Exploring the Incidence of Strategic Improvisation: Evidence from Malaysian Government Link Corporations

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Received: May 25, 2015   Accepted: June 15, 2015   Online Published: August 18, 2015

Abstract

In today’s dynamic business environment, organizations have faced many challenges to stay abreast of changes in order to make wise decisions and best management system. This means that strategic improvisation can be one of the best ways to reconcile organizational tensions. However, the importance of strategic improvisation in the business remains unclear and research in this area is still relatively underdeveloped. To fill this gap, this research is central to explore the incidence of strategic improvisation (SI) in the context of Government Link Corporations (GLCs) in Malaysia. Specifically, this research seeks to examine the relationship of Talent Management (TM) and Entrepreneurial Orientation (EO) with the incidence of SI. Further, SI is also examined to have significant effects on GLCs performance. 281 managers from Malaysian GLCs were used as a sample of the study. The findings confirmed that TM and EO have a positive significant relationship with SI; and there is a positive significant link between SI and GLCs performance. Given the lack of studies on these relationships in previous literatures, it is believed that this research will contribute to the body of knowledge as well as the managerial implication particularly on the GLCs setting.

Keywords: strategic improvisation, talent management, entrepreneurial orientation and GLCs performance

1. Introduction

The Malaysian economy is currently confronting significant challenges. The external environmental forces are creating more intense in the business. Government link corporations (GLCs) are thus under pressure to formulate and implement the best strategies for competing successfully in a dynamic business environment with new entrants and current rivals. Due to this, GLCs are required to set substantial goal of competitiveness above other factors.

The previous study has found that competently managed GLCs, with well-crafted and executed strategies are critical for the organizations success (Singh & Ang, 1999). Currently, the government is managing GLCs effectively where GLCs attention is allocated in several goals that are vividly managed not to harm the objective of wealth maximization. This is consistent with the aims from the government at cultivating “national champions” upon whom the country’s economic fortune depends on in the years to come (Lau & Tong, 2008). Therefore, the GLCs should aware of any threats and opportunities they might be possibly faced. They should be ready to improvise the business activities in the way of gaining and sustaining their competitive advantages.

GLCs practices in Malaysia may not be similar as applies by governments in other countries. Malaysian GLCs are considered as hybrid organizations, as they have to achieve financial returns, which should become more efficient and cost effective, whilst fulfilling their social responsibilities (Norhayati & Siti Nabiha, 2009). With regard to this, the GLCs have to find ways to optimize the best practice of entrepreneurial orientation (EO) and talent management (TM) which is believed to be able to demonstrate the significant effect to strategic improvisation (SI) and firm performance.

This study aims to examine the incidence of strategic improvisation (SI) in Government Link Corporations in Malaysia. Specifically, this research seeks to examine the relationship of EO and TM with the incidence of SI. From our best knowledge, no one has sought to prove the significant link between TM, EO and SI in GLCs perspective. Further, SI is also examined to have the significant effect to GLCs performance.
2. Literature Review and Hypotheses

2.1 Strategic Improvisation

In a certain scenario, when customer preferences and demands change, the firm performance can also increase dramatically if it was addressed swiftly (Darwina, 2011). It is expected that most companies need to apply emergent approaches or improvise in some form or another due to the need to adapt to rapid change of customer and market demand, market opportunities, technological changes or competitive reactions in an industry as well as to enhance performance (Darwina, 2011; Mintzberg & Waters, 1985). Thus, the GLCs need to have imperial strategic improvisation to remain in fit with their environment, or otherwise risk misfits that might harm their firm performance. Improvisation can potentially generate value to the company in terms of prudent change management, adjustability to adopt best practices as well as adding flexibility and innovation (Kamoche, Cunha, & Cunha, 2002; Leybourne, 2006). In addition, improvisation can determine how individual and groups in organizations cope with and coordinate the conflicting demands of existing time perspectives (Crossan, Cunha, Vera, & Cunha, 2005); learn and adapt under time pressures (Vera & Crossan, 2005); and remain flexible under turbulent environments (Cunha, Cunha, & Kamoche, 1999). With this strategic improvisational activity, the best management practice is expected to be more valuable and effective.

The definition of strategic improvisation can be summarized as an action taken in real time situations where it encompasses a high amount of spontaneity and creativity. This study pertinently focuses on management staff who involves in strategic decision making and have the ability to formulate (plan) and execute (implement) actions simultaneously when pursuing improvisational activities in organization. Crossan (1997) posits that lessons from improvisational activities can help in providing better and greater innovative solutions as well as bringing quicker cycle times.

2.2 Talent Management and Strategic Improvisation

The talent of the leadership within organizations is a break factor in the achievement of strategic goals and the incremental value of the best managers. Prior to that, many organizations are now realizing that attracting, growing and retaining top management talent is a strategic issue. Gagne (2000) and Goleman (2006) suggest that talented or professional people are able to perform an activity to a degree that places their attainment approximately the upper ten percent of their peers who are actively participate in that field. Due to this demand, organizations need to ensure that talent management is one of the elements that need to be highlighted in gaining and sustaining organizations’ distinctive competency.

Most organizations define ‘talent’ as potential, or high potentials; while in other organizations, talent means an individual who has the ability to reach a certain level in the hierarchy (Blass, 2007). As defined by Tansley (2011), a high potential employee is someone with the ability to have high engagement and aspiration and succeeds in a more senior and more critical position. It should also have a critical skill set which has become challenging to be acquired in the labour market. The critical skill set, however, can be obtained through several mechanisms as suggested by the research findings on two Malaysian GLCs; Tenaga Nasional Berhad and Malaysia Airline System (MPC, 2009). On the job training, mentoring, coaching and continuous professional assessments complemented by clear and timely communication are some examples of highlighted mechanisms in effecting talent management practices (Bux, Ahmad, & Othman, 2009).

According to Tansley (2011), successful performance can also be linked to other characteristics most frequently associated with talented individuals, such as: high levels of expertise; leadership behaviours; creativity; and initiative stemming from a “can do attitude” based on self-belief. Previous researches evidently proved that those characteristics are said to have a significant effect on improvisational behavior in organizations (Crossan & Sorenti, 1997; Cunha, Cunha, & Kamoche, 1999; Orliskowski, 1996). For example, in the GLCs, organizations in this sector may see talented individuals as those who can demonstrate better respond on improvisational activities; thus it leads us to believe that talent management could be a factor in aiding improvisation to ultimately occur. However, no study has proved the significant relationship between these two elements. With regards to this, it is hypothesized as follows:

H1: Talent Management (TM) has positive significant relationship with Strategic Improvisation

2.3 Entrepreneurial Orientation and Strategic Improvisation

Entrepreneur Orientation (EO) is a key way to develop distinctive competencies such as product or service innovation (Hitt & Ireland, 1986). EO depicts the specific entrepreneurial characteristics, which consist of decision-making approaches, and practices (Lumpkin & Dess, 1996). Numerous researchers have established that EO is a mixture of the three dimensions namely innovativeness, proactiveness, and risk taking (e.g., Covin

The innovativeness dimensions of entrepreneurial orientation reflect the proclivity to involve new products, services, or technology development (Lumpkin & Dess, 1996). Realistically, innovative companies obligate a larger skills and knowledge-based as compared to others in building distinctive competencies (Zahra & Garvis, 2000); and therefore suggest the improvisational activity to be occurred. According to the resource-based view theory, innovative competencies could be a foundation of competitive advantage as they are entrenched in the organizational setting and cannot be explicitly articulated and imitated (Barney, 1991; Hunt & Arnett, 2006; Hunt & Morgan, 1996; Nonaka, 1994). By highlighting commitment to innovative products or processes, organizations can easily improvise their business activities (Kyriakopoulos, 2011; Cunha & Kamoche, 2003; Kamoche, 2001) and could dramatically enhance their competitiveness (Lumpkin & Dess, 1996; Miller, 1983; Zahra & Garvis, 2000).

The second element of EO is proactiveness. Limited research has appeared to evidently illustrate proactiveness and performance. However, previous studies on a proactive personality scale appear to have the potential to provide further insight into the association between personality trait and entrepreneurship (Crant, 1996). In this conception, proactive entrepreneurial personality is believed to lead to proactive firms, which can distinguish themselves from their competitors. This proactive element would thus be able to contribute positively on the incidence of improvisational activities in organizations. However, very limited studies have proved this relationship. In the case of Malaysia, the study by Darwina and Syarifah (2014) has shown a positive significant link between proactiveness and improvisation.

The third element of EO is risk taking orientation which specifies an inclination to involve resources in tasks where the result may possibly ambiguous (Wiklund & Shepherd, 2005; Zahra & Covin, 1995). Organizations with risk-taking orientation, for instance, could grab market opportunities to achieve higher growth and profitability. However, grabbing market opportunities are not as simple as what the organizations plan. Therefore it is believed that the higher the risk-taking propensity, the greater the incidence of organizational improvisation (Darwina, 2011) and success (Frese, Brantjes, & Hoorn, 2002; Lumpkin & Dess, 1996).

The inadequate prior empirical studies have made that the study on the link between EO and improvisation concept is significant to shedding the light whether this factor has a significant influence on strategic improvisation. Therefore it is hypothesized as below:

H2: Entrepreneurial Orientation (EO) has positive significant relationship with Strategic Improvisation.

2.4 Strategic Improvisation and Firm Performance

Firm performance has long been viewed as the principal dependent variable in strategic management research (Gilley et al., 2002). Researchers frequently consider firm performance when investigating such organizational phenomena as structure, strategy and planning (Ottesen & Gronhaug, 2004). Undeniably, a primary investigation of strategy research is that it tries to examine the relationship between various organizational characteristics and performance and survival (Meyer, 1991; Gilley et al., 2002). Previous researches have studied and linked variables such as strategic planning and strategic making process (Rogers et al., 1999; Brews and Hunt, 1999; Slotegraaf et al., 2004), business-level or corporate-level strategy (Porter, 1980; Miller, 1988; Liao, 2005), organizational structure and capabilities (Burns & Stalker, 1961; Miller, 1988; O’Regan & Ghotheadian, 2004), and choice of environmental domains (Bourgeois, 1985; Miller, 1992; Garget et al., 2003) to various performance measures.

Previous research has highlighted significant attention on the importance of improvisation in individual and group outcomes (Kamoche et al., 2003) to the detriment of focus on organizational outcomes (firm performance). For instance, Moorman and Miner (1998), Akgun and Lynn (2002) and Vera and Crossan (2005) study new product development as an improvisational outcome; Leybourne and Sadler-Smith (2006) investigates internal and external project outcomes; Souchon and Hughes (2007) focus on export performance as an outcome of export improvisation; while Hmieleski and Corbett (2008) examine venture performance as an outcome of entrepreneurial improvisational behaviour. This relationship between improvisation and organizational outcomes has appeared to be dubious in extant research and lacks empirical examination (see Vera & Crossan, 2005; Hmieleski & Corbett, 2008). Interestingly, only one study by Darwina (2011) has sought to trace and proved the association between organizational improvisation and firm performance in technology-based companies.

By noting this deficiency in the investigation of strategic improvisation in GLCs, this research seeks to provide additional contributions to existing theory and practitioners. For instance, by executing strategic improvisation as
a corporate learning tool, managers should be able to instantaneously access creativity in the moment and in a spontaneous way under pressure settings. As a result, the company can be able to stimulate better decision-making processes and the best performance outcomes.

To date, the study of the improvisation and organizational performance relationship is still scarce and yet, there is little empirical research reveals the significant relationship. This emphasizes the need to develop a model, which is specifically based upon an empirical investigation of this relationship (improvisation-firm performance link). Thus, it is hypothesized that:

H3: Strategic Improvisation (SI) has positive significant relationship with Firm Performance.

3. Analyses and Findings

The study was conducted amongst a disproportionate random sample of GLCs in Malaysia. GLCs are defined as companies who necessitate a chief commercial objective while at the same time it has a direct control by the Malaysian Government. The respondents of this study were 281 employees from various hierarchical levels, including the top level, middle level and operational level. It is based on the authority of making decisions of each level. The research is conducted using the quantitative method. Instruments of each variable were adapted from previous studies. For the strategic improvisation factor, this research adapted items from Darwina (2011). In total, seven items were adapted, covering factors of creativity and spontaneity. The talent management factor items were adopted from Pruus (1989). The Five Key Principle for Talent that consists of seven items. For Entrepreneurial Orientation (EO), the item measures consist of nine and it was adopted from Covin and Slevin (1989); whereas firm performance item measures was adopted from Dess and Robinson (1984), and Gupta and Govindarajan (1984). The total nine items were adopted for firm performance.

Data analysis for this study is conducted via the usage of statistical package SPSS 19.0. The results clearly showed that all data are normally distributed. Factor analysis conducted resulted in the Kaiser Meyer Olkin (KMO) measure of 0.870. To establish reliability, the data is tested for consistency and stability. Table 1 presents means, standard deviations, Pearson’s intercorrelations and construct reliabilities for the different scales. For this study, a scale of minimum 0.60 is used for the Cronbach alpha value (Coakes & Steed, 2003). The results reveal acceptable construct reliability with all value exceeding 0.60. Collinearity diagnostics performed before regression showed a low possibility of multicollinearity. Intercorrelation coefficients provide a glimpse into the results of statistical tests to be carried out to test the hypotheses.

Table 1. Means, standard deviations, correlations (pearson), construct reliability

<table>
<thead>
<tr>
<th>Variables</th>
<th>Means</th>
<th>SD</th>
<th>FP</th>
<th>EO</th>
<th>TM</th>
<th>SI</th>
</tr>
</thead>
<tbody>
<tr>
<td>FP</td>
<td>3.813</td>
<td>0.773</td>
<td>(0.95)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO</td>
<td>3.487</td>
<td>0.585</td>
<td>.589**</td>
<td>(0.87)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TM</td>
<td>3.761</td>
<td>0.784</td>
<td>.525**</td>
<td>.512**</td>
<td>(0.95)</td>
<td></td>
</tr>
<tr>
<td>SI</td>
<td>3.861</td>
<td>0.612</td>
<td>.700**</td>
<td>.615**</td>
<td>.619**</td>
<td>(0.90)</td>
</tr>
</tbody>
</table>

Note: **. Correlation is significant at the 0.01 level (2-tailed); FP = Firm Performance; EO = Entrepreneurial Orientation; TM = Talent Management; SI = Strategic Improvisation

The results on Hypothesis 1 and Hypothesis 2 were tested using a standard multiple regression analysis. The result of the relationship between all the independent variables (TM and EO) and incidence of improvisation is illustrated in Table 2. The result shows a total of 50.4% of the variance in improvisation is explained by two factors (TM and EO), which is significant as indicated by the F-value of 141.11. When examining the link individually, this finding illustrates the positive and significant link between TM and Strategic Improvisation ($\beta$=0.412; p<0.01); as well as the positive and significant relationship between EO and Strategic Improvisation ($\beta$=0.404, p<0.01). The details of the analyses results are as depicted in Table 2.

Table 2. Regression analysis for hypothesis 1 and hypothesis 2

<table>
<thead>
<tr>
<th>TM, EO and SI</th>
<th>Variables</th>
<th>Hypothesis</th>
<th>Improvisation ($\beta$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Variables</td>
<td>TM</td>
<td>H1</td>
<td>0.412**</td>
</tr>
<tr>
<td>EO</td>
<td>H2</td>
<td>0.404**</td>
<td></td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.504</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Summary statistics</td>
<td>$F$</td>
<td>141.11</td>
<td></td>
</tr>
<tr>
<td>$P$</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: *p<0.05; **0.01; EO=Entrepreneurial Orientation; TM=Talent Management; SI=Strategic Improvisation
The result on Hypothesis 3 was tested using a linear regression analysis. The result of the relationship between the incidence of Strategic Improvisation and firm performance is illustrated in Table 3. The result shows a total of 59.0% of the variance in performance is explained by Strategic Improvisation which is significant and positive associations as indicated by the F-value of 148.91. The details of the analysis results are as depicted in Table 3.

Table 3. Regression analysis for hypothesis 3

<table>
<thead>
<tr>
<th>SI AND GLCs Performance</th>
<th>Variables</th>
<th>Hypothesis</th>
<th>Performance (β)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Variables</td>
<td>SI</td>
<td>H3</td>
<td>0.590**</td>
</tr>
<tr>
<td>Summary statistics</td>
<td>$R^2$</td>
<td></td>
<td>0.348</td>
</tr>
<tr>
<td></td>
<td>$F$</td>
<td></td>
<td>148.91</td>
</tr>
<tr>
<td></td>
<td>$P$</td>
<td></td>
<td>0.000</td>
</tr>
</tbody>
</table>

Notes: *p<0.05; **0.01

FP = Firm Performance; SI = Strategic Improvisation

4. Discussions and Conclusion

For Hypothesis 1, the finding of the regression analysis showed that talent management has a positive significant relationship with strategic improvisation. Therefore, this result proved that in the GLCs, the greater the talent management practice contributes to the stronger the incidence of strategic improvisation. In other point, it can be said that the Malaysia GLCs may see talented individuals as those who can demonstrate better respond on improvisational activities. This study is consistent with previous researches by Crossan & Sorenti (2002), Cunha, Cunha & Kamoche (1999) and Orliskowski & Hofman (1997).

Hypothesis 2 was to examine the effect of entrepreneurship orientation on the likelihood of strategic improvisational activities in Malaysia GLCs. The result of this study found that EO has a positive significant relationship with strategic improvisation. This finding showed that EO is one of the elements to enhance the GLCs’ improvisation; and thus it promotes the significant link that the organizations need to be highlighted for achieving and sustaining distinctive competency in the fast changing environment.

As for the result of Hypothesis 3, the study confirmed that strategic improvisation has a positive significant relationship with performance. In other words, SI practice significantly contributes to the performance of the GLCs. This particular result validates the findings of previous studies on the improvisation-performance link (see Darwin (2011); Hmielecki and Corbett (2008); Souchon and Hughes (2007); Leybourne and Sadler-Smith (2006); Vera and Crossan (2005); Kamoche et al. (2003); Akgun and Lynn (2002); and Moorman and Miner (1998)). With regards to this, improvisation is believed to enable managers to continually learning while planning and acting spontaneously and creatively to consistently move products and services out of the door (Brown & Eisenhardt, 1997), and thus lead to enhance firm performance.

In conclusion, this study reinforces the importance of SI practice in the Malaysian GLCs which specifically focus on TM and EO as significant contributing elements to SI; as well as the SI-GLCs performance relationships. By practicing improvisation, GLCs could gain a better understanding on the importance of TM and EO among individuals and groups in organizations; and how they coordinate with improvisational activities and at the same time gain the best firm performance. It is hoped that the findings can be used for further investigation in future research to add knowledge in the area of strategic improvisation (SI); as well as to contribute ideas to the practitioners that SI is one of the best practices for their organization. For the direction of future research, it is suggested that other contributing elements of improvisation should be investigated, such as the effect under time pressures in coping the demands (Crossan, Cunha, Vera, & Cunha, 2005); and the study on management of change (Leybourne, 2008) as moderating effect of SI-Firm relationship.

References


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