



# Learning from praxis

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from praxis

## How high-profile winners and losers inform business's extant theories on longevity, environment, and adaptation

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### Abstract

**Purpose** – This paper uses a number of current examples from a variety of industries both regional and global, to explore the relationship between business longevity, environment, and adaptiveness to argue that only adaptive responses contingent on a proper classification of external circumstance will result in productive efficacy for the business. The paper aims to discuss these issues.

**Design/methodology/approach** – There is compelling evidence that businesses have limited life spans. Management and economic theories of creative destruction, argue that this is salutary for markets and economies. Yet as a counterpoint there are significant benefits to business longevity. Such longevity, however, is predicated on the business's dimensionalised understanding of its task and contextual environment and its deployment of an adaptive response contingent on such understanding.

**Findings** – It is mandatory in prevailing times that adaptive responses ensure that the overall business has external fit and alignment with its environment and internal congruence and consistency between organisational subsystems and their internal subenvironments.

**Originality/value** – The calculus of limited and unpredictable business life spans is justified by theories of creative destruction and hypercompetition. Yet there are intrinsic and extrinsic advantages to business longevity. A causative flow is proffered that predicates business longevity on its ability to; first, classify its prevailing environment, and thereafter deploy contingent adaptive responses for productive efficacy.

**Keywords** Entrepreneurship, International business, Business, Strategy, Management, Globalization

**Paper type** Conceptual paper

### Business longevity: the need for immortality vs the reality of temporal impermanence

In 2011, Gina Rinehart, heiress of Hancock Prospecting and the sixth richest woman in the world became enmeshed in a bitter family dispute with her own children over control of the trust that owned much of this wealth (Powell, 2013). The very public bloodletting that ensued was a stark reminder of the pernicious nature of generational wealth transfer in family owned Australian businesses. The sombre data on family businesses mirrors this individual family's drama. Only 30 per cent of family businesses make it to the second generation and a mere 3 per cent are profitable by the third generation (Cribb, 2012).

Circa the same time as Gina and her offspring's travails in Australia, South Canterbury Finance, one of New Zealand's largest financial institutions with over one and half billion US dollars in assets, 35,000 investors and a reputation for Spartan governance built over 60 years, collapsed very suddenly and dramatically. It was New Zealand's biggest corporate disaster and arguably its taxpayers' most expensive bailout. Even as the aftershocks continue to be felt, Foster and Kaplan's (2001) grim warning from a decade prior ring presciently true that: "If history is a guide, over the



next quarter century no more than a third of today's major corporations will survive in an economically important way" (p. 41).

### **Life expectancy: mortality is agnostic to size and ownership**

Generational extinction is not limited to family businesses. Neither are they specific to particular industries and sectors nor bounded by geography. They are not even restricted to certain eras. For example, commenting on a private study conducted by him in 1983 for the Royal Dutch/Shell Group titled, *Corporate Change: A Look at How Long-Established Companies Change*, de Geus (2002) admits to being "startled by the small number of companies" that were "larger and older than Shell" (p. 5). A related and even more telling finding from Royal Dutch/Shell Group's investigation was that: "the average expectancy of a multi-national corporation – Fortune 500 or its equivalent – is between forty and fifty years. A full one-third of the companies listed in the 1970 Fortune 500 [...] had vanished by 1983" (p. 1).

Moving forward through the 1980s to the turn of the century, business life expectancy appeared to have remained tenuous because: "for every successful turnaround, there were two ailing companies that failed to recover" (Howe, cited in de Geus, 1988, p. 70). It was therefore only to be expected that "by 1998, the average anticipated tenure of a company on the expanded S&P 500 was ten years" (Foster and Kaplan, 2001, p. 41).

The second decade of the new millennium has reinforced this calculus of limited and unpredictable business life spans and demonstrated through a number of high-profile examples that a track record of sustained success, demonstrable franchise, valuable brand equity, happy customers, and a strong balance sheet are insufficient protection against market failure (Anderson, 2012).

### **Once were warriors: greatness is not an antidote for age**

Two companies offer objective proof for the veracity of the preceding assertion. Kodak, which filed for bankruptcy in January 2012, was a well-run company until it failed. It had retained its technology roots, become a marketing behemoth and was a superb consumer company, and thereafter morphed into a financially run enterprise. It did each of these things well [...] that is, until it failed (Anderson, 2012).

Sony once symbolised Japan's technological prowess, with its globally sought-after Walkman audio products and Trinitron televisions. Notwithstanding its size, it demonstrated entrepreneurialism and energy with bold acquisitions like Columbia Pictures. Yet, Sony hasn't produced a successful innovation in years and hasn't turned a profit since 2008. It is now [...] in a fight *for* its life (*italics in the original*) (Tabuchi, 2012).

Case studies of spectacular business failures like those of Kodak and Sony abound. They go to buttress this section's observation that all businesses arguably have a finite life span that has also been shrinking over time. This seemingly immutable law of inevitable business demise receives strong endorsement, albeit inadvertently, from an influential genre of publication – the seemingly well researched and empirically validated management bestseller.

### **Trusting data: analysing the past for clues to the future**

These bestsellers are academically acclaimed, practitioner-adopted, and popular business books. Their common methodology is to pick industry exemplars on the basis of rigorous criteria, and thereafter to analyse business performance in order to deduce

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enduring principles, and processes of management and leadership for contemporary businesses to emulate for success in their own endeavours.

Four such impactful books giving templated prescriptions for business success in order of their dates of publication, are: *In Search of Excellence: Lessons from America's Best Run Companies* (Peters and Waterman, 1982); *Built to Last: Successful Habits of Visionary Companies* (Collins and Porras, 1994); *Good to Great : Why Some Companies Make the Leap and Others Don't* (Collins, 2001); and *Blue ocean strategy: How to create uncontested market space and make the competition irrelevant* (Kim and Mauborgne, 2004).

Significantly, the industry exemplars that these four books select and label variously as “excellent”, “visionary”, “great”, and “blue ocean navigators” (occasionally arbitrarily and oftentimes with great methodological exactitude) underscore the very subtext of inevitable mortality that we have thus far evidenced in the sombre stories of Kodak and Nokia highlighted earlier.

For example, Micklethwait and Wooldridge (1997) calculated that two-thirds of the 43 US exemplars of excellence in the book *In Search of Excellence* had, within five years of initial publication, “ceased to be excellent” (p. 17). By the tenth anniversary of its publication, almost half of the 18 visionary companies on the *Built to Last* list including Motorola, Ford, Sony, Walt Disney, Boeing, Nordstrom, and Merck, were struggling. Of the 11 great companies highlighted in Collins’ (2001) *Good to Great*, Fannie Mae, and Circuit City are already glaring failures (Levitt, 2008). The writing is on the wall for businesses in general given the fate of these much-vaunted exemplars.

### **The good news: creative destruction is actually progress**

Success appears to be no safeguard against institutional decline when it comes to businesses. This is because as a subset of economists insist, inevitable demise is an inherently positive, if inescapable outcome of capitalism where “every capitalist concern has got to live in the perennial gale of creative destruction; a never-ending process of industrial mutation [...] [that] incessantly revolutionises the economic structure *from within*, incessantly destroying the old one [...] [and] [...] incessantly creating a new one” (Schumpeter, 1975, p. 82).

Creative destruction of existing business is thus a method of natural economic change that favours new market entrants creating “major waves of growth in a wide array of industries” through “disruptive innovations” that simultaneously upend more established and mature incumbents (Christensen *et al.*, 2002, p. 41).

Downes and Nunes (2013) underscore the real and present consequences of such disruptive innovations, by highlighting the emergence of a new temporally mutated strain of disruptive innovators they label as “big-bang disruptors” (p. 46). These “trigger disasters” for incumbents because they are “game-changers” that are “unplanned”, “unintentional”, have “undisciplined strategy”, and are therefore difficult to anticipate (p. 48).

In their emergence and effects, big-bang disruptors are conceptually like Taleb’s (2007) black swans; outlier events that are rare, not preceded by design and planning, with extreme impact and only retrospectively predictable (pp. xxii-xxv). Significantly, the market diffusion of such big-bang disruptors is also unique. It does not subscribe to conventional wisdom theorised more than 50 years ago that customer adoption of an innovation follows a sequential five-step process of innovators, early adopters, early majority, late majority, and laggards (Rogers, 2003). Instead, big-bang disruptions are

perfected with just a few trial users and then embraced almost simultaneously by the vast majority.

It is this hypercompetitive “process of destruction of the old and creation of the new” that D’Aveni argues is “something most of us call progress”. Viewed from his lens, business mortality is a salutary market phenomenon that ensures “consumers are better off and companies are stronger in the global marketplace” (D’Aveni, cited in Naff, 1995, p. 29).

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### **Staying alive: business’s performance and its environment**

There is, however, an important counterpoint to creative destruction that counsels against reconciling with business impermanence. This worldview is principally predicated on economic efficiency. It argues that provided they endure, established businesses fulfil symbiotic support roles – funding, market access, talent sourcing – for new companies. In addition they are able to utilise their longer lifespans to optimise their own business models and maximise returns (Hamel and Valikangas, 2003, pp. 56-57).

In this quest for stability and business growth however, a business must engage with a largely externally engendered phenomenon, i.e. “threats to existing patterns of successful competition” (Hitt *et al.*, 2002, p. 1). It is for this reason that the environment – the forces and demands of the external context – becomes one of three central forces alongside leadership and organisation that affect business longevity (Mintzberg *et al.*, 1998, p. 286).

This paper uses mobile technology vendor Nokia’s precipitous fall from its long-held position as the world’s top cell phone maker to illustrate its argument that changes in a firm’s common strategic environment and its performance are inextricably linked (Mintzberg and Waters, 1985; Johnson and Scholes, 1999; Whittington, 1988). Here, as in succeeding sections, this paper uses the terms “common strategic environment”, “task and contextual environment”, and “task and general environment” interchangeably.

### **Nokia and junk bonds: how to fall from grace after 14 years**

Nokia has been a considered choice for this example, because as a transnational corporation, it has a size and scope that accentuate the opportunities and dangers it encounters in its contextual and task environment. The summary of events and related observations that follow, are drawn from the article in *Wired* magazine, “5 reasons why Nokia lost its handset sales lead and got downgraded to junk” (Chang, 2012). Chang’s report was filed at the end of April 2012 and included excerpts from two other authoritative online analyses, “Samsung overtakes Nokia for cell phone lead” (Lam, 2012) and “Samsung overtakes Nokia to become world’s largest handset vendor in Q1 2012” (Spektor, 2012).

All three reports relate to a watershed moment in Nokia’s existence. This was the 26 of April 2012, when Samsung overtook Nokia in cell phone sales, effectively ending Nokia’s 14-year run as the world’s top handset maker. This was followed immediately thereafter by a downgrade of Nokia’s bonds to junk status with a BB+/B grade by Standard & Poor. In all, 14 years of leadership in the mobile industry is an impressive achievement but the subsequent and steep decline in its performance is even starker.

Nokia’s prevailing predicament is especially cautionary because its woes are connected with and arise from rapid and volatile changes in its; industry technology, globalised mobile markets, customer needs and preferences, and new competitors’ with

nimble responses. It is therefore of vital import to this paper's discussion about the relationship between a business's contextual and task environment and its longevity and performance.

### **Common strategic environment: ignore it at business's peril**

On the face of it, Nokia's technological failures appeared apparent. A pioneer in the smartphone market with its initial Symbian Series 60 devices that it introduced in 2002, Nokia was blindsided by the radical technology upshifts that Apple introduced with its iPhones in 2007.

Apple's full-touchscreen and applications-based operating system changed the smartphone paradigm and the customer need. Nokia was slow to respond to the challenge. As a consequence there was a marked shift in customer preference away from Nokia. This was an accelerating phenomenon because the Symbian platform kept aging and continued to be outpaced by Apple-iOS and thereafter by Android. This resulted in the domino effect of rising consumer familiarity and consequential preference for pocket-sized mini-computers in lieu of feature-rich phones like the Nokia with its tedious WAP browser.

These troubles with its customers and its technology were exacerbated for Nokia by its inability to comprehend the magnitude of the opportunity that emerging markets represented to the industry. New entrants to the smart phone market like Samsung, who were neither encumbered by legacy platform assets nor trapped by dominant managerial mindsets about addressable markets, reacted nimbly to the huge demand for lower-end products from these non-traditional markets. A new breed of competitors like Samsung, HTC, Huawei, and ZTE was thus able to not just garner first-mover advantages but also challenge each other in these lower-end markets.

Nokia's bruising encounter with its environmental challenges was fittingly end-capped by its first quarter results for 2012 when Samsung shipped 92 million handsets to Nokia's 83 million. Samsung had thus become the market leader in smart phones by displacing the 14-year incumbent (Chang, 2012).

While the Nokia story is a highly nuanced and on-going saga, it nevertheless underscores how the size of the organisation, its technology, and the change and complexity in its global, societal, business, and organisational environments all become such important determinants of its strategic responses and its ultimate business success.

### **Making the environment manageable: giving dimension and range to its challenges**

The environmental factors that caused Nokia to relinquish its long-held market supremacy in smartphones underlines the need for a business to be able to systematically analyse and describe its environment in order to take strategic action. There is pressing rationale in both the business's contextual and task environment that underline the value and urgency of such systemising. The World Economic Forum's (2013) Global Risks 2013 report for example, identifies 50 economic, environmental, geopolitical, societal, and technological factors as global risks. Their timing, magnitude, trending, discontinuities, intersections, interdependence, and correlation all go to make them extremely difficult for organisations and their leadership to manage (p. 11).

This challenge emanating from the contextual environment is then further compounded by factors in the business's task environment that need addressing

at the same time. These include amongst others: technological discontinuities; globalisation; reconfiguration of industry boundaries; customer demand; competitor supply; demand for creativity and innovation; disintermediation; and the global war for talent (Prahalad, 1998; Low and Kalafut, 2002; Hamel and Breen, 2007).

**Classification 1: environment as era-based and progressively more turbulent**

Given their diverse nature, any attempt to impart structure to these environmental factors would contribute to better understanding of the relationship between a business's behaviour and performance and the different situations it faces at any given time (Mintzberg *et al.*, 1998, p. 289). This is because an "environment that changes continuously but irregularly, with frequent discontinuities and wide swings in its rate of change" (Mintzberg, 2007, p. 25) would benefit from descriptive markers that point to a discernible and ergo manageable pattern.

A review of the academic and practitioner literature over the past 50 years yields two such broad and enduring classifications. The first of these classifications combines descriptions of environment using a widespread practice of organising history into coherent periods. It identifies significant commonalities and differences in the characteristics of the strategic environments across different time periods on the basis of prevailing task and contextual environmental factors. This methodology is therefore constructed on the premise that the common strategic environment is era-based and its dimensions in any era are different from its dimensions in any other preceding or subsequent era.

This era-based premise is predicated on an assertion that is almost axiomatic for proponents of this classification. This is the assumption that every successive era experiences more environmental turbulence than the era that has preceded it. First proposed in Emery and Trist's (1965) "The causal texture of organisational environments" and endorsed by Terreberry's (1968) "The evolution of organisational environments", the concept has had many practitioner advocates over the decades (Allen, 1977, p. 3; Kotter and Schlesinger, 1979, p. 106; Benningson and Schwartz, 1985, p. 1; Hamel, 2012, pp. 85-89).

Mainly though, it has been the unflagging support of academic Igor Ansoff, the "generally recognised father of the field [of strategic management]" (Mintzberg, 1994, p. 145) that has endowed the notion of temporally escalating and endemic environmental turbulence with credence and longevity (see, e.g. Ansoff, 1965, p. 125, 1979, p. 5, 1984, p. 57; Ansoff and Sullivan, 1993, pp. 13-17). For a working approximation of Ansoff's era-based dimensions of the common strategic environment please refer Table I.

There has been criticism of the era-based escalating turbulence classification. For example, Makridakis's (1990) book, *Forecasting, Planning and Strategies for the*

Authors	1900-1949	1950-1975	1975-1984	1985-1995	1996-present
Ansoff and Sullivan	Stable (Repetitive) No change	Reacting (expanding) Slow incremental change	Changing Fast incremental change	Discontinuous Predictable change	Surpriseful Discontinuous, unpredictable change

**Table I.**  
Era descriptions of  
common strategic  
environment

**Sources:** Adapted from Ansoff (1984) and Ansoff and Sullivan (1993, p. 15)

*21st Century*, contradicts claims of escalating turbulence during the 1960s on the basis of data available for the period that prove it was the most stable period in the history of western industrialised countries. On the strength of this evidence, Mintzberg (1994) labels the “claim that we have been experiencing much turbulence at any time since World War II” (as) “ridiculous” (p. 207).

The main argument against era-based, progressively escalating turbulence appears to be that the factors that constitute the common strategic environment play out differently at different times, because of their markedly varied interconnections and interactions. An era-based holding pattern for all dimensions of the environment is therefore too simplistic an assumption. In addition the common strategic environment does not act unilaterally on the business. Its effects depend on the business itself and the quality of its leadership. Therefore turbulence in the environment cannot be the sole determinant of a business’s performance.

Notwithstanding the above arguments against it, the concept of environmental turbulence is currently well supported by significant institutions, like, for example, the US Army, which after 9/11 has even created a nomenclature to facilitate its delineation. Termed a VUCA world, this nomenclature describes an environment characterised by: volatility – a state of dynamic instability; uncertainty – a lack of clarity; complexity – interactive threats and opportunities; and ambiguity – the need for multiple perspectives (Kail, 2012).

Both practitioners and academics further argue that there are special leadership practices for this environmental zeitgeist (see, e.g. Johansen, 2009; Murthy and Mckie, 2009, p. 124). Turbulence is thus viewed as an important descriptor and useful measure of a business’s general and task conditions in prevailing times.

**Classification 2: uniqueness of business’s situational context and environment**

In addition to the classification described above, there is another classification of the common strategic environment that steers clear of defining the task and contextual environment of all businesses as being the same in any given era. It also avoids framing the description of the strategic environment in any era merely in terms of progressively escalating turbulence.

Rather it recognises the uniqueness of situational contexts and acknowledges that at any time there could any one of a variety of environments that an individual business could be facing. In this classification, the environment for a given situational context is envisaged in terms of its dimensions – their ranges and the factors comprising them. For example, Snowden and Boone’s (2007) dimensions and Morgan’s (2006) descriptors for the different types of common strategic environments a business could be experiencing are tabled in Table II.

Gareth Morgan	Relatively stable	Moderate rate of change	High degree of change	Highly unpredictable
Snowden and Boone	Simple Known knowns	Complicated Known unknowns	Complex Unknown unknowns	Chaotic Unknowables

**Table II.**  
Dimensions of the  
common strategic  
environment

**Sources:** Adapted from Morgan (2006, p. 44) and Snowden and Boone (2007, p. 73)

Mintzberg extends this categorising of the environment even further by hypothesising a three-tiered classification that comprises: the dimensions of the business environment; the ranges within which each of these dimensions can exist; and the factors that constitute each dimension (Mintzberg, 1979, pp. 268-269; Mintzberg *et al.*, 1998, pp. 289-290). This systematic classification of a business' task and conceptual environment is summarised in Table III.

Like the first classification, this second classification of the environment has explicatory strengths. These can be summed up in its three powerful arguments: First, it takes cognisance of Mintzberg's (1994) injunction that "environments vary, across sectors and over time [...] [and while] some organisations may occasionally experience severe disruption [...] many others are experiencing relative stability" (p. 206). Second, it helps business "develop appropriate operational and strategic responses [by] stressing the importance of being able to scan and sense changes in task and contextual environments" (Morgan, 2006, p. 39). Finally it helps businesses perform effectively in a variety of situations "by correctly identifying the governing context, staying aware of danger signals, and avoiding inappropriate reactions" (Snowden and Boone, 2007, p. 73).

A firm's strategic choices are therefore influenced by its leadership's dominant mindset on whether its environment is characterised by: era-based and escalating turbulence (Classification 1); dimensioned and variegated specificity (Classification 2); or indeed some combination of the two classifications. Furthermore, the proactivity of these choices depends on the firm's ideological position on the continuing debate on environmental determinism versus leadership intentionality (Murthy and McKie, 2009, p. 42).

**Organisational adaptiveness: open systems, external fit, and internal congruence**

The above classifications of the environment and leadership's responses to it form the backdrop to the final section of this paper, which circles back to the quest for longevity that was the paper's starting focus. It argues that engaging with environmental challenges adaptively is one route to longevity for business.

In order to explain the elements of such adaptiveness, it uses concepts from the open systems approach rooted in biological sciences and builds on the metaphor of a business as an organism, which is its consequence (von Bertalanffy, 1968; Morgan, 2006, p. 34). This metaphor posits that a business is open to its environment and must achieve an "appropriate relationship with it for survival".

Dimensions	Stability	Complexity	Market diversity	Hostility
Range	Stable ↔ dynamic	Simple ↔ complex	Integrated ↔ diversified	Munificent ↔ hostile
Factors	Unstable governments, Unexpected changes in customer demand or competitor supply Client demands for creativity Rapidly changing technology Any unexpected change without advance pattern	Levels of sophisticated knowledge required about products, customers, etc.	Nature of sector Number of product lines Number of customers	Competition, Organisation's relationships with stakeholders Availability of resources

**Table III.**  
Systematic classification  
of firm's task and common  
strategic environment

**Sources:** Adapted from Mintzberg (1979, pp. 268-269) and Mintzberg *et al.* (1998, pp. 289-290)

This is tantamount to the business developing an adaptive repertoire that takes a contingent view of the firm, promoting organisational health by: achieving fitness with changing external environmental circumstances; while simultaneously aligning internal organisational subsystems to ensure balanced and congruent relations amongst themselves (Morgan, 2006, pp. 38, 57).

The power of such adaptiveness in social systems especially a business, has been recognised for a long time. Almost 60 years ago, Selznick (1957) postulated that a business must understand its “external expectation” and “match” that with its “internal state” in order to develop “distinctive competences” that could deliver competitive advantage (pp. 67-74).

On the basis of their field studies, Burns and Stalker (1961) underscored the importance of such matching of organisational structure (internal state) with external environment (external expectation) stating that:

It follows that there is an overriding management task in first interpreting correctly the market and technological situation, in terms of its instability or of the rate at which conditions are changing, and then designing the management system appropriate to the conditions, and making it work (p. 103).

Woodward’s (1965) study of English firms reinforced Burns and Stalker’s findings when she not only found a similar relationship between the nature of the task and the structure of the profitable organisation, but also more specifically between its technological environment and its organisational structure.

Lawrence and Lorsch’s (1967) subsequent findings refined and rounded this contingency approach by focusing on organisational subsystems (its internal state) and highlighting the need for congruence of these subsystems with their “subenvironments” (Morgan, 2006, p. 48).

Finally, Miller and Friesen (1978) used 81 undisguised cases of businesses to extend the conclusions of these contingency approaches beyond just business’s structure and its external conditions. Rather they deduced a cohesive set of relations between structural design, age, size, and technology of the firm and the conditions of industry in which it operated.

This evidence from contingency theorists going back more than half a century foregrounds a compelling learning for businesses operating in prevailing times. It is that successful businesses need to be adaptive and require a variety of coping methods depending on the nature of the environments they face.

### **Amazon’s environment: competing visions, driving forces, and critical uncertainties**

This paper now uses the example of Amazon.com to induct grounded strategies and actions from praxis that demonstrate how successful companies adaptively underwrite longevity. It thereafter draws connections between these grounded facts and the insights from contingency theory. It uses these connections to argue that Amazon.com has delivered great results over a long period of time by operationalising the principles of organisational fit and alignment with the environment and consistency and balance between internal subsystems – in short by excelling at adaptiveness.

As the world’s leading online retailer, Amazon.com needs little introduction. Nevertheless, Distinguin’s (2013) seminal study, *Amazon.com: the Hidden Empire*, first published in 2011 and updated regularly thereafter, provides authoritative quantification of its pre-eminence. Starting with a single category of books in 1995,

Amazon.com has introduced two new product categories every year for almost a decade thereafter to now offer 41 main categories that also include Amazon-branded electronic products, groceries, an online social movie studio, and discounted refurbished goods.

As on November 2012, its annual revenue at 48 billion dollars is 27 per cent more than Google, its retail brand is ranked first – ahead of even Walmart, and its year-on-year growth is twice the global e-commerce marketplace put together. Amazon.com is truly a digital colossus.

It has achieved these impressive results in a “fast-changing environment” that is “increasingly transparent”, and in which “information perfection is on the rise” (Bezos, cited in Kirby and Stewart, 2007, pp. 77, 79). In fact the prevailing rate of change that Amazon.com experiences with the internet is even greater than it had encountered when it first began trading in 1995 (Bezos, cited in Levy, 2011). This turbulence and complexity is because of a variety of driving forces and critical uncertainties in the environment, prime amongst which is the future method of content delivery in the industry.

The future of content delivery augurs a winner-take-all disruption in the industry in the near future. There are two very divergent and competing visions. One vision represents a post-PC model of computing. Here the device manufacturer owns the operating system. Product development is device-centric. Utility pivots off specialised applications. Market dominance centres on hardware, and profits depend on downloaded media.

The other competing vision is a post-web conception of the industry. Here the operating system is incidental. Product development is cloud-centric. Utility pivots off a specialised browser. Market dominance centres on content, and profits depend on streamed media (Levy, 2011). Each of these two mutually exclusive visions call for significant emotional and financial commitment and could lead to very different futures for its proponents. The choice is critical in an industry where there are substantial first-mover advantages (Penenberg, 2012).

There are other technological challenges at the periphery of this primary disruption. They include for example, the speeding up of mobile web browsing using the cloud, and the best ways of leveraging social networking for improved customer experience online. These and other similar existentialist opportunities and threats require industry stakeholders to have a view and take strategic positions over extended time-horizons (Levy, 2011).

This long-view becomes difficult in the face of the other intense environmental pressures that industry players experience. Markets are intensely competitive with many current and potential competitors possessing significant brand-awareness, sales volume, and customer bases (Chaffey, 2012). These include physical world retailers, catalogue retailers, publishers, vendors and distributors; other online e-commerce sites; indirect competitors like web portals, comparison-shopping web sites, search engines; and companies that provide e-commerce services.

Similarly, when it comes to customers, the industry has multiple consumer segments each seeking value propositions that may or may not overlap, but nevertheless require large financial commitments (Bezos, cited in Kirby and Stewart, 2007, pp. 76-77).

Other quintessentially post-web era political and legal issues also cloud the horizon and add to industry uncertainty. The levying of sales taxes on online commerce and the absence of federal legislation in this area is one such vexation. Then there are

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imponderables like for example, the proliferation of long-life software patents that negatively impact creativity and innovation (Levy, 2011).

The above précis of Amazon's turbulent and complex environment forms the requisite backdrop for a brief exploration of Amazon.com's responses to its environmental challenges that now follows. This exploration serves to highlight Amazon.com's adaptive responses and validates the key insights of the contingency approach outlined earlier in this paper.

### **Amazon's successful responses: adaptiveness in a contingent world**

Amazon.com has chosen the content-based, cloud-centric, post-web model as its vision for the future. It has aligned all its subsequent strategies and actions to this vision because it is self-avowedly "stubborn on vision and flexible on details" (Bezos, cited in Cook, 2011). A number of its subsequent strategic actions cascade from this vision.

Half its revenue now comes from sales of media like books, music, TV shows, and movies. Its flagship tablet PC (Fire) is designed to be a mobile portal to its cloud universe. It has capitalised on its data centre expertise and built a vast cloud-computing platform. Its browser (Silk) harnesses the cloud to do much of its processing. Its web services division owns one-fifth of the cloud-computing market (Bezos, cited in Levy, 2011).

When it comes to its customer accounts, active seller-customers, and increasing population of developer customers, Amazon.com's strategies are all aligned to its aspirational intent of being not just customer-focused, but "uplifting customer-centricity across the entire business-world" (Bezos, cited in Kirby and Stewart, 2007, p. 79).

It has therefore become a "vast cybermall" (Penenberg, 2012), offering low costs because of its "focus on defect reduction and execution" through "six sigma [...] lean manufacturing and other incredibly useful approaches" (Bezos, cited in Kirby and Stewart, 2007, p. 82), with convenience that is pivoted on a "culture of metrics" (Marcus, 2004) and reliability and trust that is underwritten by "high performance transaction systems, business intelligence and data analytics [...] and a wide variety of other techniques" (Amazon, 2011).

The company has deployed technology to undergird and enable every aspect of its business. Technology therefore infuses the company's teams, its processes, its decision making, and its approach to innovation in each of its businesses (Amazon, 2011). Technology also helps support a company culture that is "rooted in a sturdy entrepreneurial optimism" and "customer obsession relative to competitor obsession" (Kirby and Stewart, 2007, pp. 76, 79).

These aspects of organisational culture are best elaborated in the founder's own words, "As a company one of our greatest cultural strengths is accepting the fact that if you are going to invent, you are going to disrupt. We are willing to invent. We are willing to think long-term. We start with the customer and work backwards. And we are willing to be misunderstood for long periods of time" (Bezos, cited in Cook, 2011).

Significantly, Amazon.com's culture is congruent with its vision, technology focus, its leadership's mindset and its customer-facing strategies. In fact alignment is the overarching theme that pervades the entire preceding description of Amazon.com. The prevailing external conditions for the organisation can be dimensionalised (see Table III) as a contextual environment that is dynamic and complex and a task environment that is diverse and hostile.

In such a context Amazon.com succeeds by demonstrating the powers of adaptiveness: achieving internal balance and consistency between its strategy, culture, technology, and innovation subsystems; and alignment between the overall organisation and its environment (Morgan, 2006, pp. 55-56).

### Conclusion

The body of evidence and available empirical analyses make a compelling case that businesses have limited life spans. Management and economic theories of creative destruction, disruption, and hypercompetition argue that in fact business mortality is salutary for markets and economies. This is because such temporal impermanence is a harbinger of enforced change and newness into industries that would otherwise become moribund.

Yet as a counterpoint there are significant benefits to business longevity. Such longevity is predicated, however, on the productive efficacy of the firm's engagement with its constantly changing task and contextual environment – a significant source of its existential challenges.

This paper deploys frameworks from the strategy literature to argue that the firm's general environment can be classified either on the basis of era-commonalities and escalating turbulence or alternatively on the basis of factors that serve to determine its dimensions and their range.

Notwithstanding which of the two classifications are used, organism metaphors from the biological sciences augmented by contingency theorists, stress that business can only be successful and enduring if it is adaptive and able to develop a variety of coping methods contingent on the environment it faces.

Finally as the detailed example of Amazon.com's successful responses to its environment demonstrate, adaptiveness must ensure that the overall business has external fit and alignment with its task and contextual environment and internal congruence and consistency between organisational subsystems and their internal subenvironments.

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