

# Survival or failure within the organisational life cycle. What lessons for managers?

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This article seeks to provide its readers with useful insights about what key factors towards survival (or failure) can be associated with different stages of the organisational life cycle. In particular, the article aims to explain how the empirical developments from 'organisational adaptation' literature can be useful, especially to the practice of management, for gaining fruitful recommendations about the investigated research question. The article has been specifically designed to fit the audience of the *Journal of General Management*. In fact, it mostly focuses on the managerial implications demonstrated by a number of real world examples (e.g. Ryanair, Zalando, Gucci and Google) currently associated with the discussed literature.

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## Introduction

This article seeks to provide managers with useful insights about what key factors towards survival (or failure) can be associated with different stages of the organisational life cycle. Studying these factors has always played a major role in the general management discipline. The interest of both academics and business experts towards the understanding of many related (and intertwined) phenomena, such as organisational infant mortality or survival, competitive selection and (eventually) market exit, has always been huge. Because of the persistent global financial crisis, the interest in these issues is even greater today, as demonstrated by the considerable attention devoted by the *Journal of General Management* to the hosting of many articles associated with corporate survival and competitiveness (e.g. Bruce, 2008; Mason, 2008; Nguyen and Kock, 2011). Over the second half of the 20th century, a significant contribution to the comprehension of the afore-mentioned topics has been provided by the continuous development of the literature labelled as 'organisational adaptation' (e.g. Cafferata, 2009; Hodgson and Knudsen, 2010; Fortune and Mitchell, 2012; Price, 2012), which has been increasingly found in a number of journals of general management. With its roots in biology (e.g. Stoelhorst, 2008; Cafferata, 2010; Breslin, 2011a; Lord, 2012), this literature has always been characterised by its strong practitioner orientation, as it has mostly focused on the empirical testing of assumptions associated with the interdependence relationship between organisations and their 'task' (i.e. competitive) or 'general' (i.e. society) environment (e.g. Koza *et al.*, 2011; Lewin

and Volberda, 2011; Murmann, 2013, Child *et al.*, 2013). This article aims to explain how the empirical developments from this literature can be useful, especially to the practice of management, in gleaning fruitful recommendations about what factors can determine survival (or death) within different phases of the organisational life cycle. The article has been specifically written for the readers of the *Journal of General Management*. In fact, it first provides readers with an explicative background about the keywords generally associated with the studies on organisational adaptation. It then focuses on how these studies have been exploring the issues associated with the survival or failure of organisations. It then concludes with a substantive focus on the managerial implications of these studies. In this regard, a major support to the discussion is offered by a number of observable evidences from current business practice (e.g. Ryanair, Zalando, Gucci and Google).

### Literature context

Over the second half of the 20th century, a number of adaptationists (e.g. Emery and Trist, 1965; Katz and Kahn, 1966; Kast and Rosenzweig, 1974) have produced various constructs regarding the concept of 'competitive' environment, which has often been addressed in terms of munificence, complexity and dynamism. Greatly inspiring further literature, Dess and Beard (1984) provided the first – and still most relevant – operationalisations of these variables. In terms of implications for practice, these scholars defined 'munificence' as the level of available resources at any given time and 'complexity' as the amount and variety of organisations with which a firm has to interact during its life cycle. Also, they perceived 'dynamism' as an environmental change which is difficult to predict. At the same time, stemming from the biological metaphor (Darwin, 1859), the term 'adaptation' has been used in various ways within the discipline of general management. Some scholars and practitioners, for example, have used this term widely considering all kinds of proactive or reactive organisational change; for others, this term has specifically meant organisational reaction to environmental pressures, with the latter elements conceptually predominant. On this basis, it can be seen that one of the most relevant debates among adaptationists has always been around the dichotomy between 'environmental determinism' and 'strategic voluntarism' in defining adaptation, thus in shaping corporate goals and behaviour. As far as its practical relevance is considered, the evidenced dichotomy could be summarised as follows: on the one hand, determinists have argued that the firms' top decision makers are substantially dependent on the external environment for their strategic planning. Thus, determinists have mainly conceived firms as fundamentally reactive – sometimes even inactive – with regard to environmental pressures. On the other hand, voluntarists have contended that the firms' top decision-makers are basically independent of the external environment and consequently their role is fundamentally proactive in shaping corporate goals (e.g. Lewin and Volberda, 2005; Van de Ven and Poole, 2005; De Rond and Thietart, 2007; Abatecola, 2012a). The synthesised dichotomy appears mostly reduced to date, chiefly because of the flourishing of those empirical examples of evidence

which have demonstrated that, as far as organisational adaptation is concerned, the power relationship between determinism and voluntarism can vary along the organisational life cycle (e.g. Farjoun, 2010; McCarthy *et al.*, 2010; Moran *et al.*, 2011). Some of this evidence has deliberately brought about the birth and continuous development of the concept of 'co-evolution' – perceived as the joint and dynamic outcome of strategic choice, and environmental and institutional effects (e.g. Cafferata, 2010; Breslin, 2011b; Lewin and Volberda, 2011; Murmann, 2013; Child *et al.*, 2013).

Over the years, the general study of the relationship between organisations and environments, introduced in this section, has directed many organisational adaptationists to focus a relevant part of their research efforts towards explaining why some organisations survive and others fail. The roots of this sub-stream of research can be found in the landmark underpinnings provided by Stinchcombe (1965). This American sociologist seminally introduced the 'liability of newness' construct, which, over time, has provided both determinists and voluntarists with a great contribution towards interpreting the Darwinian 'struggle for survival' between start-ups and mature organisations (e.g. Cafferata *et al.*, 2009; Abatecola *et al.*, 2012). The main assumption of the liability of newness is that the mortality rate of start-ups is the highest in the earliest years of their existence and then constantly decreases over time. In terms of practical implications, Stinchcombe (1965) substantially supposed that most of the newborn firms die young because of the absence of two main factors – 'experience' and 'trust' – within their organisational structures. First, the start-ups' experience is, frequently, particularly low at the beginning of their life. If they survive to infancy, their experience learning curve increases and this mechanism often catalyses the birth and growth of relevant survival factors, with the internal development of effective routines playing a primary role among them. Second, start-ups possess only minor survival chances as compared to older organisations because they need time to build significantly trusting relationships with a number of external (e.g. suppliers, potential customers, financial institutions, and governmental regulators) and internal (e.g. employees) stakeholders. Obviously, internal trust also counts as a real organisational capability, in that an increase in trust enhances the organisational system's thinking and therefore organisational efficiency. As the next sections discuss, Stinchcombe's underpinnings (1965) have greatly inspired the empirical studies conducted by many determinists and voluntarists on organisational survival. Although observed through different lenses, the general comprehension of why (and how) organisations fail has occupied a primary role in these scholars' agendas, with a specific focus, also, on understanding the challenges occurring in the first years of the organisational life cycle.

### Ecological studies on birth and death rates

As explained in a number of surveys (e.g. Abatecola, 2012a), 'population ecology' (Hannan and Freeman, 1977) can still be considered as the deterministic perspective on organisational adaptation with the most relevant focus on organisational survival (or exit). Ecologists have theoretically conjectured

organisational 'populations' to be groups of organisations, which, in one single industry, are substantially featured by the same structure and/or strategic behaviour. They have contended that the evolution of these populations, with a specific focus on their birth and death rates, is uniquely determined by their external environment. In this regard, for instance, ecologists have indicated that the specific structure of an industry and especially the number and dimension of the organisations within it, strictly (and objectively) constrains the level of performance possible for each of its organisations. In particular, these scholars have started from the assumption that external resources are always limited. According to them, it is therefore always the environment that imprints a primacy in the natural selection process among (and within) populations: those which fit, survive, while those which do not, die. Furthermore, ecologists have conjectured the construct of organisational 'inertia' (Hannan and Freeman, 1984) in an attempt to explain what structural challenges are often associated with this fit. One might argue that, over time, the main methodological construct introduced (and further refined) in ecological studies has been that of population 'density', whose practical meaning could be simplified through considering it as the number of organisations composing a population if one specific moment of observation is assumed (Hannan *et al.*, 2007). On this premise, the overall evolutionary path of a population's density has been measured as an inverted U-shaped path, whose initial growth and subsequent decline are mostly associated with the intertwined developing processes of 'legitimation' and 'competition' within the population itself. Legitimation can be explained as the cognitive mechanism of considering the strategic behaviour of an organisation in a population, especially its positive performance, as the rule to be followed by its competitors in general, and by the population's new entrants in particular. In this regard, it is known that the positive performance of the existing organisations within a population determines the levels of its attractiveness and of available resources (e.g. external funds) within it. But, at the very beginning, density is low and, thus, legitimation is low too, with the overall consequence of the limited external attractiveness of the population. This is why, in the earliest life of the population, mortality rates are much higher than birth rates.

Conceptually, the relationship between density and legitimation can be dynamically assumed as reciprocal, as the growing density constitutes an antecedent of the growing legitimation, which then positively affects the density itself. Therefore, over a certain time period, the population witnesses a rise in its birth rates and the contemporaneous downturn of its mortality rates. This time substantially ends when the competition process starts. This process can be conjectured as the internal cannibalisation of the population's organisations over the long term, with mortality rates definitely exploding. The reasons for this cannibalisation are, therefore, the growing number of organisational units on the one hand, and the contemporaneous (and physiological, as also premised) limitation of available resources on the other.

Since its very beginning, organisational ecology has referred to the liability of newness as one of the most significant theoretical bases for developing further conceptual and empirical trajectories on organisational birth, growth

and mortality (e.g. Abatecola *et al.*, 2012). In the 1980s ecologists started to test the liability of newness mainly in association with contemporarily considering the dimension of firms (e.g. Freeman *et al.*, 1983). Aldrich and Auster (1986) specifically implemented this new research stream by formalising the 'liability of smallness' construct. They supposed that this kind of liability mainly emerges from the concurrent acting of several factors, including: 1) the difficulty of obtaining a satisfactory amount of financial resources under acceptable conditions, mostly because creditors are often resistant to the support of small firms with the financial aid these firms need; 2) the difficulty for small firms, compared to large firms, of attracting the most talented employees. Largely supported by ecological research in the 1980s, the liability of smallness continued to be researched into the 1990s. In the latter decade, however, the ecological studies deriving from Stinchcombe's underpinnings (1965) became dominated by the introduction of the 'liability of adolescence' construct (Fichman and Levinthal, 1991). This kind of liability prospects a relationship between organisational age and mortality rate which, in its first conceptualisation, was viewed as diverging (at least partially) from the relationship predicted by the liability of newness. In particular, while Stinchcombe's seminal propositions (1965) supposed a monotonic decline of the organisational failure rates, the liability of adolescence hypothesises a non-monotonic inverted U-shaped configuration between organisational age and failure rates. In the latter assumption, the organisational mortality rate is low at the beginning of the organisational life cycle and then increases for a certain period (i.e. adolescence); having reached a maximum, it starts to decrease. Fichman and Levinthal (1991) supposed that both the rise and subsequent decline of mortality rates can be assumed for the same antecedents that understand the liability of newness construct. They also innovatively consider the possibility of a certain period of competitive peace, of initial buffering from competitive pressures that newborn firms may experience. This 'honeymoon' period can range from a few months to several years, according to the initial availability of some start-ups' assets, such as reputation and trust, financial support, or psychological commitment.

Over the 1990s, the comparative test between newness and adolescence rapidly increased, with inconclusive results. The attempt to resolve the dichotomy came at the end of the decade. Henderson (1999) was among the first scholars to explicitly acknowledge that, if one incorporates the overall firm's life cycle into his (or her) line of inquiry, the differences between newness and adolescence are minor: in terms of organisational mortality rates, the first years of an organisation's life cycle are more problematic than subsequent years. Whilst adolescence came to be viewed as integrating, rather than contrasting, with newness, both remain placed in opposition to the 'liability of aging,' which is an additional age liability hypothesis supposed in the early 1990s (e.g. Barron *et al.*, 1994). This hypothesis is based on the assumption that mortality rates are higher in older than in younger organisations. The empirical evidence obtained in the first half of the 1990s explained the construct of aging through the processes of 'senescence' and 'obsolescence' – both processes contradict the idea that organisations die young. Indeed, research published later (e.g. Ranger-Moore, 1997; Baum,

1999) provided the management literature and the practice of business with a much more contingent, moderated view of the aging construct. The particular assumption behind this view was that to understand the effect of age on failure rates, whether the relationship between time and organisational learning is positive or negative, it has to be effectively captured.

### **Socio-demographic studies on strategic pro-activity**

On the basis of the previously discussed evidence, it can be more generally argued that, from the late 1990s to the present time, the adaptationists' earlier research programme about organisational survival has partially changed its focus of attention. This change has mainly regarded the shifting of the adaptationists' research studies on age effects from a strictly deterministic perspective towards a more voluntaristic view focused on strategic pro-activity. This newer view has been focusing on discovering what firm-specific or environmentally related factors can counteract the age effects themselves. In this vein, Baron *et al.* (1996) and Hannan *et al.* (1996) drew on the Stanford Project on Emerging Companies for analysing different, but related, evidence from a sample of 100 young high-tech firms in the Silicon Valley area. The former scholars presented general evidence that tentatively supports the view that the founders' employment model constrains the subsequent evolution of human resource policies and practices within organisations. The latter scholars, more narrowly, tested two hypotheses of organisational 'imprinting' (Stinchcombe, 1965) on the sampled companies' evolution, with the initially observed features consisting of the founders' models of employment reaction and the founders' business strategies. The assumptions of imprinting were substantially supported, as these scholars evidenced that these two features strongly influenced the way in which the early evolution of the sampled firms was shaped. Later, Baron *et al.* (1999a, b) still drew on Stanford's database for studying how various founding features in the Silicon Valley can condition the governance and management of a number of technology start-ups. In this case, the observed characteristics were the initial gender composition and the founders' employment model. These scholars found that both these features influence the level of strategic pro-activity developing over time and their imprinting was almost totally supported in this study. The Stanford database was also used by Burton (2001) for obtaining more general evidence about the employment relationship models in the technology start-ups. Burton found that not only does this relationship specifically vary, but, more generally, leads to a huge heterogeneity of dominant business models within this industry. Exploring the causes of this heterogeneity, Burton contended that strategy is a key factor, in that those firms which adopted a non-technology strategy diverged from the industry's dominant model much more than those which adopted a technology strategy. But, and more importantly, the demographic composition of the founding team also matters. In fact, smaller founding teams were more likely to diverge from an industry-dominant model. This was also the case with those teams which were mainly composed of members with senior experience or with a background in finance, sales or marketing.

Beckman (2006) substantially followed the same line of inquiry using the Stanford database as the basis of observations. The research specifically focused on the determinants of new firms' exploitative or explorative behaviour (or ambidexterity). The main results were that the founding team's composition, in particular the team members' previous company affiliations, constitute an important antecedent. In fact, those start-ups whose founding members had a previous tenure in the same firm were more likely to pursue exploitation, because they shared understandings and this led their current team to increase the speed of the decision-making process. However, when the previous company affiliations of the start-ups' founding members were different, exploration was more likely to occur. Beckman evidenced that the top performing start-ups were those whose founding members' affiliations were mixed. Finally, Beckman *et al.* (2007) studied how the founding teams' demographic features of the Silicon Valley's technology start-ups affected these firms' outcomes. This research was devoted to exploring the influence of team composition and turnover as well as the start-ups' capability to attract venture capital and subsequently go public. The main results generally evidenced a positive relationship between start-ups' performance and the heterogeneity of their founding team's functional background and tenure. Furthermore, the founding team's turnover, in terms of new entrants and the founder's contemporaneous exit, favoured the probability of going public. However, its turnover, in terms of exits different from those of the founder, reduced this probability. On the basis of the evidence highlighted in this section about strategic pro-activity, it can be argued that, over the years, while organisational ecology has played a pivotal role regarding the deterministic studies on survival, 'upper echelons theory' has been crucial as far as voluntaristic lenses are concerned. The birth of this theory is owed to the seminal theoretical framework proposed by Hambrick and Mason in 1984. These scholars' view insists on the milestones of Simon's (1947) 'bounded rationality' and its inscending 'behavioural approach' (Cyert and March, 1963). In their framework the cognitive schemata of the firm's top decision-makers (with multiple goals sometimes conflicting) primarily influence both the corporate and business strategies. At the same time, these scholars' view can be considered as an extreme of Child's (1972) strategic choice. In their framework, organisations (and their strategies) substantially become the most formal reflections of the (objectively observable) 'socio-demographic' features of their executives (e.g. age, gender, functional background, tenure and kind/level of education).

Over the years, the empirical upper echelons research has followed two intertwined directions. In general, scholars have been committed to exploring a number of associations between the socio-demographic features of entire boards of directors and various strategic outcomes, such as dynamism, mergers, turnarounds, innovation, internationalisation, diversification etc. (Carpenter *et al.*, 2004). In particular, and especially in the studies based on US or UK datasets, the firms' CEOs have been taken into account as specific objects of the investigations. In this regard, what has been focused on is if (and how) the CEOs' socio-demographic features can act as mediators or moderators of the overall strategic decision-making process set by their firms'

boards (Hambrick, 2007). Regarding the specific aims of this sub-section, it is stressed that upper echelons scholars have produced valuable considerations on which board socio-demographic features can help the survival chances of distressed firms (e.g. Abatecola *et al.*, 2013). In particular, board 'tenure' (i.e. the average time of the presence of the directors within the board) has provided the most investigated variable, with most results evidencing that high tenure negatively affects the profitability of distressed firms. Similar results have applied to board 'heterogeneity' (i.e. the composition of the board in terms of the different ages, gender and capabilities of its directors), with most studies converging in showing that heterogeneity reduces the possibility of firm distress. Conversely, contrasting evidence has emerged when the negative relationship between organisational death and the board 'level of education' has been hypothesised. Finally, while the relationship between corporate distress and board 'age' is still not conclusive, the lack of 'core function expertise' has been univocally considered as a predictor of diminished survival chances.

### **Managerial implications**

This article has explained how the organisational adaptation literature has contributed to the understanding of various phenomena associated with survival or failure over the organisational life cycle (Phelps *et al.*, 2007). This section provides readers with further food for thought, by using recent examples from real world business for discussing the main managerial implications about each of the issues presented in the article.

#### ***Countervailing the liability of newness***

First, the article has addressed how the interpretation provided by adaptationists about the infant mortality of organisations has been evolving over time. The article started from Stinchcombe's liability of newness construct (1965) and has shown how this construct has greatly influenced the subsequent related literature focused on the problems of newborn firms. To date, the liabilities of newness, adolescence and aging continue to receive attention among adaptationists. While many scholars (e.g. Burke *et al.*, 2008; Cafferata *et al.*, 2009; Filatotchev, 2010; Carmeli and Markman, 2011; Abatecola *et al.*, 2012; Dobson *et al.*, 2013) have demonstrated that the extant empirical evidence has generally supported the existence of the liability of newness, the debate on how to countervail it properly is still lively in the business agenda. In particular, the article has shown that the academic debate around the death rates of newborn firms has shifted its focus from a mainly deterministic perspective (1980s–1990s) to a more voluntaristic perspective (since the second half of the 1990s). On this premise, interesting empirical evidence emerges from the practice of business in the current European context. For example, Uli (2012) focused on the early selection phenomenon in SPA Rome, an Italian start-up active in the well-being industry. The study confirmed Stinchcombe's seminal intuition (1965) about the relationship between the high death rate of start-ups and the urgency of developing new routines, in terms of both roles and processes. In particular, the experimental



setting of the study focused on restructuring the start-up's feedback mechanism, both at an individual and firm level, in order to enact innovative (personal and group) behaviours towards the firm's survival. Prior to the introduction of this restructuring, neither the firm's management style nor its organisational structure were appropriate to the dynamic and customer-oriented environment in which the company operates. As a consequence, the employees were unable to exploit either individual or group know-how (and expertise); moreover, the productivity indicators were far below the industry average and the absence of a strong corporate culture resulted in a lack of employee motivation. In sum, the company suffered the traditional liability of newness framework. Because of the labour intensive nature of the business, the restructuring plan was mainly grounded on the innovation of the performance appraisal system. In particular, the feedback mechanism reverted to its inner nature, becoming much more customer-oriented and much less organisation-dependent. The innovation in the individual routines was supported by the development of a new rewards scheme, which gave greater importance to results than strict observance of rules. Furthermore, the production and reproduction of corporate common knowledge were fostered by weekly meetings, with open discussions about company targets which refocused the company (and its employees) around a common vision and culture. The results were impressive. In less than one month, the individual productivity jumped from 15/hour per employee to 40/hour, and continuous improvements due to the new feedback systems allowed the firm to close the 2012 fiscal year with a huge profit.

As far as the European context is concerned, the case of Ryanair can provide further interesting insights about some underpinnings surrounding the liability of newness construct. During the 1980s, Ryanair faced the challenge of entering the air transport business, which was already consolidated around traditional full service companies. The low cost business model adopted by Ryanair was innovative in Europe and, *de facto*, created a new market segment in the European air transport business. At that time, the traditional air transport business of full service providers could have been considered as being in its mature stage, the new low cost segment in the growth stage, thus leaving room for improvements and innovations. In 1994, Michael O'Leary was appointed as CEO of Ryanair and drove its change to the new, growing business segment. This change happened through a number of acquisitions and process innovations, including an online booking site and check-in service. Ryanair quickly became the leader of this new market segment. Analysis of Ryanair's performance trend indicates that it clearly struggled for survival when it entered the new, unpredictable low cost segment. In particular, the data show the existence of a two-year honeymoon period (1985–1987) followed by a four-year adolescence period (1987–1991), in which profits were widely negative, thus increasing the failure risk. After the adolescence period, Ryanair was able to leverage its strongest capabilities (i.e. the low cost business model, online interaction and O'Leary leadership style), thus ensuring first mover advantage in the market. Zalando is a German start-up, active in the selling of shoes, clothes and other fashion products, that has quickly become one of the most profitable e-commerce firms. Founded in

2008, this firm is characterised by a business model strongly oriented to customer relationship management (CRM), and a quick, safe delivery system. Zalando is a 'Pure-Click' firm, i.e. a firm that launched a website without any previous formal existence. Some major strengths have allowed Zalando to survive its natural selection stage. These strengths are mostly associated with the firm's intensive promotion campaign, through both traditional and innovative media devices, and its innovative distribution mechanism (i.e. reliable, safe shipment, plus absence of intermediaries). Zalando has properly answered the common problems of fashion distribution through implementing a strong CRM approach (e.g. seasonal discounts, freedom of payment devices and a very functional website).

Finally, interesting evidence about the investigated topic also comes from outside Europe. For example, although still in its infancy in some aspects, the American Zynga can be considered as the current world leader in social gaming services, with more than 292 million monthly active players worldwide. Zynga develops social games with a cross-platform viral approach including mobile phones, websites and social networks. Its apparent survival with respect to the liability of newness seems to be determined by three main factors: 1) its specific partnership with Facebook; 2) its corporate culture; 3) its knowledge acquisition mechanism. Regarding the first factor, Zynga has created the concept of 'in-game currency', which means that the game is officially free, but customers can actually buy some of its special features. Zynga's intuition has been to bring the social dimension into its games through an agreement with Facebook. In fact, Zynga provides Facebook with 30% of its users' in-game spending revenues; at the same time, Facebook provides Zynga with exclusive promotion of its social games. The other two success factors seem not to be minor either. In particular, Zynga owns a corporate culture obsessed with business outcomes and has appointed several managers and directors experienced in knowledge acquisition and internal diffusion.

### *Understanding organisational failure*

Second (although also associated with the first item discussed above), the article has shown how some perspectives on organisational adaptation have addressed the determinants of organisational death more generally. In particular, the contributions provided, over the years, by organisational ecology and upper echelons theory have been highlighted. Regarding the former, it must be stressed that, especially in this new century, the most recent developments of this literature have followed the reconstruction of populations and forms in the language of social codes and audience expectations (Hannan *et al.*, 2007). Thus, in addition to the attention given to newborn organisations, ecologists have devoted considerable attention to the survival consequences of adaptation for organisations in general. One of the most impressive examples is the issue of survival consequences associated with category spanning (e.g. Hsu *et al.*, 2009). Instead, with upper echelons theory, scholars are now starting to expand the analyses based on objectively observable socio-demographic features towards the more complex domain

of investigations associated with executives' subjective 'personality' aspects. In this regard, promising, although still exploratory, evidences about strategic outcomes based on traits such as locus of control, need for achievement and narcissism, have already been provided. This new orientation seems to represent a radical shift in the upper echelons' traditional schemata. This shift appears to be due to at least two intertwined reasons: 1) it is contended that this orientation can significantly help the understanding of the most internal antecedents associated with boards' behaviour (e.g. Chatterjee and Hambrick, 2011; Huse, 2007); 2) this orientation seems necessary if upper echelons scholars seek to properly address past critiques about the real reliability implicit in the proper understanding of executives' cognitive models through observing their socio-demographic features only (Finkelstein *et al.*, 2008; Carpenter, 2011). In recent international management conferences and journals' special issues, this nascent domain was labelled as 'behavioural strategy' (e.g. Powell *et al.*, 2011). Still in infancy, this domain is fascinating, although its development and future consolidation will require many more direct connections with clinical psychology and/or psychiatry research fields, if the robustness of its results aim at being strengthened (Abatecola *et al.*, 2011; Armstrong *et al.*, 2012; Barrick *et al.*, 2013). Regarding the practice of international business, an interesting application of the upper echelons theory can be associated with the 1980s crisis suffered by the Italian fashion group Gucci. Family disputes and subsequent mistakes in governing the business brought this firm to the threshold of bankruptcy in the early 1990s. In 1994, Tom Ford was appointed as the new creative marketing manager of the firm which represented a crucial point for Gucci's survival. Outlining Ford's character through the 'Five-Factor Model' of personality, his most vivid personality features, i.e. extraversion, emotional stability, conscientiousness, open to experience, and agreeableness, were consistent with Gucci's overall philosophy. This fit led the company to specific strategic reactions, such as bringing eroticism and glamour to the mainstream, as well as promoting provocative marketing campaigns associated with new status symbols. The new cohesion between vision, strategy and actions brought Gucci into a new deal, with performance rising dramatically from \$0.25 billion in 1994 to \$4 billion in 2010. It is argued here that the upper echelons theory can be functional towards implementing the effectiveness of business, not only when used for analysing situations of corporate distress but also for understanding the main reasons behind the business's success. The evidence from Google is particularly interesting here. After the start-up, Google's founders, Larry Page and Sergey Brin, soon realised that despite innovative ideas and strong technical background, their top management team lacked proper business management skills. Consequently, they integrated Google's top management team with members who had extensive experience in managing ICT companies. For example, the Executive Chairman, Eric Schmidt, was a former president of Sun and Novell.

Other socio-demographic features positively impacted on Google's innovation, such as the 'under 50' age associated with all its managers and their high education level. The adopted leadership style was also coherent with the innovative business idea of Google, which has defined itself as 'an employee-

owned co-op' firm. In sum, Google's success seems to support the framework proposed by the upper echelons theory. Nonetheless, even with the advancements (and examples from the practice of business) depicted above, the comprehension of organisational death through organisational adaptation perspectives still needs conclusive interpretation. This also appears as a consequence of the first issue (i.e. determinism *versus* voluntarism) which constitutes the general background of this article. It is evident that if the mechanisms of effective adaptations do not receive conclusively convergent explanations, the antecedents and dynamics of corporate failures, thus ineffective adaptations, cannot be progressively captured. In this regard, recent (and promising) attempts to bridge adaptation perspectives for finding a common ground in the study of corporate failures have been performed (e.g. Mellahi and Wilkinson, 2004; Abatecola, 2009). It is contended here that a more formal use of the co-evolutionary approach can have the potential to further strengthen this nascent ground.

As supposed by the theoretical context of the article, the co-evolutionary approach would suggest the interpretation of corporate crises through contemporaneously considering the joint effect of their external and internal antecedents (e.g. Abatecola, 2012b). Again, the practice of business can offer a number of interesting insights of this kind. For example, Postbón is a Colombian firm active in the production and commercialisation of non-alcoholic drinks, whose core business focused on soft drinks very soon put it alongside Coca Cola. At the beginning of the new century, Postbón suffered a huge crisis. The external factors of this crisis were mainly associated with the huge Colombian financial crisis (i.e. high interest rates on mortgages, decreasing value of houses, high unemployment rates and contraction in consumption). At the same time, the internal factors of the crisis were mainly related to the wrong strategic choices being made by the firm's top decision-makers. In particular, they dramatically reduced the investments in the firm's core business, having decided to perform a strong, unrelated diversification into businesses such as TV broadcasting. The case of LEGO is similar. Based in Denmark, LEGO is the manufacturer of the popular line of toys based on colourful interlocking plastic bricks and other parts. In 2003, LEGO found itself in a distressed situation. The main external factors were represented by economic pressure on consumer demand, intense price competition and margins' reduction because of the outsourcing policies of LEGO's major competitors, plus the general change in its distribution channels (from retail to grocery chains). The firm's crisis was also the consequence of internal factors, such as its ineffective unrelated diversification, the rigid structure of its top management team and general excess of production (resulting in increased product stocks). The example of Poste Italiane (hereafter Poste) is impressive too. At the beginning of the new century, Poste suffered a huge crisis, whose external determinants were mainly associated with the industry's privatisation (i.e. Poste was no longer the market's monopolist). Simultaneously, the internal factors triggering Poste's crisis could be easily found in its strongly political governance and management style, its high labour costs and the absence of a common organisational culture. Thanks to an appropriate turnaround, Poste is among the largest service groups in Italy; with about

14,000 post offices and a team of over 150,000 staff, it provides services to 37 million customers. It is interesting to note that Poste can also represent evidence about how a successful turnaround can radically change the international reputation of a firm. Poste has been recognised worldwide for its innovative model of business development (+263% revenues, +271% Ebitda and +327% productivity per employee over the years 1998–2010).

## Conclusion

This article is intended for all those scholars and practitioners who want to enhance their comprehension about what key factors can improve the survival chances of firms facing different stages of their life cycle. Specifically, how the empirical literature on organisational adaptation has contributed to the understanding of these aspects has been discussed. At the same time, it has been shown how, to date, the practice of business strongly supports the interpretative views prospected about the investigated topics. It has also been shown how this contribution can be further enhanced through future efforts jointly performed by academics and practitioners.

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