

Towards an Adaptive Strategy Typology

Dr Garry W. Haworth

University of Newcastle

Australia

409 Hunter Street, Newcastle,

NSW, 2290

garry.haworth@newcastle.edu.au

Abstract

This study investigates how firms might be identified and classified by the way they enact adaptive strategy in response to industry-wide environmental turbulence. This study focusses upon registered clubs in NSW, Australia – an extremely turbulent industry environment. Utilising a qualitative case study methodology, this investigation drew up on a purposive sample of 8 Registered Clubs in NSW, Australia and supplemented this primary data with a secondary analysis of the clubs industry. While the results of this research are presented elsewhere, this paper focusses on the typological model that emerged from the analysis.

An adaptive strategy typology emerged from the analysis that identifies a club firm adaptive strategy typology identified six types of club firms: proactive, interactive, reactive, crisis, hyperactive and insolvency type clubs. Following Ansoff's (1988) notion of pairing capability with aggressiveness to identify firm behaviour at a firm system level, the adaptive strategy typology is also built based on the external view of the firm of strategic posture aggressiveness, which ranges from conservative to aggressive (Borocki et al. 2019). This paper presents examples of how this typological model can be used to understand how firms in crisis are configured – a focus that is underrepresented in the literature.

The paper concludes by discussing implications for strategic management practice., further research and contributions to theory.

Introduction

The strategic management of the firm is a complex phenomenon with many interrelated components inside and outside the boundary of the firm. The firm's ability to respond to turbulence in the external environment is a central tenet of Strategic Management (Osiyevskyy & Dewald, 2018; Osiyevskyy et al., 2020; Schilke, 2014a, 2014b). However, not all strategic responses are successful. Indeed, the first rule of evolution in life is those that adapt win through.

While typologies of strategic management and management literature are highly dominant of success type strategies, but with a paucity of 'types' included in current typologies of strategies that were not successful or had led to failure. No current typologies include the type of firms in crisis, although it is examined in management literature (James et al., 2011; Sarkar & Osiyevskyy, 2018). Also, insolvent firms or those going through bankruptcy are not proffered as a type of strategic behaviour in current typologies; however, bankruptcy and insolvency are recognised as an action and mechanism available for firms (James, 2016)

There is little research that has attempted to identify differing types of adaptive strategic responses more comprehensively, including potentially failed responses, to turbulence

and the implications of these typological responses for firm performance. This study investigates how firms might be identified and classified by the way they enact adaptive strategy in response to environmental turbulence in a particular industry context. This study focusses upon registered clubs in NSW Australia – a notably turbulent industry environment.

Study Context: The NSW Registered Clubs industry

The context for this study is the NSW clubs industry. Registered clubs are an integral part of social, recreational and community life in Australia. Across suburbs, remote regions and cities, clubs have provided valuable services to their members. From relatively simple entities that emerged in the early 20th century, registered clubs have diversified significantly over the past several decades to become formidable actors in the contested space of sport and hospitality. This diversification has seen registered clubs engaging in services that have attracted increasing scrutiny from governments and communities. Most notably, a shift in community attitudes toward alcohol consumption, smoking, and gambling has increased regulatory, social and community pressure on registered clubs (IPART, 2007, 2008). Broader issues around how clubs operate and compete in a heavily scrutinised industry have created a business environment that is volatile and turbulent.

A particularly important feature evident in the history of NSW clubs has been the extent to which the NSW government has moulded the industry, and to a lesser extent, Federal government, scrutiny and legislation. A significant number of government reports during the period 1996 to 2010 resulted in substantive legislative reforms, increased taxation levels, a loss of a monopoly on the provision of gaming machines, changing competitive dynamics, increased requirements of compliance requiring financial capital investments to adapt and comply with the changes (IPART, 2008; KPMG, 2015). These challenges placed pressure on large, medium and particularly small clubs, stretching the capabilities and resources of each and every club. The pressure had fallen disproportionately on smaller single-site clubs (KPMG 2015). The increased legislative changes, political attention and lobby group scrutiny resulted in competitive pressures and high levels of environmental turbulence impacting the NSW clubs industry. However, NSW registered clubs have had more political and regulatory certainty since 2011, due to a series of Memorandum of Understandings (MOU's) formed between the peak industry body – Clubs NSW and the NSW government.

Within this environment, like in other business environments that experience turbulence, some firms thrive and expand while others struggle or have failed (Cloutman, 2021; IPART, 2007, 2008; KPMG, 2015). Patterns of success and failure are not immediately evident. Some large clubs with a significant member base located in large cities are shadows of their former selves, while others operating in similar environments have thrived. Likewise, small entities in regional contexts have managed

to maintain a strong position in the market while others have dwindled. It is evident that success and failure is not only the product of a particular club's resources and capabilities. The way successful and failed clubs engage with turbulence through levels of aggressiveness is an important but not well understood factor. This study seeks to expand existing understandings of club industry firms' aggressiveness as a dynamic response to external environmental turbulence.

Literature review

Strategic Posture Aggressiveness of Clubs

This study, focusses on pairing the concept of adaptive capability (Eshima & Anderson, 2017) as the internal perspective of the firm and the external focus of strategic posture aggressiveness (Ansoff, 1988; Ansoff & Sullivan, 1993a, 1993b; Chen et al., 2017; Covin & Slevin, 1989; Dess et al., 1997; Ferrier, 2001; Fombrun & Ginsberg, 1990)

Andreuski and Ferrier's (2019:620) study describes that a firm's aggressiveness is about "a firm's propensity to challenge rivals by rapidly carrying out numerous competitive actions". A firm's capability is essentially dependent on its aggressiveness (Andreuski & Ferrier, 2019; Karagozoglu & Fuller, 2011). Chen et al. (2010), for example, highlighted the role of aggressiveness in influencing the performance of the firm. Andreuski et al. (2019) argued that the aggressive actions by firms through actions such as forceful, multiple, strategic, and competitive thrusts facilitate greater profits and market share for the firms. Rather than analysing the strategic behaviour of the firm through either the internal or the external perspectives of the firm, it is imperative that we explore "how firms can combine different levels of resource depth and breadth to compete aggressively across different competitive environments and over time" (Andreuski & Ferrier, 2019:639).

To examine adaptive strategic behaviours of the NSW clubs in the sample, the study uses three key theories to conduct the research, Dess and Beard's (1982) theory of environmental turbulence, Johnson's (1992, 2012, 2017) theory of Strategic Drift, and Mintzberg's (1978, 1985) theory of Strategy as Patterns in Action, theories that continue to be used in scholarly research and by practitioners. towards displaying adaptive strategic behaviours over time of clubs from the study.

Environmental Turbulence

Prevalent in strategic management literature is an assertion that in seeking growth, a company's strategies and actions must match not only to its external environmental circumstances but also to its internal resources and capabilities. This assertion results in performance outcomes that may be jointly affected by organisational and environmental characteristics (Fainshmidt et al., 2019; Thompson et al., 2021). In assessing the external environment of a firm discussion of the theory of environmental

turbulence is common as a means to understand how a firm evaluates and determines volatility and change events within the business environment (Dess & Beard, 1984; Dess & Lumpkin, 2005; Emery & Trist, 1965; Kipley, Lewis, & Jeng, 2012; Onamusi et al., 2019; Osiyevskyy et al., 2020). Theories to understand and measure environmental turbulence by Dess and Beard (1984) remain a dominant and relevant theoretical approach (Chen et al., 2017;; Onamusi et al., 2019) and is utilised in this study..

Environmental turbulence is a complex aggregate of various dimensions related to change, usually associated with a high degree of uncertainty (Volberda, et al 2012). To optimise performance, organisations undertake careful diagnosis of the environment to assess the levels of turbulence and then select an appropriate mode of strategic behaviour that leads to increasing strategic fit with desirable performance implications (Covin & Slevin, 1989; Fainshmidt et al., 2019; Farrukh et al., 2020; McAdam et al., 2019; Thwaites & Glaister, 1992). Earlier research by Aldrich (2008) examined environmental turbulence by focussing upon munificence, environmental dynamism and environmental complexity in a specific industry environment.

Environmental munificence corresponds with Aldrich's concept of the capacity of the environment to provide both growth and stability for the firm, emphasising the resource dependence view that external constraints are important drivers of firm-level decisions. Munificence may be defined as the scarcity or abundance of critical resources needed by one or more firms operating within an environment. Resources available within an environment influence and support the survival and growth of firms competing within that environment (Aldrich, 2008; Chen et al., 2017; Dess & Beard, 1984; Dess et al., 1997; Onamusi et al., 2019). An assessment of the registered clubs' industry munificence was sought in the interview protocol by asking interview respondents whether the industry is expanding or contracting. In addition, a review of secondary industry data has important implications for this study regarding if the industry is influencing and supporting the survival and growth of clubs, growth or decline of sales revenues and profitability that are used as performance indicators of individual NSW registered clubs' performance.

Dess and Beard (1984) ground the environmental turbulence dimensions with a central assumption using the resource-dependence paradigm (Pfeffer & Salancik, 1978). Resource dependence and availability of financial capital in a capital-intensive industry is seen as significant. Resource dependence theory argues firms are open systems whose performance is influenced by their capability to procure critical resources from other firms through reciprocal exchanges. Resource dependence theory is also viewed as the importance of a resource to an organisation and the number of sources from which the resource is available, including the number, variety and relative power of organisations competing for the resource (Aldrich, 2008; Dess & Beard, 1984; Pfeffer & Salancik, 1978; Thompson et al., 2021).

This study applies Dess and Beard's seminal work, producing an assessment of the registered clubs industry, displayed graphically in this paper. The study combined dynamism and complexity to show an increasing rate of turbulence over time within the club industry environment, and then the munificence, displaying changes in the propensity of the club industry environment to support growth, and shifts that occurred due to events in 1997 that is the loss of a monopoly of the provision of gaming machines in NSW that created a decline in munificence, and subsequently, Memorandum of Understandings between the clubs peak industry body, Clubs NSW and the NSW state government in 2010, 2014, and 2018, that helped stabilise the club industry environment and its munificence. By applying Dess and Beard's framework to the clubs industry, a display of 'environmental change line was able to applied to Johnson's theory of strategic drift, as an industry focused analysis, as discussed below.

Strategic alignment and drift

Strategic alignment has been defined as "the fit between a firm's strategy and its internal and external factors. Additionally, strategic alignment has been defined as "the extent to which a firm's overall business, product, and technology guide the product development contents and processes" (McAdam et al., 2019,:95).

The theory of strategic alignment looks at the extent to which strategy, structure, and culture create an internal environment that facilitates the achievement of organisational objectives set to respond to a perceived level of environmental turbulence and contextual determinants in the general and specific industry business environment. Firms seek to improve their performance by improving fit and alignment with defined sets of contingency variables and the context of the changing external environment. This process of fit is viewed as a dynamic and ongoing process, especially in fast-moving business environments (McAdam et al., 2019). Covin and Slevin (1989) assessed firms using entrepreneurial – conservation orientation assessed by a firm's inclination to take business-related risks, favour change, innovation and compete aggressively within their industry to seek competitive advantage. The results of Covin and Slevin's (1989) study indicate that effective organisational responses in hostile environments may differ compared to attributes that promote positive performance in benign environments.

Johnson (Johnson, 1992; Johnson et al., 2017; Johnson et al., 2012) was integral in furthering the notion of alignment to environmental change by linking incrementalism and an organisation reacting to the changing conditions. Johnson introduced the concept of strategic drift to reflect this: an organisation may implement incremental change over a period of time, building on past strategies to respond and adapt to environmental change in an attempt to maintain alignment. If or when the business environmental change is greater than the incrementalism of actions and strategy that a firm deploys, a period of strategic drift may occur. Decisions, strategies and actions that

do not result in maintaining alignment with the business environmental change results in a strategic drift, “Over time, this may well give rise to the sort of drift shown in Figure 4, in which the organisation’s strategy gradually, if imperceptively, moves away from the environmental forces at work” (Johnson, 1992:34). As drift is recognised by management, the strategy of the firm is likely to enter a period of flux, where there is no clear direction of the firm, creating conflict and disharmony within the firm, resulting in more radical and transformative strategies to attempt to re-align the firm to the forces of changes in the environment.

In this study, the strategic behaviour of the clubs is mapped over a period of time, resulting in each club’s key adaptive strategic actions to display if the behaviour of the club was strategically aligned or diverged (drifted) compared to an environmental turbulence trend.

The frequency and degree of change experienced by registered clubs show increasing levels of dynamism of environmental turbulence. The number of competitors and suppliers in the clubs industry has also increased in the past twenty years, displaying increased complexity as a component of environmental turbulence. The increased degree of dynamism and complexity is used to understand turbulence in the registered clubs industry. The munificence of the industry environment is used to assess the propensity of the industry to support growth and sustainability (Dess & Beard, 1984; Hitt et al., 2021; Onamusi et al., 2019).

The method

Focus on the clubs industry was undertaken as it enabled the researcher to adopt an approach in management research to facilitate the impact of the study while maintaining rigour, engaging in “industry-focused research” (Tan, 2017, p. 2). This focus embarks upon in-depth information-rich analysis of the industry environment using a combination of secondary and primary data, plus the intricacies of the perceptions of the participants of the industry environment and what their club did to respond and strategically adapt. “Through researching issues important to particular industries and developing expertise on the industry settings, management researchers may be in a better position to engage with practitioners, therefore making impact” (Tan, 2017:2).

A qualitative case study methodology was used in the study, drawing a sample, as stated above, of some of the most senior NSW clubs’ senior executives who were selected based on purposive sampling facilitated by conducting semi-structured in-depth interviews with eleven (11) senior executives, including Chief Executive Officers (CEOs), drawn from the Registered Clubs in NSW, Australia. The interviews were complemented by secondary data, including registered club annual reports, clubs industry-based analysis, and findings published from government enquiries into the clubs’ industry. The in-depth cases examine adaptive strategic behaviour of the clubs

over time, displaying their strategy as patterns of actions (Andrevski & Ferrier, 2019; Miller & Friesen, 1983; Mintzberg & Waters, 1985).

Qualitative research used in this study as the inquiry process explored the phenomenon of the adaptive strategic behaviour by registered clubs and the complex environmental and situational context that may influence and warrant adaptation in response to environmental turbulence. The use of quantitative methods to investigate a few variables in many cases would lack the information-rich needs of the study (Creswell, 2016).

The cases are selected, and the club's strategies are mapped over a period of time, with some of the cases displaying a timeline of over thirty years (Johnson et al., 2017; Mintzberg & Waters, 1985; Mirabeau et al., 2018). Most of the cases track firm behaviour between ten and twenty years. The NSW registered clubs are used to display firms that have experienced environmental turbulence that required action, activity and behaviour from the club that can be observed and recorded from primary data or historical records from the club. An in-depth analysis of selected key club cases in NSW provided the best method to study the phenomena of actions and behaviours of firms implementing strategy as patterns of actions over time (Andrevski & Ferrier, 2019; Johnson et al., 2017; Mintzberg & Waters, 1985; Mirabeau et al., 2018). Description and classification of the firm's (NSW clubs) activities and organisational phenomena that can be recorded and empirically documented as a sequence of activities and firm behaviour provided the insights required to conduct the study. Indeed, a game of chess is not won by a single move, but a sequence of moves.

Hence, alignment between the strategic adaptive behaviours of the clubs examined in this study and external club industry contextual environmental turbulence is operationalised by showing club cases' adaptive behaviours compared to club industry environmental turbulence over time. Patterns of club actions over time were identified using in-depth qualitative analysis and club case specific secondary data, including financial performance data from club cases annual reports, informed measurement of the appropriateness or non-appropriateness of the behaviour that is compared to club industry environmental turbulence with an outcome of an assessment of strategic alignment or drift of each of the club cases.

Participants were asked to nominate and discuss their club's adaptive strategic response activities and projects they were or had been central in implementing on behalf of their registered club or from their registered club practice experience. The registered club cases discussed the context of the registered club and the adaptive strategic behaviours and response activities used in each case. The registered club typology was tested using noted registered club contextual characteristics from the external general plus specific industry business environment and adaptive strategic

behaviour by the registered club as discussed by informed, experienced club executives from their practice experience.

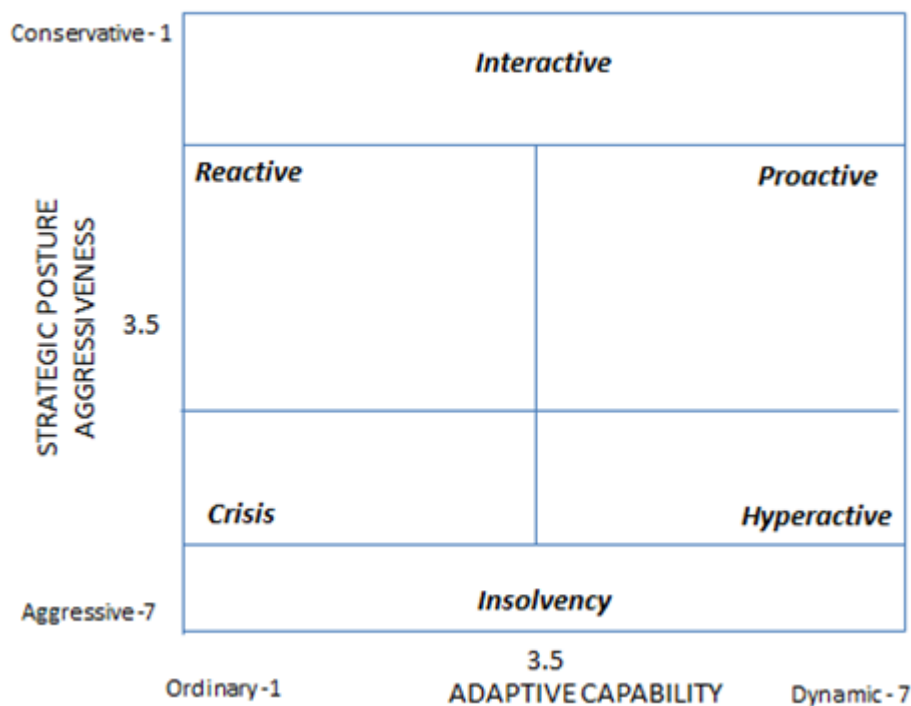
A fine-grained presentation of the analysis of primary data is beyond the scope of this current paper. The findings are detailed elsewhere in work by the author (Haworth 2022). The findings presented below focus instead upon the typological framework itself that emerged from the analysis and presents examples of how the model can be utilised to examine firms in crisis.

Presentation of Configurational Typology

The need to develop a configurational typology became apparent to the researcher following a review of current typologies advanced in strategic management literature, which prompted an observation that current typologies were not exhaustive in the types of firms proffered.

The theoretical framework development utilised a synthesis of literature combined with analysis of primary and secondary data. The framework was built and scaffolded to identify types of NSW registered clubs based upon the Adaptive Strategic Behaviour with the findings used to propose a typology that includes more types of firms than currently is posited in popular configurational typologies. Figure 1 displays the framework using two concepts developed from literature - adaptive capability and strategic posture aggressiveness.

Figure 1 Adaptive Strategy Typology



Source: Developed for this research

Figure 1 displays the Adaptive Strategy typology developed from this study. Building on configurational typologies and identified types of clubs based upon their strategic adaptive behaviour. The descriptor of types Proactive and Reactive are asserted as being utilised with empirical validation from literature. Thwaites and Glaister (1992) asserted that the literature on modes of strategic behaviour did not provide a consensus view of either classification modes or their core characteristics, suggesting the contrasting views of Ansoff, (1988) and Mintzberg(1978) as an example. Thwaites and Glaister suggest there was a general agreement to a simple bipolar continuum of *proactive-reactive* (Thwaites & Glaister, 1992). This assertion has had subsequent validation with the terms proactive and reactive continuing to have widespread use in the literature, see for example (Dess & Lumpkin, 2005; Mintzberg, 1978).

The Interactive organisation refers to a business firm that restlessly seeks opportunity, collects and analyses environmental information and actively engages and monitors the internal and external environment to identify opportunities to guide their strategic direction and tactical manoeuvring. The nature of managing change in turbulent environments requires a firm to adjust positions, engage and Interact with its environment, and perform search behaviour (Cyert & March, 1963). In addition, firms must conduct market and technical analysis, gain knowledge and embark upon learning critical skills and competencies, with dynamic development and use of intellectual capabilities (interact), aligning with the theory of the absorptive capacity and learning organisations, interactivity is required to be able to react, then also

progress through to be able to be proactive, hence interactive is displayed across the adaptive capability scale.

Reactive firms are limited in deploying dynamic capabilities and resources to enact dynamic strategy; they focus mainly on ordinary capabilities at an operational level (Winter, 2003). They enact moderate aggressive strategic posture and are quite conservative in making strategic moves that may stretch their capabilities in adapting to changes within the industry environment. Reactive firms are limited to dominantly ordinary capabilities, focusing on tweaking the business operations, 'how we make a living today'. They are inhibited by their access to resources and capability, particularly financial capital, they may be risk-averse in the way they acquire needed financial capital to invest in longer-term dynamic capability, building and deploying capital to seek growth. They do not sense the environment to a degree where they are able to build, acquire or learn the needed resources and capabilities to deploy dynamic capabilities. Reactive firms tend to follow competitors' strategic moves and attempt to defend their competitive position at an operational level to try and keep up with the competition. If inactivity or limited adaptive behaviour persists, Reactive firms suffer strategic drift with the propensity to move towards Crisis with deteriorating performance outcomes.

The unsuccessful types identified are Crisis and Hyperactive; both types are at risk of progressing to Insolvency due to negative performance implications caused by misalignment of internal characteristics with external environmental conditions of the firm. Insolvency is hence displayed as being across the scale of adaptive capability. Focus on only ordinary capability may lead to Crisis caused by the lack of dynamic adaptive capability or the inability to develop resources and capability needed to transform the business to obtain realignment. Focus on dynamic capability and being overly aggressive may over-extend the resources and capability of a firm, leading to increased risk of Insolvency through what is identified in this study as Hyperactive type behaviour of the firm.

If needed changes are not able to be implemented, the crisis firm may recede into greater problems that increase strains on its resources and capability, financial resources may be drained to the point of Insolvency. Crisis firms commonly increase in the strategic posture aggressiveness, becoming more aggressive as they fight for survival, proverbially, they have their backs to the wall, and are fighting to survive. They are forced to act by environmental determinism or regress to Insolvency.

Hyperactive firms usually have high levels of resources facilitating dynamic adaptive capability. They pursue growth ambitiously, taking their capability to the limit and beyond, particularly their financial capability. Furthermore, they are overly aggressive, stretching their resources to a point where they increase the risk of Insolvency. Despite the risks, Hyperactive firms pursue relentless growth by voluntaristic choice, commonly

funded by increasing levels of debt to the point of inflection (Burgelman, 1996, 2016) caused by misalignment of internal resources and capability with external environmental conditions. Hyperactive firms commonly are forced to transform by their financiers, an ultimatum to transform or they risk being placed into Insolvency.

Typologies to identify types of organisational adaptation to turbulent environments does have an extensive and lengthy research history (Ansoff & Sullivan, 1993a, 1993b; Dess & Lumpkin, 2005; Dess et al., 1997; Emery & Trist, 1965; Sarkar & Osiyevskyy, 2018).

Terms like *Proactive*, *Reactive* and *Crisis* in the strategy literature are widespread in such discussions and supports the variations in descriptors identified earlier. By using *Interactive* to identify firms that are capability building, that is, the learning organisation, theoretical support is widespread in strategic management literature. Of particular note was Miles and Snow's (1978) typology based upon their research of how organisations move through 'the adaptive cycle', finding organisations fall into two categories (stable and unstable). Stable firms were also distinguished by the way they respond to the environment, labelled as: Defenders, Prospectors' Analysers, Whilst unstable organisations are labelled as Reactors, being a type of unsuccessful type organisation. Miles and Snow (1978, :550; Miles et al., 1978) articulate their typology "specifies relationships among strategy, technology, structure, and process to the point where entire organisations can be portrayed as integrated wholes in dynamic interaction with their environments."

The use of the descriptor *Hyperactive* or what Ansoff noted was aggression leading to "dead heroes", is proffered as an important addition. Similar concepts are not unusual in other domains. Hyperactive accords with the use of hyper-competition, referring to extreme competitive activity. The concept that organisations may go into a crisis from overactivity is a prevalent gap in management and strategy literature. It is identified as potentially an important contribution of this research study. The final descriptor of an organisation's response activity discussed in the typologies section is *Insolvency*.

Review of the scholarly literature in the fields of turnaround specialists and insolvency aids in the theoretical grounding of the Insolvency descriptor. Insolvency is proposed as the ultimate failure, an imposed strategy (Mintzberg, 1978; Mintzberg & Waters, 1985). Emery and Trist (1965) indicated that without conscious, adaptive planning and an active attempt to shape the future, the survival of the constituent system will be compromised, and maladaptive responses will be generated by the constituent systems.

The early descriptors of Ansoff and others may be a method for identifying the strategic behaviour of firms in response to environmental turbulence and change. This research draws on a multi-faceted approach to understanding strategic behaviour of firms in response to environmental turbulence, including descriptors of success activity, but also includes an under-researched facet of study, that is the failure side or

unsuccessful side of adaptive strategy. On this basis, a theoretical framework that draws on the synthesis of literature discussed above is posited, encompassing what we know from current literature, that is to be successful, a firm executes its strategies based upon how it senses and interprets its environment, deploying its capabilities whilst exhibiting a level of aggressiveness of behaviour in its actions in response to interpreted environmental turbulence.

A model that includes Reactive and Proactive elements linked to capabilities has merit. Juxtaposing this with Ansoff's concept of aggressiveness and the strength of that aggressiveness has justification as identified in the literature review and synthesis. The aggressiveness of organisations, as they enact responses to environmental turbulence, is an under-researched area. Research if a link exists between capability, be it dynamic, ordinary or stationary zero-level, and strategic posture aggressiveness (aggressive – conservative) to display types of adaptive strategic behaviour of a firm in response to environmental turbulence is also an under-researched area in management and strategy literature and is considered a potential area of contribution from this study. It is proposed current typologies in strategic management are limited in that they do not include all adaptive strategic behaviour types that exist in current times.

Firms in Crisis

The 'failed' side of strategic adaptive behaviour is an under-researched area, the concept that firms can go into Hyperactive crisis through over-aggressive activity, extending resources beyond the firm's limits of resource capability is worthy of further research. Hence, it is proposed as an under-researched area and will enable researchers to shed new insights into the concept of over-activity as a means of going into crisis and potential Insolvency. Stationary ordinary, zero-level capabilities (Helfat & Winter, 2011; Winter, 2003) may be suitable for benign or repetitive (Ansoff, 1987a; Covin & Slevin, 1989;) environments. However, inactivity, strategic inertia, incapability to respond, or at least react, to environmental turbulence manifests itself in misalignment that creates a crisis which may lead to Insolvency, warrants further study. The sample of registered clubs exhibits over 300 firms that have been amalgamated with larger firms (clubs) or gone into Insolvency and subsequent liquidation. KPMG (2015) reported that three in every five clubs with less than \$1 million in annual gaming revenue are in financial distress. It is proposed that Crisis and Insolvent firms are identifiable in the sample and warrant further study as to what activity or inactivity may have led to their underperformance (KPMG, 2015).

Case analyses were used to compare and contrast firms that have underperformed and those that exhibit superior performance in the same industry environment to explore, shed light, and offer a clearer explanation on adaptive strategic behaviour of firms as they respond to turbulence and change in their business environment. A comparison of firms maintaining strategic alignment and firms suffering strategic drift (Johnson, 1992;

Johnson et al., 2017; Johnson et al., 2012) under similar or the same environmental turbulence conditions adds to the current understanding. In particular the failed side of adaptive strategy, proposed as firms that have suffered strategic drift either through Crisis or Hyperactive strategic activity. The following sections discuss some salient examples of strategic alignment, drift, and transformation.

The finding that Insolvency can be created by overactivity is an important addition theoretically in strategic management and practically in industry. Hyperactivity highlights the need for executives and managers of firms to act with caution by being mindful not to overextend the capabilities and resources of the firm in an aggressive pursuit of growth and profits. The study contributes to the understanding of aggressiveness of firm behaviour at a firm system level. For example, in the findings of this study, aggressiveness is argued as being displayed by clubs as they attempt to grow and improve performance, with different outcomes.

Figures 3 and 6 show significant cases in the NSW registered clubs industry. The Club B case provides data to exemplify a Hyperactive type case, corresponding with Ansoff's concept of "Dead Heroes" (Ansoff, 1988). In the period 2002 – 2010, Club B exhibited what this study calls Hyperactive adaptive strategic behaviour, exemplifying Hyperactive is indeed a type of firm; subsequently, Hyperactive is therefore added to the Adaptive Strategy Typology for further empirical testing. Club B was overly aggressive in its merger and acquisition (amalgamations) strategies, over stretching their financial resources limiting their ability to invest in and develop the amalgamated clubs. Also, their management capabilities to successfully operate the clubs profitably was lacking. Club B suffered Strategic Drift and Flux (Johnson, 1992; Johnson et al., 2017; Johnson et al., 2012) by their over-activity, drifting above from the club industry turbulence level, then entering a period of disharmony and conflict internally (flux) before being forced to transform. Club G faced a Crisis due to inactivity, subsequently transforming by choice.

This study sees Hyperactive types of firms as being uncommon in the clubs industry, they may be deviant cases (Flyvbjerg, 2006) and statistical outliers in subsequent empirical testing of the typology. Club B is an example of a NSW registered club that, by its overly aggressive behaviour, over-stretched its resources and capabilities to be on the verge of financial collapse. Colloquially, going into Insolvency by the front door, rather than out the back door through diminishing revenues and increased costs, as a Crisis type firm that only utilises ordinary operational strategies. Hyperactivity is a Crisis firm, but a different type, a Hyperactive created crisis produced by overly aggressive dynamic strategic behaviours.

Enhancement of current theories in the field of Strategic Management

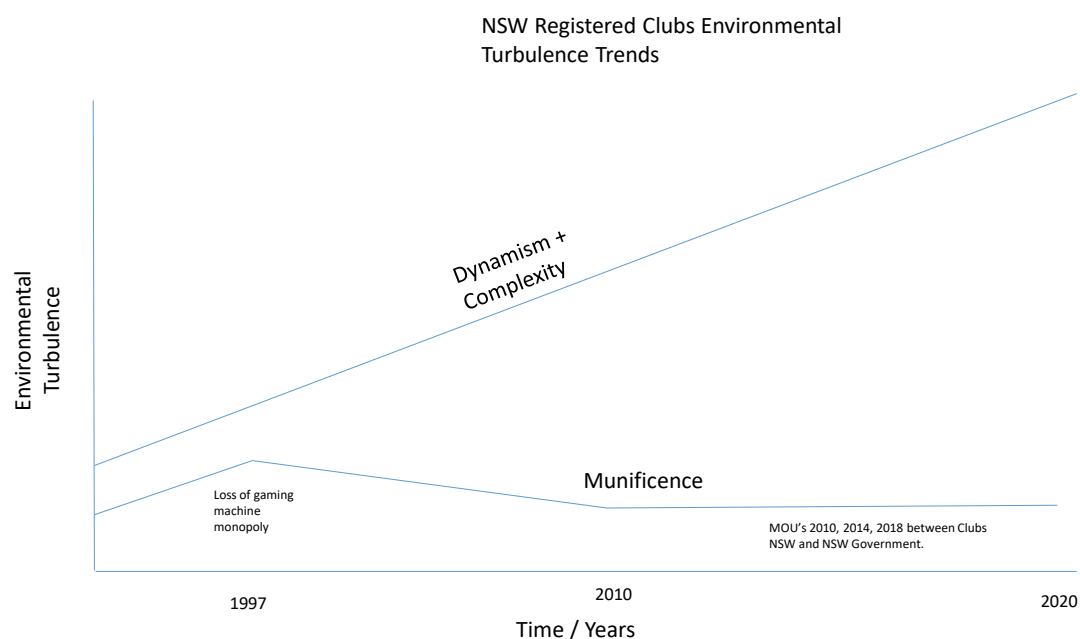
In building and scaffolding development of the Adaptive Strategy Typology, a number of theories were used to build and explain the conceptual development of the model.

Supplementary to the theories of adaptive capability (ordinary to dynamic) and strategic posture aggressiveness (conservative to aggressive) as the primary concepts to build the typology of adaptive strategy of the club cases, three additional theories became prevalent in assisting to explain the behaviour and resultant performance implications of the behaviours exhibited by the club cases examined in the study. This study adds new insights into Mintzberg's Strategy as Patterns in Action and the use of Dess and Beard's theory of environmental turbulence to build on Johnson's theory of Strategic Alignment and Drift.

Strategic Drift

The use of Dess and Beard's (1984) theory to examine environmental turbulence facilitated a method to add to Johnson's (1992; Johnson et al., 2017; Johnson et al., 2012) theory of Strategic Drift. Johnson's theory displays an environmental change line over time. However, how the graphical display of the trend of the environment line is determined remains unclear. Utilising Dess and Beard's environmental turbulence theory, this study used primary and secondary research within the club industry environment to show trends in a combined Dynamism and Complexity environmental line. This theory illustrates the rate and size of turbulence, and then a Munificence trend line of the club industry environment in NSW that may or may not support growth for competing firms within the industry.

Figure 2 NSW Registered Clubs Industry Environmental Turbulence Trends



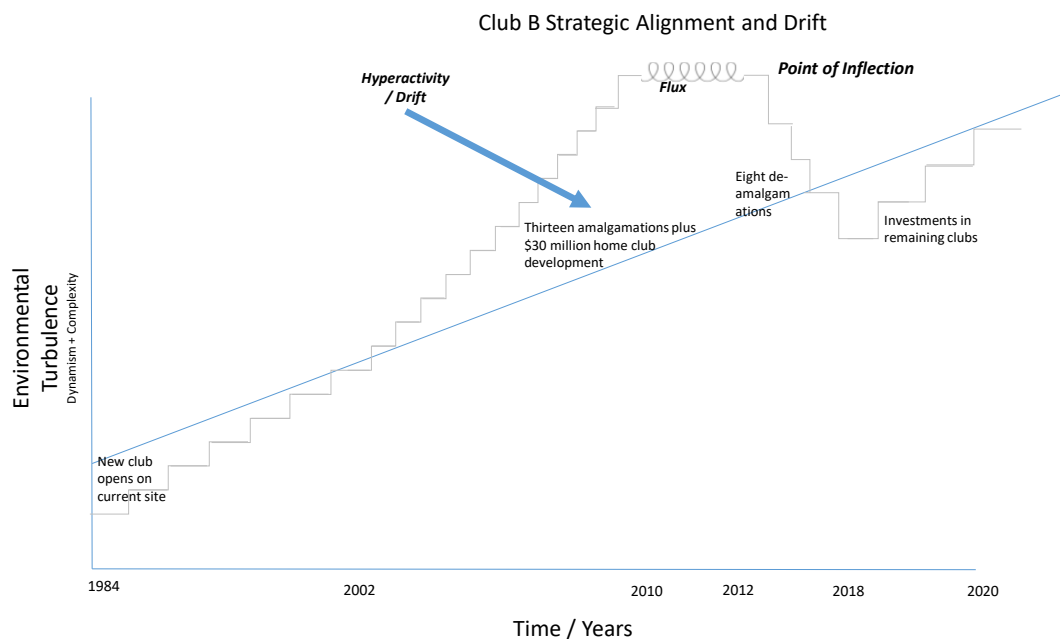
Source: Developed for this research from primary and secondary sources

Figure 2 shows trends of environmental turbulence in the NSW Registered Clubs industry. By conducting an industry focused research (Tan, 2017), this study adds a method to display environmental turbulence trends using Dess and Beard's (1984) theoretical concepts. The environment trend lines are then used to add to Johnson's theory of Strategic Alignment and Drift to add rigour as to how the environmental turbulence and change trends have been determine, and hence displayed.

Primary and secondary research into an environmental turbulence in the NSW clubs industry showed a high level of rate and size of change (dynamism) due to the number and impact of amendments in the Registered Clubs Act (NSW) 1976, that manifested into increased competition in core product markets, most notably with the loss of a monopoly of the provision of gaming machines in NSW post 1997. Regulatory reform of indoor smoking required significant capital investment to adjust facilities to comply with NSW government-imposed standards. An increased level of complexity in the NSW registered clubs industry has had an impact facilitated by increased direct and indirect 'bricks and mortar' competitors in core product categories. Competition from privately owned public hotels (pubs) and large shopping centres, who have diversified from their core retail precinct products to enter into markets of seated licensed restaurants, entertainment and leisure facilities, and providing an alternative meeting place for the NSW communities.

Additionally, increased substitute products in core product categories, created further complexity. Substitute products, including internet and mobile phone app gambling sites, home-based domestic streaming of sport and other entertainment, large 'home' televisions, and increased provision of home delivery of food and alcoholic beverages, have combined to create an increased number of the community preferring the 'stay at home' option instead of visiting their local club for a night of socialisation and entertainment. NSW registered clubs have experienced a high level of environmental turbulence when examined by Dess and Beard's combined concepts of Dynamism and Complexity.

Utilising Dess and Beard's theory of environmental turbulence, this study adds to Johnson's theory of Strategic Alignment and Drift. Figures 3 and 6 shows an addition to Johnson's Strategic Alignment and Drift theory in two ways. Club industry turbulence can be displayed using analysis formed by applying Dess and Beard's concepts to display the line of environmental turbulence to then display the behaviour of clubs over time compared to the industry environmental turbulence. Secondly, Club B's behaviours are displayed in Figure 3, which adds a case to show an inversion of Johnson's original theory, displaying strategic drift over and above the industry environmental turbulence.

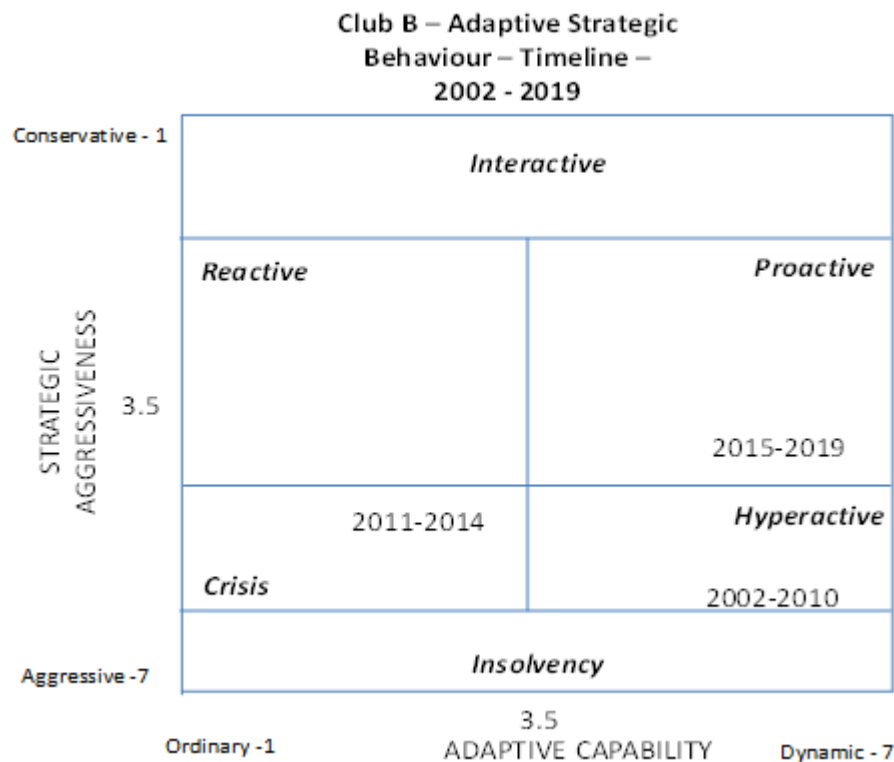


Source: Developed for this research from primary and secondary sources

Firstly, by being able to show the club industry environmental trend lines, and then using Realism and Critical Realism perspectives to identify and map activities and behaviours of a firm, in this instance, Club B, this study adds to Johnson's theory to facilitate the model as a way to assess and display a firm's performance. It was compared to an industry environment to show types of adaptive strategic behaviour over time that may have partial cause for the alignment and or drift.

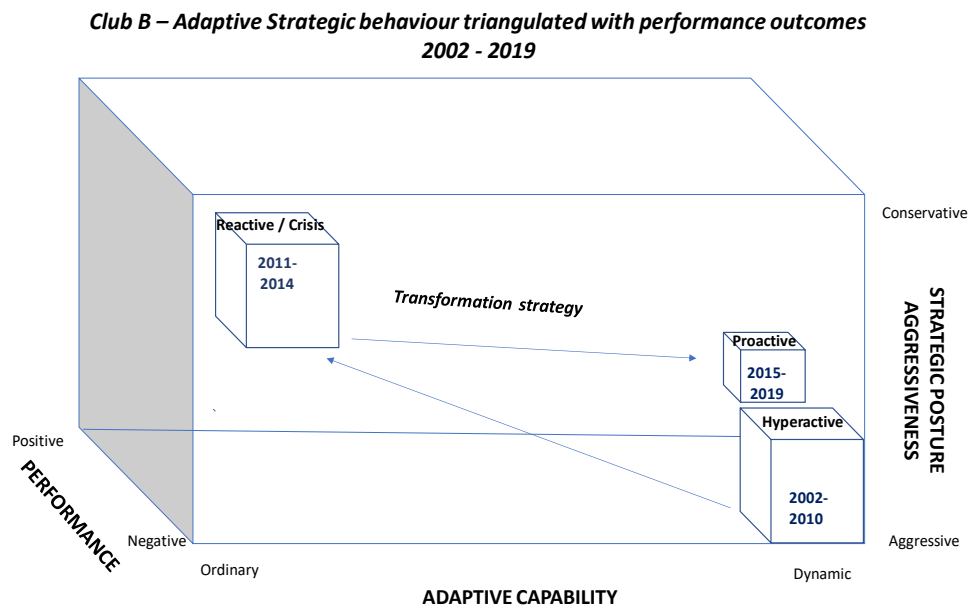
Secondly, the Club B case displays another addition to Johnson's original theory. Club B shows an inversion of the theory of Strategic Drift. Johnson's (Johnson, 1992; Johnson et al., 2017; Johnson et al., 2012) theory displays firms as suffering strategic drift by not keeping up with the environment change line. However, in the period where Club B undertakes behaviours that are over and above the club industry turbulence trend, it suffered drift by its over activity (Hyperactivity), displaying an Inversion of the theory of strategic drift that then led to a period of Strategic Flux before reaching a point of inflection (Burgelman, 1996, 2016) and being forced (imposed strategy) to transform. Figures 4 and 5 below Club B's dynamic adaptive strategy types as applied in a display of the typology.

Figure 4 Club B Adaptive Strategic Behaviour 2002 - 2019



Source: Developed for this research from primary and secondary sources

Figure 5 Strategic alignment and drift – Club B



Source: Developed for this research from primary and secondary sources

Club B had displayed highly dynamic strategic behaviour. Club B's strategic behaviour up to 2002 had been Proactive; capability had been dynamic, learned and built

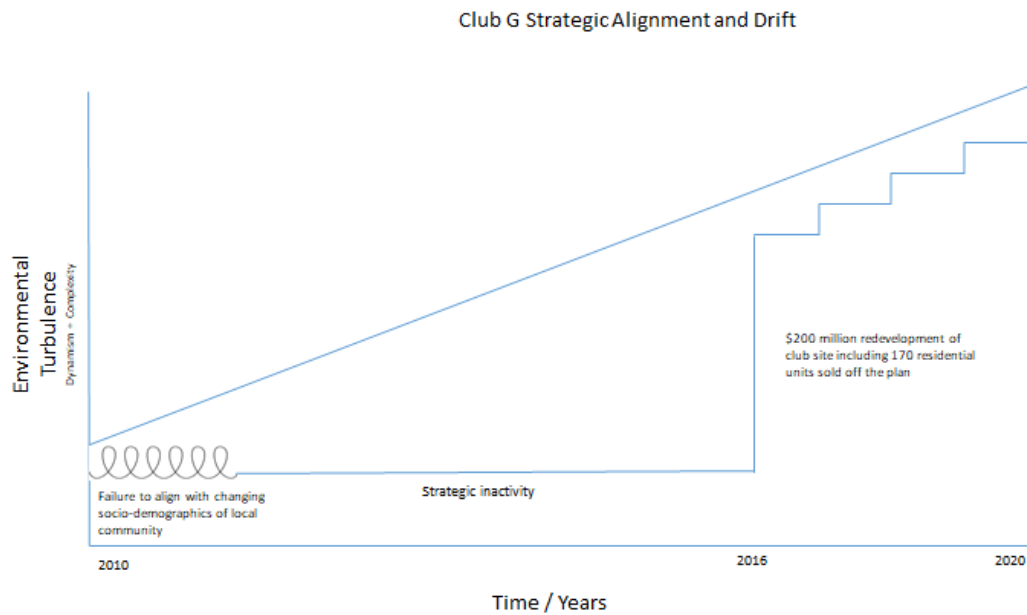
capability rose to a high level, growing to be one of the most successful clubs in NSW by 2002.

Between 2002 – 2010 a highly aggressive amalgamation (M&A) strategy placed the Club B group at risk of bankruptcy by being over-aggressive in its strategic posture during this period. During and after the overly aggressive expansion through amalgamations, Club B's capability to fund and manage the group deteriorated by 2010 by being Hyperactive. Club B struggled to fund and manage the largest club group in NSW club industry history. By 2012, Club B had recognised and stated publicly and to their members, that they were in financial distress.

Between 2011 – 2014 financial capital, environmental sensing and adaptive capability diminished to moderate capability. However, with a forced moderate to high aggressive strategic posture through implementing an imposed transformation facilitated by divestments (de-amalgamations) of nine clubs – Reactive/Crisis adaptive strategic behaviour.

Club B has displayed more tempered aggression since 2015. After the transformation strategy, Club B improved their capability to manage and fund the smaller group of clubs. Club B, between 2015 – 2019 had displayed moderate to high dynamic in capability, implementing staged developments across the remaining five clubs in the group, reporting profits across the Club B group, and facilitating investments of \$100 million into the group since 2015 using operating capital and debt to renovate and develop the remaining five club premises to be competitive in each club's local market. Club B in 2015 – 2019 displayed a moderate to high aggressive strategic posture combined with moderate to high dynamic adaptive capability – Proactive adaptive strategic behaviour.

Figure 6 Strategic alignment and drift – Club G

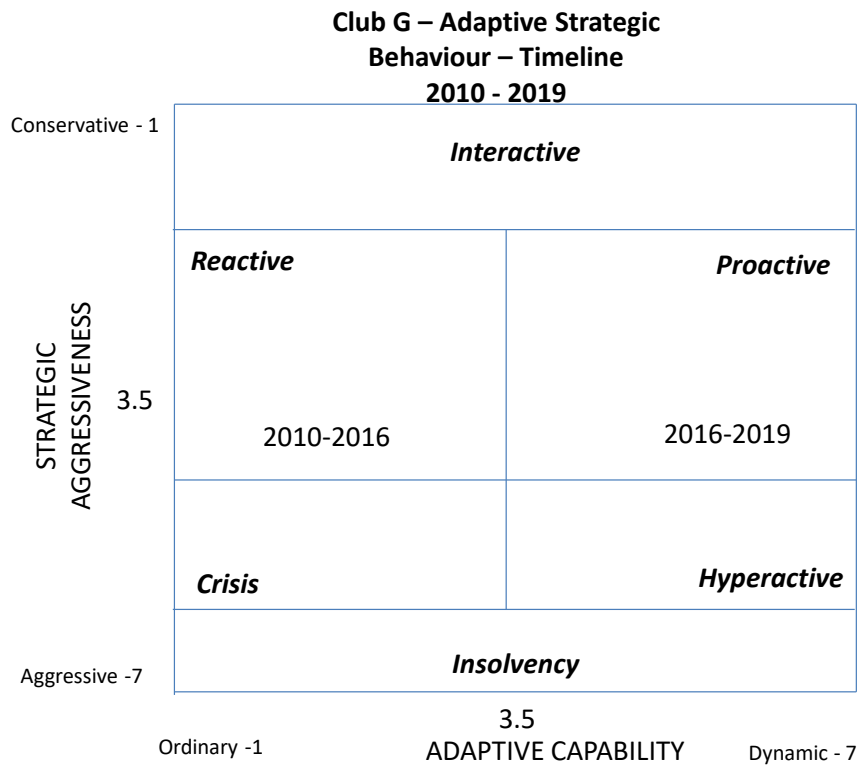


Source: Developed for this research from primary and secondary sources

The Club G case displays application of Johnson's original theory. Club G shows a intended, implemented and realised strategy as a pattern in action (Mintzberg and Waters, 1985, Mintzberg 1978, Mirabeau et al., 2018) following a point of inflection (Burgelman, 1996, 2016) that was acted upon by choice by Club G, after their financing bank, "who was well aware of their financial position", as stated by Club G's General Manager.

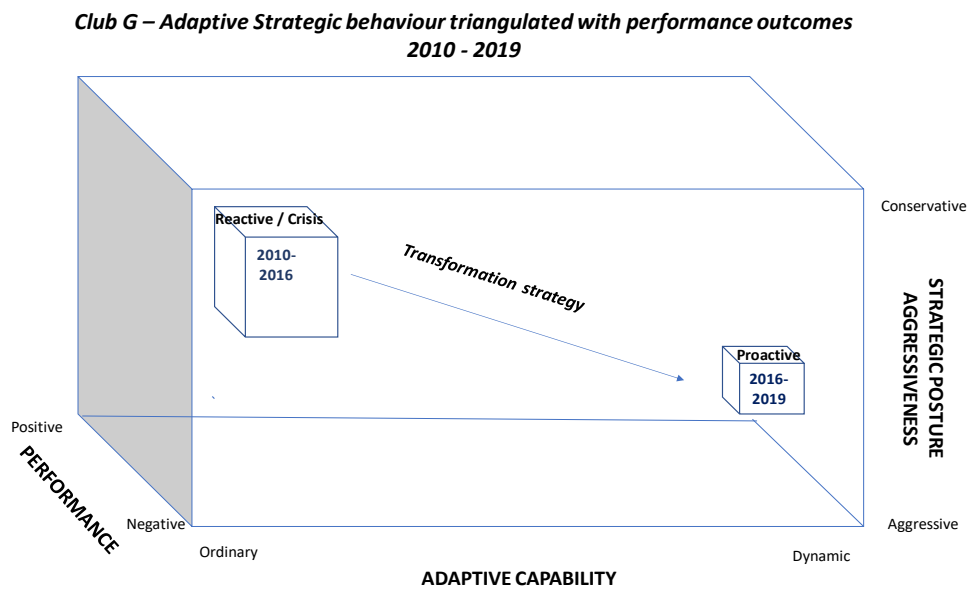
Club G chose to act, well aware that if they did not, the future prospects of the club and its business was in doubt. The point of transformation occurred, after a period of flux and drift, after 6 years of strategic inactivity, mainly concentrating on ordinary / operational activities, a Crisis loomed. By employing a new General Manager, who then convinced the board of directors of Club G that they needed to act urgently, Proactive strategic behaviour began towards a transformation and saving of Club G, its business, and re-alignment with the socio-demographic market of the local area. Figures 7 and 8 below Club G's dynamic adaptive strategy types as applied in a display of the typology.

Figure 7 Club G Adaptive Strategic Behaviour 2010 - 2019



Source: Developed for this research from primary and secondary sources

Figure 8 Adaptive Strategic Behaviour triangulated with performance outcomes



Source: Developed for this research from primary and secondary sources

Club G, during the years 2010-2016 exhibited moderate aggressive strategic posture with a dominant focus on ordinary operational adaptive capability, Reactive adaptive strategic behaviour. Club G experienced a period of strategic drift and flux during the years 2010-2016, displaying a failure to align the club's product to socio-demographic changes in their local community and align with club industry turbulence. A lack of investment in the club premises and strategic incapability to make changes to gain a re-alignment resulted in poor financial performance, forced divestment of club assets, increasing debt levels and a warning from Club G's financiers they were at risk of insolvency. In 2016 Club G utilised the expertise and services of external consultants and partnered with a property development firm to increase the adaptive capability to be high dynamic, exhibiting moderate to high aggressive strategic posture under the direction of a new General Manager. Club G was able to access up to \$200 million in financial capital to implement a transformational strategy, including knocking down the existing club premises and develop the site with 170 apartments and a new club premises. The club reopened with \$2 million in working capital, demonstrating Proactive adaptive strategic behaviour.

Changes in the Munificence in the NSW Clubs Industry

The study provides a partial explanation of changes in the propensity of the environment to support growth (Munificence) of the NSW registered clubs industry (see Figure 2). Up to 1997, all NSW registered clubs had positive munificence; the saying in the industry was "turn the lights on, turn the poker machines on, open the doors, and the club will make money!". Post 1997, hundreds of clubs have closed or were forced to merge (amalgamate) with other clubs. The reduced number of clubs competing in the industry may partially explain declining club industry munificence. Memorandum of Understandings (2010, 2014, 2018) with the current NSW Liberal political party government has stabilised the declining munificence.

Conclusion to the enhancement of current theories in the field of Strategic management – Towards an Adaptive Strategy Typology

This paper displays two club's adaptive strategies, both the exemplified cases were at risk of insolvency, one from being overly aggressive, stretching their resources and capabilities to an extent of being forced by their financiers to transform or being placed into insolvency, a Hyperactive case of Imposed strategy. The second club, also at risk of insolvency, the board of directors and CEO recognised the risk of insolvency, a crisis that resulted in a choice to transform and turn the fortunes of the club around to ensure the future of the club, a Crisis case of intended and realized strategy. Thirdly, the cases exemplified display the 'unsuccessful' side of the Adaptive Strategy Typology, adding to current typologies by extending understanding of not only successful strategies, but also unsuccessful strategies.

The Adaptive Strategy Typology has been developed from a study of an industry in NSW, Australia. The types as displayed In Figure 1 as types of clubs identified in the Adaptive Strategy Typology may be evident in other industries, hence it is listed as an implication for further research. Notably, the Club B case, which shows a situation where the adaptive strategic behaviour of Hyperactivity was evident and noted as a deviant case (Flyvbjerg, 2006), was the only example in NSW clubs that could be identified. Hyperactive firms may exist in other industries; therefore, noted by this study as worthy of further research to ascertain if the type of Hyperactive Adaptive Strategic Behaviour does exist in other industry sectors in Australia and globally. Further research that applies the typological model to other industries under various levels of turbulence is therefore warranted.

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