

Executive Action as a Locus of Novelty in Organizations

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Most heretics are burned, not sanctified; most inventions prove worthless, not priceless. Most deviant organizations perish... (March 1995, p. 438)

Novelty is considered the “lifeblood of the process of organizational adaptation” (Levinthal 2008, p. 98). Actions outside an organization’s existing repertoire are considered essential to its long-run viability (Levinthal 2008). However, new alternatives can be superfluous and lead to a “gratuitous squandering of resources” (Miller and Friesen 1980, p. 600). They may fair poorly when compared with the status-quo and get abandoned or rejected in favor of actions that have proven successful as organizations fall in a competency trap (Denrell and March 2001, Becker, Knudsen, and March 2006). Further, they are characterized by low level of legitimacy and are difficult to categorize and label (Colyvas and Powell 2006).

Scholars have argued that novelty and routines are not mutually exclusive and that a firm’s dynamic capabilities and absorptive capacity, as well as its careful selection of firms to compare and compete with could raise the odds of organizational adaptation (Zahra, Sapienza and Davidsson 2006, Massini, Lewin and Greve 2005, Lewin and Massini 2004, Zahra and George 2002, Cohen and Levinthal 1990). Ambidexterity, the firm’s ability to balance exploration and exploitation, is considered acting as a dynamic capability (Tushman and O’Reilly 2008, 1996, March 1995, 1991).

Recently, scholars have also acknowledged the role played by executives, in particular, their cognition and actions, in building dynamic capabilities (O’Reilly and Tushman 2008, Farjoun 2008, Gavetti and Rivkin 2007, Gavetti, Levinthal and Rivkin 2005). Executives, however, differ in their ambidexterity, i.e. in their ability to “handle multiple balls at one time” (Tushman and O’Reilly 1996, p. 8). For example, Edison and Westinghouse had two distinctive approaches to the pursuit of novelty (Usselman 1992). The former made novelty top priority of his organization, often at the expense of development and manufacturing. He “made his living by dealing with novelty. He thrived in the early phases of an industry or line of business, when profits resulted from an ability to provide something that no one else could” (Usselman 1992, p. 255). In turn, Westinghouse successfully bridged the worlds of invention and organization.

While there is a growing interest in how novelty can be achieved in organizations, a theory of novelty is still to emerge (March, in Amabile and Khairi 2008). Jim March advanced the beginnings of such a theory of novelty (in Amabile and Khairi 2008, p. 109), suggesting three core mechanisms - increasing slack (time and resources employed in exploration), hubris (managers’ risk taking), and optimism (seeing the future as more compelling than the status quo). In this paper we bring together March’s work on novelty and the theories of managerial action to highlight how executive action is a locus of organizational novelty. Theories of action conceptualize the specific features of the social action performed by executives in organizations, as well as their motives, purposes, and skills (Alvarez and Svejenova 2005).

The paper is structured as follows. First, we define the concept of novelty and identify its key dimensions. Next, we articulate four modes of action and discuss their interrelatedness: managerial attention (Cho and Hambrick 2006, Ocasio 1997), imagination for action (Farjoun 2008, Denrell and March 2001, Alvarez and Merchan 1992), theorization (Svejenova, Mazza and Planellas 2007, Felin and Zenger 2001), and robust action (Padgett and Ansell 1992). Then, we advance a theoretical framework on the role that modes of action play in the generation and pursuit of novelty in organizational settings. The paper provides illustrations of the dimensions of novelty and the modes of action, and concludes with new directions for research.

Below we briefly outline the four modes of action. What decision makers do is dependent on the issues that focus their managerial attention, which in turn are regulated by a company's top executives (Ocasio 1997). Theorizing plays a role in the emergence of novel beliefs about new opportunities and operates through three mechanisms: the triggering role of experiential and observational fragments, the imagination of possibilities, and reasoning and justification (Felin and Zenger 2009). Strong beliefs tend to buffer individuals and organizations from adverse evaluation of a novel course of action (Denrell and March 2001). Imagination consists of willingness to deviate from established ways and tenacity to stick with an idea despite the evidence of its inadequacy (Denrell and March 2001). Imagination for action can also encompass mental experimentation, based not only on deduction and induction, but also on abduction, which involves representations through concepts, analogies and images (Farjoun 2008). Imagination's primary role is not so much about creating new ideas but, rather, about shielding them from disconfirmation of extant experience and knowledge (March 1995). Finally, robust action is about multivocality and flexible opportunism, i.e. about the coherent interpretation of a single action from a number of perspectives simultaneously and the maintenance of a range of options (Padgett and Ansell 1993).

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