups would be the key influencers, either passively or aggressively of what decision is taken. The stakeholders were then coded as internal stakeholders such as human resources, or external stakeholders such as customers. The sphere of influence will determine if decisions are driven by external or internal stakeholders and as such, how adaptation occurs.



Interviewees were also asked to consider the influence of owners in particular on the business. In line with assessing the effects of ownership, interviewees were also asked about the impact of their ownership status, be it listed company or private company on decision making.

6.3.1 Research Findings

All Stakeholders

The stakeholder analysis yielded strong support for internal stakeholders as drivers of decision making. A total of 128 reference points in respect of stakeholder considerations were noted within the data collected. The top 3 ranked stakeholders were all internal and represent 86 of 128 reference points as indicated in Table 4. The stakeholders are shareholders (31 reference points), people or human resources (30) and the board of directors (25). The only external stakeholder in a similarly high range, but ranked at number 4 nonetheless is the customer (21). This primarily internal focus is in contrast to the findings obtained through research question 1.

The impact of the shareholder and board of directors was highlighted in respect of their impact and influence in issue of governance, direction and accountability. The board was also highlighted due to their expectations in respect of outcomes. Interviewee P8 confirmed these aggregated findings.

“The big stakeholders are the management team, the executive team and the people within the business and I would say management team and executive team are quite big influencers of the business and important stakeholders within the business.”

The Influence of Ownership on Decision Making

No one dimensional findings were recorded in respect of ownership influence and the reference points were exactly equal.



There were 66 reference points recorded, of which 33 interviewees felt the company ownership had a high influence on decisions made and adaptation, and 33 did not see a significant impact made by the ownership of the organisation.

The Influence of Ownership Structure

The ownership structure of an organisation was said to have significant influences on decision making and organisational adaptation. Private companies believed they were in a better position to take a long-term view while listed companies noted the presence of analysts and the impact on share prices as large factors to consider. Interviewee P9 expanded on this in the context of multi-nationals. This sentiment was echoed by another multinational insurer.

“So ya, there are huge pros and cons of being part of a multinational – you might want to move quickly on certain things but the parent company might not be on the same page. We might have appetite for certain markets but the group might not be there or be convinced.”

6.3.2 Impact of Literature and Insight

In the consideration of stakeholders, one may be proactive in order to shape their view and opinion or reactive in order to change a view or opinion. There is also the potential of doing both. In essence, given the high number of reference points across all interviews, it is clear that key internal stakeholders are considered in detail when making decisions.

The consideration of these stakeholders drives human intentionality in making decisions. Abatecola, (2012b) noted that human intentionality and the dominant coalition, which could be the executive committee as drivers of adaptation in an organization, determine the performance of a firm. The findings extracted from the data set support this view.



This voluntaristic perspective aligns closely with the construct of strategic choice theory. Although defined as a voluntaristic theory strategic choice theory describes both pro-active and re-active aspects in organisational decision making with regard to the environment (Child, 1997) as defined in chapter 2. The change executive would be viewed as autonomous in their actions and it is these actions that would result in adaptive change.

Interviewees were clear in articulating the significant impact of internal stakeholders on the business and the decisions made in driving a business forward. Strategic choice was highlighted at 16 reference points across the data set.

In the same paper, Abatecola outlines the theory of resource dependency which sees the firm as a driver of its external environment. The theory suggests that firms reduce or restructure their dependency through specific strategic action and alterations to the contextual environment.

Resource dependency and strategic choice theory are both voluntaristic by definition as described in chapter 2. Considering this Resource Dependency theory combined with the proactive and reactive constructs of strategic choice theory, and the findings generated, one can infer that while the external environment does have an impact on business decisions and how an organisation will ultimately adapt, these external drivers are filtered through and internal mechanism, the internal stakeholder, in the process to making a final decision.

6.3.3 Conclusion of Findings

The initial proposition suggested that internal stakeholders are the primary drivers within the adaptation process. The *de jure* model, Figure 8 in chapter 3 outlines this clearly, indicating that the proposition lies at the beginning of the adaptation process when considering voluntarism.



This is confirmed by the data and findings of the research. Executives as decision makers have highlighted internal stakeholders as the primary influencers of their decisions. The primary stakeholders mentioned are the shareholders, people and board of directors. This is supported by Strategic Choice theory and Resource Dependency theory and informed by their constructs.

The findings from this research question can be summarised as follows:

- Organisational adaptation is significantly influenced by internal stakeholders
- From a stakeholder perspective, adaptation is heavily weighted toward voluntarism
- This is informed by the theories of Strategic Choice theory as well as Resource Dependency theory.
- While informed by the constructs of voluntarism, the consideration of internal stakeholders does not preclude external factors. It does however suggest that internal stakeholders are a primary filter for external influences, following which a decision is made.

6.4 Research Question 3

Research question 3 sought to determine the perception of executives in ascertaining the degree to which they believed decisions were influenced by internal or external factors. In contrast to the research question 1 and 2, interviewees were alerted to the internal and external variables. They were specifically asked to consider the in the degree to which there decisions consider these factors and in what proportion.



The intention of this question was to ascertain if there is differences between what executives feel should be driving their decisions, and the adaptation of the respective companies and what is driving their companies based on the factors outlined in research question 1. Interviewees were asked to specifically highlight the degree to which key internal and external drivers are effecting change in the insurance industry. These factors were articulated and classified independently of those in research question one and highlighted as key factors that would result in change in the organization.

6.4.1 Research Findings

Environmental turbulence is evident in the research findings with external factors influencing change ranking highly. This is evidence of concerns around environmental challenges. There were a total of 28 reference points for the key factors that effect change, an average of 2.5 per interviewee. Based on the research findings, the primary drivers of change relate to external factors. It must be noted however, that this is a marginal lead. The 28 reference points can be viewed as 15 external factors and 13 internal factors. However, the differential is minor and it can be concluded that there is interdependence between internal and external factors driving organisational adaptation. This impact of business life cycle on this conclusion is discussed later in this section.

There are a total of 4 external factors noted and 6 internal factors. As is evident, the frequency in respect of external factor reference points is consistently higher. In addition, a critical point to note is that the top 4 factors ranked are external factors and the remaining 6, internal factors. The external factors are climate, regulatory, technology and customers. Leading the internal factors is the shareholder.

Importantly, the concept of organisational life cycle was also addressed with interviewees indicating that the influences of these key factors are dependent on the stage that the organization is at in its lifecycle.



Interviewee P9 indicates external findings as the most important driver. However, the interviewee includes shareholders as an external factor. Given that shareholders are part of those people that have a direct interest in the business, financial or other, they are deemed internal stakeholders. The weighting provided may have been altered with the definition in mind.

“I think it’s an 80 / 20. So 80% external because as I say, external is a combination of client, regulator, shareholders, etc. The internal one – it’s about how do we tailor our processes to meet that particular demand or need. How do we make our policies relevant to that particular environment? How do we up-skill our people to be able to respond to that type of people?”

In summary, external factors rank higher, are more frequent and as such may be viewed to have a more severe impact on the organization and its need to adapt. However, upon closer inspection a more balanced conclusion of interdependency can be inferred.

6.4.2 Impact of Literature and Insight

Environmental Turbulence

Perrott, (2008) noted that environmental turbulence has increased significantly in recent years. He noted specifically increased regulation and legislation as well as consumerism and heightened consumer awareness. There is a direct correlation between the literature and the finding presented from the research study. Both regulation and the customer featured in the top 4 ranked key factors.



Interviewee P9 confirms the findings and literature.

“So it’s a tough environment. I think our ability to make decisions is made difficult by a multitude of things. When you make a decision today you have to consider multiple things as I’m sure compared to many years back because we have too many moving parts at any given point and when you make those decisions you have to say, from a system point of view, if I do this, what does it do to that etc.”

Abatecola, (2013) noted that increasing environmental turbulence and the need for corporates to survive has further highlighted the need for organisational adaptation. The research findings confirm that, in line with the literature detailed in chapter 2, the consideration of these factors is critical to organisation adaptation.

Perception of Interviewee

The intention of the research question outlined in point 6.4 indicated that this question sought to establish the perception of interviewees as executives. It is therefore important to note that the factors provided are influenced by the experience, values and personalities of the executive. This is defined in chapter 2 as Upper Echelons theory, which an important theory in the world of managerial voluntarism (Abatecola, 2013). At a glance, the view is seemingly deterministic, however, given a composite view of the data set and reference points, it can be inferred that there is interdependence between voluntarism and determinism in respect of this research question.

The impact of individual feelings, emotions and experience cannot be underestimated however. Interviewee P2 describes the importance of intuitive input into decision making.



“...and you know what it comes down to, it’s that thing that’s called gut and intuition which is often disrespected in business. And where does it come from? It comes from experience.”

Influence of Life Cycle

The research findings of question 3 introduce an important consideration. The findings of this report cannot be viewed as static and must take into account the evolutionary nature of the business environment and the organisation. An individual organisation may be in the start-up, growth, maturity or decline phases and as such will be affected by different factors or the same factors in varying degrees. New regulation may have costly implications for a mature business, but define the parameters from day one in the case of a start-up and therefore have minimal impact. The data supports this and indicates that the lifecycle of the business has direct impact on the balancing of internal and external forces in decision making and as such adaptation. Interviewee P6 comments specifically outlines this consideration with talking about balancing internal and external factors.

“It’s life cycle dependent, so organizations are different life cycles, in a competitive market, sometimes you are forced to focus internally, so then it’s more internal factors, and the external really is to get benchmarks. Other times it’s if you don’t have efficiency, productivity, levers. If you have pulled those levers then it’s more external, as in looking for new markets, looking at improved ways to take customers.”

6.4.3 Conclusion of Findings

The initial proposition suggested that organisational influences are influenced by internal and external factors in varying degrees in line with co-evolutionary theory.



As detailed in chapter 2, Volberda & Lewin, (2003) noted that single theme explanations for organisational adaptation are no longer valid and that strategies which consider the joint impact of managerial adaptation and environmental selection must be considered. The theory of co-evolution has been supported by a number of authors in recent years (Abatecola, 2012b; Meyer & Stensaker, 2006; Moran et al., 2011; Raisch & Birkinshaw, 2008).

The findings from research data support the initial proposition and the theory of co-evolution. Neither determinism nor voluntarism featured significantly high enough to be considered in isolation as the primary driver of organisation adaptation. The consideration of organisation life cycle has further highlighted this in that these results cannot be viewed as static and the key factors affecting an organisation may change over time, dependant on its life cycle. In addition, the degree of environmental turbulence may inform feedback in respect of external factors and their relative importance. Therefore a marginal difference such as the one noted here cannot indicate a strong trend toward a monolithic process of adaptation.

It has therefore been empirically found that no single approach to adaptation can comprehensively address the strategic needs of the organisation and a combined co-evolutionary approach is the way in which an organisation practically adapts.

The findings of the research question can be summarized as follows:

- The theory of Co-evolution is supported by the research findings based on the reference point count for internal and external factors.
- External factors may be exacerbated by environmental turbulence
- There is an interdependency between internal and external factors
- Organisational life cycle plays a role in determining the key factors, and their degree of relative importance at any given time in the adaptation process.



6.5 Discussion and Formulation of the *De Facto* Model

The findings of the research questions have yielded robust results and suggest a strong move toward co-evolution in organisational adaptation. This is supported through a review of the data summarised in chapter 5 as well as the expanded findings supplemented by literature in this chapter.

6.5.1 A review of propositions

The propositions detailed in Appendix B is contradicted by the research findings for question one. However, the research results support the initial proposition tested for question two and three. The contradiction of the test proposition for question one may at first glance seem problematic in respect of the practical application of adaptation. The findings of research question two suggest a strong and contradictory message when compared to those of research question one. There is a clearly voluntaristic perspective when considering the influence that internal stakeholders have on decisions made. Executives indicate in research question one that external and internal factors are balanced in varying degrees, favouring a co-evolutionary approach. It would appear that while this may be the case, these factors should be processed through an internal stakeholder consideration filter before becoming a decision that effects adaptation within the company. The internal stakeholder continues to play a significant role in filtering external and internal factors to drive decision making and adaptation.

Question three raises the important aspect of organisational life cycle. The research findings cannot be viewed statically and must take into account changes over time as organisations progress through a life cycle.



6.5.2 Research Findings

It is clear that external environment is important, but internal environment and the impact in respect of stakeholders is a key filter of external influences which translates into a decision. A firm can no longer be only internally or only externally focused when making decisions. While this may be the case for an individual decision, the aggregated decision making structure will feature voluntaristic and deterministic perspectives in varying degrees. As such, the empirical study clearly indicates through these findings that there is no longer room for the consideration of an individual theory as the only driver of adaptation within an organization. Co-evolution is the practical manner in which an organisation adapts.

6.5.3 The *De Facto* Model

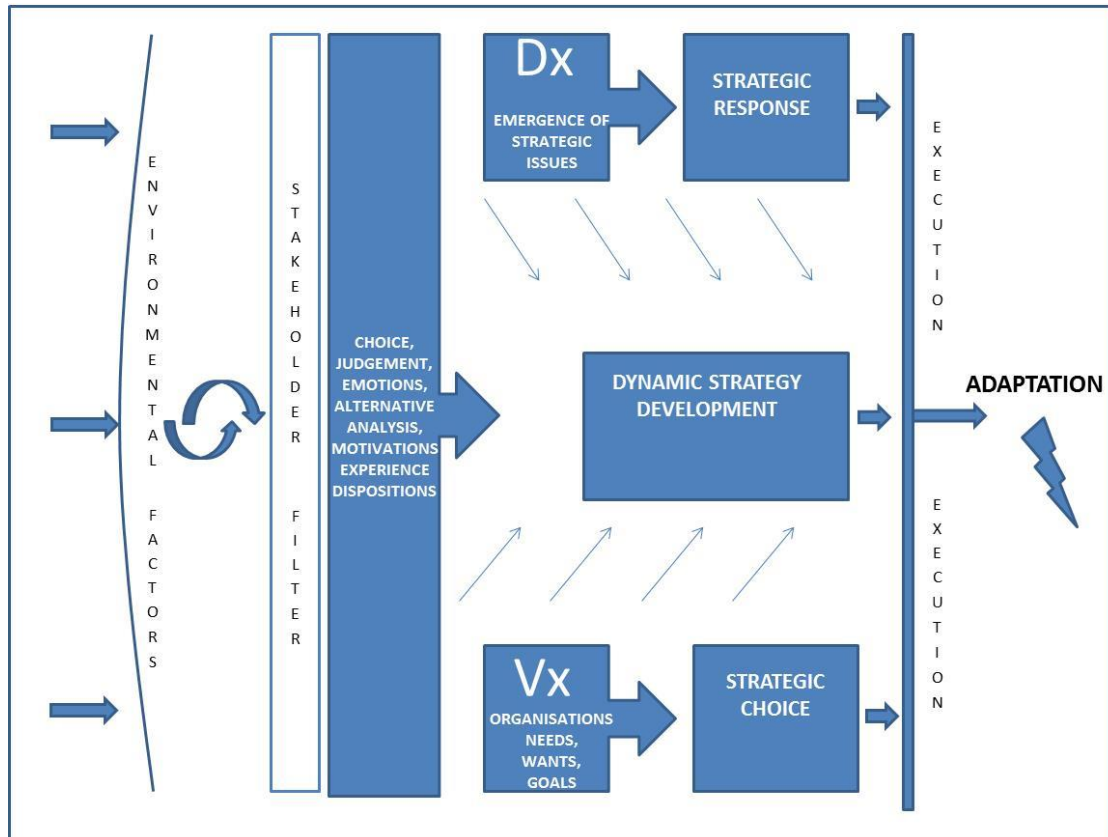
A summary of the findings from the research questions can be found in Appendix c. The table was constructed by consolidating the summarized findings of the research questions detailed in this chapter. These findings were reviewed and attached to one of the fundamental constructs of organisational adaptation defined in chapter 2, namely; determinism, voluntarism and co-evolution. The impact on the *de jure* model of organisational adaptation was then evaluated.

A total of fourteen points were recorded. Two of these points were informed by determinism, 3 by voluntarism and 10 by co-evolution. The following impact on the *de jure* model was detailed:

1. Monolithic adaptation paths are not comprehensive
2. External environmental considerations have an impact across decisions
3. The introduction of a stakeholder filter is required for all decisions

These findings were based on the empirical research conducted. They informed enhancements to the de jure model of organisational adaptation to create the de facto model detailed below.

Figure 11: The De Facto Model of Organisational Adaptation.



6.6 Application of the De Facto Model

The *de facto* model of organisational adaptation encapsulates the current literature on the topic of organisational adaptation, and is enhanced following the empirical study conducted as part of this research. It integrates the results from the research process and provides a practical model for organisational adaptation.

The model remains a process flow, indicating the stages and organization progresses through in order to adapt. It considers the environmental context, internal and external stakeholders, and an integrated adaptive process.



This model illustrates an approach that contributed to the theoretical understanding of how organizations adapt, informed by practical enquiry.

6.6.1 The Components of the De Facto Model

The structure of the de facto model has changed in comparison to the de jure model based on the empirical research. The first thing one should focus on is the lack of a singular adaptation pathway for voluntarism and determinism. The adaptive process is now a single, multifaceted model.

The starting point of the model for all decisions made is the environmental context. The environmental context extends to include internal and external environmental factors informed by the findings of research question one and three detailed earlier in this chapter. The stakeholder filter represents all stakeholders, internal and external who are significant influencers of decisions made and as such how an organization adapts as the findings of question two suggest. The consideration of internal stakeholders would previously have been limited to deterministic adaptation only. In acknowledging the impact of the individual as defined in chapter 2 and discussed in chapter 6 in the context of question 2, the impact of Upper Echelons theory is catered for by including the objective input of executives. Choice, emotion experience and others play a role in the determined outcome.

While monolithic adaptation models are no longer deemed relevant, there are times in an organization's life cycle, where in varying degrees, decisions will be more in line with the constructs of voluntarism or determinism. This is represented in the model through the points D_x and V_x . It can be noted however, that at any stage of the adaptive process, this decision may incorporate the drivers, in part or whole, of the alternate theory and the consideration of external factors, and stakeholders remains constant.



The remaining portion of the model adopts familiar constructs from the *de jure* model informed by the literature review in chapter 2 and confirmed by this study.

Ultimately, the model, informed by the research outcomes, outlines a co-evolutionary adaptive process. It considers the dynamic nature of adaptation in the contemporary business environment, supporting the theoretical view of researchers within this field that organization adaptation that single theme views for organisational adaptation are no longer valid (Abatecola, 2012b; Meyer & Stensaker, 2006; Moran et al., 2011; Raisch & Birkinshaw, 2008). A view that has not until now been empirically tested to illustrate how organisational adaptation really works (Abatecola, 2012b).

6.7 Conclusion

The adaptation process talks to the evolution of companies in order to remain relevant, sustainable and profitable. Over the years, many scholars have called for in-depth, empirical insight into this field (Abatecola, 2012b; Hodgson, 2013). The findings outlined in chapter 6 have responded to this call and provided a comprehensive answer.

A total of 12 business leaders in the South African short-term insurance industry were interviewed. The intention of these in-depth interviews was to understand first hand from executives how their organizations adapt over time as a factor of the decision made on a daily basis. The empirical findings of chapter 5 were integrated compared with the literature outlined in chapter 2 of this report. The integration of the research findings with the organisational adaptation literature outlined in chapter 2 has provided a robust framework in the *de facto* model. Through robust testing, the proposition for research question 1 has been found incorrect, while those for question 2 and 3 were supported by the findings.



The consolidated findings detailed in Appendix C strongly suggest that adaptation occurs in a co-evolutionary manner. These results prove that a monolithic, single theme view of organisational adaptation is no longer valid and that a co-evolutionary approach incorporating adaptation constructs is how organizations adapt (Abatecola, 2012b; Hodgson, 2013; Raisch & Birkinshaw, 2008). Furthermore, the research has provided a framework, supported by literature and qualitative tested outlining how organisational adaptation really works. organisational

The revised *de facto* model of organisational adaptation provides a process for the adaptation of organizations from a micro-level of individual decision making to a broader more inclusive context at organisational level. The framework depicts the primary drivers of organizational adaptation, determinism, voluntarism and co-evolution in a single integrated process acknowledging their interdependence and independence as driver of adaptation.



Chapter 7 - Conclusion

7.1 Introduction

Executive management teams make key decisions daily that inform the direction of their organisations. This report has provided a model which can be shared with the broader organisation to inform how decisions are made. The model takes executive level thinking and provides a practical tool which will ensure a robust process. It considers the variables deemed most important by executives in ensuring their organisations remain sustainable, relevant and profitable.

Decision makers within organisations should caution themselves against monolithic thinking in an increasingly dynamic environment. Business complexity, environmental turbulence and an increase in the number and intricacy of stakeholders continuously evolve and affect the way in which an organisation adapts.

Scholars have for some time suggested and more recently supported the perspective of a co-evolutionary approach (Abatecola, 2012b; Hrebiniak & Joyce, 1985; Meyer & Stensaker, 2006; Moran et al., 2011; Raisch & Birkinshaw, 2008; Volberda & Lewin, 2003). Through empirical research, this study confirms the applicability of co-evolution as a theory of organisational adaptation, provides support through research findings and illustrates a practical model, applicable across a firm in order to achieve organisational adaptation.

7.2 Synthesis of Research Data

This report provided a comprehensive overview of organisational adaptation literature. It outlined the three main constructs, determinism, voluntarism and co-evolution and the theories contained within them.



These were directly linked to the development of the *de jure* model. In addition, these constructs link directly with the research questions posed in chapter 3.

The research findings that are detailed in chapter 5 and interpreted in chapter 6 are consistent with the theoretical standpoint of the literature in respect of co-evolution. This study provides context to the debate of monolithic adaptation and practically outlines the adaptation process.

7.3 The De Facto Model

There is a high degree of consistency between the *de facto* model and the literature; however there are a number of new features which have resulted from this research study. The *de facto* model combines the literary knowledge and practical learnings from this study to provide an integrated, up to date and relevant approach to organisational adaptation. It merges key concepts, previously viewed in isolation, while also maintaining their independence.

The following are new additions to the field:

- Practical testing of the theories in organisational adaptation
- Empirically tested support for the theory of co-evolution
- An adaptation framework derived from the research results

7.4 Research Limitations

This research report was conducted in the context of corporate South Africa and specifically the short-term insurance sector in financial services. Care should be taken when assessing the transferability of these findings based on unique industry influences such the external factor of regulation.

The intention of the study was to thoroughly investigate the concepts of organisational adaptation, and assess how it works.



This was done through an in-depth analysis of decision making factors and using the executive as the unit of analysis. The study is a qualitative one and the nature of the study may impact the information generated. Individual bias, values and perception may also have influenced the outcome (Creswell, 2012). A thorough methodology outlined in chapter 4 was designed to mitigate this.

The research was conducted during 2014. Business situations are complex and involve a particular set of circumstances and individuals (Saunders & Lewis, 2012). The set of circumstances per organisation may be unique for a period in time. The results may vary depending on organisational life cycle as highlighted in the findings of research question 3.

7.5 Recommendations for Future Research

Organisational adaptation research in respect of theoretical constructs is plentiful. However, more research can be done into the practical adaptation of an organisation across industries. Potential research could include:

- Investigate and measure the adaptive capacity within an organisation
- Assess the similarities and differences of adaptation at various organisational life cycle stages
- Identify the impact and/or practical execution of adaptation at different levels of hierarchy within an organisation
- Assess the impact of individual environmental factors on organisational adaptation.

7.6 Conclusion

The findings of this report suggest that organisational adaptation does not occur only within the constructs of environmental determinism of managerial voluntarism, as a monolithic path to organisational adaptation.

The view that the use of a single theme to explain organisational adaptation is



no longer valid is supported in literature (Volberda & Lewin, 2003) , and has now been tested and confirmed practically.

The research objectives were defined by the question in chapter 3 of this study and have been met. This report has contributed to the body of knowledge through an empirical study by outlining how an organization practically adapts, the key components of the adaptive process and integrating the adaptation concepts. The research findings have provided a practical framework for adaptation and updated the thought process in respect of the constructs of organisational adaptation. A detailed and practical process of organisational adaptation has been provided with direct insight from key individuals in executive roles in the short-term insurance industry. These executives are the leaders who drive adaptation in their organisations.

The integrated framework provided by the *de facto* model of organisational adaptation provides insight into the way in which an organisation adapts in the contemporary business environment. In addition, it is a practical tool that can be used across hierarchy within an organisation to ensure robust, comprehensive and consistent decision making at all levels in a firm.



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8. Appendices

Appendix A – Interview Schedule

Organisational Adaptation – How Executive Teams in Insurance Make Decisions

Interview Schedule (Qualitative)

The intention of this study is to understand the degree to which executive decision making is influenced by the external environment, defined as determined, or is self-directing and driven independently, defined as voluntarism.

The study will attempt to understand the role that these factors play in executive decision making and in doing so ascertain the drivers of organisational adaptation within financial services companies. The study will be restricted to financial services to ensure consistency in the external environment as far as possible in terms of regulation, legislation and market conditions in order to ensure a comparable response. It is the intention of the author to interview insurers, reinsurers, industry bodies and the regulator in an attempt to understand the drivers behind decision making in the industry.

The interview will be conducted confidentially and there will be no correlation between company or individual and the feedback. The interview will follow a semi-structured plan.

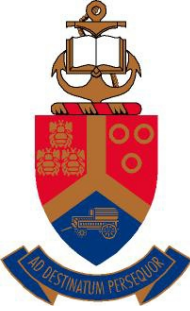
Semi-Structured Interview Plan

The questions asked are purposefully broad. Some questions may seem similar, but are designed to investigate different attributes of decision making.

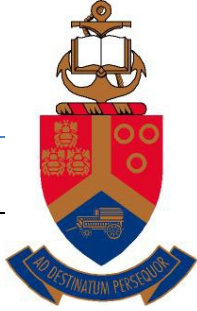
1. What are the key factors you consider when making a decision? Are the internally or externally focussed?
2. Whose interests drive the decision, the company, its people, shareholders or the environment?



3. Is the business focussed on change (before external circumstances demand it) or stability (changing when external forces impinge on revenue and dividends)?
4. How does your ownership structure effect your decision making and does being publicly listed company or private have an impact?
5. Is there a defined structure for adaptation within the business and how quickly does change happen?
6. Do you feel the pace of change in the insurance industry is increasing? What effect does this have on your decision making process?
7. What are they key drivers of change, either internal or external, driving change in the insurance industry at the moment?
8. What is the strongest force influencing change at the moment within your organisation?



Research Question	Hypotheses/ Propositions	Literature Review	Data Collection Tool	Instrument themes/questions	Analysis
What are the factors that executives consider when making decisions that are intended to effect change?	Organisational adaption is determined by the strategic choices of executive management team's concept of as defined by the concepts of managerial voluntarism	(Abatecola, 2012b, 2013; Abatecola et al., 2013; Astley & Ven, 1983; Hrebiniak & Joyce, 1985; Lawless & Finch, 1989; Phelps, Adams, & Bessant, 2007; Volberda & Lewin, 2003)	QUALITATIVE INTERVIEW SCHEDULE, CEO/EXECUTIVE INTERVIEW	1. What are the key factors you consider when making a decision?	ATLAS TI, QUALITATIVE DATA ANALYSIS SOFTWARE
Whose interests drive a decision within the organisation?	The interests of internal stakeholders such as management, people and shareholders are the primary drivers of decision making within an organisation.	(Carpenter et al., 2004; Hambrick, 2007; Hambrick & Mason, 1984; Hrebiniak & Joyce, 1985; Lawless & Finch, 1989; Volberda & Lewin, 2003)	QUALITATIVE INTERVIEW SCHEDULE, CEO/EXECUTIVE INTERVIEW	1. Whose interests drive the decision, the company, its people, shareholders or the environment? 2. How does your ownership structure effect your decision	ATLAS TI, QUALITATIVE DATA ANALYSIS SOFTWARE



				and ng publicly listed company or private have an impact?	
Are organisational decisions influenced by internal or external factors and in what proportion?	Organisational decisions are influenced by internal and external factors in varying degrees in line with co-evolutionary theory.	(Abatecola, 2012b), (Abatecola, 2012a), (Volberda & Lewin, 2003)	QUALITATIVE INTERVIEW SCHEDULE, CEO/EXECUTIVE INTERVIEW	<ol style="list-style-type: none"> 1. What are they key drivers of change, either internal or external, driving change in the insurance industry at the moment? 2. What is the strongest force influencing change at the moment within your organisation? 	ATLAS TI, QUALITATIVE DATA ANALYSIS SOFTWARE



Appendix C – Summary of Findings

Question	Summary Points	Theory	Impact on De Jour Model
1	Organizational adaptation is influenced by internal and external factors	Co-Evolution	Monolithic Adaptation Path Not Comprehensive
1	External factors rank highly as the most referenced factors in the top 20 factors due to their frequency	Determinism	Environmental Considerations Key in Decision Making
1	Despite this, it is clear through a review of the composite result, there is not a significant trend toward either internal or external factors.	Co-Evolution	Monolithic Adaptation Path Not Comprehensive
1	Internal and external factors are both present in any one decision, in varying degrees.	Co-Evolution	Monolithic Adaptation Path Not Comprehensive
1	The view of adaptation does not in fact follow a monolithic path of determinism and voluntarism, but combines elements of both.	Co-Evolution	Monolithic Adaptation Path Not Comprehensive
1	Abatecola's 2012 perspective that the dichotomy between voluntarism and determinism does not exist is supported by these findings.	Co-Evolution	Monolithic Adaptation Path Not Comprehensive
2	Organisational adaptation is significantly influenced by internal stakeholders	Voluntarism	Introduction of S/H filter for all decisions
2	From a stakeholder perspective, adaptation is heavily weighted toward voluntarism	Voluntarism	Introduction of S/H filter for all decisions
2	This is informed by the theories of Strategic Choice theory as well as Resource Dependency theory.	Voluntarism	Introduction of S/H filter for all decisions
2	While informed by the constructs of voluntarism, the consideration of internal stakeholders does not preclude external factors. It does however suggest that internal stakeholders are a primary filter for external influences, following which a decision is made.	Co-Evolution	Monolithic Adaptation Path Not Comprehensive & Introduction of S/H filter for all decisions
3	The theory of Co-evolution is supported by the research findings based on the reference point count for internal and external factors.	Co-Evolution	Monolithic Adaptation Path Not Comprehensive
3	External factors may be exacerbated by environmental turbulence	Determinism	Environmental Considerations Key in Decision Making
3	There is an interdependency between internal and external factors	Co-Evolution	Monolithic Adaptation Path Not Comprehensive
3	Organizational life cycle plays a role in determining the key factors, and their degree of relative importance at any given time in the adaptation process.	Co-Evolution	Monolithic Adaptation Path Not Comprehensive