

Adapting through Crisis: Exploring the Microfoundations of Punctuated Equilibrium Theory

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Résumé :

While organizations constantly need to adapt to their environment, the strategy literature has overlooked the role played by crises in organizational adaptation and the key role of the top management group dynamics during this crisis. To bridge this gap, this article expands punctuated equilibrium theory by conceptualizing an adaptation crisis as follows: 1) a strategic dilemma between keeping the current path (e.g., path reinforcement) or changing it (e.g., path transformation); 2) a game played by coalitions within the top management group. This dual conceptualization leads to a theory of the microfoundations of punctuated equilibrium according to which an adaptation crisis is a process through which an organization changes/does not change its path following a signal of drift between the organization and its environment. During this process, coalitions within the top management group strategize and confront their own response based on their deciphering of the signal of drifts and their strategic interests. The output of the dilemma, reinforcement or transformation of the path depends on the winner of the game. However, if the strategic drift is not bridged, the adaptation crisis will continue, and new rounds will take place up to the death of the organization or its ability to reconnect with its environment. This theory offers implications for both strategic management research and practice.

Mots-clés : organizational adaptation, crisis, punctuated equilibrium theory, microfoundations, game.

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INTRODUCTION

Organizational adaptation is at the core of strategic management (Chakravarthy, 1982). Given the increase in frequency and diversity of external shocks (Wenzel, Stanske, and Lieberman, 2020), commonly defined as unanticipated and disruptive changes in an organization's external environment (Meyer, Brooks, and Goes, 1990), a large body of work has aimed to understand how organizations adapt to them. For instance, Chakravarthy (2015) recently focused on organizations' adaptation to the 1997 Asian crisis, and Dowell, Shackell and Stuart (2011) on the response to the dot-com crisis. However, this body of work currently faces two shortcomings. First, the role played by external shocks during adaptation is paradoxical: they trigger organizational adaptation and signal that organizations struggle adapting, as the empirical evidence of either Nokia or Imperial Chemical Industries has shown (Doz and Wilson, 2017; Pettigrew, 1985). Second, the role played by the top executives remains unclear. While their role remains limited in the literature on organizational adaptation (Hrebiniak and Joyce, 1985; Levinthal, 1991; Meyer *et al.*, 1990; Miller and Friesen, 1980), they are said to direct the adaptation to crisis in the literature addressed to executives (e.g., Hambrick, Nadler, and Tushman, 1998; Nadler and Tushman, 1990). These conflicting viewpoints question how top executives actually take part in organizational adaptation (Wenzel *et al.*, 2020). These two flaws to the organizational adaptation literature lead to the following question that we raise as a basis for theory-building: *How do organizations adapt through crises, and what is the role of top executives in this adaptation process?*

To answer this question, we build on punctuated equilibrium theory (PET) that conceptualizes organizational adaptation as alternations of periods of evolutionary change and periods of revolutionary change (Tushman and Romanelli, 1985). Indeed, the theory posits that revolutionary change is triggered by an external shock and is directed by the top executives of the organization, which are the two foci of our article. We then expand the PET by conceptualizing an adaptation crisis as follows: 1) a strategic dilemma between keeping the current path (e.g., path reinforcement) or changing it (e.g., path transformation); and 2) a game played by coalitions within the top management group. This dual conceptualization leads to a

theory of the microfoundations of punctuated equilibrium according to which an adaptation crisis is a process through which an organization changes/does not change its path following a signal of drift between the organization and its environment. During this process, coalitions within the top management group strategize and confront their own response based on their deciphering of the signal of drifts and their strategic interests. The output of the dilemma, reinforcement or transformation of the path depends on the winner of the game. However, if the strategic drift is not bridged, the adaptation crisis will continue, and new rounds will take place up to the death of the organization or its ability to reconnect with its environment. In doing so, this article enriches the understanding of organizational adaptation through crisis by developing the microfoundations of punctuated equilibrium theory. It also offers a game perspective on the top executives of the organization. Finally, it improves our understanding of how crises unfold and offers practical implications regarding the nature of strategic crises.

The article is organized as follows. In the first section, we review the literature on how organizations adapt through crisis and demonstrate how PET offers a synthesis of this literature by putting at its core the role of the external shock and its response by the top executives of the organization. Then, we expand the theory by developing in the second section the process of adaptation crisis and in the third section the concept of top management game. This dual conceptualization leads to a theory of the microfoundations of punctuated equilibrium that we present in the fourth section. We finally discuss our theorizing with the strategy literature and offer practical implications in the fifth and last section.

1. TWO INTERDEPENDENT PERSPECTIVES ON ORGANIZATIONAL ADAPTATION THROUGH CRISIS

The literature on organizational adaptation has developed following two interdependent perspectives according to which organizations adapt either by reacting to environmental forces or by building on their capabilities (Hrebiniak and Joyce, 1985; Levinthal, 1991; Meyer *et al.*, 1990; Miller and Friesen, 1980). To understand how organizations adapt through crisis, we first focus on how crisis is apprehended in each perspective and then on the role of the top executives of the organization during crisis. This leads to the suggestion of PET as a theory that synthesizes these two interdependent perspectives.

1.1. REACTING TO THE ENVIRONMENT

A first array of theories posits that organizations adapt by reacting to environmental forces. Among these theories, population ecology assumes that some organizations survive in the

environment while others do not. Organizations' survival depends on their capacity to overcome inertia and resistance (Hannan and Freeman, 1977). According to resource dependence theory, organizations react to the environment as their changes are dictated by contingencies in the external environment (Pfeffer and Salancik, 1978). For institutional theory, reactive behavior is due to pressures experienced by organizations to conform to the normative expectations of their institutional environments (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Scott, 1995).

These three theories indicate that when organizations fail to properly react to the environment, they face a crisis. According to population ecology, the crisis is caused by environmental constraints and inertia pressures caused by both internal factors (sunk cost of firms, communication structures, internal politics, dominance of institutional norms) and external factors (barriers to entry and exit, bounded rationality, and social legitimacy). The stronger the inertial pressures, the lower the organization's adaptive flexibility and the higher the environmental selection. The ecological crisis can lead to the death of the organization (Hannan and Freeman, 1977). In regard to resource dependence theory, as the environmental context influences both the distribution of power and control within the organization, a misalignment between the organization and its environment leads to the outbreak of a crisis (Pfeffer and Salancik, 1978). Finally, according to institutional theory, institutional pressures lead to a decoupling between formal policies and actual organizational practices. Thus, in the case of an external shock, organizational practices may not suffice to face the crisis (Meyer and Rowan, 1977; e.g., Wicks, 2001).

Given the macrolevel analysis of all three theories, the role of top executives during crisis remains limited. In fact, it mainly lies in their capacity to interpret the environment to shape the organization's response (Daft and Weick, 1984; Ford and Baucus, 1987). For instance, following resource dependence theory, top executives attempt to reduce their dependence on the environment by increasing their own power over others (Salancik and Pfeffer, 1974).

1.2. RELYING ON ORGANIZATIONAL CAPABILITIES

The second array of theories assumes that organizations adapt by relying on their capabilities. For instance, proponents of the lifecycles of organizations show that organizations adapt following developmental stages (Greiner, 1972; Kimberly, Kimberly, and Miles, 1980; Quinn and Cameron, 1983). According to logical incrementalism, organizations adapt through experimentation with new products, structures and processes. Successful variations become institutionalized and lead to organizational adaptation (Quinn, 1980). Finally, the organization's

dynamic capabilities are ultimately found to foster adaptation, as they allow organizations to integrate, build, and reconfigure their capabilities to address fast-moving environments (Eisenhardt and Martin, 2000; Teece, Pisano, and Shuen, 1997).

For these three theories, the embeddedness of organizational capabilities leads to the outbreak of a crisis. As organizations follow a path dependency pattern that leads over time to a lock-in effect, it is difficult either to move from one stage to another, to create variations or to integrate, build, and reconfigure capabilities. This is due to the rigidity of the system that cannot invest in new capabilities to change its path, as it relies on a dominant decision pattern that gains a deterministic character over time (Sydow, Schreyögg, and Koch, 2009; Vergne and Durand, 2010). Thus, crises burst forth when a change in the environment leads to the inability of the organization to realign due to its path dependency (Alakent and Lee, 2010; Greve and Yue, 2017).

According to these theories, top executives take an active role in responding to crises. Regarding lifecycle theories, organizational adaptation depends on their ability to move to the next phase of growth (Greiner, 1972; Quinn and Cameron, 1983), and in regard to both logical incrementalism and dynamic capabilities, top executives direct the changes, either towards logical incrementalism (Quinn, 1980) or by sensing opportunities and threats, seizing opportunities and reconfiguring organizational assets (Eisenhardt and Martin, 2000; Teece *et al.*, 1997).

1.3. PET AS THE SYNTHESIS OF THE TWO PERSPECTIVES ON ORGANIZATIONAL ADAPTATION THROUGH CRISIS

Both perspectives on organizational adaptation develop an understanding of how crises unfold and of the role that top executives play in them (see Table 1): crises are either materialized as a response to external shocks, where the role of the top executives remains limited, or they are the result of the embeddedness of the organizational capabilities for which top executives have a leverage.

Perspectives	Theories	Theoretical mechanism	Crisis	Role of the top executives
Reacting to the environment	Population ecology	Survival	Environmental constraints and inertia pressures	Interpret the environment and conceive a response to the threat
	Resource dependence theory	External dependencies	Misalignment of organizational	

	behavior with the environment			Direct the change
	Institutional theory	Legitimacy	Decoupling between formal policies and actual organizational practices	
Relying on organizational capabilities	Lifecycle of organizations	Organizations adapt following developmental stages		
	Logical incrementalism	Experimentation with the successful variations being institutionalized	Lock-in effect leading to the organization's inability to realign with its environment	
	Dynamic capabilities	Organizations integrate, build, and reconfigure their competencies to address the environment		

Table 1: Theoretical perspectives on organizational adaptation

PET offers an interesting synthesis of these two interdependent perspectives, as it possesses the foundational elements of how organizations adapt through crisis (Tushman and Romanelli, 1985). Indeed, according to the theory, organizations adapt following the two perspectives, and for each, the role of top executives differs. More importantly, crisis remains the pivotal element of organizational adaptation, as it is the external shock that dictates the adaptation mode. However, to improve our understanding of how crises unfold and of the role of top executives in crisis, we need to expand PET. For that purpose, next two sections develop in turn the process of adaptation crisis and open the black box of the top executives' interactions.

2. THE PROCESS OF ADAPTATION CRISIS

PET posits that organizations evolve following the alternations of two periods: evolutionary change where organizations react to the environment and revolutionary change where they respond to external shocks by modifying their organizational capabilities (Tushman and Romanelli, 1985). While reacting to the environment, evolutionary change lasts for long and stable periods of organizational life and helps maintain the stability of the organization. Change is manifested by inertia stemming from institutional and internal interdependencies that reinforce existing patterns of organizational activity (Tushman and Romanelli, 1985). Systems make adjustments that preserve the deep structure of the organization, defined as 'the set of fundamental choices a system has made of (1) the basic parts into which the units will be

organized and (2) the basic activity patterns that will maintain its existence' (Gersick, 1991: 14). Organizations are preserved against both internal and external perturbations and move incrementally along paths that are built into the deep structure and preserve its consistency (Gersick, 1991). Top executives play a minor role in this evolutionary change (Tushman and Romanelli, 1985). On the other hand, revolutionary change occurs when external shocks break the equilibrium. They are manifested by discontinuous changes in the environment, sustained low performance and major shifts in the distribution of power within the organization (Gordon *et al.*, 2000; Tushman and Romanelli, 1985). They constitute a strategic drift between the organization and its environment (Johnson, 1988). It leads the top executives of the organizations to create an impulse towards a revolutionary change. Thus, organizations adapt by modifying their capabilities and transforming the fundamental properties of the organizational system, including strategy, power, structure and controls. The deep structure of the system comes apart, and a new deep structure emerges (Gersick, 1991).

While PET shows that external shocks trigger a revolutionary change, organizations do not always undertake revolutionary changes in response to external shocks and often struggle to find a way to adapt (Doz and Wilson, 2017: e.g.; Pettigrew, 1985). To understand this paradox, we expand PET by showing that external shocks lead to a process of adaptation crisis. Indeed, we argue that during the adaptation crisis process, organizations apprehend the external shock as a signal of drift between the organization and its environment with two possible outcomes (Connelly *et al.*, 2011; Spence, 2002). On the one hand, if the organization deciphers the signal of drift as being too mild, the organization adapts towards an evolutionary change and keeps the same path (Gordon *et al.*, 2000; Lant, Milliken, and Batra, 1992; Wischnevsky and Damanpour, 2005). On the other hand, if the signal is deciphered as a drift, the organization develops revolutionary change and changes its path. It is, however, necessary to open the black box of the top executives' interactions to understand how the signal is being deciphered and how, in turn, the organization changes or does not change its path.

3. THE GAME: OPENING THE BLACK BOX OF THE TOP EXECUTIVES' INTERACTIONS

PET showcases top executives as the actors in charge of adapting the organization in response to an external shock during the adaptation crisis process. After constructing their own interpretation of the external shock, they design a response that either consists of keeping the same path or changing the path of the organization (Romanelli and Tushman, 1994; Tushman

and Romanelli, 1985). However, PET leaves unclear who oversees this strategizing process and how it unfolds. First, research remains unclear whether revolutionary change is undertaken by the current executive team or by a CEO hired from the outside (Romanelli and Tushman, 1994; Tushman and Rosenkopf, 1996; Virany, Tushman, and Romanelli, 1992; Wischnevsky and Damanpour, 2005). Second, it is also unclear whether change relies on the leadership capabilities of the CEO (e.g., Nadler and Tushman, 1990) or on the mutual engagement and collective interactions among top executives, which Hambrick (1994) calls behavioral integration. Given these limitations, we conceptualize the interactions of the top executives as embedded within the adaptation crisis process. They consist of a *top management game* where the concept of game is metaphorically used to obtain an understanding of the situational analysis of the interactions at play (Goffman, 1969; Saloner, 1991).

3.1. THE RULES OF THE TOP MANAGEMENT GAME

To understand how the top management game unfolds, we define its rules by introducing its players, developing the purpose of the game, indicating its beginning and how it ends, and displaying how it plays. First, the players of the top management game are members of the top management group (Hambrick, 1994). Indeed, top executives operate as a group that transcends the frontiers of the organization (Ma and Seidl, 2018) and may include members of the board of directors (Goodstein and Boeker, 1991; Luciano, Nahrgang, and Shropshire, 2020). The top management group is split between two or more parties: the dominant coalition that usually comprises the majority of the top management team (Ma and Seidl, 2018; Pearce, 1995) and dissident coalitions who are top executives who do not handle the power over the organization. They structure around the players' interpretation of the signal of drift and their response to it. Coalitions are dynamic. Depending on the external shock (type, magnitude, etc.), players can interpret the signal of drift and strategize the response differently over time.

Second, the aim of the top management game is to make the organization adapt to its environment. Indeed, while players want to improve their position within the organization, given the high-stakes nature of the top management game, they more importantly want to survive it by having their organization successfully adapt to the environment. Indeed, in case of failure, players may have to leave the top management group or the organization, and the organization may even die.

Third, a game is organized in rounds that take place throughout the adaptation crisis process. A round starts when a signal of drift is deciphered by coalitions. It ends when the coalitions have strategized their organizational responses that lead to either follow the same path or to change

the path of the organization. When a new signal is being deciphered by the organization, a new round begins. As coalitions are dynamic, players can structure around new interpretations of the signal and around different organizational responses. The game ends when there is no more signal of drift that is being deciphered. The adaptation crisis is then over.

Fourth, the game is played by moves made by the players (Goffman, 1969). Indeed, strategizing the organizational response involves convincing the other parties. However, coalitions do not make moves to play against the other coalitions and gain power over them. As players aim to make the organization adapt to its environment, they make moves to have their vested interests win the game.

3.2. THE VESTED INTERESTS OF THE PLAYERS

Each player plays the top management game depending on its interpretation of the environment but more importantly on its vested interests in the top management game. While we contend that coalitions are dynamic, as each round is composed of new coalitions with potential new responses, we argue that the dominant and dissident coalitions have preferred interpretations and responses during the top management game.

On the one hand, the dominant coalition tends to ignore or undermine the drift signal. Indeed, its members have strategic interests in reproductive patterns that lead to the organization following its ongoing path. Indeed, individuals at the core of the top management group have a propensity of taken-for-grantedness attitudes (Scott, 1995). They also bias information in an optimistic direction during stress and uncertainty (Starbuck, Greve, and Hedberg, 1978). Finally, as they want to gain legitimacy, they avoid potential reputational issues that would question their dominant status (Desai, 2011).

In contrast, dissident coalitions tend to decipher the signal as a drift between the organization and its environment, which leads to a change of path. In fact, actors at the periphery tend to develop innovative behaviors (Scott, 1995). As dissident coalitions are not deemed responsible for organization decisions, they are also less sensitive to the legitimacy and reputational effects that may burst forth from a potential organizational failure. Furthermore, they can gain payoffs from a potential adaptation crisis by improving their position among the top management group and taking over the dominant coalition to lead the change of path.

3.3. POSSIBLE MOVES DURING A ROUND OF A TOP MANAGEMENT GAME

Moves taking place during a round of top management games can either lead to follow the same path or to change the path of the organization.

3.3.1. Following the same path

When the outcome of a round leads the organization to continue following its ongoing path, it is either because all the coalitions agree on it or because the dominant coalition wins the round against the dissident coalitions. If both coalitions agree on the same outcome, as the vested interests of the coalitions diverge, the agreement can only come from exogeneous factors. First, it means that the external shock is of low magnitude. In that case, while dissident coalitions may decipher the signal as a drift between the organization and its environment, they may meet difficulties making moves against the dominant one, being short on arguments to change the organization's path given the low magnitude of the signal. On its side, the dominant coalition may ignore or minimize the signal of low magnitude: it may think that the signal has no incidence over the organization's industry or think that the issue should be solved by applying an engineering mandate (Pearson and Clair, 1998).

Second, an agreement on the outcome occurs in the case of a high level of behavioral integration within the top management group (Hambrick, 1994). In that case, all the members of the top management group interpret the signal as not being a drift and decide to keep the same path. Whether it is caused by an external shock of low magnitude or by a high level of behavioral integration, when there is an agreement to follow the same path, the members of the top management group tend to remain similar throughout the adaptation crisis, and the consistency of the deep structure of the organization tends to be preserved.

The organization can also follow the same path because the dominant coalition wins the round against the dissident coalitions. As the two coalitions interpret the signal differently given their respective vested interests in the game, the dominant coalition must convince the dissident coalitions of the necessity to remain stable. They benefit both from the inertia of the system (Hannan and Freeman, 1977; Tushman and Romanelli, 1985) and from the fact that they hold the power over the organization. In that case, keeping the same path may lead to marginal changes within the top management group due to potential attempts of moves from the dissident coalitions during the round, but its consistency remains preserved, as is the deep structure of the organization.

3.3.2. Changing the path

When the outcome of a round is a change of path, it is either because all the coalitions agree on it or because a dissident coalition wins the round against the dominant one and takes over the organization. In fact, in the case of a shock of high magnitude, all the coalitions may decipher the signal as a signal of drift and commonly agree on changing the path. Indeed, to avoid organizational failure and to ensure their own survival, parties may adopt collaborative

behaviors instead of focusing on their vested interests (Tucker, 1983). In that case, while the dominant coalition leads the change of path, members of a dissident coalition can also take part in it until the end of the round. For that purpose, the deep structure comes apart, and a new deep structure emerges.

A change in path can also occur because a dissident coalition takes over the dominant coalition. As the coalitions interpret the external signal differently, a dissident coalition must convince the dominant coalition of the necessity to change the path of the organization. For that purpose, the dissident coalition must make the right moves leading to such strategizing. It leads to a change of the dominant coalition as it is taken over by the dissident coalition (Keck and Tushman, 1993; Tushman and Romanelli, 1985). A new CEO representing the dissident coalition can be nominated (Virany *et al.*, 1992). The deep structure comes apart, and a new deep structure emerges. The different moves taking place during a round of top management games are summarized in Table 2 hereafter.

Outcome of the round	Choice of the dominant coalition	Choice of the dissident coalitions	Explanations	Top Management Group	Organizational outcome
Change of path	Change of path	Change of path	High magnitude of the external shock	Possible change	Transformation of the organization
Change of path	Same path	Change of path	Take-over by a dissident coalition	Change	Transformation of the organization
Same path	Same path	Same path	Low shock High behavioral integration	Stability	Stability of the organization
Same path	Same path	Change of path	Preeminence of the dominant coalition	Stability	Stability of the organization

Table 2: possible moves during a round of a top management game

4. THE MICROFOUNDATIONS OF PUNCTUATED EQUILIBRIUM

Based on the two previous sections where we expanded PET, we construct its microfoundations (see Figure 1). An adaptation crisis is a process through which an organization changes/does not change its path following a signal of drift between the organization and its environment.

During this process, coalitions within the top management group strategize and confront their own response based on their deciphering of the signal of drifts and their strategic interests. The output of the dilemma, reinforcement or transformation of the path depends on the winner of the top management game. However, if the strategic drift is not bridged, the adaptation crisis will continue, and new rounds will take place up to the death of the organization or its ability to reconnect with its environment. The theoretical and practical implications of the microfoundations of PET are discussed in the next section.

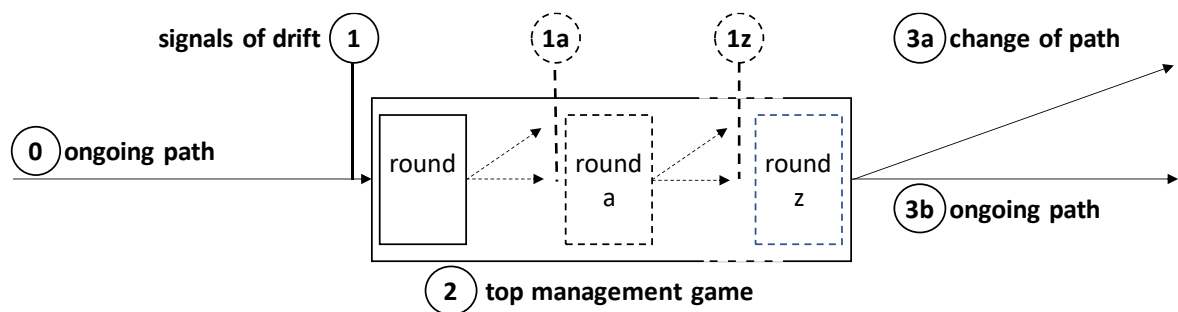


Figure 1: Process of adaptation crisis

5. DISCUSSION AND CONCLUSION

The microfoundations of PET offer theoretical implications to improve our understanding of how organizations adapt through crisis, of the interactions at the apex of the organization and of strategic crises. They also offer practical implications.

5.1. IMPROVING OUR UNDERSTANDING OF ORGANIZATIONAL ADAPTATION THROUGH CRISIS

The current literature on organizational adaptation leaves unanswered the following dilemma: external shocks lead to organizational adaptation (Tushman and Romanelli, 1985), while adaptation also leads to struggles, as has been empirically observed throughout the developments of Nokia or Imperial Chemical Industries (e.g. Doz and Wilson, 2017; Pettigrew, 1985). Our theorizing of organizational adaptation through crisis offers a response. The theory of the microfoundations of punctuated equilibrium shows that the outcome of the adaptation of the organization depends on a top management game. If it does not lead to bridging the strategic drift, the adaptation crisis goes on with new rounds that develop up to the death of the organization or its ability to reconnect with its environment. External shocks act as triggers of successive rounds, leading to successive attempts to organizational adaptation and thus explaining the dynamics of organizational adaptation.

Additional research is, however, needed to improve our understanding of its dynamics. For instance, understanding the exogenous and endogenous factors that explain why adaptation crises sometimes last only one round, why it sometimes takes several rounds before the top management group changes the organizational path, or why despite several changes of path, drifts may not reduce and signals continue to accumulate over time would help better characterize the process of organizational adaptation. For that purpose, it seems necessary to build on research methods that take a long-term view and allow the collection of rich data. Participant observations over long periods coupled with the collection of secondary data for prior periods seem to be the best practices to understand these dynamics (e.g. Mintzberg and Waters, 1985; Pettigrew, 1985).

Second, our theorizing shows that top executives have the role of fabricating organizational adaptation. Contrary to classical organizational adaptation theories that hardly put anyone at the controls of the organization (Hrebiniak and Joyce, 1985; Levinthal, 1991; Meyer *et al.*, 1990; Miller and Friesen, 1980), our theorizing reassembles the organizational and the individual levels of analysis to understand how the interactions of the top management group are embedded within the adaptation crisis process. Rather than showcasing individuals whose role would be reified (e.g., Nadler and Tushman, 1990), we offer a more nuanced and realistic role for the top executives of the organization who form coalitions around an organizational response and strategize to make their option implemented.

Overall, by building on PET, we show that it is the foundational theory to understand how organizations adapt through crises. By constructing its microfoundations, we expand the theory to show that adapting through crisis is a social process that is undertaken by the top executives of the organization who strategize the response to the shock (Felin and Foss, 2005; Hambrick, 2007)

5.2. A GAME PERSPECTIVE ON THE TOP EXECUTIVES OF THE ORGANIZATION

By showing that the organizational adaptation response is strategized by relying on a top management game, we flesh out top executives as the focal actors of organizational adaptation. Indeed, we first explain the contradictory findings of PET regarding who directs the change of path of the organization. While PET shows that change is either undertaken by an executive team from the outside, by a new CEO, or by the current CEO with a new executive team (Romanelli and Tushman, 1994; Tushman and Rosenkopf, 1996; Virany *et al.*, 1992; Wischnevsky and Damanpour, 2005), developing its microfoundations helps in better understanding why the change can be directed by such different configurations of actors. A

change of the whole top management team is the result of the win of a dissident coalition during the top management game to change the path of the organization; the hiring of a new CEO can be explained by the formation of an alliance between the board of directors and a dissident coalition to take over the dominant coalition; when the CEO stays at the top of the organization while the whole executive team changes is the result of a compromise between the dominant coalition and dissident ones during the top management game; and when there is no change of the top management team, there is no change of path as mentioned in PET. Rather than attempting to show whether a change at the apex of the organization is better than another one to adapt the organization, the top management game shows the rationale behind the change. More research is now needed to understand how coalitions form (see Kisfalvi, Sergi, and Langley, 2016).

Second, our concept of the top management game offers a contextualized understanding of how top executives behave in response to an external shock. By showing that coalitions within the top management group strategize and confront their own response based on their deciphering of the signal of drifts and based on their strategic interests, our theorizing differs from other theories that have been developed on the apex of the organization. While the concept of coalitions concomitantly emerged in different disciplines, including game theory and the behavioral theory of the firm (Murnighan, 1978), our use differs from these two approaches. On the one hand, game theory makes the assumption that actors have stable preferences and behave in stable environments (Camerer, 1991, 2011). Such conceptualization overlooks the fact that coalitions are dynamic, as the choices of members of the top management group depend on the nature and magnitude of the external shock. On the other hand, the behavioral theory of the firm makes the assumption that power and politics are the main drivers of coalitions (Cyert and March, 1963; Gavetti *et al.*, 2012). While we agree that power and politics do occur within organizations, as the top management game is a high-stakes game, power and politics are not the main motives of the top management group while strategizing an organizational response to an external shock. In fact, our metaphorical use of the concept of game avoids these pitfalls by putting at the core of the top management game the strategic interactions occurring among the players of the game (Goffman, 1969; Saloner, 1991). To better understand these interactions, we need to better grasp the moves that are being made by the parties at play. For that purpose, we argue that it is necessary to enter the boardrooms to understand how the top management game is being played (e.g. Harvey, Currall, and Hammer, 2017; Pitcher and Smith, 2001; Samra-Fredericks, 2003; Samra-Fredericks, 2000).

5.3. THE CONCEPT OF ADAPTATION CRISIS

We first defined an adaptation crisis as a process through which an organization changes/does not change its path following a signal of drift between the organization and its environment. Such a definition differs from the one commonly admitted that refers to the operational nature of crisis: an ‘event perceived by managers and stakeholders to be highly salient, unexpected, and potentially disruptive’ (Bundy *et al.*, 2016: 1663). In sharp contrast, adaption crises are of strategic nature. As they lead to either change or not change the deep structure of the organization, they involve allocating resources to sustain a competitive advantage.

Blurring the operational and strategic natures of crisis is misleading. In fact, previous reviews on crisis published in the field of strategy make this confusion by putting the emphasis on operational crises at the expense of strategic crises, notably by overlooking theories from the field of strategy that put crisis at their core, as is the case of PET (e.g., Bundy *et al.*, 2017; James, Wooten, and Dushek, 2011; Wenzel *et al.*, 2020; Williams *et al.*, 2017). In fact, solving a crisis of strategic nature does not rely on the same process as does an operational crisis. For instance, classical cases of crises such as the disintegration of shuttles that unfortunately happened in 1986 with Challenger and again in 2003 with Columbia or the explosion or collapse of manufacturing plants that occurred in 1984 with Bhopal and again in 2013 with Rana Plaza are hardly helpful in regard to understanding crises of strategic nature. In fact, all these crises are deemed to be solved by applying an engineering mandate (Kahn, Barton, and Fellows, 2013; Pearson and Clair, 1998). However, these events can act as an external shock that can be deciphered by an organization as a drift between the organization and the environment. In that case, these disasters would show the necessity to change the path of organizations from aerospace, chemical, textile or other related industries. If the top management game leads to minimization of the signal, only the classical engineering mandate applies to manage the crisis of operational nature. Despite the obvious links between the operational and strategic nature of crises, as we have just shown, their resolution processes differ. Given the important volume of research that has been conducted on crises of operational nature (e.g., Pearson and Clair, 1998), we argue that it is now time to focus on strategic crises by building either on PET or on other theories from the field of strategy that conceptualize crises.

Second, research on crisis has focused on the different responses that are given to a crisis by relying on typologies *à la* Hirschmann (see Wenzel *et al.*, 2020): either innovating (i.e., changing the path of the organization), persevering (i.e., keeping the same path), or exiting (i.e., failing to reconnect to the environment) (Wenzel *et al.*, 2020). We argue that it is not that much

the type of responses that matters but rather their underlying logics. As our theory shows, the crisis response is constructed by the top management group after interpreting the environment. In other words, an adaptation crisis is socially constructed by the top management group. Thus, responses depend not only on the type and magnitude of the external shock but also on how the top management group understands its potential impact on the organization. This explains why different interpretations can coevolve within the same top management group or within different organizations facing the same external shock (Chakrabarti, 2015).

5.4. PRACTICAL IMPLICATIONS

This article offers a theory of adaptation crisis that we defined as a process through which an organization changes/does not change its path following a signal of drift between the organization and its environment. The adaptation crisis relies on mechanisms that differ from those used to solve an operational crisis. First, the two crises do not involve the same members of the organization: an adaptation crisis involves the CEO, vice-presidents and senior vice-presidents, members of the board of directors and potentially few individuals either inside or outside the organization, while operational crises are managed from a crisis unit and mainly involve individuals from the operations. Second, the skills involved in solving both crises differ. An adaptation crisis involves a top management game that is solved by making sense of the potential implications of an external event, discussing and negotiating ideas with the other members of the top management group, and making and assuming the decisions being made. In contrast, crisis management involves skills aimed at fixing the issue at hand. While both types of crises may occur in response to external shocks (financial crisis, political crisis, pandemic, etc.), top executives should not fall into the trap of solving an adaptation crisis by using crisis management tools, as it hardly works at all.

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