

Exploring the Elements of Organizational Inertia and Impact on Organization

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Abstract--Previous studies on inertia indicated the word of inertia in Latin means "idle and lazy" and it is always referred to describe difficulties faced by organizational in implementing changes within organization. As inertia became a part of the routines in organization, organization tends to practice the same routines and resists changes due to their past experience. Inertia is a form of inability to resist changes either in processes or procedures within organization and it could be either individual or organizational. Literature reviews explained development of organizational inertia, elements and impacts on organization.

Keywords--Organizational inertia, SME, change management, turnaround, organizational performance

I. INTRODUCTION

The existence of inertia is due to the absence of changes in the organization [1] Organization inertia also cause obstruct to the company in finding the necessary of changes within the organization and adaption to the environment [2]. Inertia also can be defined as persistent in using or applying the same systems although they are aware of better alternatives or incentives to change [3]. Inertia can be accepted as less risky solution and it appeared in several previous studies in various fields such as customer satisfaction [4], external pressure [5], financial services [6].

Some of the successful companies cannot adapt in the new way of conducting business as they faced some difficulties due to the inertia although they have records on past successful business models [7][8][9]. The continuity in using wisdom knowledge in finding sustained competitive advantages and failure to adapt to environment as possible will cause inertia to the organization [10][11]. As a result, organization tends to resist to have any changes within the organization because of past successful and having difficulties in responding to the external changes in order to compete with other competitors.

II. LITERATURE REVIEW

Negative influences of organizational inertia were found in the previous studies because rigidity always exists in any innovative organization and it is hard to overcome the inertia although they had triggered the attention on the value of the innovation [12][13]. Furthermore, some of the successful companies cannot adapt in the new way of conducting business as they faced some difficulties due to the inertia although they have records on past successful business models [7][8][9] As a result from the inertia, organization tends to resist to have any changes within the organization because of past successful and having difficulties in responding to the external changes in order to compete with other competitors.

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Cognitive inertia

This type of inertia refer to the agent's internal conflict as they felt bias in implement any changes in the organization due to limitation of information and the limited capability caused the agent to limit their thinking effort in execute the changes within the organization [14][15]. As a result of limitation of cognitive, they had filter all the available information (external) and make judgment on the changes during the cognitive process [16]. In the cognitive process, the conflict happens between agents has caused the coordination degree decreased and the changing process has become slow. The cognitive also due to the hierarchical cognitive inertia in the case of Polarid and it also caused the horizontal inertia as the different interest between the departments is greater leads to more conflict within the organization.

Active Inertia

Active inertia is a reutilized process and shared norms and belief that cause determination also it also can be focused as capability evolution as the successful organization core capability become core rigidity or competence trap [17][18]. Nevertheless, the research found that the evolution capability caused path dependence and the preventing any adaptation by the organization. The standard operation process or routines will helps them in providing solutions to the organization from implement any changes nonetheless they tend to ignore any feedback although they have enabled the feedback as the routines acted as they filtered the information and knowledge [19].

Resource rigidity

It is a state of organization which failed to change the patterns of investment [20][21]. There are two crucial points in the resource rigidity which the firm might uninvest in discontinuous change; resource dependency and incumbent reinvestment incentives. Resource dependency was driven by [22] that showed internal strategic choices were constraints by resource providers whilst resource provider could include both capital markets and customer markets. As an example of that, the changes in the business models were constrained by performance requirement in the public equity markets [23].

Another arguments on the resource rigidity is the market power which emphasized on the possibility of incumbent firm that well known for technology to invest in discontinuous change. Unfortunately, the firm is tends to invest in the current markets if they face any constraint to invest in the new technology and there is also possibility for the firm not to invest if the market adoption is increase which could alter the dominant position of the firm [24][25]. Hence, the resource dependence created the constraint form the market power is represent the powerful inertial which block the investment in discontinuous change.

Routine rigidity

This is the second problem of inertial as revealed in the literature on this problems which focused on the inflexibility and persistence of firm routines [24]. Routines can describe as repeated patterns in responding to the interdependence activities within the organization which strengthened from fixed structural and repetition of responding to the activities [26][27]. Routine rigidity is created from the ability of rejection in adapting the

discontinuities due to self-reinforcing [28][29][30]. On top of that, new capabilities would be difficult to be developed due to the exploitation process that could remove the exploration process [31][32][33].

Inertia Threat Perceptions

The differences in the resource and routine rigidity are very important in finding the threat perception role in discontinuous change nevertheless less attention has been made on the differences and interaction [21]. The role of threat perception is crucial in order to determine whether the perception will increase or decrease inertia within the organization as threat are defined as negative element especially in loss or out of control [16].

In the strategic change literature, threat perception was described as response catalyst as showed by Huff and his colleagues on how threat-related stress could overcome inertia whilst [34] found that companies are willing to execute strategic change due to performance decline. On the other hand, [35] said the manager need to evaluate external changes due to the effect on the performance before execute internal change in the first place. Threat not only reduce the inertia claimed by strategic management literature but it also increases inertia in the organization and it also motivated by three intermediate behaviors as claimed by management scholar in applying social-psychology ideas; authority, reduced experimentation and focusing on existing sources [36].

The threat of perception will lead increase the authority centralization, better formalization and adjustment on procedures whilst the previous research shows the firm's leader will reduce the level of experimentation in responding to the crisis also preserve the existing resources from creating any opportunities [37][38][39][40].

Measuring Organizational Inertia

The effect of inertia work as an obstacle which keep the firm from having changes within the firm itself and restrain organization's capabilities from learning the new market especially on the New Product Development (NPC) and it may hinder the firm's ability from expanding through the change process [41]. This study assessed the inertia effect on the organizational performance through three stages; (1) pre-change, (2) the implementation stage and (3) post-change stage.

The first stage of inertia is a state of planning and decision making as this is the upmost stage in analyzing the environments while second stage is the implementation phase as this stage will analyze the mismatched problems which occurred at this point. This is also known as "stage of trouble" which inertia will react immediately and most of the change progress could fail due to the mismanagement cause by inertia forces. Delaying the process in overcome inertia could result in inertia forces by getting stronger by time. Finally, third stage is the stage of the transformation of the firm in completing the change process nonetheless it depends on the firm's knowledge, leader's capabilities, and response from organization to the inertia. Thus, this study will foresee the effect of organizational inertia towards organizational performance whether it would cause good or bad effect to the firm during decline period.

III. THEORIES AND IMPACTS OF ORGANIZATIONAL INERTIA

Theory of Structural Inertia

[42] has proposed the theory of structural inertia which has provide a well-structured framework for modelling processes of organizational change as change-resistant complex systems is risky as inaction. The theory emphasized on the survival advantage to the modern organization on the aspects of reliability and accountability as the major sources. Reducing the variability of products or services and fulfilling the demands of customers' expectations in the aspects of timing, quality and prices are under the term of reliability meanwhile the rewards of accountability can be considered as if they are able to document how the resources are allocated and convincing members, investors and clients on the decision for the specific outcomes. The rate of accountability and reliability is high if the goals are institutionalized and activities routinized nonetheless it also generate the pressure of inertial as this process will boost the competencies of replication and exploitation [42].

However, structural inertia is not a continuous process in the life-course of organizational as it is differ in the aspects of age and size nonetheless the function of organization reliability and accountability is to increase the size monotonically with size and age. The rate of changes within organization decreases as organization getting grow older and the movement of resistance to change is the same as reliability and accountability as well. Structural inertia theory is a dynamic theory that comes with multiple feedback loops and it is consistent during the process of organization change but it does not show the relationship of organizational inertia, change and survival which has been emphasize by the theory.

Organizational Ecology Theory

The theory of ecology organizational is about organization population which explains about organization diversity and composition of population in the organization change through time patterns of source utilization" [43]. "Population" in this theory share certain similar features such as technologies, goals, and forms of authority [44]. The term of ecological in this theory is referring to the dependence of members' on a certain set of resources and respond to the changes in their environment.

This theory described strategic change as an element of environmental forces that emphasis on the reason of the firm failures. In this view, the causes of firm failures are because of the management choice in setting the characteristics which is incompatible with the current environments whilst the theory explain on how the organization population change through time although they might had changed little especially individual firms. This theory emphasize that organizational change is difficult, costly, consuming time and high degree of failures but successful organization is the one that keeps on reproduce their structures and routines consistently. Maturity of organization is related to organizational inertia which brings positive thing from this view nevertheless the challenge lies on how to identify the situations which survivability advantage produces by inertia [45] and how young organization suffer from a liability of newness due to certain situations.

Impacts of Organizational Inertia

As emphasized by [46] organizational inertia could be a tool for survivability of organization as organizational inertia also will prevent them from innovating and change their business model due to past experience related to various organizational structures, inertia behavior for systems and strategies and fixed operating procedures [47]. Findings from previous studies on Organizational Inertia by [44] which organizational inertia have positive side as supported by organizational ecologist. Thus, organization with higher level of inertia

might grow and become market leader or a monopolist. Manager in the position of high level of inertia was motivated by the sales volume growth and it is a way to ensure organization can survive.

Thus, manager willing to accept lower profits by increasing the number of output than optimal and by certain period of time other firms will decide to leave the market which prevent the firm from producing more outputs. As stressed by [48] in [49], certain level of organizational inertia needed by them to ensure they will function effectively with stability and legitimacy. On top of that, reliable organization can maintain their consistency of product quality or services by reducing variety in the organization [44]. [50] stressed the more stable structure of organization the higher chances for organization to survive.

Previous studies on organizational inertia has indicates negative effects which will affect organization performance but the development of construct and finding showed positive and significant relationship on organizational performance. Organizational inertia or resistance to change will benefit the organization by saving costs but change process will costs in financial aspect to organization at the same time. Resistance to change also will benefit organization by making them as monopolist in the market as some of organization decided to undergo change process while organization decided to remain inertia in market.

As the world facing changes rapidly, organization also need to adapt with current changes within volatile environment which enable them to encounter the blockages or obstacles in the market. However, organization that tends to invest in new business no matter in new technology or not, they will face greater risk by entering new business [36][51]. Hence, organizational inertia will do some favors in assisting organization to maintaining routines in preserving previous victorious practices as their reference in the volatile environment [52]. Previous successful practices could help organization in considerate their needs during change process whether to adapt or remain the same as before whilst inertia will prevent additional costs during and after change process such as during retrenchment process.

IV. CONCLUSION

Based on discussion above on organizational inertia, it has negative affect on innovation as the existence is due to reluctant to change from within organization especially employee who resist to change although it is important for them to adapt due to volatile environment [12][53][54][55][56][57]. However, previous studies on organizational inertia showed important roles and prior on size and age [58][59][60] in the organization.

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