

Patricia Klarner

The Rhythm of Change

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A Longitudinal Analysis of the
European Insurance Industry

With a foreword by Prof. Dr. Gilbert Probst



RESEARCH

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Foreword

To survive and grow, organizations constantly have to adapt to their environment. The practical as well as the empirical world has for decades mentioned the increasingly dynamic and complex industry environments. Nevertheless, research has largely concentrated on measuring the short-term outcomes of single incremental and radical changes as well as the factors and processes underlying change.

Today's organizations are increasingly confronted with making repeated change decisions in order to adapt to changing industry environments. In the midst of a global financial and economic crisis, the analysis of frequent and repeated change in organizations is more important than ever. For organizations operating in quickly changing industries, timing changes correctly is crucial to ensure competitiveness and long-term success. Undoubtedly, the right timing of change is also of great interest to managers as it permits them to capture and use windows of opportunities intelligently and intervene at the right moment when urgency is perceived, when resources can be used best, and when effectiveness is optimal.

Research on the timing of changes and the resulting rhythm of changes in firms is still rare. Time and timing were not sufficiently researched for many reasons, whether due to complexity, manifold differences in industries, the need for long-term studies, difficulties with defining patterns of variability in the intensity and frequency of organizational changes, the dependencies of environmental evolutionary patterns, the lack of models and insights into the pace of change over time as well as performance outcomes.

Patricia Klarner truly gains in-depth insight into how organizations that undergo a series of changes over time can improve their long-term performance. More specifically, she examines the role that the rhythm of change plays and the change rhythm's relationship with long-term performance. Her concept of change rhythm and the consistent and systemic theoretical model of the determinants of the outcomes of organizational changes are of great interest for research-oriented readers. She clarifies and creates attention for the importance and understanding of long-term performance when analyzing repeated change. She also develops a model which deals with the factors moderating the relationship between an organization's change rhythm and long-term performance. Patricia's excellent background in organization theory, strategic management and learning organizations, her experience with case study research, and her quantitative econometric skills are invaluable for such an endeavor and prove fruitful in developing research models and interpreting research results.

Readers are provided with results from an empirical study that used a longitudinal dataset of 67 insurance firms in Western Europe (Benelux, France, and the UK) and Central Europe (Austria, Germany, and Switzerland), covering the period between 1995 and 2004. The European insurance industry offers an excellent opportunity to test Patricia's hypotheses as it underwent serious changes during the study period, such as the deregulation in 1994 and the subsequent consolidation through a wave of acquisitions, the economic boom of the late 1990s, the stock market downturn in 2000, and the September 11 attacks in 2001.

Patricia has generated this comprehensive and unique dataset at the Center for Organizational Excellence (CORE) at the University of St. Gallen. For many years, she has worked as a research associate at the research center CORE, a joint venture between two leading Swiss universities, St. Gallen and Geneva. CORE investigates the impact of well-balanced leadership and organization on sustainable corporate development. Researchers develop innovative and scientifically grounded leadership and organization concepts in close collaboration with corporate partners. Patricia's longitudinal study of strategic change rhythms integrates fully into this larger research frame.

This book provides new insights into and a broader understanding of strategic change rhythms and how they can be related and managed towards sustained long-term organizational performance. Patricia's study is innovative and of significant importance in identifying different strategic change rhythms and examining their performance outcomes and, thereby, providing managers with a means to create a performance-enhancing balance between stability and change in their organizations. It is a measure of Patricia's skills that – despite the high academic standard and the lack of research in this field – this book is easily understandable. It is highly recommended for researchers, managers, and students.

Prof. Dr. Gilbert Probst

Acknowledgements

As Robert Frost said, “Two roads diverged in a wood, and I – I took the one less travelled by – and that has made all the difference.” This dissertation mirrors my professional development over the past years, and it was truly characterized by taking a different road. It has been a challenging, inspiring, and catalyzing learning journey. If one decides to take a road less travelled by, success is not only accomplished by one’s own passion, dedication, and persistence, but also by the constant support of others. I would like to thank everyone who supported me in following my passion, leveraging my creativity, challenging my thinking, and strengthening my belief in the added value of exploring new phenomena.

First of all, I would like to thank my dissertation committee for taking me on this wonderful learning journey. My PhD advisor, Prof. Dr. Gilbert J.B. Probst, has been a tremendous source of inspiration, knowledge, and support throughout the past years. Our energetic discussions about my research enabled me to broaden my analytical lenses for studying organizational phenomena and to strive for insight of academic rigor and managerial relevance. Gilbert’s confidence in me and his moral encouragement provided the backup to truly enjoy this project. He has urged me to follow my passion for academic research and constant learning, and gave me the intellectual freedom to explore several theoretical topics. By involving me in his activities for the World Economic Forum’s Global Leadership Fellows Program, Gilbert opened my eyes to the fascinating world of leadership and exposed me to a multitude of inspirational knowledge exchanges. Above all, Gilbert constantly helped me to develop my academic profile as a scholar and became a true mentor and a highly valuable source for honest advice. I could not have wished for a better PhD advisor and I am thrilled about continuing our common projects.

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immerse in a highly stimulating research environment. John provided me with decisive feedback on my research and our constructive discussions have been an immense source of learning to me. I deeply appreciate his availability as my advisor at Wharton, our enriching dialogues, and his guidance for my career. I am also very grateful to Prof. Michael Useem at the Wharton School who broadened my research lens to leadership and corporate governance questions. My fascinating discussions with Mike were a tremendous source in expanding my knowledge and stimulating my thoughts. Mike's wonderful receptiveness for new ideas and his intellectual agility invariably encouraged my research and I truly enjoy collaborating with him. My thanks also go to Prof. Ian MacMillan for inviting me to his entrepreneurship research team meetings and his Executive MBA courses at Wharton. I would like to thank the Swiss National Science Foundation (SNF) for funding my stay at the Wharton School through a doctoral scholarship.

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I dedicate this dissertation to my mother, a true role model for female intelligence, strength, and love, and to my grandmother who has taught me to always listen to my heart.

Patricia Klarner

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