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**DYNAMIC CAPABILITIES - THE EMPEROR'S NEW CLOTHES?**

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## ABSTRACT

This study initially aimed to evaluate dynamic capability theory using a longitudinal empirical case of a highly successful FTSE-100 company operating within a volatile market. Using a range of rich qualitative data to open the “black box”, dynamic capabilities theory is extended through a detailed account of the process through which the case firm reconfigures and deploys their so-called zero-order or operational capabilities. Although there is a burgeoning literature, research findings remain diverse, disparate and largely conceptual. The limited examples of empirical work in the extant literature, tend to focus on *what* dynamic capabilities are with little attention in demonstrating *how* they actually operate.

This study details several stages of significant change within the case firm as it moves from start up to its current MNE status. In-depth interviews with the senior team both past and present capture discussions of those factors underlying the success of this firm. Thematic development revealed examples of resource configurations and routines that matched dynamic capability as defined in literature. However, attempts to use Winter’s (2003) hierarchy of capability to organize the data proved inadequate; far from being heterogeneous, the dynamic capability found looks like best practice; and whilst operational capability can be seen to evolve, the dynamic capability identified has not. Turning to the wider strategic management literature one can argue that the dynamic capability found in this firm fits better with a wider set of concepts such as knowledge management, absorptive learning, organizational change, leadership, HR practices, strategic decision making, team building, etc. Using a dynamic capability perspective, the findings might extend the under-developed notions of dynamic managerial capability and entrepreneurial fitness. Dynamic managerial capability, as described in the literature, can be articulated within the case firm. Managerial agency is key to competitive success in this firm and this study shows that the concept of agency is more encompassing than that of dynamic managerial capabilities and Teece’s (2007) vision of sensing, seizing and reconfiguring. There are cognitive aspects to creating the context for leadership action and the roles of sense-making and sense-giving to sustain the organizational culture and create the framework for innovation, learning and change.

Yet, it is equally possible to account for competitive advantage within this case without recourse to dynamic capability theory. By linking the data gathered to the concept of

“dominant logic” (Prahalad & Bettis, 1986, 1995), it is argued that traits and attitudes of the founders and senior managers of the case firm contribute to the “logic” that drives action. Over time these traits have been expressed as a series of simple rules that, in turn, have been operationalized in an organizational culture providing the context for the development of both routines and ad-hoc action. The thesis then demonstrates analytically how rules and their underlying traits act as a mechanism for the creation, sustenance and adaptation of operational capabilities traceable directly to actions taken in response to or in anticipation of environmental changes as well as actions taken in the context of an organizational culture which reflects these rules and underlying traits. It is through managerial agency that rules are created, the culture sustained and “entrepreneurial fitness” is achieved. As such, the research presented here contributes to the resource-based theory of the firm without recourse to the dynamic capabilities construct.

### **Keywords**

strategy; resource-based; dynamic capability; dynamic managerial capability; heuristics; cognition; organizational culture; grounded theory; qualitative research;

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And lastly, thank you to my family who are all thoroughly fed up with my attempt at a PhD!

## **AUTHORS DECLARATION**

I declare that, except where explicit reference is made to the contribution of others, that this dissertation is the result of my own work and has not been submitted for any other degree at the University of Glasgow or any other institution.

Signature:

Name:           Kate Buell-Armstrong

Date:

## CHAPTER 1: INTRODUCTION

### 1.1 Setting the Scene – A Practitioners Perspective

I have spent the last 20 years working in various senior management roles in a company I helped found: Admiral Group Plc (AGP or Admiral). In my job, my working day consisted of what Johnson et. al. (2007) calls *strategizing* activities around three core tasks for the firm: devising strategy, implementing strategy and reviewing strategy. All my activities revolved around three key questions that continue to occupy my senior colleagues and myself, namely: (1) are we still growing our profits? (2) what can I do to improve our profits? And (3) do we have enough initiatives in the pipeline from which new profits may arise?

In essence, this focus reflects the fundamental question in the field of strategic management which is ‘*how firms achieve and sustain competitive advantage*’ (Teece, Pisano, & Shuen, 1997: 509). Porter (1985) in his seminal book on the subject says that “*The fundamental basis of above-average performance in the long term is sustainable competitive advantage*” (p. 11). In addition, Porter argues that “*competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm’s cost of creating it.*” (p. 3). In a vocabulary more akin to a practitioner’s, Barney and Clark (2007: 3) succinctly pose the question as ‘*why do some firms persistently outperform others?*’

So whilst my colleagues ponder these questions in the pursuit of a vision that our CEO shares with every new employee namely that: “*We want Admiral to be not the biggest but the most profitable insurer in the UK*”<sup>1</sup>, I have become more interested in Barney and Clark’s question from an academic viewpoint.

### 1.2 Positioning My Research in the Context of the Academic Literature

From the previous discussion we can see that my research will be positioned within the field of Strategic Management. From my initial reading I could see that the dominant paradigm during the 1980s was rooted in a principally economics-influenced literature and

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<sup>1</sup> This is a quote taken from the CEO’s speech he gives to all new employees in a meeting during their induction training. This quote was taken from the version written in 1999.

that the seminal work was Michael Porter's competitive forces approach (Porter, 1980). This itself was rooted in ideas developed through the 40s, 50s and 60s: notably Chandler's focus on how firms organized themselves in *Strategy and Structure* (1962) and in terms of firms shaping their markets this was embedded in the structure-conduct-performance paradigm of the Mason-Bain Berkeley-Harvard industrial organization literature (Bain, 1959; Mason, 1949b).

In essence, Porter's pioneering competitive forces approach viewed the development of strategy through understanding a company in its environmental context in the belief that industry structure was the strongest influence on competitive advantage. Porter's '5-forces' framework still provides us with a systematic way of thinking about how competitive forces work within an industry and how they can drive profitability (or otherwise).

However, there was a growing feeling amongst some economists that industry structure was not the *only* determinant of firm's performance. Edith Penrose in 1959 argued that '*a firm is more than an administrative unit; it is a collection of productive resources*' (Penrose, 1959: 21). Later, Demsetz (1973) put forward an argument that persistent competitive advantage may be due, in some cases, to luck or because a firm was better placed to satisfy customer requirements than its rivals. Wernerfelt (1984) in his influential paper sought to '*develop some simple economic tools for analysing a firm's resource position*' (Wernerfelt, 1984: 171) and in an attempt to complement the industry structure and firm's positioning of Porter's (1980) theory, coined the term 'resource-based view' (RBV).

Rumelt (1984), Barney (1986a) and Dierickx and Cool (1989b) amongst others contributed to the early development of RBV but it was with Barney's highly influential paper in 1991 that the RBV was formalised and his framework which outlined the '*relationship between resource heterogeneity and immobility; value, rareness, imitability, and substitutability; and sustained competitive advantage*' (Barney, 1991a: 112) subsequently '*supplied the footing for many RBV studies*' (Priem & Butler, 2001a: 23).

By 1991, Michael Porter was calling for a better understanding '*of the dynamic processes by which firms perceive and ultimately attain superior market positions*' (Porter, 1991: 95). And in 1994, there were calls for research into an '*intellectual framework to help us better understand the differential performance of firms in fast changing global markets*' (Dosi &

Teece, 1994: iii). We also saw the first mention of a new concept referred to as ‘dynamic capabilities’ in an essay by Teece and Pisano (1994) who argued that to understand competitive advantage in face of the challenges provided in current economies the concept of RBV needed to be extended. A seminal paper on dynamic capabilities by Teece, Pisano and Shuen (1997) signaled a start to a period of intensive research<sup>2</sup> in this new concept in an attempt to understand competitive advantage in today’s markets, described as ‘high-velocity’ (Bourgeois & Eisenhardt, 1988).

This brief overview places my nascent research question, about the ability of some firms to persistently outperform their peers, within a theoretical context. Could the opportunity and limitations presented by my insider perspective explicate the theoretical relationship between dynamic capabilities and competitive advantage? As a founder of a business that has persistently outperformed its peers, could I use my experience, access and industry knowledge to develop a robust, doctoral level study of dynamic capabilities?

### **1.3 Making the Argument That a Study of My Firm Represents an Opportunity to Contribute to the Dynamic Capabilities Literature**

In order to argue that Admiral may be an interesting company to study in the context of dynamic capabilities it is worth understanding the market in which it operates.

#### **1.3.1 The competitive landscape**

The UK motor insurance industry provides the context against which Admiral was created in 1993 and in which it currently operates. The industry is well understood. It is an example of a ‘*near perfect market*’ (Channon, 1996: 57). Motor insurance is a compulsory purchase in the UK and this large market of 27m customers generates premiums (income) of £15.6 billion in 2012 (EY, 2013).

Let us start with some definitions. In this industry, anyone who sells car insurance is considered to be a competitor but this is a simplification. In fact we can divide the competition into:

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<sup>2</sup> G. Di Stefano et al. (2010) report that since 2006, articles on dynamic capabilities have been published at a rate of more than 100 per year.

1. **Direct Insurers:** Companies marketing insurance directly to customers. The main players now are Direct Line (which include Churchill and Privilege as separately marketed brands), Admiral (and its myriad brands), the Esure stable of brands and Swiftcover. 50% of all policies are sold through the direct channel (Datamonitor, 2011).
2. **Traditional Composites:** companies who sell car insurance as part of a diversified financial services portfolio, often as a loss leader. Examples would be Aviva and Royal Sun Alliance. This sector underwent significant consolidation in the 90's.
3. **Brokers:** the high street face-to-face broker became a rarity as the brokers responded to the threat of direct insurers by consolidation and liquidation in the late 90's. The larger companies were able to invest in 'tele-broking' where the broker advertises a brand and deals direct with the public over the telephone. Examples are The AA, Swinton, Budget plus a raft of lesser known brands with variations on the larger successful broker business models. The brokers market products from the traditional composites and from syndicates based at Lloyds of London (such as Highway, Equity, Service). Some brokers also white-label a broking service for other brands. For example, Budget offers broker services as Marks and Spencer, Yes, Post Office and tele-markets its own brand Budget and also operates a chain of high street brokers who deal face-to-face with the public.
4. **Aggregators:** new players in the market who utilise the technology of the internet to provide a search service for customers seeking to compare prices from all the different brands in the market. There are four price comparison sites: Confused.com, Moneysupermarket.com, GoCompare.com and ComparetheMarket.com. They follow the same marketing strategies as the insurers/brokers and compete heavily for market share. In 2010 through 2013 they outspent both the direct players and the composites combined on TV.<sup>3</sup> From the launch of Confused.com in 2002,

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<sup>3</sup> According to figures provided by Nielsen Media Reporting

aggregators in 2013 accounted for 67% of all car insurance policies sold and 36% of home insurance policies<sup>4</sup>.

5. **White-labelled brands:** are established non-insurance brands looking for brand extension. They will form a partnership with an established player in the market (any of the first four categories) to offer branded services: direct insurance i.e. Tesco, Sainsburys; broker services i.e. Post Office; or now aggregator services i.e. Autotrader, Motley Fool. They have no underwriting risk and generally pay for the marketing in return for a payment per policy from the actual underwriter/broker.
6. **Syndicates:** based at Lloyds of London and offer products through brokers. Some syndicates (Admiral was the first) offer their products direct to the public in addition to the broker distribution channel with varying degrees of success.

The motor insurance market can be analyzed using Porter's 5-forces model as summarized in Figure 1-1.



Figure 1-1: Pictorial representation of Porters 5-Forces model as applied to the UK motor insurance industry. Sources: (Datamonitor, 2011, 2012; Deloitte, 2013; eBenchmarkers, 2013)

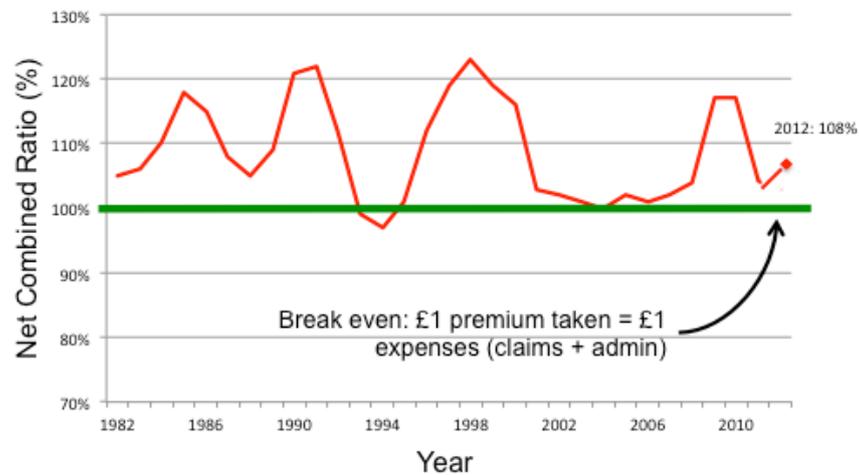
<sup>4</sup> Figures taken from Investor Presentation 2013 Full Year results: Slide 17. Available at: [http://www.admiralgroup.co.uk/investor/presentations/docs/FY\\_2013.pdf](http://www.admiralgroup.co.uk/investor/presentations/docs/FY_2013.pdf). Accessed 05/10/14; 11:57am

The key buyers are the individual consumers, and, for this analysis, technology providers and media outlets can be seen as the key suppliers.

1. **Barriers to entry:** Companies entering the market need to seek regulatory approval from the UK Financial Services Authority, which places significant restrictions on the entrance of new players. Companies must also pay a levy to the Motor Insurers' Bureau, an organization responsible for compensating the victims of uninsured and untraced motorists. All motor insurance companies in the UK have to pay these levies, although the increased costs are passed on to consumers by higher premiums. Furthermore, insurance is a fairly complex financial service, encompassing a large degree of specialized knowledge for risk analysis. Companies require a large customer base in order to distribute risk directly, and companies entering the market without diversified insurance activities incur significant reinsurance costs. Despite these barriers to entry, the motor insurance market is highly commoditized, and so companies can enter the market through innovative differentiation strategies as well as price competition and with the increasing dependence on the Internet for sales provides an easy way for new entrants to access cost effective distribution channels. Datamonitor (2010) rated the threat of new entrants with respect to the UK motor insurance market as moderate.
2. **Threat of substitutes:** Motor insurance is a legal requirement in the UK and as such the threat of substitutes is very weak when viewed in this way. However if a company offers either direct from the company or through a broker or through a price comparison site it is important to remember that each of these distribution channels has different acquisition costs and different loyalty profiles. There is a threat to providers in the current climate as consumers are embracing aggregators as a means to locate the cheapest insurance but subsequently demonstrating lower levels of loyalty (Datamonitor, 2011; eBenchmarkers, 2011) which has implications for expense control and thus profits. This is a substantial threat to insurance providers who are now dependent on aggregators to provide the bulk of their volume.
3. **Buyer power:** Motor insurance is a *'highly commoditized product where levels of provider switching are high and customer loyalty low'* (Datamonitor, 2010b: 13). Customer switching behavior has increased considerably since the launch of Direct

Line in 1985 (Channon, 1998). Advertising encouraging consumers to shop around at renewal has seen a rise in the number of consumers buying direct from the insurers from 10% in 1990 to 54% of consumers in 2001 reaching a peak of 61% in 2007 falling to 50% in 2011 (Datamonitor, 2011). This has been aided by the adoption of the internet as a purchasing mechanism by the consumer where in 2008, 24% of consumers purchased their insurance direct from the internet rising to 53.3% in 2012 (Datamonitor, 2012). This switching trend has been further encouraged in the last five years due to the emergence of the aggregators. Buyer power in the UK market is very strong.

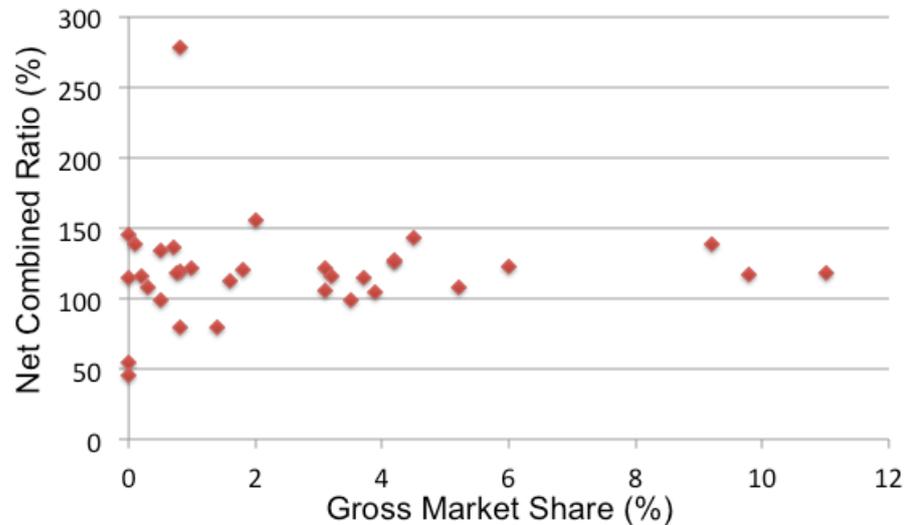
4. **Supplier power:** Suppliers of IT services, of back-office services, of media are few in number and have multiple clients so the prospect of negotiation to control expenses by the insurer is weakened. Many brokers invest significantly in IT, typically outsourced to a large technology provider. Switching to a new provider is costly. Similarly, in order to reduce costs and increase operational efficiency, many insurance companies are outsourcing back-office services, some of which are now offshore. The nature of outsourcing is such that switching could interrupt operations, therefore incurring significant costs. Again, suppliers have the power in these relationships.
  
5. **Threat of rivalry:** During the 90's there was significant consolidation amongst the traditional composites and amongst the brokers but competition remains intense within the market both in terms of price and in service or product innovation. Providing a new entrant can satisfy the regulatory requirements, the only barrier is access to buyers which the aggregators provide cost-effectively as described above. At the same time, this industry does demonstrate quite clear barriers to profitability. Industry profitability exhibits a strong cyclical pattern where consistently unprofitable results are punctuated by short periods of near profitability ameliorated by addition of investment income or release of money reserved in previous years to pay out claims. This pattern is demonstrated overleaf:



*Figure 1-2: Historic net combined ratios (NCR) in the UK Motor Market 1982-2012. NCR is a measure of profitability as it represents the ratio of pure income to operating expenses. Income is 'pure' in that it is in the form of gross written premium before claims reserves are released or investment income is added which can result in companies at 105% breaking even or recording marginal profits. Sources: Deloitte (2011), EY (2013). Market excludes Admiral Figure 1-2 shows that in the period 1982 to 2012 the market (excluding Admiral) was only profitable in 1993 to 1995 and depending on investment returns between 2001 and 2007/8.*

The reason postulated for these cycles concerns the battle for market share. Whilst not an inherently attractive market, many companies see their motor portfolio as an opportunity to cross-sell their more profitable products. There are also advantages to being large in terms of scale efficiencies and risk profiling. Hence they will fight for market share using unsustainable pricing strategies where prices do not cover the underwriting losses. However the spread of individual companies in any given year can be quite wide as shown in Figure 1-3 overleaf.

Eventually, the pressure for profitability returns and prices rise until they worry again about losing market share to their competitors. However other factors are at play: for example: in 1994, the Government introduced an insurance premium tax. This combined with various legal decisions for claims plaintiffs against insurance companies plus the Woolf report (Woolf, 1996) into long term injury cases and recommendations favouring the claimant rather than the insurance company and the adoption of the Ogden tables meant that claims inflation moved sharply upwards at a time when premiums were falling. This exaggerated and deepened the downturn in the market from 1997 to 2001.



*Figure 1-3: Benchmark of individual insurers in 2011. Each mark represents an insurer's position as measured by gross market share against NCR. You can see that the company with the largest market share is reporting a NCR of 118% i.e. for every pound taken in as income £1.18 is paid out and yet there are a couple of highly profitable players with NCR of between 40 and 60% who have practically no market share. Source: Deloitte (2011).*

Earlier in 1985, Direct Line launched at a time in the cycle where premiums were rising and this combined with a lower expense model resulted in early profits for the start-up. This encouraged others to come into the market or to change their existing business model and this created an intense battle for market share leading to an unprofitable cycle in the early 1990's.

There is a lag: for example in 2010 when gross written premiums increased by more than 7%, the market delivered a £1.6 billion loss (Mintel, 2012) and in mid 2012, rates softened again as insurers sought market share as the price rises in 2009 through 2011 brought the market almost to profitability - see Figure 1-2.

In summary, Porter's framework (1980) can be used to analyse the industry and taken as a whole, the analysis shows that the UK motor industry is unattractive although opportunities for competitive advantage do exist. Datamonitor (2010a) report the UK motor market as '*highly competitive*'.

In 1994, Teece and Pisano noted that:

*‘winners in the global marketplace have been firms demonstrating timely responsiveness and rapid and flexible product innovation, along with the management capability to effectively coordinate and redeploy internal and external competences’* (p. 538).

In order to demonstrate that Admiral could be a useful empirical study in the dynamic capabilities research domain it needs to satisfy the criteria in Teece and Pisano’s observation above i.e. that it is a ‘winner’ and that it has a track record of innovation in a timely fashion. If this can be established, along with the assertion that it operates within a ‘high velocity’: turbulent and competitive environment, which is the condition that key writers, amongst others, postulate that dynamic capabilities operate (Eisenhardt & Martin, 2000; Helfat et al., 2007; Teece et al., 1997), then a study of Admiral should contribute to the research domain.

### **1.3.2 Can the UK motor insurance industry be described as ‘high velocity’?**

In his review of the dynamic capabilities research domain, Barreto (2010) describes the challenges of today’s markets being *‘associated with the increasingly frequent occurrence of major, discrete environmental shifts in competitive, technological, social, and regulatory domains’* (p. 257). This type of environment was first described as ‘high velocity’ by Bourgeois and Eisenhardt who defined a ‘high velocity environment’ as one where *‘there is rapid and discontinuous change in demand, competitors, technology and/or regulation, such that information is often inaccurate, unavailable, or obsolete’* (Bourgeois & Eisenhardt, 1988: 816).

Can we demonstrate that the UK motor insurance industry meets the criteria of ‘high velocity’ from the literature?

There is evidence to show that the industry is subject to intensive regulatory influence, see Table 1-1overleaf.

Regulation	Year	Description	Effect
Insurance Premium Tax (IPT)	1994	The Finance Act 1994 established the principle of the IPT: all types of insurance risk located in the UK are taxable. Rate was set in 1994 at 2.5%, 1997 at 4%, 1999 to 5% and 2011 6%	Insurance premiums all rose by amount of IPT. System changes to add and account for and explain the tax all have to be done.
Woolf Report	1996	Lord Woolf report included long term injury cases and recommendations favouring the claimant rather than the insurance company.	Claims costs rose automatically with adoption of report.
Ogden Tables	1998	Actuarial tables developed by Lord Ogden were adopted in the UK for personal injury (PI) claims.	PI claims costs rose automatically with adoption of tables by the courts. Bacon and Woodrow were reported (Howard, 1999) to estimate that costs rose by £450m that year.
EU Directive for Data Protection	1998	Came into law with Data Protection Act 1998. Protected the individuals right to privacy.	Systems changes and staff training had to be rolled out before law came into force.
EU Directive for Distance Selling	2002	Came into law in 2002 and effected all telesales and internet sales.	Systems changes and staff training had to be rolled out before law came into force.
Financial Services Authority (FSA)	2005	Granted power of regulation over general insurance industry.	Huge changes in industry to systems and practices and to allow reporting required under a regulated regime. This added layers of back-office cost plus substantial fees and changes to working capital in a previously unregulated industry.
EU Gender Directive	2011	In March 2011, EU Judges ruled to scrap the insurance industry's opt-out from the EU's 2004 Gender Directive. This had been granted as both life and motor insurers had been able to demonstrate that rating by gender was an actuarially valid rating tool. Politicians in EU lobbied successfully to scrap the opt-out. It will come into force in 2012.	All underwriters will need to alter their rating systems so gender is no longer used to rate underwriting risk. It spells th end of 'woman only brands' such as Admiral's Diamond and Esure's Sheilas Wheels. Women in the past have received lower premiums as the risk to insure them is less.
Motor Insurance Regulation Bill	2012	To be introduced into parliament to stop referral fees in claims.	Removes a source of income to offset losses in claims.
OFT Call for Evidence	2012	In response to rising insurance premiums the Government has called for evidence to be reported early in 2012.	Who knows as yet?

*Table 1-1: Illustrates the major regulatory influences on the UK motor Insurance industry.*

There industry is also an early adopter of new technologies to improve efficiency or to provide a new basis to compete which can yields competitive advantage until the competitors catch up. This is illustrated in Table 1-2.

Technology	Adopted	Description	Effect
Inbound Call distribution systems	From 1985	Enables direct selling of insurance over the telephone.	The rise of the direct insurer Direct Line and its clones (of which Admiral is one).
Outbound diallers	Early 90's	Predictive dialling technology made outbound calling for various applications cost effective.	Several insurers and brokers adopted predictive dialling for servicing, upselling and sales completion tasks improving conversion and thus income generated.
Remote viewing of claims damage	From 1994	Cameras feeding live images from one site to another	Enables costs to be reduced as engineer can remain in office and view damage to vehicles remotely at the garage speeding up claims process.
Internet	From 1995	A new distribution and communication mechanism	Business acquisition has moved primarily to the internet.
Ability to outsource calls	From 2001	Technology to allow calls to be transferred and answered anywhere in the world.	Admiral was the first insurer to set up a centre in India in 2001. Most insurers (and other service providers) have followed suit with varying degrees of success.
Hunter Fraud Prevention Technology	From 2006	Uses technology and rules based systems to detect lies.	Helps reduce claims costs by tackling fraudulent claims.
Telematics	From 2007	Integration of GPS, telecommunications and computers for application in vehicles.	Ability to offer pay as you go motoring, specially designed products to reduce risk for young drivers - all are under development in 2011.

*Table 1-2: Shows how major new technologies have been utilised within the UK motor insurance industry.*

Additionally the industry can be demonstrated to be innovative. It demonstrates an example of Schumpeterian swarming (Schumpeter, 1943) where each innovation is met with a rush of imitations which soon erode any competitive advantage gained. This is also described by Porter (2003) as ‘running a different race (innovation) or running the same race (copy-cat)’. Table 1-3 overleaf illustrates some of the major innovations in the industry, who had first mover advantage and how quickly that advantage has been eroded.

Data from these three tables provides evidence for the assertion that the UK motor insurance industry is ‘high velocity’ using the criteria drawn from the literature. This is the first step to indicate why Admiral may be a useful case study to look at dynamic capabilities as it functions in an environment where competitive advantage may be gained through the operation of dynamic capability.

Next, referring back to Teece and Pisano’s (1994) observation on page 1-10, Admiral needs to be both a ‘winner’ and ‘innovative’ to match the criteria.

Innovation	Comment	1st Mover	Date	Followed by:
Traditional intermediary distribution method bypassed in favour of direct marketing.	Direct Line pioneered a move to market to customers directly using phone number as response mechanism. Paradigm change in industry (Porter 2003).	Direct Line	1985	Launch of Churchill in 1989, The Insurance Service 1992, Admiral 1993, Touchline 1993. Direct Line leveraged their advantage to maximise upturns in the cyclical market in the late 1980's and again in the early 1990's to create a dominant brand and to drive down expense ratios. The latter is a feat still unparalleled within the industry with very few exceptions: Admiral being one of them plus some syndicates at Lloyds have matched their expense ratios without the brand through different business models).
Technology to support rating and back office functions.	The founder of Direct Line was an IT specialist and the second prong to Direct Line Launch was its use of technology. (Channon, 1996)	Direct Line	1985	Pricing strategies are highly sophisticated from all the direct players thanks to technological advances. This was originally a source of competitive advantage for this category but now technology is available to all underwriters.
Products for non-standard risks offered direct to consumers	Most companies offer competitive pricing for 'standard' (aka safe) risks leaving 30% of market called 'non standard' to specialist brokers. This represented a differentiated strategy for an entrant to market.	Admiral	1993	Launch of Privilege Insurance (by Direct Line) in 1994, specialist brokers developed telebroking capability during late 90's (e.g Adrian Flux, Allen and Allen Group)
Direct insurance launches in Europe	Linea Directa was launched by Direct Line in Spain. By 1999 they claim it is Spain's largest direct insurer.	Direct Line	1995	This was followed by launch in Germany and Italy in 2002. Traditionals who had direct UK arms also rolled out direct insurance in the intervening period to most European countries. Admiral launched Balumba (Spain), Admiral Direkt (Germany), Conte (Italy), L'Olivier (France) and Elephant Auto (US) between 2006 and 2011.
Launch 10 month policy 'Bonus Accelerator'	In 1995, Admiral launched a Bonus Accelerator policy designed for young drivers and other zero no claims bonus (NCB) which offered a years bonus earned in 10 months for a premium slightly more than prorata 12 month policy.	Admiral	1995	Companies can still offer introductory bonuses but these are normally for named drivers/company car drivers on cars who drive regularly but have no NCB in their own name. Admiral designed this product for its target market. Some specialist brokers offer this now. Direct Line advertise 12 months for the price of 10 which isn't the same product but has helped differentiate them in 2010/11.
Proliferation of brands offered by the same underwriter	Admiral's key competencies in running call centres and in marketing and pricing allowed the launch of two additional direct brands Bell Direct and Diamond in 1997. The strategy was in response to the question of how to gain market share as Admiral in two key profitable areas of our portfolio namely affluent customers and women without the expense of less efficient forms of advertising which was becoming increasingly expensive to buy. Some of our critics said we were going into competition with ourselves but we were able to target more profitable customers with low market spend by leveraging the much higher spend from our Admiral brand.	Admiral	1997	The practice of launching 'direct' brands to compete with Direct Line was common in late 80's and early 90's as traditional insurers responded to the impact Direct Line was having. These brands were in direct competition to the same brand offered through brokers and brokers often insisted on having same pricing structure which destroyed the expense benefits of direct distribution. Privilege became a brand rather than a separate company in 2000 but the launch of Bell Direct and Diamond were an innovation for marketing and underwriting strategies. This innovation was rapidly copied by other insurers and brokers but became very common as the internet as a distribution mechanism gained in strength and the advent of aggregators. Most underwriters or brokers operate today under more than one brand.
The internet as a distribution channel	In 1996, most insurers were using the internet as a 'brochure' mechanism. Admiral launched the first quote form which were inefficient to process (manually) but early adopters of the internet were Admiral's target market. However Eagle Star launched first online quote in 1997.	Eagle Star	1997	Eagle Star were eclipsed in 2000 when Direct Line launched truly integrated internet quote engine followed closely by Admiral with its brands. Certainly Admiral had been planning interactive quoting since 1998 but the technology was not easy. Most colleagues at the time felt the same. Admiral launched elephant.co.uk the first 'internet brand' in Aug 2000. By 2002 all companies offering quotes did so online with the exception of a few very small bespoke brokers.
Launch of price comparison for motor insurance	Admiral launched confused.com in beta mode in March 2002 and followed by a full launch in 2003. This revolutionised distribution for underlying providers of insurance as consumers have embraced it and it's proved to be cost effective for acquisition costs (eBenchmarkers, 2011).	Admiral	2002	Moneysupermarket launched motor price comparison in late 2003, Go Compare in 2006 and CompareTheMarket in 2007. These four brands constitute 95% of the motor price comparison business in 2011 (eBenchmarkers, 2011).
White labelling brands	This was a natural extension of consolidation where two companies merged and kept both brands going. However Direct Line/RBS deal to provide Tesco with Financial Services; Esure/Halifax to Sainsbury's; Budget to Post Office, Marks and Spencers, Yes; Aviva wrote RAC insurance business, etc were next step where internet technology enabled cost effective implementation and distribution.	Various but Budget is main competitor	2002	Many movers into the same space between 2002 and 2005. White labelled business periodically put their white label opportunity out to tender every few years but the main company involved is Budget Insurance services Limited (who also run an aggregator CompareTheMarket.com which drives very cost effective volume to all their brands).
Multicar	Admiral launched Multicar in response to developing a product outside aggregator expertise and in response to rising number of multi-car households in Britain. Again - an example of a differentiated strategy albeit that most companies when asked will offer 2nd car discounts.	Admiral	2005	It is a niche market although valuable so movement into this space is limited. Direct Line recently launched its version in 2011, Adrian Flux offers Family Fleet and multivehiclecover.com also write this as a separate product. A good proportion of Admirals growth since 2005 has been down to the multicar product (the rest is due to aggregator growth generating volume for the Admiral brands).
Pay as You Go	Aviva was first mover but withdrew product in 2008. It is a product enabled by telematics technology which is in turn enabled by GPS systems. It is a box that sits in your car and collects data about how far you drive and also how you drive.	Aviva	2007	A few specialist companies are offering telematics products and Admiral is developing a couple of products which have been tested since 2009 but rolling out to a larger audience in 2012. This is an area of current development in the industry.

Table 1-3: Showing major innovations in the UK motor insurance industry with first and a description of the dissipation of that innovation over time.

### 1.3.3 *Is Admiral a successful company?*

Internally Admiral describes itself as ‘a direct-marketing company selling car insurance’<sup>5</sup> but on the contents page of its 2010 Annual report it describes itself as ‘*first and foremost a successful car insurer*’ and in its 2012 Report refers to ‘*The Groups core UK car insurance business launched in 1993 and the Group has grown every year since*’ and in 2013 the Group a 7% increase in profit on 2012<sup>6</sup>. That growth achievement every year is in both customers and revenue. Admiral has 11% market share in the UK (Deloitte, 2013; EY, 2013) sold through four brands: Admiral, Bell Direct, Diamond and Elephant.com; it also sells commercial vehicle insurance from a wholly-owned broker Gladiator; and owns one of the key players in the price comparison industry: Confused.com. In 2013 Admiral reported a turnover of £2.03 billion and a profit of £370 million. In line with its strategy to be strongly cash generative, it returned 95% of the post-tax earnings as dividends giving it an EPS of 95.5p. These reasons and a belief in the company’s strategy and management mean that the ‘*stock is still trading at a premium to the sector – at 14x FY12e earnings (versus non-life peers at ~9x) and a PEG ratio of 1.3x*’<sup>7</sup>.

Since floating on the London Stock Exchange in September 2004, Admiral has seen its market capitalisation rise from £711 million to over £3.2 billion in Dec 2012. It’s strategy was stated by Alastair Lyons, Chairman in the 2010 Annual Report as:

- ‘*Grow our share of the UK private insurance market*
- *Exploit the knowledge, skills and resources attaching to our established UK businesses to promote our expansion overseas in both private motor and price comparison*’

It remains Admirals strategy with 2013 Annual Report and Accounts telling investors that the strategy is ‘*to continue to progress in the UK car insurance market whilst taking what we do well to new products and markets*’ (front matter).

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<sup>5</sup> This is another quote taken from the CEO’s speech given to all new employees in a meeting during their induction training. This quote was taken from the version written in 1999.

<sup>6</sup> All the Annual Reports are available on the website [www.admiralgroup.co.uk](http://www.admiralgroup.co.uk).

<sup>7</sup> As reported by a Morgan Stanley analysts report on Admiral Group Plc dated August 25, 2011

Success against the stated strategy can be seen in a growth of market share in a very competitive market from 3.6% in 2004 to 11% in 2012. It has also expanded its operations internationally by launching insurance companies in Spain (2006 Balumba), Germany (2007 Admiral Direkt, withdrew from German market in 2011), Italy (2008 Conte), the USA (2009 Elephant.com), France (2010 L'Olivier) and launching comparison sites in Spain (2009 Rastrator.com), Italy (2010 Chiarezza.it, withdrew from Italian market in 2012), France (2010 LeLynx.fr) and USA (2013 Comparenow.com). The turnover in 2013 from the non-UK businesses was £188m (up 15% from 2012) with Balumba, Le Lynx and Rastreator recording profits and all non-UK companies recording growth in turnover and customers.

Success can also be measured in relation to market performance. Admiral stock trades at a premium to its sector and this is partially explained by Admiral's performance against its competitors.

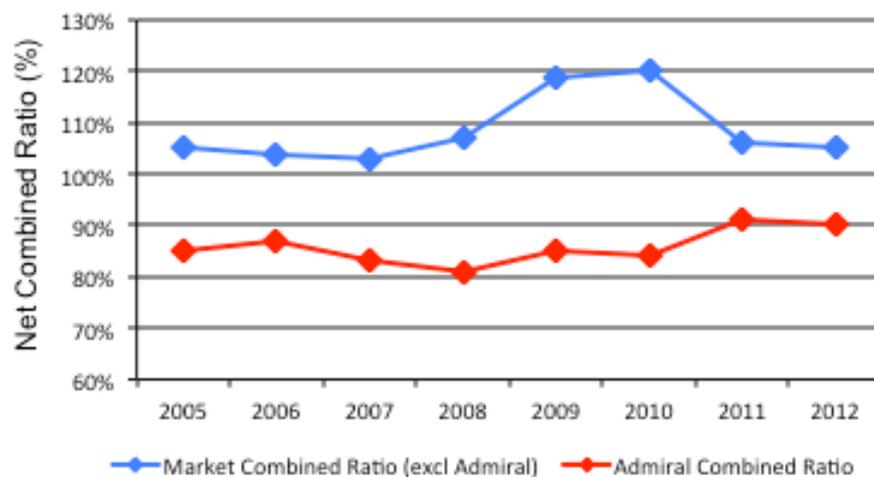


Figure 1-4: Demonstrates the combined ratio advantage Admiral enjoys over the market. Source: Towers Watson analysis of FSA returns<sup>8</sup>.

In Figure 1-4 the graph shows the net combined ratio<sup>9</sup> (NCR) for the market excluding Admiral compared with Admiral's performance in the same period. Remember for each £1 of premium taken in, the NCR represents the % of that £1 paid out in expenses. So for example in 2009, the market was paying out £1.19 in every pound in expenses whilst

<sup>8</sup> As reported in '2013 Interim Results Presentation' on [www.admiralgroup.co.uk/investor](http://www.admiralgroup.co.uk/investor)

<sup>9</sup> See Figure 1-2 for a description of NCR.

Admiral paid out 85p. Admiral operates at a distinct advantage to the market- a measure of success.

One final measure of success can be found in Admiral's people. The Annual Reports always pay tribute to the people in the business. In fact, in 2010 the Chairman commented on his belief that the key to Admiral's success is its people<sup>10</sup>. In their own words<sup>11</sup>, Admiral feel that "*people who like what they do, do it better.*" Hence, the firm places a heavy emphasis on staff engagement. The 2013 Annual Report (p. 15) states that 88% of staff say "*I am happy at Admiral*". Regular staff surveys allow senior management to get a sense of whether people enjoy working for the business and they are very proud of the fact Admiral has always ranked in the "best places to work" lists generated by both the Sunday Times and the Financial Times. In 2014, Admiral ranked 2nd in the Sunday Times Best Big Companies to Work For survey, was the 2<sup>nd</sup> best Large UK Workplace and 2<sup>nd</sup> best European Workplace in the Great Places to Work survey. This is another indication that Admiral can be viewed as a '*winner*' in the sense of Teece and Pisano's (1994) quote.

To conclude the line of reasoning that Admiral is a company likely to display dynamic capability we must now demonstrate that the company is innovative and then it will have met all the criteria laid out at the end of section 1.3.1.

#### **1.3.4 Is Admiral a strategically innovative company?**

Admiral's mission at launch in 1993 was '*to be the most profitable insurer in the UK within 10 years*'<sup>12</sup> and the philosophy was that '*there is no such thing as a bad risk - only a bad premium*'. The founders felt that by utilising technology and advanced statistical analysis the correct premium for a given risk could be calculated and this combined with strict expense control<sup>13</sup> could be a winning formula. At launch the strategy was simple and innovative. Admiral decided to offer direct insurance to a segment of the non-standard

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<sup>10</sup> Taken from the 2010 Annual Report available on the website [www.admiralgroup.co.uk](http://www.admiralgroup.co.uk).

<sup>11</sup> Quoted on the website [www.admiralgroup.co.uk/culture/index.php](http://www.admiralgroup.co.uk/culture/index.php) accessed 10 Sep 2013

<sup>12</sup> This is another quote taken from the CEO's speech given to all new employees in a meeting during their induction training. This quote was taken from the version written in 1999.

<sup>13</sup> Operating expenses rather than claims which is never totally within the underwriters control – obviously claims costs need to be managed but systems, staff and marketing are totally within a company's ambit.

risks in the UK clearly aimed at an unoccupied, viable strategic space with the two-pronged approach of superior pricing and expense control. This followed a differentiated strategy (using Porter's nomenclature, 1980) in a very unattractive market in order to try and gain competitive advantage and hence profits.

In simple terms the pricing and marketing strategy was, and remains to this day, to insure

higher premium (aka non-standard) customers: younger, bigger cars, city dwellers and combinations thereof. Admiral is still the only direct writer to specialise in this area of non-standard risk and it competes, in underwriting terms, only against specialised brokers offering non-standard rates.

So apart from innovative strategy, if you refer back to Table 1-3 which demonstrates the innovation in the industry by listing the major strategic innovations, who were the first movers and how fast the innovation was copied: in 45% of cases listed, Admiral is the innovator and in 27% of cases it is Direct Line who is the innovator. Judged by this evidence, Admiral is an innovative company.

Other than these industry innovations, Admiral has innovated in a number of areas contributing to its continued success. These are outlined in the next table.

Innovation	Year	Description	Effect
Launch capital	1992-1995	Launching the new business as a syndicate in Lloyd's of London with an innovative ameliorisation of the start-up spend over 3 years of account.	Allowed syndicate which is backed by individuals to minimise risk in a new company by spreading the launch costs into three years of account at Lloyds - made it more attractive to those individual investors.
Ancillary Sales	from 1993	Admiral has pioneered selling of ancillary products in the insurance market apart from Legal Expenses which was the only offer prior to 1993.	As reported to investors in 2011, Admiral receives almost as much value from underwriting profit as from ancillary profit which is attractive to investors.
Launch of non standard broker: Gladiator Motor	1994-2000	In order to deal with leads that didn't convert (not Admiral's target market) Admiral started up a new wholly owned broker.	Gladiator was launched to maximise efficiency of Admiral's advertising spend to try and convert leads not in Admiral's target market via a non-standard broker and receive commission on that sale.
Limiting Underwriting Risk	from 1998	Through novel reinsurance arrangements Admiral spreads its underwriting risks.	When the company did a management buyout in 1998 and then floated on the stock exchange in 2004, reducing Admirals exposure to underwriting risk at times of market downturn proved to be very attractive to new investors.

*Table 1-4: Examples of other innovative activity from Admiral not covered by Table 1.3.*

Insurance market analysts often point to innovation as one of Admiral's key success factors. It was recognised externally in the Float Prospectus in 2004 (AGP, 2004) and reading subsequent analysts reports<sup>14</sup>, Admiral's unusual financing model where by underwriting risk is reinsured is innovative in the industry.

In this section it has been demonstrated that Admiral meets the criteria of a "winner" as defined by Teece and Pisano (1994). It operates in a high velocity environment and yet is successful, on a number of measures. Therefore it has established and maintained a competitive advantage since launch in 1993. It is innovative both internally and strategically. So according to the literature (Helfat et al., 2007; Teece et al., 1997) it is likely that dynamic capabilities are at play within this organization and this suggests that a study of Admiral may contribute to the research domain.

#### **1.4 Research Aims**

As stated in Section 1.1, Barney and Clarke's question (2007:3) '*why do some firms persistently outperform others?*' forms the nascent expression of the research aim of this doctoral thesis with specific reference to a single firm. Expressions of this fundamental question at the heart of strategic management underlie the current, very active research domain of dynamic capabilities that looks to be a useful theoretical lens through which to view my firm. Through an inductive case study of Admiral Group, I will explore how dynamic capabilities contribute to the sustained performance of this firm having first identified that such capabilities do in fact exist within the organization.

At the outset, I was unclear whether this study would fill a particular gap in the literature and the next chapter reviews the dynamic capability literature and its resource-based view antecedents with the aim of identifying where the gaps in the literature exist to help frame the research question this case study should address.

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<sup>14</sup> Analyst reports have been made available from Admiral Investor Relations team.

## CHAPTER 2: LITERATURE REVIEW

### 2.1 Introduction

In Chapter 1, the idea that a case study of Admiral Plc may contribute to further understanding of the relationship between dynamic capabilities and sustained performance was introduced.

This chapter provides a review of the relevant literature in the dynamic capabilities domain with the aim of better understanding the theoretical underpinning for the research aims and to shape a research question for the thesis that will allow the business case study to contribute to understanding how dynamic capabilities contribute to successful firm performance.

This chapter is organized into three main sections: The first places dynamic capabilities in its historical context within the field of strategic management research: specifically as it pertains to the development of the resource-based view of strategy (RBV), itself the precursor to the emergence of the dynamic capability construct. In the second section the RBV literature is briefly reviewed and the third main section deals with the development of the dynamic capabilities construct itself.

RBV and hence the dynamic capabilities construct are firmly rooted in the history of strategic management field as the following section demonstrates.

### 2.2 Background: Strategic Management Research

The field reflects a tradition of theoretical pluralism borrowing as it does from other disciplines: economics, behavioural sciences, psychology to name a few, and in its evolution of constructs and frameworks. The different views of strategy that have arisen have all contributed to understanding in the field but this background review focuses on the developments that have specific links with the evolution of the RBV within the domain.

Kuhn, in his treatise on how scientific fields progress postulated that research fields develop whereby periods of “normal science” are punctuated by paradigm shifts followed by research where the new ways of thinking are explored and tested until consensus is

reached whereby follows another period of “normal science” (Kuhn, 2012). In Kuhnian terms then, strategic management is best described as “pre-paradigmatic”. Certainly no consensus exists around many key definitions and constructs and Rumelt, Schendel, and Teece (1994) offer the opinion that the field will always contain differing perspectives also noting (p. 9) that ‘*strategic management as a field of enquiry is firmly grounded in practice and exists because of the importance of its subject*’.

From the contributions of the early thinkers in organizational behaviour we get the beginnings of the humanist tradition and ideas of values and culture which influenced the field of strategic management specifically in the area of interest in this thesis: resources and capabilities (Barnard, 1938, 1948; Follet, 1926, 1927; Mayo, 1933, 1945). Barnard is not typically thought of as key writer in strategic management as he stressed coordination as the essence of organization (Barnard, 1948) but apart from the contribution on values and culture that he makes to the field, he also is the first to distinguish between managerial work that makes a firm more efficient and that which makes it effective, an emphasis on what later became called ‘*internal competitive resources*’ (Nelson & Teece, 2010: 358).

At the same time we see a number of writers exploring what Fredrick Taylor (1947) called the “science of work”. Specifically, Weber (1947) looked at bureaucratic structures and control mechanisms through authority and Simon (1945/1976) proposed a first framework for analysing administration.

Economics too, has produced some significant ideas that helped shape the field.

One concept was the notion that firms shaped their markets. This was embedded in the structure-conduct-performance (SCP) paradigm of the Mason-Bain Berkeley-Harvard industrial organization literature (Bain, 1959; Mason, 1949a) and Porter’s work on competitive strategy was rooted in this SCP paradigm (Porter, 1980). This work was highly influential in the rise of industrial organization (IO) economics and it’s explanatory power to explain abnormal returns. This was a swing from the firm itself towards the eternal orientations of the industry structure in which it operates and allowed deductive, large-scale statistical studies to test hypotheses on models abstracted from the SCP: a viewpoint that dominated the research agenda for the next two decades and shifted the research focus from the firm to market structure (Hoskisson, Hitt, Wan, & Yiu, 1999: 425). From an IO

perspective, once an attractive industry has been selected it is a rational process to develop or acquire assets needed to compete in that market but some assets are not tradable or cannot be utilized fully (Teece, 1976, 1980) however it was in response to perceived shortcomings in the IO dominant view that led to Barney's seminal paper outlining the resource-based view (RBV) in 1991 (Barney, 1991a).

Another influential economist was Ronald Coase whose classic article in 1937 (Coase, 1937) asked "why do firms exist"? In answer he concluded that (as paraphrased by Grant, 2002: 84) '*the firm can organize certain transactions at lower cost than can markets*' thereby introducing the concept of transaction costs to explain the nature and limits of firms. This idea was operationalized by Oliver Williamson (1975, 1979, 1981) in his hypothesis that organizational forms are (or should be) chosen to economize on transaction costs and this vertical integration has formed a key role in the development of strategic management as a field but more importantly as an antecedent of dynamic capabilities theory (Augier & Teece, 2009: 414) which sought to improve on the explanatory power of Williamson's transaction cost economics (TCE).

Another significant contribution, with regards to this thesis because of its influence in the later development of the RBV and dynamic capabilities, was the publication of Edith Penrose's book '*The Theory of the Growth of the Firm*' (TGF) in 1959. It was seminal in its view of the drivers of growth being through the generation and utilization of firm-level resources. She also made an important distinction between resources and the services (capabilities) that flow from those resources (Foss, 1997a: 9). The Penrosean firm is a collection '*of productive resources for the purpose of supplying goods and services to the economy in accordance with plans developed and put into effect within the firm*' (Penrose, 1959: 13). Of the resources within the firm, Penrose considers human resource, particularly managerial resource to be paramount and in her TGF, unused but productive resources are '*a selective force in determining the direction of expansion*' (p.77) offering as they do a challenge to innovate and to expand and hence competitive advantage. She also noted (Pitelis, 2009: xx) that it is the heterogeneity of services created from resources that give a firm its unique character. As an economist her work has failed to influence mainstream economics but her contribution as a seminal text to the RBV, the dynamic capabilities approach and the knowledge management arena is undeniable (Pitelis, 2009, 2011).

The birth of the strategic management field ‘*can be traced to three works of the 1960’s: Alfred Chandler’s Strategy and Structure (1962); Igor Ansoff’s Corporate Strategy (1965); and the Harvard textbook, Business Policy: Text and Cases (Learned, Christensen, Andrews, & Guth, 1965)*’ (Rumelt et al., 1994: 16) and the influence of these theorists is well established (Bowman, Singh, & Thomas, 2002; Hoskisson et al., 1999; MacIntosh & MacLean, 2014; Pettigrew, Thomas, & Whittington, 2002). These early writings had an “inside” perspective of strategy and Hoskisson et al. (1999: 421) comment that ‘*it is likely that the early development of strategic management thinking has been influenced, at least to a certain extent, by these early classics’ detailed expositions of organizations’ internal processes*’. So these writers not only directly influenced the field in the 60’s and 70’s but they influenced the development of the notion that dynamic capabilities are embedded in processes within an organization (Eisenhardt & Martin, 2000; Teece et al., 1997; Winter, 2003) thus having direct relevance to the research aims.

With these writers we see the first introduction of the concept of “strategy”. It melds ideas of coordination and integration with selection of arenas in which to compete and how to compete. Andrews in his text for Business Policy (Learned et al., 1965) combined the idea of Chandler’s concept of “strategy” (Chandler, 1962) with Selznick’s early “distinctive competence” (Selznick, 1957) and added the notion of “uncertainty” and the idea that firms must adapt using their strengths and weaknesses to the opportunities and threats of their environment. Andrews (Andrews, 1971: 15) defined strategy as ‘*the pattern of objectives, purposes, or goals and major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be*’. His notion that strategy involves an understanding of the internal phenomena alongside an external analysis of the environment was key to the later notions of evolutionary economics (where key impetus was provided by Nelson & Winter, 1982) which in turn were foundations for the RBV thinking as epitomized by Barney (1991a) in his seminal paper. Andrews’ idea, which came to be called “fit” or “alignment”, formed an important tenet of Helfat et al.’s (2007) definitions of the dynamic capability construct and Teece’s later work on the construct (Teece, 2007). For Ansoff, strategy was more about providing a connection amongst a firm’s activities and their product markets through five components of strategic choice and was influenced by earlier work with a behavioural perspective (R. M. Cyert & March, 1963; Simon, 1945/1976). Ansoff’s

(1965) thoughts around competencies and capabilities, form a fundamental component of the RBV.

Given that this research hopes to contribute to the dynamic capabilities area, it is interesting that David Teece, one of the chief architects of the construct, has noted the relevance of Chandler in commenting ‘*he [Chandler] did implicitly say that firms choose different paths and top leadership plays a critical role in deciding where to deploy the firm resources and in that sense he’s consistent with a dynamic capabilities perspective*’ (Nelson & Teece, 2010: 358). In Chandler’s ‘Strategy and Structure’ (1962) knowledge management was a central theme (Mowery, 2010) whose ideas essentially form the precursor to a large body of research on knowledge management which is noted by Helfat et al (2007) to be a dynamic capability. He revisited the ideas from his 1962 work on the centrality of knowledge (Chandler, 2005: 9) and argued that success was dependent upon what he called “*an integrated learning base*”, again, consistent with the dynamic capabilities literature reviewed later.

The Carnegie School led by an influential group of academics led by James March, Herbert Simon and Richard Cyert were also influential, apart from Ansoff’s contribution. In 1958, March and Simon had published a work in which organizations were viewed as hierarchical structures within which the abilities, motivations and cognitive processes of the individuals are constrained. Such individuals challenged the notion of the rational agent of neoclassical economics, and although the book is largely conceptual, it served to establish a vocabulary by which the Carnegie School and others could further develop organization theory (Gavetti, Levinthal, & Ocasio, 2007). Oppositions such as “bounded” versus “perfect” rationality, of “satisficing” versus “maximizing”, or of “procedural” versus “substantive” rationality, are still widely used.

The Carnegie School produced another hugely influential work in the evolution of organizational thought when Cyert and March (1963) laid out a behavioural theory of the firm. This was a seminal work looking “inside” the firm to develop new theoretical ideas about economic behaviour. It has been argued (Pitelis, 2007) that although Cyert and March (1992) in their second edition of their 1963 book do not specifically reference the earlier work of Penrose or the subsequent development of the RBV there is a synergy between their *Behavioural Theory of the Firm* and Penrose’s *Theory of the Growth of the*

*Firm* (1959). Both focus explicitly inside the firm and note that firms interpret their external environment through an organizational filter.

Their ideas built on the contributions of Selznick (1957) who had hypothesised that individuals within organizations can hold different goals, which makes it difficult for organizations and employees to have the same implicit, rational objectives. Interestingly, Selznick's 1957 book with his view that firms have "distinctive competences" (p. 42) is a theoretical precursor to both RBV and dynamic capabilities. Distinctive competences in a firm enable it to pursue strategies better than other firms (Hitt & Ireland, 1985; Learned et al., 1965; Selznick, 1957). Selznick recognized (1957) that distinctive competencies include not just general management skills but also visionary skills (Collins & Porras, 1994) and leaders will organize and structure a firm to reflect this purpose and then protect this vision from internal and external threats (Selznick, 1957). Christensen and Andrews were also some of the first to talk about companies in terms of distinctive competencies (Cruickshank, 2012) and Barney and Clarke (2007) include the literature on distinctive competences when expounding the theoretical antecedents of the RBV.

Despite the dominance of the SCP paradigm in the field, one important strand for the development of the RBV and dynamic capabilities that looked into the firm to unravel its inner structural logic and workings was in the discipline of organizational economics. With its primary interest in the "firm" it established a more neutral position than the internal "inside-out" perspectives of the Carnegie "behavioural" school versus the "outside-in" SCP paradigm (see Hoskisson et al., 1999 for a fuller description of how these two perspectives have changed over time). One key theory in organizational economics relevant to this thesis was touched upon earlier in this section: Oliver Williamson's publication of his influential papers (1975, 1979) that with a focus on boundary relationships, built on Coase's work (1937) and took March and Simon's (1958) concept of "bounded rationality" that emphasized transaction cost economics (TCE). The TCE framework allowed exploration of economic activity in the boundaries of both markets and firms. Underlying TCE is a contractual scheme focused on existing resources although it says nothing about resource or capability development and Argyres (1996) argued that relative strengths in capabilities offered as valid an explanation of vertical integration decisions as the TCE. These two ideas came together in Teece et al.'s (1997) seminal paper on dynamic capabilities.

### 2.3 Background: The Resource-Based Perspective

The literature review thus far has mapped an evolution of ideas and theorising that led to the articulation of resource-based theory in Barney's foundational article in 1991 '*Firm resources and sustained competitive advantage*'. However the development and definitions of resource-based concepts occurred during the 1980's, when a coterie of researchers recognizing the limitations of the IO paradigm in explaining sustained economic performance returned to exploring explanations within firms.

#### 2.3.1 Developing a resource-based view: the canonical texts

Despite IO economics dominating the 80's a number of important, almost canonical, papers were published that were fundamental to the development of the resource-based perspective (Barney & Clarke, 2007; Foss, 1997a; Peteraf, 1993).

First, the Lippman and Rumelt (1982) paper introduced the RBV foundation concept of "uncertain imitability" to explain '*the origin and persistence of interfirm differences in efficiency*' (p. 436) arguing that the causal ambiguity surrounding the means by which a firm has established above normal returns may limit imitative activity.

Another key concept in the RBV is that of "isolating mechanisms" a term first coined by Rumelt (1984). Barney and Clarke (2007: 16) note that Rumelt's paper demonstrated '*attributes that will later be associated with resource-based theory*'. Rumelt described firms as bundles of productive resources and his contention was that the economic value of those resources depended on the context to which they were applied. Rumelt's "isolating mechanisms" were phenomena protecting these resources from imitation. Firms may start out homogeneous (Rumelt, 1984) but, ex-post, they have become heterogeneous and imitation is reduced thanks to "uncertain imitability".

The term "resource-based view" appears first in an influential paper published by (Wernerfelt, 1984). This paper gained in importance during the 90's as the RBV became imbedded in the intellectual structure of strategic management research (Ramos-Rodriguez & Ruiz-Navarro, 2004). It was a slow start – Wernerfelt himself in a review of the impact of his 1984 paper notes wryly that '*in 1984-1987 the paper had a grand total of three citations*' (Wernerfelt, 1995: 171) but between 1980 and 2000 a total of 95 citations in the

Strategic Management Journal alone (Ramos-Rodriguez & Ruiz-Navarro, 2004) highlight its growing influence.

Wernerfelt explains his motivations in writing his paper '*as my attempt to satisfy myself that one could build a consistent foundation for the classic theory of business policy*' (Wernerfelt, 1995: 172) or as Barney and Clarke (2007) summarize it: '*he [Wernerfelt] was simply viewing the same competitive problem described by Porter (1980) from the perspective of the resources a firm controls*' (p. 14).

Wernerfelt defined a resource as '*anything which could be thought of as a strength or weakness of a given firm*' (p. 172) and his paper essentially examined the relationship between resources and profitability with his main contribution being the '*articulation of the conditions under which a firm's resources could be used to generate rents*' (Bowman et al., 2002: 43) and demonstrating through this perspective that '*the optimal growth of the firm involves a balance between exploitation of existing resources and the development of new ones*' (Wernerfelt, 1984: 178), an idea first posited by Penrose in 1959.

Wernerfelt acknowledges (1995: 172) the work of Teece (1982) in clarifying the governance structure through which a firm leverages its resources. An idea that Wernerfelt felt was missing from his seminal paper (his 1984 work *assumes* that resources are leveraged by diversification). Teece's 1982 paper focused on innovation and resource value creation drawing on Penrose's view that unused productive resources are a challenge to innovate and grow (Penrose, 1959) and applying Williamson's (1975, 1979) TCE. This paper in turn built on his 1980 paper where he integrated a resource perspective of transaction-specific or firm-specific investments as being resources likely to generate rents with the TCE view that transaction-specific investments create opportunities that can be resolved by governance (Teece, 1980). Together these Teece papers formed a theory of corporate diversification that has become an integral part of the RBV (Wernerfelt, 1995).

Another important building block to Barney's pivotal paper in 1991 was his earlier paper (Barney, 1986b) in which he extended Wernerfelt's idea of building a theory based around a firm's resources introducing the concept of strategic factor markets where firms acquire or develop the resources they need. Barney suggested that firm resources differ in their

“tradeability” where a tradeable factor can be identified and valued within the strategic factor market: an important concept in the RBV.

Dierickx and Cool (1989a) extended Barney’s argument (Barney, 1986b) by focusing on the factors that can render a resource imperfectly imitable because they tend to be tacit and/or socially complex and thus less likely to be subject to strategic factor market competition. They suggested that the non-tradeable assets developing and accumulating within a firm are path-dependent: contingent on organizational learning. These resources are imperfectly immobile and this is a key (but not sufficient) requirement for “sustained competitive advantage” (Peteraf, 1993: 185).

As well as these papers, Nelson and Winter’s 1982 book provided a strong stimulus to the idea that firms actually do matter in the pursuit for understanding competitive advantage. The book incorporates insights from earlier writers in organizational behaviour (including R. M. Cyert & March, 1963; March & Simon, 1958; Mintzberg, Raisinghani, & Theoret, 1976; J A Schumpeter, 1934; Simon, 1955) to *‘build upon concepts of emergent decision making and bounded rationality to examine the path dependent and evolutionary nature of strategy processes’* (Bowman et al., 2002: 36). This book introduced evolutionary firms who, in the process of seeking above-normal returns will build and exploit *‘valuable knowledge assets’* (Katkalo, Pitelis, & Teece, 2010: 415). Additionally it highlighted the importance of routines and heuristics in pursuing organizational strategy, constructs which have played an important role in the analysis of competitive heterogeneity as well as in the knowledge-based view of the firm (Felin, Foss, Heimeriks, & Madsen, 2012) as well as providing a theoretical base for the dynamic capabilities approach.

Mahoney and Pandian (1992: 369) analysed the RBV in the evolutionary context by highlighting that the rules and routines of a firm that have evolved through past decisions and actions can be a source of competitive advantage, concluding that *‘sustainable advantage is thus a history (path) dependent process’*. Path dependency is an idea that forms a foundational element of dynamic capabilities in Teece et al. (1997) foundational work. It also added insight to the notion of the “unfolding process” of the Penrosean firm (Penrose, 1959: 1): a process based on the endogenous change of the firms resources and capabilities, a process that is evolutionary by definition.

Barney's 1991 article, can be considered as a foundation stone in the development of resource-based theory, with over 30,000 citations<sup>15</sup> and as one of the most influential contributions to the development of theory in the strategic management field (Ramos-Rodriguez & Ruiz-Navarro, 2004). His 1991 article appeared in a Journal of Management Special Theory Forum and included two other important contributions to the development of a resource-based theory (according to Peteraf, 1993). This Special Theory Forum hoped to '*address many of the key problems raised by the resource-based view of the firm*' (Barney, 1991b) – problems raised at a number of conferences around the subject in 1990. Certainly the theory that emerged has been heralded as "*one of the most important redirections of the (content of) strategy research in this decade*" (Zajac, 1995: 169).

Section 2.3.2 deals more fully with Barney's contribution given its influence but the same publication featured two contributions highlighted by Peteraf (1993) as key to the RBV. These were: (1) the application of a RBV in analyzing the role of top management in creating sustained competitive advantage (SCA) (Castanias & Helfat, 1991) which may have implications for this thesis with its participant focus at top management level. Castanias and Helfat argue that superior managerial skills may produce Ricardian rents, sustained because they inherently have what Rumelt (1984) calls "isolating mechanisms", notably: causal ambiguity, acting on assets with firm-specialization and they are unique to that firm. They also talk about the relationship between top managers and their shareholders and note that the ability for managers to be incentivized through their earned rents aligns their actions with the desires of the shareholders. This has been achieved by the wide dispersion of share-holding amongst the top management (and beyond) at Admiral which is discussed later in Chapter 5; the second contribution was (2) an analysis of a resource-based view of competitive advantage compared with the view from IO economics (Conner, 1991). Conner's important conclusion is that the RBV may form the basis for a new theory of the firm. Mahoney and Pandian (1992), in their analysis of the RBV within the conversation of strategic management, concurred with Conner's assessment.

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<sup>15</sup> according to Google Scholar accessed 14 Oct 2013: 11:27 am

### 2.3.2 From a perspective to a theory

Jay Barney whose 1991 paper formed the corner-stone for the development of a resource-based theory of the firm (RBT) says he was/is interested in the same question of “what drives superior performance” as Porter and other writers in the IO perspective but ‘*whilst not denying the importance of understanding the role of market power in explaining the existence of sustained superior firm performance*’ (Barney & Clarke, 2007: 4) he offered an alternative focusing more on the competences and capabilities of the firm rather than its positioning in chosen markets. His focus on value appropriation and capture formed the basis for ongoing research in RBT although there was a parallel stream based on the insights from Teece (1982) focusing on innovation and resource creation that eventually led to the development of the dynamic capabilities construct (Katkalo et al., 2010: 1175).

Competitive advantage in RBT was defined by Peteraf and Barney (2003) as:

*‘An enterprise has a Competitive Advantage if it is able to create more economic value than the marginal (break even) competitor in its product market’ (p. 314).*

Typically in early RBV texts, researchers are using the vocabulary of “rents” rather than “sustained competitive advantage” (SCA). This brings us to another key aspect of resource-based theory: Ricardian rents. “Ricardian rents” derive from scarcity relative to demand and in RBT are tied to resource superiority. ‘*Almost by definition, superior resources have a limited supply relative to less superior and more widely available resources and therefore yield Ricardian rents*’ (Castanias & Helfat, 1991: 161). Peteraf (1993: 180-182) reminds us that the key is that the superior resources are limited in supply and hence efficient firms, in terms of lower costs, can sustain this type of advantage providing that the resources are imperfectly imitable or rare. See Rumelt (1987) and Peteraf (1993) for a more detailed discussion of Ricardian rents.

In developing the RBT, Barney (1991a) essentially argued that SCA derives from a firm’s resources and capabilities that are VRIN:

- valuable – enabling a firm to conceive and implement strategies to improve efficiency and effectiveness (p. 105),
- rare amongst the firms current and potential competition (p. 105),

- imperfectly imitable as discussed in Section 2.3.1 and
- not substitutable in that '*there must be no strategically equivalent valuable resources that are of themselves either not rare or imitable*' (p. 111).

A major assumption made is that the resources and capabilities are heterogeneous across firms implying that firms of varying capabilities can compete although firms with superior resources will earn rents (Peteraf, 1993: 180). RBT also assumes that the resources and capabilities are imperfectly mobile (Barney, 1991a).

These two assumptions have been imported largely into all subsequent research and from there into dynamic capabilities approach. They allow for '*differences in firm resource endowments to both exist and persist over time, thereby allowing for a resource-based competitive advantage*' (Newbert, 2007: 123).

Whilst Barney's work is more widely cited, Foss (1997a: 9) maintains that the '*most systematic exposition of a resource-based perspective on the conditions for sustained competitive advantage*' is contained in "the Cornerstones of Competitive Advantage; A Resource-Based View" authored by Peteraf (1993). She contends that for resources to yield competitive advantage they must meet four criteria:

1. heterogeneity as firms with resources of superior efficiency are better able to satisfy customers and thus earn rents (p.180),
2. *ex post* limits to competition defined as '*subsequent to firm's gaining a superior position and earning rents, there must be forces which limit competition for those rents*' (p. 182) thanks to imperfect imitability and imperfect substitutability,
3. imperfect immobility of resources that are tradeable but more valuable to the firm deploying them because of firm-specific specialization (p.183) and
4. *ex ante* limits to competition whereby before a firm establishes a superior resource position there must be limited competition for that position (p. 185). A good example of this is Admiral's initial strategy to offer insurance to non-standard customers, a segment of customers unwanted by most of its competitors. Those

active in this area were not employing the newest technology to distribute their services. This enabled Admiral to create superior returns

Peteraf concludes by stating that all four conditions must be met for competitive advantage although there have been arguments that only uncertain imitability and imperfect immobility are necessary, all other conditions are additional (Foss & Knudsen, 2003) and Hoopes, Madsen, and Walker (2003) note that of Barney’s VRIN categorization only value and inimitability are ultimately important.

Barney and Peterafs’ two papers laid out a framework for a resource-based theory of the firm and over the last 20 years the literature has burgeoned to the point where there is *‘not one clear-cut resource based approach, but rather a somewhat heterogeneous literature with a few shared organizing themes’* (Foss, 1997b: 353). Both Barney and Peteraf, writing separately, acknowledge a large body of work that has contributed to RBT being one of the most influential theories in strategic management (Barney et al., 2011; Maritan & Peteraf, 2011) and Leiblein (2011: 910) notes that a *‘large community of scholars continues to apply these concepts [of RBV]’*. Additionally, contributions have been made by many scholars extending the theory into other realms of scholarship building large domains of research using the explanatory framework of the RBV.

Professor Barney has identified the key contributions in his ten and twenty year reviews of the RBV for the Journal of Management (Barney et al., 2011; Barney, Wright, & Ketchen, 2001) forming the basis for

Author	Contribution to RBT
Leonard-Barton, 1992	Outlined her view that the knowledge that constitutes core capabilities can be found in four dimensions: '(1) employee knowledge and skills and embedded in (2) technical systems. The processes of knowledge creation and control are guided by (3) managerial systems. The fourth dimension is (4) the values and norms associated with the various types of embodied and embedded knowledge and with the processes of knowledge creation and control. In managerial literature, this fourth dimension is usually separated from the others or ignored. However, understanding it is crucial to managing both new product/process development and core capabilities.' (p.113). Her second insight was the idea that sometimes core capabilities become core rigidities.
Mahoney & Pandian, 1992	Showed how the RBV fits within the strategic management field and argued that because of its <i>'strong integrative capabilities, the resource-based perspective is eminently suited to further conversation within the strategy field'</i> (Foss, 1997a: 12).

Cont'd

Author (cont'd)	Contribution to RBT (cont'd)
Kogut & Zander, 1992	Introduced the concept of "combinative capability" whilst recognising that knowledge is held by individuals suggested that these individual skills combine at firm level in teams and processes to create new knowledge and this knowledge in turn can be recombined to create options to grow. There was also the notion that if tacit knowledge cannot be codified and only observed through application then the tacit knowledge is the epitome of uncertain inimitability. This paper was the start of what became the domain of knowledge management and even the knowledge-based theory of the firm (Grant, 1996).
Amit & Schoemaker, 1993	Showed rent stems from imperfect and discretionary boundedly rational managerial decisions to create, develop, deploy specific resources and capabilities. Introduced the first split of the construct into resources and capabilities later defined by Makadok (2001) and of course a precursor to Teece et al (1997) dynamic capabilities construct.
Hart, 1995	Introduced the natural-resource-based view of the firm responding to a gap in the management literature concerning the constraints imposed by the bio-physical environment on firms. A stream of literature in this area on pollution control, stewardship and sustainable development has ensued extending most recently to clean technologies (Hart and Dowell, 2011).
Conner and Prahalad, 1996	The resource-based predictions of organizational mode were compared with corresponding opportunism-based, transaction-cost ones with the finding that knowledge-based approaches can outweigh opportunistic considerations. The paper also established ' <i>the relation of a theory of the firm to a theory of performance differences between competing firms</i> ' (p. 477).
Grant, 1996 (and others)	In a special edition of the Strategic Management Journal in 1996 Grant amongst others was asked to expound on the growing interest in knowledge and learning within firms. The idea was inherent to the Penrosian firm (Penrose, 1959) and succinctly by Williams (1992: 48) who said ' <i>learning is the only sustainable competitive advantage</i> '. Scholars were recognizing the importance of knowledge to SCA but by 1996, it was apparent that ' <i>the process of learning rather than what is learned</i> ' (Schendnel, 1996: 3) may be more important to creating SCA particularly in the idea that ' <i>we can know more than we can tell</i> ' (Polyani, 1966: 4) i.e. tacit knowledge. Grant's conceptualization of the firm as an institution for integrating knowledge built on key works from Nonaka (1994) who argued that organizational knowledge is created through a continuous dialogue of tacit and explicit knowledge: specifically tacit knowledge which grant defined as ' <i>knowing how</i> ' (p. 111), Kogut and Zander (1992), Cohen and Levinthal's (1990) work on "absorptive capacity" of a firm to recognize value of new information, assimilate it and use it, plus Pisano's (1994) notion of learning processes (learning by doing or learning before doing) being contingent to the knowledge environment along with the thinking behind the RBV.
Teece, Pisano and Shuen, 1997	Built on RBV ideas to introduce the concept of dynamic capabilities whose literature is reviewed later in this Chapter.
Wright, Dunford & Snell, 2001	Reviewed the contribution of RBV to human resource management with its emphasis on people as a valuable resource capable of yielding SCA (Wright, McMahan, & McWilliams, 1994) and on HR practices as possible sources of SCA (Lado & Wilson, 1994) and articulated further areas for study.
Alvarez & Busenitz, 2001	Explained that entrepreneurship where ' <i>entrepreneurial opportunities are situations in which it is possible to recombine resources in a way that allows pursuit of that opportunity</i> ' {Scott, 2012: 15} can be informed by using the RBV as a conceptual framework and further that understanding how entrepreneurial processes: creating and combining resources to create new heterogeneous outputs can inform the RBV in reverse. This integration gave a framework for the whole domain of Entrepreneurship studies.

Cont'd

Author (cont'd)	Contribution to RBT (cont'd)
Lippman & Rumelt, 2003	Argued that problems in the microfoundations of neoclassical theory, especially in partial equilibrium analysis, are being imported into the RBV and so developed the payments perspective which in identifying a firm's revenue as payments for its goods and services introduced the idea of non-Ricardian rents to help identify resource scarcity.
Ireland, Hitt and Sirmon, 2003	Contributed to the entrepreneurship literature by introducing the concept of "strategic entrepreneurship" being the capability to recognize resources required to exploit growth opportunities to create SCA.
Winter, 2003	Postulated a hierarchy of capability and this paper is reviewed later in this Chapter as it forms a key paper in the dynamic capabilities lexicon.
Felin & Foss 2005; Foss 2011; Felin et al 2012	Laid out the argument for pursuing the microfoundations project: looking at the explanatory mechanisms that are at the level of individual action and strategic interaction: how routines and capabilities are related to firm outcomes (Abell, Felin and Foss, 2008) and focussing on the creation and development, the reproduction and management of routines and capabilities. However this 'school' of microfoundations project focussing on routines ignores managerial behaviour.
Gavetti, 2005	The alternative 'school' in the microfoundations project focused on cognition and action within organizations arguing that the Carnegie School's premise that routines, cognition and hierarchies must be jointly considered has been largely ignored in the ' <i>intellectual lineage of evolutionary economics</i> ' (p. 599). Paper revived the importance of strategic cognition in the development of capabilities.
Sirmon Hitt and Ireland, 2007	Addressed criticisms from Priem & Butler (2001) that the RBV had not previously demonstrated how resources create competitive advantage by building a model depicting how resources are managed with the intention to create value.
Crook Ketchen Combs and Todd, 2008	Used a meta-analysis on 125 studies of RBT to look at the extent to which possession of strategic resources is positively related to performance again answering a criticism of RBV from Priem and Butler (2001).
Maritan & Peteraf, 2011; Sirmon, Hitt, Ireland and Gilbert, 2011; Wernerfelt, 2011	Papers reflecting the call to enlarge knowledge of asset acquisition and development within the RBT.

Table 2-1: Key contributions to the RBV based on a table in Barney et al. (2011: 1301-1302).

At this juncture of the review, two observations from this wealth of literature that have particular relevance to this case study are made because they introduced concepts that influenced management practice. The first is that the knowledge-based view (KBV), whose antecedents are mentioned in the table above, has been a fruitful extension of the RBV but the publishing of Senge's book in 1990 **The fifth discipline: The art and practice of the learning organization** introduced the vocabulary of "learning organizations" to practitioners<sup>16</sup> and specifically to the way in which practitioners perceived their roles in a learning organization.

<sup>16</sup> The ideas in this book were taught on MBA courses and certainly was a topic of conversation amongst the founder members of Admiral in 1993.

Second, Prahalad and Hamel's Harvard Business Review article in 1990 similarly introduced the phrase "core competence" into the lexicon of practitioners (Wright, Dunford, & Snell, 2001). Although this article postulated that SCA could be due to a specific type of resource namely "core competence" it was not cast in the language of the RBV and although later Prahalad work (Conner & Prahalad, 1996) does use the language of RBV, Barney reports that "*conversations with Prahalad suggest that he does not see this work as an example of resource-based logic*" (Barney & Clarke, 2007: 30) perhaps explaining their omission from Barney et al.'s summary of key RBV texts in Table 2.2. Prahalad and Hamel defined core competence as '*the collective learning in the organization*' and as '*communication, involvement, and a deep commitment to working across organizational boundaries*' (Prahalad & Hamel, 1990: 82). This focus on the economic value of the intangible is common both to Prahalad's work and RBT. While the distinctions between the core competency construct and the capability construct seem hazy '*one can hardly conceptualize a firm capability or competency absent the people who comprise them nor the systems that maintain them*' (Wright et al., 2001: 711).

Foss (1997a: 15) warns that although the RBV is integrative and hence can align different, but complementary strands within the strategic management field there is a danger that the RBV may become fragmented. Consequently there have been periodic calls for the RBV to return to its roots: '*RBT is a prime example of a theory that integrates a management perspective with an economics perspective. As such, its challenge is to keep its arguments logically consistent and clear, despite the risk of their becoming entangled, due to competing and possibly conflicting theoretical influences.*' (Peteraf & Barney, 2003: 309). There is no doubt that the literature falls into two camps: one primarily motivated by economics; the other inspired by organizational behaviour and organizational learning.

### **2.3.3 Criticisms of the resource-based theory**

One cannot deny the centrality of RBT to strategic management research since the 1990's ((Barney et al., 2011; Hoopes et al., 2003; Hoskisson et al., 1999; Kraaijenbrink, Spender, & Groen, 2010) however it has been subjected to a number of criticisms not the least of which is the problem in operationalizing the concepts across firms (Hoopes et al., 2003).

Key is the fact that the core assertions of RBT are too broad, even ambiguous (Cool, Costa, & Dierickx, 2013; Lippman & Rumelt, 2003; Pacheco-de-Almeida & Zemsky, 2007;

Priem & Butler, 2001a) and as Barney and Clarke (2007: 256) comment: '*as the limits of our language are reached, it becomes important to restate our theories, including resource-based theory, in rigorous mathematical terms*'. This is restating an point Barney made in a previous paper that: '*recent developments in the resource-based view of the firm reaffirm the importance of studying the strategic consequences of behavioural and social phenomena within a firm, but suggest that separating this work from the content of strategy, or from the competitive context of a firm, is inappropriate*' (Barney & Zajac, 1994: 5). However Foss (1997b) makes the argument that a more rigorous economic modelling of the theory puts a deeper understanding of the more informal literature around core competences at risk but despite attention to this problem it remains a criticism today (Cool et al., 2013; Kraaijenbrink et al., 2010).

Another criticism is that insufficient attention has been paid to the deployment of resources in actual markets which in RBT operate under the assumption '*that there are no frictions in that realm*' (Peteraf & Barney, 2003: 313). These competitive implications are only just been addressed within the literature (Cool, Costa, & Dierickx, 2002; Cool et al., 2013; Henderson & Mitchell, 1997).

However there are other concerns.

Despite Porter's claim (Porter, 1991: 109) that the RBV is overly introspective there exists a duality between markets and resources, a duality accepted by RBV scholars at least (Cool et al., 2002; Foss, 1997b; Montgomery, 1982; Wernerfelt, 1984 amongst others). Although Penrose's classic work on *The Theory of the Firm* (1959) maintained a distinction between the firm and the market with her focus very much within the firm, she never ignored the external environment claiming in her published case study of *The Hercules Powder* company that '*growth is governed by a creative and dynamic interaction between a firm's productive resources and its market opportunities*' (Penrose, 1960: 1). Wernerfelt (1984: 71) said similarly that product markets and resource markets are '*two sides of the same coin*'. There is no doubt that researchers in the IO tradition have produced evidence of firms that have competitive advantage due to industry structure (see Cool et al., 2002 for a fuller discussion) but there is also evidence that resource-based explanations for competitive advantage are equally as valid in some circumstances (Barney et al., 2011;

Barney et al., 2001; Conner, 1991; Crook, Ketchen, Combs, & Todd, 2008; Foss, 1997b; Mahoney & Pandian, 1992).

The first really comprehensive, critical review of the RBV was made by Priem and Butler (2001a) who concluded that at that time not enough had been done to build a resource-based *theory* although they accepted that the RBV has been a useful perspective to ‘contribute to our understanding of strategic management’ (p. 31). Their main criticisms, other than the lack of clarity in conceptual frameworks already reviewed in this section, not insignificant.

Namely, that although the RBV began as a dynamic approach emphasizing change over time, acknowledging the role the firm’s history place in resource development (Dierickx & Cool, 1989a; Penrose, 1959; Wernerfelt, 1984), the foundational RBV research was primarily static. Tackling this was one of the motivations for the development of the dynamic capability construct;

They also noted that thus far (in 2001) the RBV failed to answer the ‘how’ questions: **How** are resources created? **How** do they interact with other resources? **How** and in which context to resources contribute to SCA? These issues remain an issue for the RBV being a theory of SCA: the VRIN criteria are not sufficient for SCA (Kraaijenbrink et al., 2010: 365) and for understanding how resources are created and developed (Kraaijenbrink et al., 2010; Priem, Butler, & Li, 2013). The implication in Wernerfelt (2011) for attempting to solve the problem of how firms acquire resources is that ‘firms should expand their resource portfolios by building on their existing resources; different firms will then acquire different new resources, and small initial heterogeneities will amplify over time’ (p. 1369) but this is a relatively new direction for RBV research. The microfoundations project is still calling for this to be addressed (Felin et al., 2012).

That RBV is a tautology that fails to meet the criteria for a true theory was another criticism. Essentially it stands on analytic statements that are tautological by definition i.e. true by definition but unable to be tested namely that value and uniqueness are both ‘*explanans and explanandum*’ (Kraaijenbrink et al., 2010: 356). Priem and Butler (2001b) refuted, in follow-up comments to their paper, Barney’s claim (Barney, 2001) that all strategic management theories are tautological at a high level by offering counter

examples. It remains a problem and has been absorbed onto the dynamic capability construct where Zahra et al. (2006) point to the literature around dynamic and operational capabilities as “*implicitly tautological*” (p. 921). However there is a view that the paradoxes implicit in the RBV can be ‘*tolerated as long as there this theoretical perspective continues to produce interesting insights*’ (Lado, Boyd, Wright, & Kroll, 2006: 125).

Another of Priem and Butler’s criticisms was that in 2001, there was insufficient empirical content required of a “theory” and this was reiterated in 2003, in an introduction to a special issue of the Strategic Management Journal Hoopes et al. note the burgeoning interest in RBT but note that empirical research ‘*has not evolved in a similar accretive way*’ (p. 889). Arend (2006: 409) went further by stating categorically that ‘*there are no satisfactory empirical tests of the RBV*’. Hoskisson et al. (1999: 442) noted that ‘*because the RBV emphasizes the idiosyncratic nature of a firm’s resources and capabilities, empirical testing of the resource-based theory faces great challenges*’: less than 4% of empirical articles that reference RBT, published in six key journals from 1990-2002, include a research design that tests two or more of the core propositions from RBT (Hoopes et al., 2003: 889). It is worth noting though that these criticisms around empirical support rely on quantitative modeling around independent variables with the dependent variable usually competitive advantage or firm performance and ignores the wealth of qualitative research using a resource-based perspective.

The difficulties in quantitative modeling to support the RBT continue. Newbert (2007) compared the degree of identifying statistically significant results by the various theoretical approaches in order to identify the manner in which the RBV had been tested empirically in the literature and to gauge the level of empirical support. Newbert found only 53% of tests were empirically supported. Another interesting finding from his work appears to be ‘*that while capabilities and core competencies do indeed contribute significantly to a firm’s competitive advantage and/or performance, resources do not*’ (p. 136) whilst making the point that capabilities are not easily quantified or assessed quantitatively. However it begs the question whether the resource/capability combinations chosen depend on the context in which a firm operates (Huesch, 2013). Writing in the same year, C. E. Armstrong and Shimizu (2007) urged researchers to explore non-significant findings and

negative effects in light of context requiring clarification of boundary conditions advocating that this might extend RBV research (p. 978).

So despite two decades of work and a wealth of literature, some areas remain less developed and offer potential for the value of the proposed case study in this thesis, namely: the problem of how resources are created/acquired still exercises researchers (Maritan & Peteraf, 2011; Sirmon, Hitt, Ireland, & Gilbert, 2011; Wernerfelt, 2011) and the characteristics of resources that create value and the logic used to link these characteristics with performance outcomes (Foss & Knudsen, 2003; Kraaijenbrink et al., 2010; Leiblein, 2011). And, given Newbert's finding (Newbert, 2007) re capabilities versus resources then the dynamic capability perspective should have promise for the contribution this thesis will make.

### **2.3.4 Variation on the RBT theme: dynamic capabilities**

Cool, Costa and Dierickx argued (2002: 66) '*our understanding about the ... deployment of specific resources is still limited*' and this combined with the lack of dynamic factors (Foss, 1997a) such as resource accumulation and deployment, innovation, learning, the role of top management and the implications of competitive markets (Danneels, 2012) led to a branching in the resource-based literature. This has become known as "the dynamic capabilities approach" and a distinction in the RBV literature between resources and capabilities has emerged. In Makadok's (2001) view: resources are observable but don't have to be tangible (for example the reputation Admiral holds as an employer of note in its recruiting areas as described in Chapter 5) and capabilities which are both unobservable and intangible (for example Admiral has a recognised pricing capability which allows it to produce claims costs lower than the market average year after year again described in Chapter 5).

## **2.4 The Dynamic Capabilities Literature**

### **2.4.1 Why a new approach?**

Writing in their seminal paper, Teece et al. (1997) give their motivations in developing the dynamic capability framework to aid '*understanding of how and why certain firms build competitive advantage in regimes of rapid change*' (p. 509). This literature review has laid out the clear theoretical foundations for this framework: evolutionary economics with its

own grounding in organizational behaviour and the RBV with its foundation in Ricardian economics.

Since the late 90's, in an attempt to deal with the dynamism associated with rapidly changing environments, attention within RBV has focused in particular on the concept of dynamic capabilities (Eisenhardt & Martin, 2000; Helfat et al., 2007; Teece, 2007; Teece et al., 1997; Winter, 2003). Di Stefano et al. (2010) report that since 2006, papers relating to dynamic capabilities have been published at a rate of more than 100 per year. Similarly Barreto (2010), in his review of the research, reports since Teece et al. seminal paper in 1997 at least 1,534 articles were published from 1997 to 2007. And writing in 2013: Peteraf, Di Stefano, and Verona (2013) note that over 1,000 articles have been published in the dynamic capability arena in the last decade (according to the ISI Web of Science database).

The dynamic capability construct not only addresses the criticisms of the RBV as too static and equilibrium-based but also overcomes Leonard-Barton's observation that core competences can turn into core rigidities when conditions change for a firm (Leonard-Barton, 1992) and this has encouraged scholars to embrace the construct and the remainder of this section looks at the dynamic capabilities literature.

#### **2.4.2 *Dynamic Capabilities: The Canonical Texts***

It is generally accepted that it was after the publication of Teece et al.'s seminal article in 1997 that generated the tide of research into dynamic capabilities (Barreto, 2010: 258), however a number of other influential authors helped to further define and extend the construct first proposed by Teece et al. and these form the canonical texts for the dynamic capabilities approach. Their definitions can be found in Table 5.1 on page 5-108 but a summary of their theorizing follows.

"Dynamic capabilities and strategic management" was published in 1997 in the Strategic Management Journal. In it, Teece, Pisano and Shuen offered the dynamic capabilities framework as an extension to the RBV, plugging the gap in RBV criticized as being essentially static and ill-equipped to explain SCA in rapidly changing environments (Priem & Butler, 2001a). Their treatise took a more entrepreneurial perspective (J A Schumpeter,

1934) and recognized the role of strategic management<sup>17</sup> in creating and developing the capabilities to “*integrate, build, and reconfigure internal and external competences to address rapidly changing environments*” (Teece et al., 1997: 516). They built on evolutionary economics by explicating the role of organizational paths of dependence on the evolution of these capabilities and the role of routines and organizational learning and emphasized the heterogeneity of dynamic capabilities because they rest on firm-dependent paths, difficult-to-trade asset positions and distinctive processes (p. 509). The article also foreshadowed Teece’s later interests in entrepreneurial firms (see page 2-42).

Eisenhardt and Martin (2000) argued that dynamic capabilities were ‘*the antecedent organizational and strategic routines by which firms achieve new resource reconfigurations*’ (p. 1107) and stressed that dynamic capabilities were ‘*processes*’. Key contributions they made were (1) their contention that there was a commonality i.e. best practice and that heterogeneity relied on “*idiosyncratic details*” (p. 1111); and (2) introducing claims that dynamic capabilities were of more importance in not only “*high-velocity markets*” (see Chapter 1 for a definition) but also in “*moderately dynamic markets*”, postulating that different kinds of dynamic capability would develop in the context of market dynamism.

Zollo and Winter (2002) linked learning mechanisms to the evolution of dynamic capabilities maintaining that dynamic capabilities “*arise from learning: they constitute the firm’s systematic methods for modifying operating routines*’ (p. 340). They addressed the role of tacit accumulation of past experience, knowledge articulation and codification processes in the evolution of dynamic capabilities. They made the point that dynamic capability may prove costly to create and maintain in static environments but are essential to rapidly changing environments.

Winter’s primary contribution in his 2003 paper was to introduce the notion that a hierarchy of capability exists. As early as 1994, Collis when writing about organizational capabilities as sources of competitive advantage, noted their vulnerability to erosion or substitution and proposed the existence of ‘*meta-capabilities*’ (p. 148) which he described as higher-order capabilities of the ‘learning to learn’ variety. This idea was further developed in relation to dynamic capabilities by Winter, who adopted the terminology and

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<sup>17</sup> Without expounding on that role: this was to be subject of Teece’s later work in 2007 and 2009.

defined ‘zero-level’ capabilities as a ‘*how we earn our living now*’ capabilities’ (Winter, 2003: 992) also noting (p.991) that “*ad hoc problem solving*” is not a capability. Nearly eight years later he uses this definition to describe “operational capabilities” (Helfat & Winter, 2011).

Winter develops the idea of first-order dynamic capability as involving change and then observes: ‘*if exogenous change is ‘competence destroying’ at the level of first-order dynamic capabilities, those who invest in routinizing the response to familiar types of change may find themselves disadvantaged relative to more flexible players who have invested in higher-order capabilities.*’ (p. 994) reflecting earlier views in Zollo and Winter (2002) paper.

Wang and Ahmed (2007) develop a slightly different view of a hierarchy with dynamic capabilities a third-order construct above second-order core capabilities, first-order operational capabilities and zero-order resources. They contend that ‘*that dynamic capabilities are the ‘ultimate’ organizational capabilities*’. (Catherine L Wang & Ahmed, 2007: 36) but Collis (1994) and Winter (2003) both argue for potentially infinite levels of higher order capabilities, although Winter notes they may not necessarily exist.

Heimeriks, Schijven, and Gates (2012) in studying post-acquisition integration found zero-order codified routines being adjusted by higher-order routines in the integration process which lends some empirical support to this notion of a capability hierarchy.

Like Winter, Zahra et al. (2006) also distinguished between dynamic capability versus “substantive capability” (aka operating capabilities) where the ‘*dynamic ability to change or reconfigure existing substantive capabilities*’ (p. 921) forms the firm’s dynamic capabilities. They argued that the extant literature was vague about this difference and felt that the confusion was compounded where definitions included reference to effectiveness as ‘*implicitly tautological*’ (p. 921). ‘*The result is that dynamic capabilities have been conceptualized and assessed in ways that make it difficult or even impossible to separate their existence from their effects*’ (p. 923). This paper also conceptualized a model of capability formation and performance giving a first attempt at mapping dynamic capabilities longitudinally in the life of a firm. This paper is cited in subsequent empirical studies (Ambrosini, Bowman, & Collier, 2009; Arend, 2013; Evers, Andersson, &

Hannibal, 2012; Maes & Sel, 2014; Mahnke, Venzin, & Zahra, 2007; Teece, 2014 amongst others) particularly of innovative or entrepreneurial SME's. However the core ideas of a capability hierarchy and the longitudinal evolution of capability are much less evident in the literature (Danneels, 2008; G. George, Kotha, & Zheng, 2008; Laamanen & Wallin, 2009; Macher & Mowery, 2009; McKelvie & Davidsson, 2009; Newey & Zahra, 2009 are examples).

Helfat et al.'s 2007 book was an attempt to draw together and synthesize the thinking around dynamic capabilities and their definition (2007:4) used the word '*capacity*' allowing them to look at dynamic capabilities in many forms: as managerial abilities or as routines and processes although they make the point that '*it is difficult to observe a dynamic capability ... unless it is put into use and the processes are the mechanism that make it happen*' (p. 31).

One of their key contributions was the introduction of performance metrics: namely "*technical fit*" defined as '*how effectively a capability performs its intended function when normalized (divided) by its cost*' (p. 7); and "*evolutionary fit*" defined as '*how well a dynamic capability enables an organization to make a living by creating, extending, or modifying its resource base*' (p. 7).

Finally, Teece (2007) introduced a classification for dynamic capabilities in a definition that replaced his earlier definitions and reflected his interest in the role of dynamic capabilities in innovative and entrepreneurial firms and the sources of those capabilities. Dynamic capabilities are categorized by whether they support sensing, seizing or transforming activities by the firm.

Teece argued that the firm's leadership senses new opportunities, and can even shape the market to capitalize on an opportunity, then seizes the opportunity and creates the vision and commitment for the rest of the organization to implement the necessary changes to transform or reconfigure the firm. These roles are not recognized by economic theory but are the essence of dynamic capabilities, or what Teece describes as "*entrepreneurial fitness*" (p. 1321) and puts it on a par with Helfat et al.'s (2007) "*evolutionary fitness*".

This paper also was a call to the dynamic capabilities community to embrace the microfoundations project from the RBV so that scholars can better understand the

management task needed ‘*to sustain the evolutionary and entrepreneurial fitness of the business enterprise*’ (p. 1322).

The seminal papers on dynamic capabilities are amongst the highest cited in the key journals on strategic management research (Furrer, Thomas, & Goussevskaia, 2008) and the field has been described as ‘*the new touchstone firm-based performance-focused theory*’ (Arend & Bromiley, 2009: 75).

### **2.4.3 The dynamic capabilities literature**

Recent reviews of the field (Barreto, 2010; Di Stefano et al., 2010; Vogel & Guttel, 2013; Catherine L Wang & Ahmed, 2007; Zahra et al., 2006) chart the substantial theorising on the subject and the steps towards establishing empirical support for dynamic capabilities.

In addition to the canonical texts identified in Section 2.4.2, using a co-citation analysis to assess the structure of the field of research, Di Stefano et al. (2010) identified an intellectual core of 40 papers contributing to the dynamic capabilities framework.

87% of the papers in their panel are predominantly theoretical papers tightly focused on foundational issues ‘*defining the construct, articulating the processes by which it evolves and is deployed, and exploring its application as well as its effects*’ (p. 1195).

42% of the core papers in the field linked dynamic capabilities to other theoretical perspectives. The acknowledgement of links to the RBV and the link to knowledge and learning is well established. Easterby-Smith, Lyles, and Peteraf (2009) mapped the relationship between the dynamic capability literature and change management and from there its links to innovation and organizational learning (Fiol & Lyles, 1985) and from there to broader research domain of knowledge management (see Table 2-1 for broader exposition). However di Stefano et al.’s analysis also linked TCE, growth, adaptation, learning theory, social theory and social psychology in the central core of dynamic capability research. Only 2 of the 40 papers dealt with issues of governance so central to the IO and OE economic paradigms where by the central issue is how economic activity is organized within the firm’s boundaries and only a further 2 papers explored the key issues

from Teece's 2007 paper (too recent for inclusion in di Stefano's et al.'s analysis) that of entrepreneurial activity and the issue of strategic transformation<sup>18</sup>.

Barreto (2010) built a critical assessment of dynamic capabilities research looking at papers published between 1997 and 2008. He identified 37 key papers of interest to the development of the field (not just the intellectual underpinnings as per Di Stefano et al.'s analysis). From Table 2 in Barreto's paper (p. 265-269) he identifies 40% of his key papers as being conceptual and 51% of the papers being important empirical contributions with a quarter of those being field studies and the remaining 75% being quantitative studies. Empirically there appears to be support for the main tenets of dynamic capabilities: links to performance (26%), sources of capability (26%), characteristics of a dynamic capability (37%) and less so for the role of management (11%).

In a more recent study, the extant literature published between 1994 and 2011 was analysed, using bibliometric methods (Vogel & Guttel, 2013: 426) noted that *'The core cluster of the current DCV, which visualizes this research field's nascent but fragile identity, focuses on learning and change capabilities and relates them to firm performance, thus merging aspects of organization theory and strategic management'*.

There has been a widespread adoption of a 'dynamic capabilities perspective' to examine (or re-examine) a wide range of strategic phenomena from organizational routines (e.g. M. J. Benner, 2009; Eisenhardt & Martin, 2000; Felin & Foss, 2009; Winter, 2013; Zollo & Winter, 2002; Zott, 2003), knowledge and organizational learning (e.g. Felin & Hesterly, 2007; Turvani, 2001; Zollo & Winter, 2002), innovation (e.g. M. J. Benner, 2009; L. Foss, Iakovleva, Kickul, Oftedal, & Solheim, 2011; Lawson & Samson, 2001; O'Connor, 2008; O'Connor, Paulson, & DeMartino, 2008; Rothaermel & Hess, 2007; A. Taylor & Helfat, 2009; Teece, 2007), the psychological foundations of strategic management (e.g. Gavetti, 2005; Hodgkinson & Healey, 2011; Hodgkinson, Sadler-Smith, Burke, Claxton, & Sparrow, 2009) and management practices (e.g. Adner & Helfat, 2003; Hmieleski & Ensley, 2007; Rosenbloom, 2000) amongst others. All of this work seeks to find an explanation of dynamic capabilities as enablers of the corporate change, innovation,

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<sup>18</sup> *And although I don't wish to repeat di Stefano et al.'s masterly analysis of the domain, a quick check in EBSCO Host Business and Management databases shows 317 articles citing Teece's 2007 work. Accessed 13/11/13: 15:12 pm.*

learning and transformation which the theory claims lie at the heart of sustained competitive advantage (Teece et al., 1997).

Apart from the conceptual work in this field, there exists a body of empirical work that is focused very much on the existence and sources of dynamic capability and how it contributes and links to a diverse strategic management literature without explaining or demonstrating actual links to competitive advantage in the firms studied (see Wang and Ahmed, 2007 and Baretto, 2010 for comprehensive list of authors).

The remainder of this section of the review reviews briefly the intersection between the research on dynamic capabilities and knowledge management and concentrates on two areas within dynamic capability to which a case study of Admiral may contribute: firstly given the access to the key decision makers: the top management team (TMT) and those responsible for implementing those decisions (hereafter referred to as “General Managers” or GM)<sup>19</sup> this may contribute to an understanding of what the literature is calling dynamic managerial capabilities (Adner & Helfat, 2003; Augier & Teece, 2009; Helfat et al., 2007; Teece, 2007); secondly an in-depth look ‘inside the black box’ may reveal the microfoundations of dynamic capability within this firm.

#### *2.4.3.1 Dynamic capabilities as a foundation for the knowledge-based view*

Much of the work on dynamic capabilities relates directly to RBV and the closely associated knowledge-based view of the firm: a broader perspective termed the ‘dynamic resource-based view’ (Helfat & Peteraf, 2003). This review has touched briefly on the knowledge-based view as an offshoot of the resource based view (see the entries for Kogut and Zander, 1992, Grant, 1996 and Conner and Prahalad, 1996 in Table 2-1 and the impact of Senge, 1990 on page 2-33). Knowledge in this context is based on the distinction between explicit and tacit knowledge (Polanyi, 1962) and the early approach identified tacit knowledge as the most strategic resource of firms (Grant, 1996; Kogut & Zander, 1992). More recent studies focus more on the process of knowing as socially constructed influenced by the social and cultural settings where it occurs. See Eisenhardt and Santos (2002: 140-141) for more discussion.

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<sup>19</sup> Within Admiral, they refer to themselves as “Coffee Morning Managers” – see Chapter 5.

Organizational learning is one foundation that underlies knowledge-based thinking. Senge (1990: 4) quotes the head of planning at Royal Dutch Shell as saying ‘*the ability to learn faster than your competitors may be the only sustainable competitive advantage*’.

Leonard-Barton argued that knowledge based firms (1992) are continually learning and using that to improve their business and Tannenbaum (1997: 437) also states that ‘*organizational learning is one of the few sustainable competitive advantages*’. In a more recent paper, Antonacopoulou and Chiva (2007: 278) wrote that learning helps to keep an organization ‘*agile, flexible and able to change in the context of an uncertain environment*’. Learning processes are an important aspect of a Penrosean firm (Penrose, 1959) and organizational routines formed the basis for collective learning and organizational memory in R. M. Cyert and March (1963) and learning is perceived as an adaptive change process, influenced by path dependencies (Nonaka & Takeuchi, 1995). W. M. Cohen and Levinthal (1990) related organizational learning and innovation to the evolving knowledge base of the firm. The authors define the construct “*absorptive capacity*” as ‘*the ability of a firm to recognize the value of new, external information, assimilate it and apply it to commercial ends*’ (p. 128) and further emphasize its path-dependency. You can see a link here between this construct of knowledge management and dynamic capability as defined by Teece (Teece, 2007; Teece et al., 1997). Thus dynamic capabilities is a foundation for knowledge-based thinking (Eisenhardt & Santos, 2002: 142).

Many papers have addressed this connection particularly as to where the locus of knowledge lies within an organization (Bateson, 1958; Cohendet & Llerena, 2003; Kofman & Senge, 1993; Macher & Mowery, 2009; Nonaka & Takeuchi, 2011; Romme, Zollo, & Berends, 2010; Swan, Scarbrough, & Newell, 2010; von Krogh, Nonaka, & Rechsteiner, 2012: to name just a few) and that the capacities of management to collect, disseminate, act on knowledge is key but *how* that comes about is less clear although some recent literature links these capacities to dynamic managerial capabilities as demonstrated in the next section.

#### 2.4.3.2 *Dynamic managerial capabilities*

Di Stefano et al.’s analysis of the theoretical underpinnings for dynamic capabilities identified (2010: 1195) a ‘*pivotal role for managers*’ reflecting a much earlier influential paper which postulated the key role of managers to create and renew organizational

context (Ghoshal & Bartlett, 1994). Recent dynamic capability empirical studies have demonstrated the importance of leadership in the development and revitalization of dynamic capabilities (Adner & Helfat, 2003; Aragon-Correa, Garcia-Morales, & Cordon-Pozo, 2007; J. A. Martin, 2011; Rosenbloom, 2000; Tripsas & Gavetti, 2000).

In 1991, Castanias and Helfat articulated the importance of the role of top managers to the resource-based view and writing in 2003, Adner and Helfat demonstrated empirically that the corporate effects of managerial decisions were statistically significant. They coined the concept of dynamic management capabilities to underpin their findings defined as '*the capabilities with which managers build, integrate, and reconfigure organizational resources and competences*' (p. 1020). They proposed that these capabilities are rooted in (1) managerial human capital: the learned skills both generic industry- specific and firm-specific (Castanias & Helfat, 1991) and also the skills that are transferable to other industries (Castanias & Helfat, 2001); (2) managerial social capital: the external ties and relationships that managers bring to their jobs (Gelatkanycz, Boyd, & Finkelstein, 2001); and (3) managerial cognition: where values systems and an individuals cognitive base shaped by experience contribute to decision making (Hambrick & Mason, 1984; D. R. Johnson & Hoopes, 2003).

Helfat et al. (2007) noted however that dynamic managerial capability '*can have low rather than high evolutionary fitness if employed in inappropriate contexts*' (p.117) and also stated one of the major goals of their book was to '*encourage further research on the role of executives in strategic and organizational change*' (p. 48) arguing that the "how" of dynamic capabilities matters as much as the "what" which is where much of the research up to 2007 was focused. They hypothesized that it is not just the skills and capabilities that an individual possesses that are key to understanding dynamic capabilities but it is the behaviour of the people tasked with initiating strategic change that result in reconfiguration. They acknowledge the immense volume of literature within the Organizational Behaviour domain (and see Helfat et al. Chapter 4 for an exposition of this work) but argue it is the link between leadership and strategy that must be clarified and the dynamic capability framework can help with this understanding. A similar argument is made for more strategic approaches to understanding strategic change '*of which dynamic capabilities are one*' (Helfat & Peteraf, 2009: 99).

Dynamic managerial capabilities embrace the notion that that managerial intent influences outcomes (Augier & Teece, 2009) and together with the belief that firms must match the exploration of new opportunities with the exploitation of existing ones (Augier & Teece, 2008) we start to see a literature emerging in locating the manager within economic theory based around Teece's thesis that '*in both large and small enterprises, entrepreneurial (managerial) capitalism is required to establish and sustain superior financial performance*' (Teece, 2012: 1395) building on his re-envisioning of dynamic capabilities in 2007 as management capabilities to sense, seize and reconfigure: the essence of entrepreneurial fitness. Augier and Teece (2009: 418) argue that the role of the manager in the dynamic capability framework is '*in part Schumpeterian (the entrepreneur introduces novelty and seeks new combinations) and in part evolutionary (the entrepreneur endeavours to promote and shape learning)*' and the skills needed such articulating vision, setting culture, building trust, employing intuition to sense how current knowledge can create new opportunities are the essence of dynamic managerial capabilities.

Recently, other scholars have looked at what may constitute dynamic managerial capability other than simply the ability to achieve internal fit for the firm under changing environmental conditions (Peteraf & Reed, 2007).

It can be seen as the ability to reconfigure structural resources "*architectural innovation*" in multi-business firms (Galunic & Eisenhardt, 2001). Essentially, in Galunic and Eisenhardt's paper, top management act as entrepreneurs as well as guardians of culture<sup>20</sup> in firms that are "*dynamic communities*" where corporate resources exhibit modularity. The role of the TMT/GM is to facilitate a social community where dynamic capabilities are '*based on communal imperatives*' (p. 1230) and those dynamic capabilities are guided by '*simple rules that embody both economic and social logics*' (p. 1243);

Again, in links to the knowledge management domain, we see the importance of managing knowledge within a firm as dynamic managerial capability. Pandza and Thorpe (2009) argue that it is managerial capability in purposefully and creatively improving knowledge within a firm over and above experiential learning and that creative search and strategic

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<sup>20</sup> And this is of interest to this case as data collected see (Chapter 5) showed clear signs that Admiral's TMT and their GM operate in this fashion and additionally make the comments how structurally flexible the business is both within the UK and in it's nascent international operations.

sense making are dynamic capabilities. Connections between successful capability development and managers in how those individuals encode, process and use information have also been made (Corbett, Neck, & Lavery, 2011) as has the *willingness* to improvise when needed (Hmieleski & Corbett, 2006).

J. A. Martin (2011: 128) talks about “*recombinative group processes*” as dynamic capability. These are the regular patterns of GM behaviour that facilitate collective sensing and seizing of opportunities to reconfigure their resources (p. 128). Martin says that exploring the social, political and cognitive mechanisms of these groups will lead to better understanding the contribution these groups make and of *how* the dynamic managerial capability is wielded.

What we do see in this emerging literature is an interest in the underlying traits and cognition of managers. This thinking is in accordance with those key authors who have identified dynamic capability as an ability (Helfat et al., 2007; Teece, 2009; Teece et al., 1997; Zahra et al., 2006). For example: high levels of dispositional optimism in opportunity evaluation can be helpful (Baron, Hmieleski, & Henry, 2012), an ability to handle complex, contradictory architectures seems a crucial determinant of a firm’s ability to exploit in the short-term and explore long-term (Tushman, Smith, Wood, Westerman, & O’Reilly, 2010: 1331), the importance of emotional intelligence has also been explored (Goleman & Boyatzis, 2008; Grichnik, Smeja, & Welp, 2010; Nguyen Huy, 2009; Walter, Cole, & Humphrey, 2011). This latter is also an example of a concept that has crossed into the practitioner realm (Richard E Boyatzis, 2004; Goffee, 2004; Goldberg, 2004; Goleman, 1998; Goleman & Boyatzis, 2008; Mayer, 2004).

We now see an overlap with the next area of interest from the literature: the microfoundations of dynamic capability.

#### 2.4.3.3 *The microfoundation project*

‘*Reduction is at the heart of scientific progress*’ (Elster, 1989: 74) and herein lies the notion of microfoundations. A theoretical definition of microfoundations can be found in Felin et al. (2012: 1353) but for the purpose of this review, they identified from the extant research ‘*three primary categories of micro-level components underlying routines and capabilities: individuals, social processes, and structure*’ (p. 1351). There is heterogeneity to be found

at the level of the individual (Felin & Hesterly, 2007) and this variance contributes to differences in behaviour and performance amongst firms (D. R. Johnson & Hoopes, 2003).

As early as 2003, Foss argued *'that the absence in Nelson and Winter of a clear methodological individualist foundation for notions such as routines, capabilities, competencies, etc., has resulted in certain explanatory difficulties in the modern organizational capabilities approach that has taken so much inspiration from their work'* (2003: 185). This was an argument and call to scholars that he has been making ever since in his own work, for example: Felin and Foss (2005, 2006, 2009); Felin et al. (2012); (Foss, 2011; Foss, Heimeriks, Winter and Zollo, 2012; Foss and Knudsen, 2003; Foss & Lindenberg, 2013). Specifically with regard to dynamic capabilities, a case made for just such a project in a paper authored by Abell et. al. (2008) who argued that the emphasis on firm-level constructs in the capabilities research agenda might be masking the links to firm-level phenomena including, amongst others, competitive advantage. The development of such microfoundations that successfully deal with the detailed processes of managerial agency in corporate change was seen as an important way of responding to current criticisms and moving the subject forward (Abell et al., 2008; Augier & Teece, 2009; Barney et al., 2011; Felin & Foss, 2006; Gavetti, 2005; Gavetti & Rivkin, 2007; Hodgkinson & Healey, 2011; Laamanen & Wallin, 2009; Teece, 2007; Turvani, 2001).

Despite progress being made in this period, questions remain (Abell et al., 2008; Gavetti, 2005; Salvato & Rerup, 2011; Teece, 2007). Quite simply the question of how individual-level factors (such as traits, abilities or emotions) aggregate to create collective capabilities remains.

The Academy of Management Perspectives journal has been the most recent to devote an issue to understanding microfoundational thinking. In his introduction Devinney (2013) summarizes five papers representing views along a spectrum of thinking as to whether microfoundations are useful in the SCA conversation or *'ultimately a reductionist exercise'* (p. 81). Winter (2013) acknowledges that routines and capabilities can be built up from lower-level building blocks, continuing a thought process articulated in Winter (2012). Barney and Felin (2013) are advocates of the usefulness of microfoundational thinking but argue that any analysis should *'meaningfully address the central issue of social aggregation'* (p. 138) and conjecture that on that basis many papers oft-quoted in the

microfoundational literature (Eisenhardt, Furr, & Bingham, 2010; Gavetti, 2005; Hodgkinson & Healey, 2009 for example) do not in fact provide microfoundations until the emergent interactional and collective interactions of these concepts at the individual level are considered (p. 141). Barney and Felin similarly argue (2013: 142) that borrowing concepts from other research domains such as psychology, organizational identity and organizational learning can only be considered microfoundational if there is a *'meta-theory of how the concept itself needs to change or evolve given aggregation and interaction in the context of an organization'*. However many of the key writers in this area calling for more work want to resolve issues around empirical measurement and statistical implementation (Foss & Pedersen, 2014) typically associated with a positivistic ontological position favoured by the strategic 'content' scholars and this ignores the extremely useful insights into the role of the individual in firm performance (and Foss himself recognized this, as discussed on page 2-34).

Despite the debates in the microfoundation project, there is recognition that there are *'limits to the explanatory leverage of standard economics'* (Foss & Lindenberg, 2013: 86). Strategic management scholars have long drawn on psychology research, particularly on cognition, a foundational element of the Carnegie school (Gavetti et al., 2007; March & Simon, 1958; Simon, 1991) and in learning which is key to evolutionary economics view that organizational behaviour rests on rules (March, Schultz, & Zhou, 2000) and routines (Nelson & Winter, 1982). We have seen that Adner and Helfat (2003) and Helfat and Peteraf (2003) amongst others have maintained the importance of managerial cognition. Gavetti (2005) demonstrated that manager's cognitive maps of their decision making fundamentally drives organizational search and that such decisions varied as to where the manager was situated in the organizational hierarchy and this influenced capability development and organizational performance. Foss & Lindenberg (2013) argue that strategic goals influence value capture and this is rooted in employee motivations which must be recognized in microfoundational thinking. Hodgkinson and Healey (2011) draw on developments in neuroscience to demonstrate how dynamic capabilities harness the "warm" cognition and emotional capacities of individuals to blend rational analytic thought with more intuitive thinking.

This is a very current subject area for dynamic capability scholars.

#### 2.4.4 *The key debates*

Despite the burgeoning literature on the subject of dynamic capabilities, the dynamic capabilities approach has been subject to sustained criticism: research findings remain diverse and as yet unconnected (Barreto, 2010; Catherine L Wang & Ahmed, 2007), definitional issues remain (Barreto, 2010). Zahra et al. (2006) also point to the literature around dynamic and operational capabilities as “*implicitly tautological*” (p. 921), the same criticism as the resource based view (RBV) from which dynamic capabilities evolved (Priem & Butler, 2001a; Williamson, 1999). However, Peteraf et al. (2013) note that the issue of tautology have been resolved. See Helfat and Peteraf (2009) for the discussion.

After a review of the literature I would offer the additional criticism that much of the work in the field of dynamic capabilities remains largely at the conceptual level (a claim first aired by Helfat et al., 2010). There is a ‘log jam’ of research in this field, which has, and continues to, advance but where empirical work by and large is focused on *what* dynamic capabilities are. There has been little work in demonstrating *how* they actually operate and contribute to competitive advantage other than at the conceptual level. So despite the progress made, there is still relevance in the observation made by Kraatz and Zajac more than a decade ago that:

*“while the concept of dynamic capabilities is appealing, it is a rather vague and elusive one which has thus far proven largely resistant to observation and measurement”* (2001: 653).

With such rapid growth over a relatively short period of time there is, not unnaturally, a diverse body of research which Barreto (2010: 257) points out ‘*shows the dynamism generated by the topic and is justified by the youth of its approach*’. He goes on to say, along with other recent reviewers of the dynamic capabilities area (Di Stefano et al., 2010), that competing ideas exist and in order for the field to progress: consolidation and focus are needed. Helfat and Winter (2011: 1243) comment that: ‘*Despite more than a decade of strategic management research on dynamic capabilities, important conceptual issues remain*’. (p. 1243). For all that, as Kuhn (2012) notes, early versions of new theoretical fields of endeavour tend to be a bit rough around the edges.

One main debate in the area is down to the variety in definitions of the construct. There exists commonality present in the definitions from the leading authors around competences

and resources, but there is some debate as to whether dynamic capabilities are routines (Eisenhardt & Martin, 2000; Winter, 2003; Zahra et al., 2006; Zollo & Winter, 2002) rather than abilities (Helfat et al., 2007; Teece et al., 1997; Zahra et al., 2006). As an example of the debate consider that Helfat et al. (2007: 5) assert that routine behaviour is not purposeful and thus by their definition change achieved by routines would not comprise dynamic capability. Arend and Bromiley (2009: 80) wryly note *'if routines do not contain purposeful behaviour, then little of what firms do is purposeful'*. The fact that there is no convergence on a common definition may be down to the *'variations within the community that contributed to the development of this concept'* (Easterby-Smith et al., 2009: S2).

Many writers work on the assumption that dynamic capabilities are heterogeneous, the corner-stone of the RBV and yet that is challenged in Eisenhardt and Martin who assert that dynamic capabilities can exhibit commonalities: *"best practice"* but that this doesn't preclude differential performance. Zott (2003) also accepts that firms may have the same dynamic capabilities but may bundle resources differently thus producing differentiated firm performance.

There are also competing ideas around how dynamic capabilities evolve. Research suggests that dynamic capabilities are actually *"stable phenomena"* (Ambrosini & Bowman, 2009: 34) interacting upon another stable phenomenon – the resource base of the firm so that *"dynamism"* relates to *"how the resource base is changed in a dynamic environment by the use of dynamic capabilities"* (Ambrosini & Bowman, 2009: 34). This is at odds a body of literature that envisages dynamic capabilities to be routines (the conceptual authors of this view are mentioned in the previous paragraph) and as such evolve over time the key tenet of evolutionary economics (Nelson & Winter, 1982) or if they are path-dependent as Teece et al. (1997) theorize then this too is taken as evidence by subsequent scholars in the field that dynamic capabilities evolve.

Despite the motivation for developing the dynamic capability perspective (Teece et al., 1997), Williamson (1999) also points to the lack of operational implications and says there is insufficient concern for competition. It appears to still be a concern for the research domain (Arend & Bromiley, 2009). Danneels (2012) argues that in fact work to date in the research domain of dynamic capability lacks the essential element to explain SCA: that of

a theory of rent. He acknowledges (p. 45) that the classic articles ‘*do recognise that rents flow not just from the resources of a firm, but also from its ”ability to reconfigure and transform”*’ but fail to discuss further in their exposition of the construct. However many writers do directly link superior performance and dynamic capability (e.g. Makadok, 2001; Pitelis & Teece, 2009; Teece, 2007; Teece et al., 1997; Zollo & Winter, 2002). In contrast Eisenhardt and Martin (2000: 1106) state: ‘*dynamic capabilities are necessary but not sufficient, conditions for competitive advantage*’. In their view advantage is to be obtained in how quickly and astutely dynamic capabilities are deployed. Zott (2003) also decouples the link between dynamic capability and performance by suggesting that dynamic capabilities may influence performance by modifying the firm’s resource bundle and Helfat et al. (2007) also call for this decoupling emphasizing the link between dynamic capabilities and the creation, extension and modification of the firm’s resource base.

Zahra et al. (2006) commented on the dearth of studies specifically in SMEs and new ventures with regards to the evolution and operation of dynamic capabilities. This was addressed to some extent by Teece’s later interest in entrepreneurial firms (e.g. Pitelis & Teece, 2009; Teece, 2007, 2012) and there has been some exploration of the subject (for example Aramand & Valliere, 2012; Arend, 2013; Augier & Teece, 2007; J. A. Martin, 2011). Admiral Plc is an entrepreneurial company that has grown from being a new venture through being an SME and is in the early stages of becoming a multi-national enterprise. A longitudinal study of dynamic capability in this company may contribute to this aspect of the literature.

Katkalo et al. (2010) in their review of the research domain in 2010 acknowledged these debates but argued that the area can ‘*benefit from a better integration with the nature, objectives and essence of the firm, so that [dynamic capabilities] are derived from first principles*’ (p. 1181), advice that I intend to follow in this thesis.

Vogel and Guttel (2013: 426) note that the dynamic capability research domain still lacks consensual concepts that allow comparisons of empirical studies to advance the theoretical understanding of dynamic capabilities. Not only that, but the bulk of the publishing to date is still heavily theoretical (Barreto, 2010; Di Stefano et al., 2010) with the first empirical paper only published in 2001 (Newbert, 2007).

In their analysis of empirical data, Arend and Bromiley (2009: 84) note that the dynamic capability perspective presents substantial empirical challenges. Points to note from their analysis that are pertinent to the proposed case study in this thesis are that 70% of the studies used survey or case-based methodology with authors noting that a balance of primary and secondary data would be useful; 20% of the studies were longitudinal, a problem in studying the sources, evolution and operationalization of dynamic capabilities; 18% of studies used contexts that the authors question were “high velocity”; and 1% of studies addressed ex ante costs and addressing this could form part of this case study. Additionally there are problems in the positive bias (95%) of the empirical studies analysed.

Many of these debates and inconsistencies in the field are down to the fact that the two most influential papers (Eisenhardt & Martin, 2000; Teece et al., 1997)<sup>21</sup> in the development of the dynamic capability perspective represent ‘*not only differing but contradictory views of dynamic capabilities*’ (Peteraf et al., 2013: 1389). The papers come from quite different research traditions and frame dynamic capabilities with internally consistent logic from different theoretical underpinnings (Easterby-Smith et al., 2009; Peteraf et al., 2013). This literature review has tracked Teece’s key writings prior to the publication of his seminal paper on dynamic capabilities (1997). The development from his theory of diversification (Teece, 1980, 1982) to looking at routines versus entrepreneurial action (Teece, 2012) reveals an evolution of logical thought development around dynamic capabilities. Eisenhardt’s previous body of work is diverse but recurring themes appear in Eisenhardt and Martin (2000): namely the importance of simple rules in the strategy making process (Eisenhardt & Sull, 2001) in high velocity environments (Brown & Eisenhardt, 1998; Eisenhardt, 1989b). Findings from the Peteraf et al. (2013) cocitation analysis are that Eisenhardt’s work selectively admits ‘*ideas from the Teecean side of the divide*’ then with her theoretical lens she will view and shape those ideas ‘*to more closely match the worldview represented by the community of scholarship more closely tied*’ to her work (p. 1390).

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<sup>21</sup> *The most cited papers in the dynamic capability research domain are Teece et al. (Di Stefano et al. quote 1,193 times cited in the Thomson-ISI Web of Science database up to 2007 and then Peteraf et al. quote 1,721 citations from 1990-2008) and Eisenhardt and Martin (with 470 and 671 citations respectively).*

This literature review has already highlighted the differences in the theorizing of the two papers. Namely: differences over boundary conditions, sustainability and competitive advantage essentially uncertainties on the “content” side. However the authors propose to reconcile these two seminal framings by viewing dynamic capabilities a best practice in moderately dynamic markets and as simple rules and processes in high-velocity markets.

## **2.5 Formulating a Research Question**

### **2.5.1 Summarizing the literature review**

From this literature review it can be seen that strategy can be viewed as a search for a ‘*continuing source of rent*’ (Bowman, 1974: 47) and rent can be defined as the excess return after a resource owner’s opportunity costs (Tollison, 1995). The RBV incorporated early management writers who considered the resource position of the firm (Andrews, 1971; Ansoff, 1965) in order to explain how firms generate above-normal returns. Firms will select a strategy to generate rents based on its resource capabilities (Andrews, 1971) but basing strategy upon a distinctive competence may enable the firm to generate SCA i.e. above-normal returns (Hitt & Ireland, 1985; Selznick, 1957).

After criticism that the RBV presented too static a view a dynamic capabilities framework was proposed and this has absorbed much of the attention in the RBV literature in the last 15 years (Barreto, 2010). The resultant research domain is diverse and at times contradictory and basic issues still lie at the heart of the definition of the foundational construct. However this theoretical perspective offers a useful lens by which to view the sustained performance of Admiral Plc as it has at its heart the same question that drives this thesis and there is scope for this thesis to make a contribution to this literature.

### **2.5.2 The research question and potential contribution**

Theorists argue that dynamic capabilities deliver SCA as set out in this literature review but the foundational elements of dynamic capabilities are unclear and there is a recent focus on tacit dimensions that cannot be directly observed.

In Chapter 1, a case was made for Admiral being a company that operates in a high velocity environment driven primarily by technological advancements in telephony and computer hardware, doing business on the internet – now delivered via mobile platforms,

database technology, GPS technology etc. The case was also made that it is a high performing firm. From the access to the founders and TMT and the GM plus the availability of secondary data from pre-launch in 1992 to 2013 this inductive longitudinal case study should contribute to the empirical literature on dynamic capability specifically addressing many of the issues found with the empirical body of work as identified by Arend and Bromiley (2009).

Can a study of Admiral Plc further open the “black box” and help evaluate dynamic capability theory? Specifically:

1. Are dynamic capabilities, as defined in the literature, observable in this firm?
2. What are the sources of dynamic capability in this firm?
3. Can this case shed light on how dynamic capability is operationalized and how that contributes to the firm’s success?
4. Has dynamic capability evolved as the company moved from an entrepreneurial start-up to an MNE?
5. What can be learned about managerial dynamic capability and its contribution to “entrepreneurial fit”?
6. Can this case-study contribute to some of the debates in the literature such as the existence of a capability hierarchy, the nature of dynamic capability, its heterogeneity or otherwise?

The research objectives are:

1. Using the definitions in the literature identify the elements of dynamic capability within this firm.
2. Use historical data and interviews with the founders to examine the sources of dynamic capability within this firm and evidence it’s evolution from 1992 through to 2013.
3. Use the data to investigate some of the debates in the literature around dynamic capability.

4. Expand existing dynamic capability theory to explain the findings.

Apart from a contribution as a longitudinal study of *how* dynamic capability works in a successful firm operating in a high velocity environment to the empirical literature this study might contribute to some of the key debates as laid out in Section 2.4.4 as follows:

1. Questions around heterogeneity and where it resides. Will the study identify examples of “best practice” (Eisenhardt & Martin, 2000) or will any dynamic capabilities identified be heterogeneous?
2. Are dynamic capabilities “stable phenomena” (Ambrosini & Bowman, 2009) or do they evolve in response to changing conditions (Eisenhardt & Martin, 2000; Winter, 2003; Zahra et al., 2006; Zollo & Winter, 2002)?
3. Is there an observable link between Admiral’s performance and its dynamic capability (Makadok, 2001; Teece et al., 1997; Zollo & Winter, 2002)?
4. Does a hierarchy of capability exist within this firm and does this offer an explanatory device for how capability works in firms to bring about sustained performance?
5. Zahra et al. (2006) commented that there are few studies of the evolution and operation of dynamic capability within new ventures and SME’s. As this is a longitudinal study looking at Admiral from pre-launch through the new venture stages to the entrepreneurial firm on the verge of being classified an MNE that it is today, this thesis should contribute in that area.

Additionally, from this forensic examination of capabilities within this firm there may be opportunities through Question 3 to contribute in understanding how the capacities of management to collect, disseminate and act on knowledge are linked (or not) to dynamic managerial capability as discussed in Section 2.4.3.1 and potentially to the call in Helfat et al. (2007) that more work needs to be done to link leadership and strategy (see Section 2.4.3.2). There may be opportunities too for contribution to the microfoundation project as outlined in Section 2.4.3.3 given question 4 above.

## CHAPTER 3: RESEARCH PHILOSOPHY

### 3.1 Introduction

The previous chapter presented an overview of the strategic management research field with regards to the development of the dynamic capability construct and its antecedents in the resource-based view. This review of the relevant literature highlighted several gaps in the literature as it stands, not least of which is the problem in the construct itself arising from two very different conceptualizations (Peteraf et al., 2013) and the confusion around the decoupling of the construct as a direct influence on the SCA question (Helfat et al., 2007). There has been a wealth of theorizing around dynamic capabilities (Barreto, 2010; Di Stefano et al., 2010) but there are few empirical studies around how the construct is operationalized.

So, having established a research question, this chapter explores the implications for the underlying research philosophy with Miles and Huberman (1994: 4) arguing that researchers must lay out their ontological and epistemological starting points: *'it is good medicine, we think, for researchers to make their preferences clear'* in order to clarify how the *'researcher construes the shape of the social world and aims to give us a credible account of it'*. More importantly, ontological paradigms have real consequences for the ways in which research problems are conceived and articulated.

The aim of this chapter is to expound upon the philosophical positioning for this research. It begins with some contextual definitions to introduce the vocabulary for this chapter and then describes the three paradigms most commonly found in strategic management research. From there it reviews how these paradigms play out in the field. The chapter then looks at the ontological and epistemological implications for this research and situates this study clearly within a philosophical paradigm. Methodological implications are then considered prior to the next chapter on research design.

### 3.2 Research Paradigms

#### 3.2.1 Definitions

Research norms vary across contexts and within the particular sub-domain of strategy research, philosophical underpinnings have been derived from the philosophy of science

that refers to the ‘*conceptual roots undergirding the quest for knowledge*’ (Ponterotto, 2005: 127). This includes the:

*‘beliefs and assumptions regarding ontology (the reality and nature of being), epistemology (the study of knowledge, the acquisition of knowledge, and the relationship between the knower [research participant] and would-be knower [the researcher]), axiology (the role and place of values in the research process), rhetorical structure (the language and presentation of the research), and the methodology (the process and procedures of research)’* (Ponterotto, 2005: 127).

Before their chapter in Denzin and Lincoln’s influential handbook on qualitative research was substantially revised in 2000 and 2011, Lincoln and Guba (1994: 107) discussed the nature of research paradigms defining a paradigm as:

*‘a set of **basic beliefs** (or metaphysics) that deals with ultimate or first principles. It represents a **worldview** that defines for its holder the nature of the “world”, the individual’s place in it and the range of possible relationships to that world and its parts’.*

They also note that ultimately paradigms are human constructions and must rely on persuasiveness and utility rather than proof in arguing their position (p. 108) although this is said from an avowedly constructionist perspective (Denzin & Lincoln, 2011: 10). They (Lincoln & Guba, 1994; Lincoln, Lynham, & Guba, 2011) go onto to describe the basic beliefs of various research paradigms summarised for this thesis in Table 3-1. This table shows only three of the alternatives given by Lincoln and Guba. They have been selected here for their relevance to research in the strategic management domain. Each of these three paradigms is discussed in the rest of this section.

### **3.2.2 Positivism**

The dominant research paradigm in the strategic management field has been positivism (Lincoln et al., 2011; Montgomery, Wernerfelt, & Balakrishnan, 1989; Tsoukas & Knudsen, 2002). It has dominated the published discourse in the physical and social sciences for 400 years (Lincoln & Guba, 1994: 109) and the management field is

characterized by empiricism where knowledge is acquired through observation and experience (Bendixen & Berger, 1998). Who first coined the phrase “positivism” is unknown, although Francis Bacon (1561-1626) used the term but Comte (1798-1857) certainly popularized its use (Easterby-Smith, Thorpe, & Lowe, 2002).

Positivism is a form of philosophical realism adhering closely to the hypothetico-deductive method (McGrath & Johnson, 2003) and focuses on efforts to verify a priori hypotheses mostly stated in a quantitative form (McGrath & Johnson, 2003; Schwandt, 2000).

Although it has its roots in ancient Greek philosophy (Russell, 1946/2004) It reached a zenith in the Age of Enlightenment, an intellectual movement in the 17th and 18th centuries where thinkers moved away from unquestioning acceptance of the force of royal or religious decree to the idea of the centrality of the individual and the world as objectively knowable (Ponterotto, 2005). Although a debate within the epistemology arose around the fundamental issue about empiricism: for example Hume’s or Locke’s position that all knowledge starts with the senses, and rationalism based on Descartes’ view that all knowledge starts with the mind (Russell, 1946/2004), ultimately, however knowledge is acquired, these writers represented a broad position in the philosophy of science denoted as “classical empiricism” where *‘the ultimate objects of knowledge are atomistic events’* (Bhaskar, 1978/2008: 14).

Lincoln and Guba (1985: 20) suggest that positivism began *‘with the publication of John Stuart Mill’s A System of Logic in 1843’* which laid out the fundamentals we recognize as positivism today: that laws of nature can be derived from large data samples and generalizations using hypothetico-deductive methods, all within the idea of the existence of the true, identifiable reality of classical philosophy. However, there is also the Newtonian world-view antecedents of Mill. In the Newtonian world-view, observation and experiment yield knowledge of universal laws (Russell, 1946/2004). Most importantly, coming from the ontological position where objects in the world have meaning prior to, and independently of, any consciousness of them, it is important to realize that it is not the everyday world we live in – it is *‘an abstraction from the “lived” world’* (Husserl, 1970), it is an observable distillation, being a highly systematic and well-organised world that Donaldson (2003) frequently points out is beyond *‘common sense’*.

This paradigm contrasts with the constructivism paradigm. Some writers (Easterby-Smith et al., 2002; J. K. Smith, 1983) present the two philosophical traditions as ends of a bipolar continuum. However earlier scholars heatedly debated these two opposing paradigms (and everything in-between) in what have been described as ‘the paradigm wars’ (Gage, 1989). In our research arena, the fundamental discussions on philosophical issues on theory pluralism and incommensurability are more prevalent in organizational theory (prompted by both Maanen, 1995; Pfeffer, 1993) than they are in strategic management with Scherer (1998: 148) noting that ‘*in strategic management there are relatively few contributions that deal with these issues seriously*’.

### 3.2.3 Constructivism

Table 3-1 describes the key features of this paradigm. It has also been described as interpretivism.

This paradigm is often seen as a more recent development during the 20th century as rejection of the application of positivism to the social sciences (Easterby-Smith et al., 2002), but it too has its antecedents from the Enlightenment in another philosopher, Immanuel Kant whose position of “*transcendental idealism*” has been another foundational tenet of the philosophy of science (Bhaskar, 1978/2008). According to Bhaskar (1998b: 19), Kant’s position was that:

*‘objects of scientific knowledge are models, ideals of natural order etc. Such objects are artificial constructs and though they may be independent of particular men, they are not independent of men or human activity in general’.*

This highlights the central tenet of the constructivist position that meaning is not discovered but constructed.

In his primer on research paradigms and the philosophy of science, Ponterotto (2005) additionally marks the influence of Dilthey, who being Influenced by Kant, articulated the next tenet of a social constructionism epistemology that looks for the understanding of the meaning of social phenomena. Advocates of this paradigm aim for understanding lived experiences from the viewpoint of the participant (Schwandt, 2000) and Dilthey believed

that every lived experience ‘*occurs within a historical social reality*’ (Ponterotto, 2005: 129).

As a philosophical standpoint, this paradigm doesn’t feature heavily in the scientific arena where positivism is the dominant paradigm. However with the rise of the social sciences in the latter part of the twentieth century, interpretive approaches ‘*arose out of criticisms of positivism’s approach to reduce complex social phenomena to single measurable units*’ (J. Gill & Johnson, 1997: 34). One of the key proponents for a new approach was Anthony Giddens (1976) who postulated that while mankind does not create the natural world, they do have to make sense of it. This distinction between the natural world and the social world allowed Giddens to introduce the double hermeneutic of social constructionism whereby social scientists must firstly find a way of ‘*entering and grasping the frames of meaning involved in the social life of lay actors*’ and next, ‘*reconstituting these within the new frames of meaning involved in technical conceptual schemes*’ (Giddens, 1976, 79).

In summary, the constructivism paradigm takes a relativist ontology which assumes multiple, apprehendable and equally valid realities (Schwandt, 1997). Crotty (2003: 42) defines it as:

*‘all knowledge, and therefore all meaningful reality as such, is contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context’.*

A constructivist position ‘*espouses a hermeneutical approach*’ (Ponterotto, 2005: 129) where meaning is not discovered but constructed often after reflection on interactive researcher-participant dialogue (Crotty, 2003; Schwandt, 2000).

### **3.2.4 Post-positivism**

Post-positivism arose from dissatisfaction with some aspects of the positivist paradigm with which it shares some aspects (see Table 3-1). As a paradigm, its ontology accepts that there is a “real” reality but that “reality” can only be imperfectly and probabilistically apprehendable (Lincoln et al., 2011). Furthermore, post-positivists believe that ‘*human phenomena can best be explained in terms of causal relationships. But this causality is*

*assumed to be complex, multiplistic, and interactive'* (Guba, 1990: 230). Like positivism, post-positivism *'maintains as a goal of empirical research the development of generalizable theoretical propositions, yet views such generalizations as attainable only tentatively and probabilistically'* (Guba, 1990: 232).

Both paradigms are etic: referring to the search for universal law; and both are nomothetic: focusing on the generalizable collective rather than the individual and proffer an objective, detached researcher role (Ponterotto, 2005). However Sayer, in his introduction to his book on *"Realism and Social Science"*, notes that for realists, social science is neither nomothetic or idiographic (Sayer, 2000), a view which has been instrumental in adopting a philosophical position for this thesis.

Whatever their similarities, a key distinction exists in that positivism highlights "theory verification" but post-positivism is more critical and this notion of a critical tradition is derived from Karl Popper. The thrust of Popper's argument was that scientific law goes beyond what can be experienced so it can never be absolutely true and can only be accepted on a provisional basis until such time as it can be falsified (Bhaskar, 1978/2008) and thus *'the objectivity of science is not a matter of the individual scientists but rather the social result of their mutual criticism'* (Popper quoted in Guba (1990: 231)).

The ontology is "critical realism" in that *'so long as ultimate truth is not accessible, the process of assigning validity is social and partly dependent upon a consensus achieved in debate'* (T. D. Cook, 1983: 89). Sayer (2000: 6) notes that critical realists argue *'that while interpretative understanding was an important and necessary feature of any social science. It did not mean that there was no scope for causal explanation'*.

Critical realism is a movement in philosophy most closely associated with the work of Roy Bhaskar (Bhaskar, 1998a: ix). He makes the fundamental distinction between the "intransitive" and "transitive" dimensions of knowledge. The word "critical" refers to a transcendental realism: a philosophical tradition that rejects methodological individualism and universal claims to the truth: agreeing with the positivists that there is a world that is observable and independent of human consciousness but that knowledge about that world is socially constructed (Denzin & Lincoln, 2011: 11).

Realist thought accentuates the separateness of mind from an external reality – an ontology of “invariance” where we can make explicit assumptions about what is real giving us the conceptual foundation needed for theory building. Bakshar’s stratified ontology (1978/2008) gives us “the empirical” (what we see and can record), the “actual” (events that occur) and the “real” (generative mechanisms and causal powers often tacit and unactualized). Critical realism argues that ‘*the world is characterized by emergence*’ (Sayer, 2000: 12) a notion falling outside the ontology of positivism. In open systems i.e. the real world (Thompson, 1967) the same causal power produces different outcomes in different contexts (Bhaskar, 1978/2008). Those contexts can be socially constructed and critical realism acknowledges this so there is an interpretive dimension to critical realist research. Critical realist explanations of reality are never conclusive but progress over time (Fay, 1996) and reality is formalized through successive observations (Mir & Watson, 2001; Montgomery et al., 1989).

**3.2.5 Paradigms summarized**

Issue	Positivism	Post-positivism	Constructivism
Ontology	naïve realism - "real" reality but apprehendable	Critical realism - "real" reality but only imperfectly and probabilistically apprehendable	relativism - reality is locally and specifically socially constructed
Epistemology	dualist/objectivist; findings true	modified dualist/objectivist; critical tradition, community, findings probably true	transactional/subjectivist; created findings
Methodology	experimental/manipulative, verification of hypotheses, chiefly quantitative methods	modified experimental, manipulative critical multiplism, falsification of hypotheses; may include qualitative methods	hermeneutic/dialectic
Nature of knowledge	verified hypotheses established as facts of law	non-falsified hypotheses that are probable facts of law	individual reconstructions coalescing around consensus
Knowledge accumulation	accretion - "building blocks" that add to an "edifice of knowledge", generalizations and cause and effect linkages		more informed and sophisticated reconstructions; vicarious experience
Quality criteria	conventional benchmarks of "rigor": internal and external validity, reliability and objectivity		trustworthiness and authenticity although Lincoln and Guba later in Table 6.3 (p. 173) give extended criteria for validity here
Inquirer posture	"disinterested scientist" as informer of decision makers, policy makers and change agents	"transformative intellectual" as advocate and activist	"passionate participant" as facilitator of multivoice reconstruction
Axiology	researcher's biases need to be controlled and not expressed in the study		individual values are honoured and are negotiated among participants
Control	resides solely in the researcher	resides solely in the researcher	shared between inquirer and participants
Voice/reflexivity	voice of the researcher principally; reflexivity can be considered an issue in objectivity		voices mixed as co-creators with participants, reflexivity relies on self-awareness and critical subjectivity

Table 3-1: Basic beliefs of three research paradigms summarised. Adapted from Tables 6.1 - 6.5 in Lincoln et al. (2011: 98-115) and from Table 2.2 in Creswell (2013: 21).

Table 3-1 on the previous page summarises the key points from each of the research paradigms discussed thus far in this chapter. It draws heavily from the influential work in this field by Lincoln and Guba.

### 3.3 Review of paradigms within the strategic management research domain

As has been noted in Section 3.2, positivism is the dominant paradigm in strategic management, and Lincoln et al. (2011) note that positivists seldom attempt to make explicit and critique the assumptions made by adopting the positivist paradigm and although some explication of underlying philosophical issues have been attempted (Calori, 1998; Scherer & Dowling, 1995; Singer, 1994), the “paradigm wars” common to other fields of management research endeavor have not inspired much reflection within the strategic management community.

The literature review noted the preponderance of economists in the strategy management field influencing the adoption of the positivist paradigm. Hitt (2005: 372) make the comment: *‘the field [of strategic management] has been transformed from one based largely on normative case-based research into one emphasizing theory and empirical research using valuable data and rigorous analytical tools’*.

Does this transformation imply an ontological variation to match the methodological? It’s not an area that was discussed by those early writers and many of today’s leading theorists in the strategic management field are avowedly positivistic, particularly in the area of content research (see Montgomery et al., 1989 for a review of strategy content research). The RBV and dynamic capabilities literature review in Chapter 2 was largely of this paradigm. In Section 2.3.3 on page 2-34, Barney and Clarke (2007: 256) were quoted as advocating: *‘as the limits of our language are reached, it becomes important to restate our theories, including resource-based theory, in rigorous mathematical terms’*. Similarly, a theme of the most recent SMS conference in 2014 on microfoundations talks about empirical research issues that need *‘to grapple with important questions of theory development, operationalization, aggregation, empirical measurement, data collection, and statistical implementation’* (N. J. Foss & Pedersen, 2014: 1). These are just two examples from key scholars of interest to my research calling for a positivistic, quantitative

orientation to strategic management research. Furthermore, the published empirical work on dynamic capabilities is 75% quantitative (Barreto, 2010).

There are clues to the ontological orientation of the early writers in the field that should answer the question whether there has been an ontological shift in the field. The principal goal of these key authors was *'to impart knowledge to practitioners, rather than to pursue knowledge for scientific advancement'* (Hoskisson et al., 1999: 423) and their case-study methodology reveals a different epistemology to their successors in strategic management research. However they still seemed to believe in an observable reality although felt that it was impossible to *'make useful generalizations about the nature of these variables or to classify their possible combinations in all situations'*, and that it was possible to *'combine these variables into a pattern valid for one organization'* (Learned et al., 1965: 5). This language suggests a positivist ontological position even though it is not expressly stated.

Godfrey and Hill (1995: 524) argue that most economists (and quantum physicists) *'have moved away from a strict interpretation of the verificationist theory of meaning'* adopting an instrumental position in the positivist paradigm in order to justify the use of unobservable economic constructs. They further explain (p. 524) that *'the instrumental position asserts that the ultimate truth or falsity of a scientific theory is irrelevant; it is the ability of a theory to explain empirical reality that is the proof of its value'* which, they explain, has shifted the criteria on which science should be judged, away from truth to that of adequate explanation, however this is still within the positivist paradigm.

Godfrey and Hill also argue that *'unobservable constructs are to be found at the core of a number of theories that underpin strategic management research'* (p. 527) and in reviewing the debate between positivism and realism conclude that *'realism is more defensible than positivism'* (p. 527).

The Strategic Management Journal (SMJ) has become *'the preeminent journal publishing scholarly work in the field of scientific management and is often rated in the top five of academic journals in the broader field of management'* (Pettigrew et al., 2002: 5). As such it has set the tone for the field but there has been criticism of the *'narrowness of the epistemological, methodological and theoretical base of writing in the strategic management field'* (Pettigrew et al., 2002: 6). Remember too, that much of the literature

review in this thesis has been about the antecedents of dynamic capabilities and therefore is drawn from a body of strategy content research with a heavy orientation towards positivist research.

The content/process divide was touched on in the literature review. However it has a bearing in this discussion of ontological and epistemological issues because of the split between the epistemology of the bulk of empirical research in strategy content vis-a-vis the approach taken by the leading process scholars.

In his introduction to the SMJ special issue on process research, Schendel (1992: 2) explains that *'in teaching, the content/process distinction was characterized by the difference between strategy formulation and strategy implementation'* and furthermore stated that process scholars dispute this dichotomy because *'strategy process itself is an integral part of content: the two cannot be separated'*. Schendel comes from a positivist paradigm, indeed his work with Hatten (1972) was instrumental in quantifying the field and helped to shift *'the attention externally toward industry structure and competitive position in the industry'* (Hoskisson et al., 1999: 419).

However, the guest editor for whom Schendel was writing his introduction was Andrew Pettigrew, a notable scholar and proponent of strategy process research. Pettigrew's scholarly Guest Editors Introduction (Pettigrew, 1992) laid out some of the philosophical distinctions that characterize process research. Back in 1992, he noted that *'strategy process research is diverse and cannot be contained with any single paradigm'* (Pettigrew, 1992: 7). Writing a decade later he notes that: *'unlike earlier characterizations of the natural sciences, where the stereotype is of knowledge accumulating progressively and linearly like some clear edged and tidy ribbon, in the social sciences knowledge seems to accumulate more as a mosaic'* (Pettigrew et al., 2002: 6). Writing in 2013 he clearly states his position as a "mediativist" which *'contends that social circumstances intervene by mediating between nature and accounts of nature, but do not eliminate the effects of nature'* (Pettigrew, 2013: 124).

Pettigrew notes in his essay on "The Character and Significance of Strategy Process Research" laid out five principles guiding strategic process research (for full discussion see Pettigrew, 1992: 9). He was building on Van de Ven's (1992) observations on studying

strategy process and on Sztompka's (1991) ontological assumptions in process analysis. Van de Ven defined the meaning of process: '*Process is often used in three ways in the literature: (1) a logic used to explain a causal relationship in a variance theory, (2) a category of concepts that refer to actions of individuals or organizations, and (3) a sequence of events that describe how things change over time*' (p. 169). Pettigrew's principles fit more with a constructivist paradigm in the requirement for "embeddedness" in order to study different levels of analysis and different contexts and to search for holistic explanations, albeit he has described his own ontology differently (Pettigrew, 2013).

Langley, Smallman, Tsoukas, and Van de Ven (2013) discuss a process ontology based in process metaphysics, a philosophy espoused by Whitehead (1929). In this ontology, '*our knowledge of nature is experience of activity*' (Whitehead, 1920: 185), where every real-life object can only be understood as a series of processes. Whitehead rejected the notion that each physical object has a simple spatial or temporal location. We see here the idea that context over time is an important facet of knowledge. Thus in this ontology there are two types of existence of entity: that of the actual entity and that of its abstraction. In this view '*entities (such as organizations and structures) are no more than temporary instantiations of ongoing processes, continually in a state of becoming*' (Langley et al., 2013: 5). They further note (p.6) that '*one reason why so many process studies retain, to some degree, the language and ontology of substance even as they explore activity, event sequences, the unfolding of practices, enactment and the dynamics of change*' is that language is '*dominated by nouns with verbs associated with action and change taking a secondary role*'.

So both Pettigrew in 1992 and Langley et al in 2013 argue that the study of contexts both in time and location are crucial in process analysis. '*The search is to catch reality in flight*' (Pettigrew, 1992: 11) and thus process scholars tend towards a different ontology from their positivist content counterparts, being focused on an open-world ontology where the interest is in '*the process that produces an outcome*' (Tsoukas & Knudsen, 2002: 414). In this world-view, the simple causal relationship of the positivist paradigm is replaced with a more complex cumulative causal model. Simplistically, in strategy process research we see an ontological turn from the realist to a socially constructed ontology (Fleetwood, 2005).

It's not just in process research we see the case been made for longitudinal research, as long ago as 1990, similar arguments were been made for longitudinal research in studying organizational change (Leonard-Barton, 1990; Pettigrew, 1990b; Van de Ven & Huber, 1990; Van de Ven & Poole, 1990) and given that dynamic capabilities are bound to strategic change within organizations, this study should contribute to the literature by virtue of the fact that it is a longitudinal study.

Since 1980, the bulk of published research in North America has been in the positivist tradition (Bluhm, Harman, Lee, & Mitchell, 2011; Pratt, 2008; Tsoukas & Knudsen, 2002), but John Van Maanen noted in 1979 a *'quiet reconstruction going on in the social sciences'* (Maanen, 1979: 522). In fact by 2011, Bluhm et al. (2011: 1867) note that more qualitative work has been published by in top American journals in the past ten years than the previous twenty. They also argue that the positivist ontological position and quantitative rigour embedded in North American institutions is *'challenged and even dismissed by European scholars and institutions, which more readily embrace and teach a variety of qualitative approaches to studying organizational phenomena'* (p. 1867). Barry and Hansen (2008: 9) discussed this divide in management research between North American and European scholars noting that *'they [Europeans] are taking a different path entirely'*. However, Weick (1999: 804) notes that the *'image of paradigm "wars" has the unfortunate connotation that it suggests the path to victory and truth lies in monologues that overwhelm rather than in dialogues that reconcile'* and writing later, Pettigrew's view (2013: 123) is that researchers should focus on *'framing qualitative and quantitative research as a duality rather than a dichotomy'*.

If paradigmatic discussion has not been a hallmark of within the field, it should come as no surprise that the field has also been short on reflexivity (Whipp, 1996). Pettigrew et al. (2002) note that the key reviews of the field (Hitt, Gimeno, & Hoskisson, 1998; Hoskisson et al., 1999; Schwenk & Dalton, 1991) are very North American-centric and marked by a lack of reflection and *'a reluctance to cite authors who have pointed to the limitations of theory and research in strategic management'* (Pettigrew et al., 2002: 8). Furthermore strategic management *'is a field unendowed with a developed critical tradition'* (p. 11). Pettigrew et al. (2002: 12) argue that the European tradition of research on strategy process has *'bought a new epistemological and methodological tradition into the field of strategic management'* as scholars explore inside the "black-box" outside the positivist paradigm.

Having reviewed the ontological and hence epistemological positions within the strategic management field, the implications for this specific study are now explored.

### 3.4 Ontological and epistemological implications for this research

The literature review dealt mainly with the strategy content development of the dynamic capability construct. This thesis is attempting to evaluate whether the dynamic capability construct can explain sustained competitive advantage in Admiral Plc. Such interest in strategic outcome effectively can be viewed a ‘content’ question. However, implicit here is that this research is attempting to answer *how* dynamic capabilities work within this firm: addressing a notable gap in the literature. This focus, not only on the outcomes ‘*but also of why and how outcomes are differentially shaped by processes*’ (Pettigrew, 1992: 11), is more generally associated with the strategy process tradition. Thus, there is an opportunity for the content/process divide to inform each other with this study.

Despite the interest in the dynamic capabilities framework from content scholars there is a growing recognition that the strategic management field generally has some limitations in the research methods employed: dynamic capabilities, routines, resources and capabilities all employ constructs that are themselves subject to contested definition or partial interpretation (Barreto, 2010; Felin & Foss, 2009; Salvato & Rerup, 2011). When leading theorists from the dynamic capability arena talk about the lack of progress in developing dynamic capabilities from the initial theorizing (Helfat et al., 2010), could such a lack be the result of poorly defined constructs: many of which are “unobservable” (see Godfrey & Hill, 1995 for a fuller discussion)? So how do we get better constructs, that can be directly measured rather than using proxies that can lead to erroneous findings? Debate is recognized as being part of the process to advance a field of research (Kuhn, 2012), however, ‘*debate that is spurred by measurement problems may actually limit the discipline’s ability to advance*’ (Boyd, Gove, & Hitt, 2005: 243).

Not only that, the theoretical focus on such constructs has resulted in a gap between academic research and the relevance placed on that research by practitioners ((Boyd et al., 2005; Jarzabkowski, 2005; G. Johnson et al., 2007). Although Jarzabkowski and Johnson, Langlely, Malin and Whittington come from a “strategy as practice” (SaP) perspective, focused on micro-activities of people in relation to strategy, their initial premise, that human action should be central to strategy theorizing, has resonance and it is also a central

tenet of the strategy process tradition. *'In point of fact, the field is unlikely to make substantial progress without such attention'* (Boyd et al., 2005: 253) and these authors express a hope that such attention will yield better constructs for modeling (for those of a positivist inclination) although Foss (1997b) was quoted in the literature review as making the argument that a more rigorous economic modelling of the theory puts a deeper understanding of the more informal literature around core competences at risk. This concern of a "relevance gap" between academics and practising managers is not just a concern of SaP practitioners. The theory pluralism that has developed in strategic management is *'generally advocated as a fruitful expansion'* (Scherer, 1998: 151) and yet this is a source of confusion for executives (Gilbert, Hartman Jr, Mauriel, & Freeman, 1988; Scherer, 1998) and the ensuing incommensurability has meant that research has had little impact on managerial practice (Spender, 1998).

Perhaps a problem with progress on dynamic capabilities is a result of the search for single dimensional answers whilst neglecting the reality of organizational complexity, an argument made by Bouchikhi (1998) to explain fragmentation in the research field more generally. Writing in the same journal, Spender (1998) explains the shortcomings of positivist research with reference to the distinction between the subject and the object arguing that it is inappropriate for an analysis of managerial actions. Firms, he argues, are essentially emergent, self-organizing and self-regulating and managers intervene and husband the system that emerges and thus positivist ontologies cannot cope with the complex realities.

Having argued the shortcomings of positivist philosophies for this research, despite it being the dominant paradigm in strategic content research, and having outlined the likely benefits of marrying the study of how dynamic capability is operationalized through strategic process in this firm to the strategy content area: I am signaling a different ontology for this study.

Using a constructivism paradigm, the more prevalent paradigm in process research, could create problems for research of this particular company. As has been intimated in Chapter 1 and will be shown in Chapter 5, this is a highly quantified company. It measures everything – even the softer elements of human resource management and its culture. It has a fixed view of reality and believes you can find a measure for everything. The fact

that the firm’s understanding of reality may be socially constructed points me in the direction of a critical realist position.

A realist philosophy ‘states that we cannot reject theories just because they contain key constructs that are unobservable’ (Godfrey & Hill, 1995: 527) and having unobservable constructs at the heart of this research question helps to support taking a realist position, especially as I am motivated ultimately by trying to find ‘new and better instrumentation that can observe the formally unobservable’ (Godfrey & Hill, 1995: 531). Additionally, there is a critical realist tradition within strategic management as outlined earlier in this section, particularly in the British tradition representing ‘a response to the idea that the reality of social institutions depended on the beliefs of agents’ (Turner, 2006: 417).

This thesis uses the critical realist approach ascribed to Sayer (2000). The key features are described in Table 3-2.

Feature	Description	Implication
Dimensions of knowledge	Bhaskar (1975) distinguishes between "intransitive" and "transitive" knowledge. Intransitive being the objects of study and the theories and discourse about them as transitive.	Researchers role is that of "construing" rather than constructing the social world.
The real, the actual and the empirical	Summarised in Section 3.3.4 of this Chapter but an entity is real if it has causal efficacy (Fleetwood, 2005) .	Recognising the possibility that what we know does not exhaust what there is to be known.
Stratification and emergence	Reductionist explanations which ignore emergent properties are inadequate.	Critical realism argues the world is characterized by emergence.
Causation	The concept of causal powers is used to distinguish between the real and actual and when activated the results depend on context. Explanation depends identifying causal mechanisms and how they work, and discovering if they have been activated and under what conditions.	Same mechanism can produce different outcomes according to context and consistent regularities are only likely to occur in 'closed systems' where the causal power is stable and the external conditions constant. Implies a wider conception of causation - not just physical.
Interpretive dimension	Meaning has to be understood, so diverges from positivism in using "verstehen" - interpretive understanding	In the hermeneutic dimension, realism insists on a) the material commitments and settings of communicative interactions <b>and</b> b) presence of a non discursive dimension to social life.
Methodologies	compatible with wide range of research methods and much depends on the mode of abstraction employed	<b>BUT</b> choice of research method should depend on object of study and what one wants to learn from it

Table 3-2 Key features of Critical Realism in practice. Adapted from Sayer (2000: 10-27)

For the purposes of this research that is essentially concerned with SCA in a particular firm, an SaP perspective, where there is less concern with firm performance than in the interaction of people in the development of strategy (G. Johnson et al., 2007), was deemed inappropriate. This firm offers the opportunity to offer detailed insights into strategic decision making and implementation process from thought to outcome over time as it grows from a small entrepreneurial venture to a firm verging on MNE status today. Such insights should shed light on the dynamic capability construct as it is currently theorized in the literature.

One explanation for lack of empirical support for dynamic capabilities (Ambrosini & Bowman, 2009; Newbert, 2007), other than the time elapsed since the theory was first developed and poor specification (Ambrosini & Bowman, 2009: 37) may be linked to the “unobservables” problem discussed earlier in this section. Dynamic capabilities are a concept ‘*which has thus far proven largely resistant to observation and measurement*’ (Kraatz & Zajac, 2001: 653).

Ambrosini and Bowman (2009: 37) note that ‘*quantitative methods often involve proxy variables which may only capture tangible and visible aspects of a phenomenon*’, furthermore, Lockett & Thompson (2001:743) argue that ‘*it may be necessary to sacrifice some of the generality of quantitative investigation for a more qualitative attention to detail*’ and make a case for using a plurality of methods. Kay (2010) claims that looking at phenomena from both a system and a process perspective, can better illuminate many important organizational issues.

For the researcher who uses participants as key informants, they face ‘*the problems of identifying the best informants and ensuring that they correctly understand the investigator’s queries and that they provide veridical answers*’ (Van de Ven & Huber, 1990: 216). This is complicated in this study by the researcher’s involvement with the firm and the shared history and meaning with the participants.

However there is advantage to be had using the cognitive capacity of the researcher, especially where there is a shared cognition with participants (Mantere & Ketokivi, 2013). Sayer, in his book on critical realism, makes the point that ‘*language is not about bits of matter or whatever but about the sense the world makes to us*’ (Sayer, 2000: 38). It stands to reason that a shared cognition allows participant meaning to be more fully realized although a researcher without a shared cognition may ascribe different meaning. Critical realism allows for this provided there is an account of reference given: for example the fact that the researcher here is a founder of the firm being studied.

Michael Polanyi (1962) the distinguished physical chemist and philosopher, demonstrated that the scientist's personal participation in his knowledge, in both its discovery and its validation, is an indispensable part of science itself. Even in the exact sciences, "knowing" is an art, of which the skill of the knower, guided by his personal commitment and his

passionate sense of increasing contact with reality, is a logically necessary part. Cook & Brown (1999) argue that knowledge is a tool of knowing and that *'knowing is an aspect of our interaction with the social and physical world'* (p. 381). In the biological and social sciences this becomes even more evident. Polanyi argued that the tendency to make knowledge impersonal in our culture has split fact from value, science from humanity. He wished to substitute for the objective, impersonal ideal of scientific detachment an alternative ideal giving attention to the personal involvement of the knower in all acts of understanding. This is reflected in the research here. However Sayer's views on the critical realist understanding of objectivity and subjectivity should be reviewed at this point to understand the epistemological stance taken in this research.

For the full discussion on the critical realist distinction between objectivity and subjectivity see Sayer's book (2000: 58-62). However, in summary, Sayer gives three definitions of objectivity: being value-free<sup>1</sup>, being focused on truth and falsity<sup>2</sup> and as pertaining to objects<sup>3</sup>. He argues that the first two definitions<sup>1 and 2</sup> are *'often conflated and confused so that it is assumed that in order to arrive at objective<sup>2</sup> (true) statements about the world, those statements must be value-free'* (Sayer, 2000: 58). He warns, of course, of the danger of believing what we want to believe and so must employ reflexivity<sup>22</sup> to ensure *'we are not engaging in wishful thinking'* (p. 59) but argues that there is worth in understanding that objective<sup>2</sup> research can be subjective. Our consciousness of objects (i.e. objectivity<sup>3</sup>) should be recognised only as our truth (objectivity<sup>2</sup>) as properties of things belong to the transitive dimension of knowledge and hence are fallible (Bhaskar, 1978/2008).

So, using the logic presented here, it is clear that reflexivity is vital to claims of a critical realist objectivity despite the criticism levelled at it that *'reflexivity is not a strong suit for critical realists'* (Contu & Willmott, 2005: 1659). Reflexivity is defined as *'a turning back on oneself, a process of self reference'* (Davies, 2008: 4). There is a possibility that this can become self-absorption, which although in the definition given, will negate the value of the research being conducted. Woolgar (1988) contends that no process of knowing is fully reflexive until it is explicitly turned on the knower, who becomes self-conscious even of

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<sup>22</sup> Reflexivity in Bhaskar's and Sayer's articulation of critical realism is at odds with Table 3-1 where reflexivity is not identified as a characteristic of the post-positivist paradigm however Sayer makes a good argument, summarized here, for the inclusion of a reflexive element to research.

the reflexive process of knowing however this should stop short of '*reflection in an infinitude of self-reflexive iterations*' (Gergen & Gergen, 1991: 77).

### 3.5 Methodological implications for this research

The critical realism ontology is agnostic as to research method but '*it implies that the particular choices should depend on the nature of the object of study and what one wants to learn about it*' (Sayer, 2000: 19). With a critical realist perspective, both the human actors and the firm are given ontological reality. Hence this research can explore the phenomenological reality of the participants' understandings and interpretations of the firm's success whilst recognising these interpretations will not be fully constitutive of the firm. Furthermore, these interpretations are made by a researcher who is a founder of the firm and responsible for some of the decision-making and for much of the implementation of said strategic change.

Critical realism's '*assumption of a deeper level where the structures and power of things may or may not be observable is not only a point of theoretical distinction but also has important methodological implications*' (Zachariadis, Scott, & Barrett, 2013: 857). Causality is about understanding the process and conditions under which "A" causes "B" (see Sayer, 2000 for full discussion) the main objective of the research is to '*use perceptions of empirical events [those that can be observed or experienced] to identify the mechanisms that give rise to those events*' (Volkoff, Strong, & Elmes, 2007: 835). The inference made by the researcher is called "retroduction" (Bhaskar, 1978/2008) and allows the researcher to move between the knowledge of phenomena observed through events to the '*creation of explanations (or hypothesizing) in ways that hold "ontological depth" and can potentially give some indications on the existence of unobservable entities*' (Zachariadis et al., 2013: 858). Retroduction '*seeks to identify the generative mechanisms that generalize beyond the immediate instance of the phenomenon and are critical to its occurrence*' (K. D. Miller & Tsang, 2011: 147). It can be seen as a tool in theorizing generative mechanisms and ideal for studying events '*where actors mobilize the resources at their disposal in a given context ... to shape change*' (Hodgkinson, 2013: 150) and is a mode of reasoning beyond deduction and induction (K. D. Miller & Tsang, 2011: 147). However critical realism is not without its critics who argue that if all knowledge is contested and revisitable '*how do we know the world is the way you say it is; and why should we believe you*' (Contu & Willmott, 2005: 1650).

Critical realists '*distinguish between extensive and intensive designs*' (K. D. Miller & Tsang, 2011: 151) where extensive research tests for empirical generalities across cases (typically quantitative) and intensive research looks to uncover specific causal mechanisms in a particular context (typically qualitative). Methodologically, this thesis is an intensive study and will contribute to the qualitative studies of dynamic capabilities using the interpretative framework of post positivism and the assumptions associated with that (see Creswell, 2013: 35). The access offered at a senior level within Admiral Plc at an epistemological level informs the decision to make this a qualitative study. Advocating the power of qualitative research to observe everyday life, Maanen (1979: 520) differentiated qualitative and quantitative research as '*qualitative investigators tend also to describe the unfolding of social processes rather than the social structures that are often the focus of quantitative researchers*'. However the research is hoping to contribute to a primarily quantitative field and so must be conducted rigorously enough to constitute "good science".

In terms of theory advancement, qualitative research seeks to generate, elaborate or test management theories (Bluhm et al., 2011; Pratt, 2008). This thesis should elaborate existing theory on dynamic capability in addition to providing empirical data on dynamic capabilities in action within this firm.

Lee (1999) defined the characteristics of interpretative qualitative research as: (1) occurring in the natural setting of the organization; (2) data originates from the participant's viewpoint of their experience; (3) It is "reflexive" in that design of data gathering and analysis can change as the research situation unfolds; and (4) the methods are not standardized and are chosen with the research aims in mind.

Bluhm et al. (2011: 1871) add to this by acknowledging the generally accepted researcher bias and the necessary reduction of a rich data set as necessary to produce meaning.

It is the lack of standardization around data collection and analysis tools, alongside the researcher's bias contravening the objectivity mantra that most troubles scholars of a positivist bent (Bluhm et al., 2011: 1872). That and the paucity of guidelines to assess the soundness of qualitative research (Maanen, 1979) lessen the contribution qualitative research has made in the strategic management field given its ontological and

epistemological orientation (Amis & Silk, 2008). Pratt (2008: 491) reported that qualitative researchers seeking publication complain about lack of a “boilerplate” for gauging the quality of qualitative research and that positivist standards for “good science” are often applied. There is little methodological guidance in the critical realist literature and current efforts to address this are ‘*primarily for the purposes of theory generation and verification*’ (K. D. Miller & Tsang, 2011: 146).

However the “quality” of qualitative research *must* be addressed by this thesis. Various scholars have recently discussed this (Easterby-Smith, Golden-Biddle, & Locke, 2008; Kempster & Parry, 2011; Pratt, 2008) but Gibbert and Ruigrok (2010:710) note that one of the problems is that qualitative research rarely explicitly label the rigor criteria in terms of the concepts commonly used in the positivist tradition (construct, internal, and external validity, as well as reliability).

As a piece of post positivist work, this study needs to demonstrate validity, reliability, objectivity (see discussion earlier from Sayer, 2000), generalizability, and communicability of results where it is important to present well-supported research claims and to make transparent as far as possible the researcher’s perspectives: the retroduction process and the analytical methods used. Easterby-Smith et al. (2008) recommend locating the research clearly in a philosophical paradigm, that has been the purpose of this chapter, and to be specific in writing about the method and analytical processes being careful to present the process clearly but logically as the open-ended and iterative process it will be. Linear representations of the reductive process misrepresent the research however there should be a close fit between the research claims and the data that inspired them in order to meet the reliability test for the research.

### **3.6 To recap**

This research will follow Sayer’s (2000) critical realist philosophical positioning so that reality is recognized but our views of it are constructed and thus there is a myriad of meaning that can be ascribed to the phenomena observed. It will be a piece of qualitative research where Denzin and Lincoln (2011: 3) give the following definition: as ‘*a situated activity that locates the observer in the world. Qualitative research consists of a set of interpretive, material practices that make the world visible. These practices transform the world ..[turning the world into]... a series of representations.... This means that*

*qualitative researchers study things in their natural settings, attempting to make sense of or interpret phenomena in terms of the meanings people bring to them’.*

Having situated this research within a clear ontological, epistemological and methodological frame, the next chapter will explore the research design for this study

## CHAPTER 4: RESEARCH DESIGN, DATA COLLECTION AND ANALYTICAL METHODS

### 4.1 Introduction

*'I held as a conscious axiom throughout my career: **reality first**. This is what Rand calls "the primacy of existence". Its opposite is the primacy of consciousness (e.g., feelings, wishes first). Basing self-esteem on adherence to reality is the best route to scientific progress – and to real self-esteem' (Locke, 2007: 887).*

The previous chapter reviewed the three pertinent research paradigms at play in the field of strategic management research and a case was made to situate this research in a post positivist paradigm using the critical realism ontology as espoused by Andrew Sayer (Sayer, 2000), which in turn is based on Roy Bhaskar's philosophical works (Bhaskar, 1978/2008, 1998b).

A critical realist philosophical positioning means that reality is recognized but our views of it are constructed and thus there is a myriad of meaning that can be ascribed to the phenomena observed.

Methodologically, this study will use qualitative research techniques to inform the strategy content/process divide discussed in the previous chapter in an attempt to advance the theory of dynamic capability as outlined in Chapter 2.

As discussed in Chapter 3, the "received" research design in the bulk of North American published work in strategic management is quantitative (Bluhm et al., 2011) using large data samples, secondary data sources, econometric analyses (Hoskisson et al., 1999: 420). However also reviewed in Chapter 3 were the reported major methodological problems such research designs were giving the field in terms of advancing theory (see Hitt et al., 1998 amongst others). Specifically the development of the RBV and dynamic capabilities require '*a multiplicity of methods to identify, measure and understand firm resources, purported to reside within the boundary of the firm*' (Hoskisson et al., 1999: 420).

With qualitative research not having an agreed set of evaluation criteria for research quality (Venkatesh, Brown, & Bala, 2013), this chapter firstly considers rigour in the qualitative context and signals the techniques that will be used to ensure rigour in this research. It will then explore the options for research design within the clear ontological,

epistemological and methodological framework already outlined. Both case-study and grounded theory methods are examined from the literature to justify their use in this study. Next, applicable methodological frameworks from the literature are reviewed individually as they form the infrastructure of the research design. Lastly the data collection and data analysis techniques are explicitly discussed both from the theoretical perspective and in their application to this study.

## 4.2 Considerations for Rigour

Before considering the elements of this research design, we need to consider what constitutes a rigorous study in this context. The discussion in Chapter 3 sat this research within a philosophical paradigm that is not the dominant paradigm within the field and spoke of a desire to speak to that extant literature. Thus, the challenge for this qualitative study is how to maintain epistemological rigour and validity but at the same time recognizing the critical realist arguments that the deepest level of influence may be unobservable per se and rely on the researcher's interpretation of the data.

Yin (2003: 33) cites the criteria for judging the quality of research designs in any empirical social research are: construct validity, internal validity, external validity and reliability and his strategies for achieving this in case study research are reproduced here in Table 4-1. Some qualitative researchers would argue Yin's criteria, if not positivistic by strategy (see Table 4-1), have labels more associated with positivist, quantitative research (see Lincoln et al., 2011 amongst others).

Kempster and Parry (2011: 109) remind us that '*good science commonly requires the satisfaction of three tests: validity, reliability and generalizability*' and note that '*for positivists and critical realists these three tests are equally applicable ...[but] differ in terms of definition*'. However '*qualitative research does not have guidelines or evaluation criteria that are generally accepted*' (Venkatesh et al., 2013: 33). The issue is ambiguous, even contentious (Maxwell, 1992; Ridenour & Newman, 2008) with positivists (Maxwell, 1992) arguing the same criteria should be used and constructivists (Lincoln et al., 2011) who suggest different criteria should apply. Most constructionists accept that validation is important for qualitative research (Kvale, 1989; Maxwell, 1992). However, many argue that it should be distinguished from the quantitative concept (Denzin, 2011; Lincoln et al., 2011).

Tests	Case study Tactic for this study
Construct validity	<ul style="list-style-type: none"> <li>▪ Use multiple sources of evidence</li> <li>▪ Establish chain of evidence</li> <li>▪ Respondent validation</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Do pattern-matching</li> <li>▪ Do explanation-building</li> <li>▪ Address rival explanations</li> <li>▪ Build logical arguments</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Use theory in single-case studies</li> </ul>
External validity	<ul style="list-style-type: none"> <li>▪ Use theory in single-case studies</li> </ul>
Reliability	<ul style="list-style-type: none"> <li>▪ Use case study protocol (see Appendix B)</li> <li>▪ Develop case study database</li> </ul>

Table 4-1: Case Study Tactics for Four Design Tests (Adapted from Yin, 2003: 34)

In an earlier book, Lincoln and Guba (1985) contend that consistency and dependability of data collection and analysis are ‘*conceptually similar to reliability in quantitative research*’ so that validity can be defined as the extent to which ‘*data are plausible, credible and trustworthy*’ (both quotes from Venkatesh et al., 2013: 34) to which Wolcott (1990: 146) adds ‘*understanding is a more fundamental concept for qualitative research than validity*’.

In an attempt to synthesize the literature on validity in qualitative research, Venkatesh et al. (2013) propose discussing validity explicitly using a framework that covers rigour in the application of methods (design validity) and rigour in the interpretation of data (analytical and inferential validities). Their framework fuses Maxwell’s (1992) typology with the Denzin and Lincoln (2011) criteria to create a framework that is consistent with a critical realist ontological position. The framework can be found in Table 4-2.

Maxwell (1992), in attempting to bring the issue of validity in qualitative research to the fore and writing with a critical realist perspective, proposed a typology of validity for qualitative researchers which included: (1) **descriptive validity**: factual accuracy of what is being reported; (2) **interpretive validity** grounded in the language and cultural framework of the participants and Maxwell includes this construction of meaning to recognize ‘*that a key part of the realm external to an account is the perspective of those actors whom the account is about*’ (p. 290); and (3) **theoretical validity**: ‘*the extent to which the theoretical explanation developed fits the data and, therefore, is credible and*

*defensible*' (Venkatesh et al., 2013: 34). Maxwell's typology also included "generalizability" analogous to Yin's (2003) notion of "analytic generalization" but extends it to include the critical realist notion that context is important so any theory *'makes sense of the particular persons or situations studied, but also shows how the same process, in different situations, can lead to different results'* (Maxwell, 1992: 293). Maxwell's typology also included "evaluative validity", similar to Denzin and Lincoln's (2011) "confirmability" criteria.

Tests	Components	Description
Design validity	Descriptive validity	The accuracy of what is reported by researchers
	Credibility	Establishing results are credible to participants to rule out alternative explanations
	Transferability	The extent to which the results can be generalized or transferred to other contexts
Analytical validity	Theoretical validity	Extent to which theoretical explanation fits the data and is thus credible and defensible
	Dependability	Needs researcher to describe any changes that occur in the setting and how that affected the study
	Consistency	Needs research to explicitly follow method for collection and analysis
Inferential validity	Plausibility	Concerned with whether the findings fit the data from which they are derived
	Interpretive validity	Accuracy of interpreting data to construct the meaning of the participant
	Confirmability	Degree to which results can be confirmed or corroborated by others

Table 4-2: *Validity criteria to be used in this research (Adapted from Venkatesh et al. (2013: 33)).*

Denzin and Lincoln (2011) have developed criteria for judging the criteria of qualitative research over the various incarnations of their seminal text on the subject *The Handbook of Qualitative Research*. These are: (1) **credibility** of the research reflecting the data in which it is rooted and participants should be the judges of the believability of the claims; (2) **transferability** of the research to other contexts; and (3) **confirmability** is the degree to which results can be confirmed or corroborated by others. Like Maxwell's "evaluative validity" it requires making explicit the evaluative framework used by the researcher to understand – creating meaning from - their research. This is vital for critical realist research as it describes the process of retrodution and allows readers to evaluate that foundational thinking.

The criteria to ensure rigour for this research (as seen in Table 4-2) were synthesized from the literature by Venkatesh et al. (2013) who categorized different types of validity as: (1)

**design validity** incorporating Maxwell's notions of design validity and Denzin and Lincoln's views of credibility and transferability. It '*refers to how well a studies has been designed and executed so that the findings are credible and transferable*' (Venkatesh et al., 2013: 34); (2) **analytical validity** incorporating the concepts of theoretical validity referring to '*how well qualitative data were collected and analysed so that the findings are dependable, consistent, and plausible*' (p. 34); (3) **inferential validity** combining the ideas of interpretative validity and confirmability so the quality of the interpretation can be evaluated by others.

So whilst this research will use the vocabulary developed by Venkatesh et al. (2013), Yin's (2003) criteria and general discourse reflects the rigour criteria for the "natural science model" (see also T. D. Cook & Campbell, 1979; Eisenhardt & Graebner, 2007; Gibbert & Ruigrok, 2010). Understanding Yin's terminology in the context of his subject: case study research, allows the mapping of his more positivist terms to the Venkatesh et al. criteria.

For example Yin's "construct validity" will be an element of consideration in the overall "design validity" where the research design must demonstrate robust, theoretical sampling explicitly in the write-up. In addition to Yin, many writers (e.g. Creswell, 2013; Denzin & Lincoln, 2011; Pettigrew, 1990b; Stake, 1995) suggest triangulation: finding alternative sources of data for different perspectives of the same phenomenon, to ensure "construct validity" or what we are now calling "design validity".

The concept of "internal validity" becomes an issue of the "analytical validity" of the research and is a critical step in the process of retrodution from the case. It is of concern to this exploratory case study whose goal is to explore any causal relationship between dynamic and operational capabilities in this firm. The inference involved in this case will require establishing if the evidence indeed converges and that alternatives have been considered. A technique recommended by Yin (p. 116) is pattern matching where an empirically based pattern gathered over accounts of strategic change and compare with a predicted pattern: for example dynamic capability theory predicts that dynamic capabilities play a role in the development of new or evolving operational capabilities (Helfat & Winter, 2011; Teece et al., 1997; Winter, 2003). By specifying this prediction prior to data collection, pattern matching is a relevant method for strengthening this case study's internal validity. Silverman (2006) in his authoritative text on interpreting qualitative data

reminds us of the guiding principle of grounded theory which is the constant comparative method and whilst this thesis won't be multiple case the principle of constantly testing your coding against new data points applies. As does Silverman's admonition '*one should not be satisfied until your generalization is able to apply to every single gobblet of relevant data you have collected*' (Silverman, 2006: 298).

External validity establishes whether a study's findings are generalizable beyond the immediate case study and can be dealt with by using a research design that hopes to use replication logic in a multiple-case study. Evidence thus obtained is seen as more robust (Herriott and Firestone, 1983, as quoted by Yin, 2003: 46). However this study revolves around a single case and Yin states for single case studies replication logic is replaced by "analytic generalization" where '*the investigator is striving to generalize a particular set of results*' (p. 37). This is of particular relevance to a critical realist perspective. A key critical realist principle is that '*empirical events are particular manifestations of the mechanisms that caused them*' (Zachariadis et al., 2013: 861). Sayer (2000: 14-15) explains that generalizations are valid only in closed systems or where one has the expectation that similar context and generative mechanisms may apply: in open systems the same causal power can produce different outcomes or different causal powers can cause the same outcome. Hence, predictions and the creation of causal laws are highly problematic (Ackroyd, 2000).

For critical realists, '*all social constructions of knowledge are fallible and as such knowledge of the social world is limited to providing epistemic gain*' (Kempster & Parry, 2011: 122). Sayer (2000: 43) argues that truth is better understood as "practical adequacy", '*that is in terms of the extent to which it generates expectations about the world and about results of our actions which are realized*'. So a goal for a piece of critical realist research, such as this, is to yield epistemic gain and to develop theory that is '*practically adequate to the context*' (Kempster & Parry, 2011: 112). Validity is about building a plausible explanation of reality.

Lastly, let's look at Yin's criterion of reliability. Hammersley (1992: 67) defines reliability as the '*degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions*'. Kirk and Miller (1986: 72) argue that qualitative researchers cannot ignore the issue of reliability and argue that

for ‘*reliability to be calculated, it is incumbent on the scientific investigator to document his or her procedure*’. Given these opinions, one can draw a relationship between the notion of “reliability” and that of “analytical validity” by improving the dependability and consistency of the research. Yin suggests use of a protocol whereas in this study I used the Venkatesh et al. validity criteria in Table 4.2 to focus the research and analysis. Yin also suggests creating a database, achieved in this study by using the Xcel software to structure and organise the data.

Whilst there is epistemological disagreement as to what labels to use when reporting rigour, there is partial agreement when it comes to reporting research actions (Gibbert & Ruigrok, 2010: 711). Researchers are encouraged to establish a ‘*clear chain of evidence*’ (Yin, 2003: 105) to allow the reader to reconstruct how the researcher moves from the initial research questions to the final conclusions. Gibbert and Ruigrok (2010) examined the rigour of case studies by content analysing all case studies published in top management journals 1995-2000. Given that these journals are all based in North America and their paper is designed to speak to that audience, they use the positivist vocabulary discussed here. Gibbert and Ruigrok found commonality in the reporting of research action. These commonalities are summarised overleaf in Table 4-3.

Gibbert and Ruigrok (2010) also observed that very few case studies explicitly label the rigour criteria in the positivist tradition. They also noted that the case studies that do address rigour consider the hierarchical relationship (T. D. Cook & Campbell, 1979) between the criteria giving priority to internal and construct validity.

Table 4-3 also highlights those techniques reported by Gibbert and Ruigrok (2010) that will be used in this case study and are embedded both into the structure of the thesis: for example Chapter 1 makes the case for the rationale behind the case selection and gives details of the case setting; Appendix A contain examples of the database coding; the next Section 4.3 shows how the research design is derived from the literature and Sections 4.4 and 4.5 detail the data collection and analysis methods to be used; so the reader can be persuaded of the rigour of the research presented here.

Construct Validity		Internal Validity	External Validity	Reliability
<i>Triangulation</i>	<i>Chain of Evidence</i>			
Archival data	Indication of data collection context	Research framework explicitly derived from literature	Multiple case studies	Case study protocol
Interview data	Reflection on planned versus actual data collection	Pattern matching	Nested approach	Case study database
Participatory observation derived data	Explanation of data analysis	Theory triangulation	Rationale for case selection	Organization mentioned by own name
Direct observation data			Details of case study context	
Review of transcript and draft by peers				
Review of transcript and draft by key informants				

*Table 4-3: Common methods for ensuring rigour through reporting how case study research is actually performed. Adapted from Gibbert and Ruigrok (2010: 717). Techniques used in this study have been highlighted.*

### 4.3 Research Design

Yin (2003: 19) defines research design as '*the logic that links the data to be collected (and the conclusions to be drawn) to the initial questions of study*'. He is also very clear that any design needs to maximize design quality and in Section 4.2 the criteria for rigour was discussed albeit some qualitative researchers highlight better "telling of the story" as the goal for qualitative analysis (Dyer Jr & Wilkins, 1991). In Chapter 3 the argument was made for a more rigorous qualitative approach if the study is to contribute meaningfully to the dominant philosophical discourse in the strategic management field.

Part of the decision for a research design reflects the decision to undertake this research in the first place i.e. the access to appropriate potential participants and secondary data within a company that is likely to demonstrate dynamic capability. This indicates a case study design. However data collection methods and the approach have been tailored to the type of research question this study is posing. Although it is seeking to enhance existing theory, given the paucity of knowledge about how dynamic capabilities are deployed, it may mean this study contributes to extending existing theory on dynamic capabilities. So in addition to being a case study, it will be conducted within the framework of grounded theory

development. Both approaches are signalled as separate research approaches by Creswell (2013) and yet the terms are used almost synonymously by Eisenhardt (1989a) who sees grounded theory as a key building block for building theory from case study research. However a comprehensive research design will need to incorporate and combine elements of both research approaches. Using recognized approaches to research ‘*enhances the rigor and sophistication of the research design*’ (Creswell, 2013: 53) and given that in grounded theory ‘*issues of validity thus become difficult – someone else examining the data may generate an alternate explanation*’ (Kempster & Parry, 2011: 109) explicitly laying out the methods for data collection and data analysis should meet the design and analytic validity criteria discussed at length in the previous section.

### **4.3.1 Evaluating case study as a methodology for this research**

As discussed in the previous Chapter, within the critical realist ontology for this thesis, this study of a single case will be an intensive design emphasizing ‘*the collection of detailed data*’ within the case and furthermore, the ‘*established methods for case study, ethnographic, grounded theory, and action research guide intensive designs*’ where the ‘*distinctive feature of critical realist deployment of these methods is the emphasis on retrodution*’ (both quotes from K. D. Miller & Tsang, 2011: 152).

The design draws on the systematic, rigorous approaches to case studies espoused by Eisenhardt (1989a) and Yin (2003).

*‘A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used’* (Yin, 2003: 23).

Eisenhardt (1989a) recommends the case study method for explorative, descriptive, and explanatory questions as is the object of this inquiry albeit her epistemological position is quite different from this study (Langley & Abdallah, 2011).

Stake (1995) takes a different view of case studies, not as a methodology but as a choice of what is to be studied and notes that ‘*it is not unusual for the choice of case to be no “choice” at all*’ (p. 3). He advocates the case study researcher maintains “vigorous interpretation” which underlies the conclusion one draws from observations made. Furthermore, these conclusions are drawn ‘*from understandings deep within us*,

*understandings whose derivation may be some hidden mix of personal experience, scholarship*' (p.12) and yet must be loosely determined so that the researcher is open to the multiple realities that exist. Stake refers to these conclusions as "assertions" and Yin as "patterns" or "explanations", Creswell (2013:99) on the other hand refers to them as '*general lessons learned from studying the case*'.

Ultimately though, these conclusions are assimilated as the researcher seeks explanation. Whilst the findings are particular to this context i.e. Admiral Plc, a more generalized explanation is possible (Eisenhardt, 1989a; Leonard-Barton, 1990) using a technique described as "analytic generalization" (Yin, 2003: 32) which Yin advocated for generalizing from case study to theory. He describes this as where a '*previously developed theory is used as a template with which to compare the empirical results of the case study*' (p. 33). Stake (1995: 7) notes that generalizing from case studies rarely results in entirely new theory but can modify and refine understanding. This is consistent with the idea that the goal of a critical realist study is to yield epistemic gain.

This case study is categorized as a "single instrumental case study" (Stake, 1995) and as "exploratory" by Yin (2003). Even in a single case study, data collection is typically extensive (Creswell, 2013) and Yin (2003) recommends six types of information to collect: documents, archival records, interviews, direct observations, participant observation, and physical artifacts. In this particular case the researcher has been an active participant in founding the business, managing functions within the business and driving through strategic change so the interviews are based on that shared history with the interviewees and the interviews refer to both direct observations from the interviewer's perspective and the recollections and perceptions of the interviewees. There are no physical artifacts of relevance in this case that don't come under the category "documents".

However the value of theory (or insights) generated from single case studies has been debated: notably between Eisenhardt (1989a) and Dyer Jr and Wilkins (1991) articulating competing views on the tradeoff between "better constructs" and "better stories". Dyer Jr and Wilkins (1991) criticized Eisenhardt's (1989a) multiple case-study approach as sacrificing context and deep structure in favour of building constructs. Eisenhardt's (1991) riposte was that the two views were a '*false dichotomy*' (Eisenhardt, 1991: 625) and argued that rigour and comparative logic were fundamental to '*creating precise and measurable*

*constructs ... because such constructs are the foundation of powerful theory*' (Eisenhardt, 1991: 620). Suddaby (2010: 354) characterized the difference between them, not as opposing epistemological positions, but as representing *'different assumptions regarding the role of constructs in the research process'*. Both see constructs as necessary building-blocks for theory but the Eisenhardt (1989a) view of constructs *'as lenses through which data can be analyzed in the theory-building process'* (Suddaby, 2010: 354) contrasts with Dyer Jr and Wilkins (1991) view as of constructs emerging from the data. Furthermore Suddaby (2010) argues that the two views represent a broad and a narrow view of constructs with Hirsch and Levin (1999: 209) contending that such tension is necessary enabling *'the field as a whole to balance its competing needs to be both scientific and relevant'*.

However single case studies do contribute to knowledge within field of strategic management. For example Danneels (2011) study of Smith Corona opened up understanding of dynamic capability in a rich portrait of the firm struggling to respond to the obsolescence of its core product. The extended case method is not considered methodologically distinct from grounded theory although it can be argued that there are important epistemological differences (Wadham & Warren, 2014) but for the purposes of this study *'the importance of the single case lies in what it tells us about society as a whole rather than a population of similar cases'* (Burawoy et al., 1991: 281).

This study is longitudinal, albeit retrospective. Leonard-Barton (1990: 250) notes that a *'limitation of wholly retrospective research is the difficulty of determining cause and effect from reconstructed events. Moreover, although studies have shown that the participants in organizational processes do not forget key events in these processes as readily as one might suppose, the participant/informant in a wholly retrospective study may not have recognized an event as important when it occurred and thus may not recall it afterwards'*. She goes on to recommend multiple case studies to increase external validity and conducting a longitudinal real-time study to increase internal validity. These are not options available for this study.

### 4.3.2 *Evaluating grounded theory as a methodology for this research*

A grounded theory approach is useful here because it allows focus on the *'contextual and processual elements as well as the action of key players associated with organizational change'* (Orlikowski, 1993: 310).

Grounded theory is advocated as *'developing theories from research grounded in data rather than deducing testable hypotheses from existing theories'* (Charmaz, 2006: 4). It was first articulated by Glaser and Strauss (1967) whose key idea was that theory development is generated or "grounded" in data collected from participants.

A tension exists in the literature (Charmaz, 2000; Heath & Cowley, 2004) in the more recent formulations of grounded theory espoused by Glaser (Glaser, 1978, 1992, 1998) and by Strauss (Corbin & Strauss, 2008; Strauss, 1987; Strauss & Corbin, 1994). Glaser (1992, 1998) *'imbued grounded theory with dispassionate empiricism, rigorous codified methods, emphasis on emergent discoveries, and its somewhat ambiguous specialized language that echoes quantitative methods'* (Charmaz, 2006: 7). He extended grounded theory to more formalization of the method: detailing concepts such as theoretical sampling, theoretical coding and use of theoretical memos whilst criticizing Strauss's approach as too prescribed and yet Strauss (1994) and Corbin and Strauss (2008) explain that their focus is more on *'teaching persons how to think more self-consciously and systematically about data'* (Corbin & Strauss, 2008: 9). Strauss *'brought notions of human agency, emergent processes, social and subjective meanings, problem-solving practices, and the open-ended study of action to grounded theory'* (Charmaz, 2006: 7) and moved the method towards verification.

They also differed ultimately in the role of a literature review in research. Sticking to the original articulation of grounded theory, Glaser (1978) argued prior understanding should be based on very broad reading to sensitize the researcher to possibilities whereas Strauss (1987) believed that deeper understanding of the literature might stimulate theoretical sensitivity from the data and indeed advocated in his co-authored work with Corbin *'identifying a phenomenon to be studied and what is known about the subject'* (Heath & Cowley, 2004: 143).

Both versions of grounded theory stress the iterative comparison of data coding with emergent theory. Glaser talked of this constant refitting (Glaser, 1978) and the dangers of forcing data to meet the researchers preconceptions (Glaser, 1992). However Strauss (1990, 1994) indicated that ideas could be dropped if *'their importance fails to materialise in the data'* (Heath & Cowley, 2004: 144) talking of deduction followed by verification followed by elaboration to ensure emergence. In fact, Corbin and Strauss (2008) do not advocate a rigid prescriptive following of their process arguing that, for example, the distinction made between the initial open coding and the subsequent axial coding is artificial to show how in grounded theory *'though we break data apart, and identify concepts to stand for the data, we also have to put it back together again by relating those concepts'* (Corbin & Strauss, 2008: 198).

The orthodox version of grounded theory as per Glaser and Strauss is *'recommended for application primarily where complex social interaction is insufficiently understood and little or no theory exists'* (Fendt & Sachs, 2008: 431). However other writers (Charmaz, 2006; Corbin & Strauss, 2008; Creswell, 2013; Easterby-Smith et al., 2002; Eisenhardt, 1989a) allow for a literature review as in this study: Chapter 2 outlines what is currently understood about dynamic capabilities and sets it within the wider strategic management context.

This study will use the Corbin and Strauss approach to grounded theory as a basic framework but introduce elements of Charmaz's (2006) constructivist guidelines for following leads in the data. This approach fits within the critical realist positioning of the research because Corbin and Strauss have been described as *'two leaders of the grounded theory approach to qualitative research attempted to modify the usual canons of good (positivistic) science to fit their own postpositivistic conception of rigorous research'* (Denzin & Lincoln, 2011: 9). Corbin in the Preface to the latest edition of her co-authored book with Strauss (Corbin & Strauss, 2008: vii) talks of this label and explains her position on qualitative research has become more interpretative and their structured approach should be interpreted accordingly. This concept of flexibility with the method laid down by the classic Glaser and Strauss grounded theory is echoed by Charmaz (2006), who pursues a constructivist approach to grounded theory. However both critical realism and constructivist viewpoints recognise that the researcher is *'part of the world we study and the data we collect'* (Charmaz, 2006: 10).

Sensitivity is key to Glaser and Strauss's vision of grounded theory. Corbin and Strauss (2008: 32) explain that it stands in contrast to objectivity and requires '*having insight, being tuned into, being able to pick up on relevant issues, events, and happenings in data*'. However in the previous chapter, Section 3.5 on page 3-76 the critical realist view of objectivity was discussed at length and we can see Corbin and Strauss's definition is consistent with Sayer's exposition on objectivity (Sayer, 2000: 58-62). There is a recognition in research that '*there is a difference between an open mind and an empty head. To analyse data researchers draw upon accumulated knowledge. They don't dispense with it. The issue is not whether to use existing knowledge but how*' (Dey, 1993: 63). Also in Section 3.5 I argued that the shared cognition between researcher and participant could be an advantage but that the disadvantages of being too subjective must be dealt with by constant reflexivity. So as a researcher, I must be both sensitive but reflexive ensuring that concepts from the interview data can be supported by secondary data to limit bias whilst taking advantage of my shared cognition.

It is interesting that many published articles on grounded theory offer very wide interpretations of the principles of the methodology as reviewed here. Bluhm et al. (2011: 1871) note that the '*abuse of the term "grounded theory" in the literature has weakened its legitimization and its influence, even when done correctly*'. However Suddaby (2006) argues that where reflexive data collection and analysis are employed as part of the grounded theory process then valuable insights ensue. Moreover, grounded theory is valid empirically because '*the theory-building process is so intimately tied with evidence that it is very likely that the resultant theory will be consistent with empirical observation*' (Eisenhardt, 1989a: 547). A reflexive approach to research has two advantages: '*(1) avoidance of naivety associated with a belief that "data" simply reveal reality and (2) creativity following from an appreciation of the potential richness of meaning in complex empirical material*' (Alvesson, 2003: 14).

The important aspects to remember are that the method relies on reducing the data into meaningful factors – “codes” that through the analytic process recombine into emerging themes that are further tested against more data collection to the point where theory emerges from the data and this requires a continuous comparison of data and theory. Reflexivity is an important part of the process (Charmaz, 2006), stimulating '*an interplay between producing interpretations and challenging them*' (Alvesson, 2003: 14) and as

Suddaby (2006: 635) reminds us, we *‘are only human and that what[we] observe is a function of both who [we] are and what [we] hope to see’*.

### **4.3.3 Actual Methodology Employed: Combining a Case Study Approach with Grounded Theory**

Following Corbin’s admonition in the 2008 edition that their grounded theory process is more descriptive than prescriptive, this research also draws on ideas from Charmaz (2006); Eisenhardt (1989a); Miles and Huberman (1994); B. T. Pentland (1999); Saldana (2013); Van de Ven and Huber (1990); Yin (2003) for the actual research design and the data collection and analytical methods. Creswell (2013: 53) has already been quoted in this chapter as advocating the use of recognized approaches to research to enhance *‘the rigor and sophistication of the research design’* but this study will use a combination of those recognized methodologies described above. Gibbert and Ruigrok (2010: 710) have written that *‘rigor – often seen as one of the key weaknesses of case studies – often seems to lie in the eye of the beholder and may even involve **persuading** readers and reviewers of the **credibility** of methodological procedures’* and *‘without rigor, relevance in management research cannot be claimed’* (Scandura & Williams, 2000: 1263).

### **4.3.4 Methodological Frameworks from the Literature**

There are a number of frameworks from the methodological literature that have a bearing on this research and will need to be synthesized into the actual research design.

#### **4.3.4.1 Eisenhardt (1989)**

In her influential paper ***Building theories from case study research*** Eisenhardt details the process for conducting case research. She presents a series of steps (see Table 1 in Eisenhardt (1989a: 533)) and expands and argues for each step through her paper. Her steps are reproduced here in Table 4-4. She states herself that her work *‘synthesizes previous work on qualitative methods (e.g., Miles & Huberman, 1984), the design of case study research (e.g., Yin, 1981, 1984), and ground theory building (e.g., Glaser & Strauss, 1976)’* (Eisenhardt, 1989a: 532). Her roadmap for executing this type of research has over 2,500 citations to the end of 2008 (Ravenswood, 2011) and remains one of the most influential works on methodology in the field and indeed is categorised as one of the templates for qualitative research by Langley & Abdallah (2011).

Not all the activities she proposes are relevant to this single case study and those that are, are highlighted in Table 4-4. Chapters 1 and 2 in this thesis cover the first two steps. This Chapter is about the third step: crafting the instruments and protocols that will be used to conduct and analyse the research. The remaining steps she advocates in her process for building theory need to consider the other methodological lenses for this thesis as well as the critical realist ontological and epistemological positioning.

Although Eisenhardt uses grounded theory in her roadmap, the actual detail of how to do grounded theory yields important elements of understanding to this research design.

Step	Activity	Reason
Getting started	Define research question	Focus efforts
	Establish a priori constructs	Better grounding of construct measures
Selecting cases	Neither theory or hypotheses	Retains theoretical flexibility
	Specified population	Constrains extraneous variation and sharpens external validity
	Theoretical not random sampling	Focus on theoretically useful case
Crafting instruments and protocols	Multiple data collection methods	Strengthens grounding of theory through triangulation
	Qualitative and quantitative data	Synergistic view of evidence
	Multiple investigators	Fosters divergent perspectives and strengthens grounding
Entering the field	Overlap data collection and analysis	Speeds analyses and reveals helpful adjustments to subsequent data collection
	Flexible and opportunistic data collection activities	Allows advantage from emergent themes and unique case features
Analyzing data	Within-case analysis	Gains familiarity with data and preliminary theory generation
	Cross-case pattern search using divergent techniques	Looks beyond initial impressions and see data through multiple lenses
Shaping hypotheses	Iterative tabulation of evidence for each construct	Sharpens construct definition, validity and measurability
	Replication not sampling logic across cases	Confirm, extend and sharpen theory
	Search evidence for "why" behind relationships	Builds internal validity
Enfolding literature	Comparison with conflicting literature	Builds internal validity, raises theoretical level and sharpens construct definitions
	Comparison with similar literature	Sharpens generalizability, improves construct definition and raises theoretical level
Reaching closure	Theoretical saturation when possible	Ends process when marginal improvement becomes small

Table 4-4: The process of building theory from case study research. Adapted from Table 1 in Eisenhardt (1989: 533). The activities relevant to this research are highlighted.

#### 4.3.4.2 Corbin and Strauss (2008)

As argued earlier, the Corbin and Strauss take on grounded theory will inform the methodology employed in this research. Silverman (2006: 402) succinctly summarises the methods in three stages: (1) develop categories from initial data; (2) saturate these categories with more data; and (3) develop these categories into more general analytic frameworks. It is important to remember that these three steps are recursive. The initial open coding breaks the data into manageable pieces and named either by the researcher or using an “in-vivo code”. Some of these codes will be more abstract than others, some will be subsumed into later coding, some will not be relevant. Each piece of data collected is examined to verify and build understanding of the initial codes and the list of codes will grow until the coding is saturated from the data. Data collection should be theoretically sampled so that it is chosen as it appears to be relevant to the evolving storyline.

At this point any relationships between the codes should be examined (in previous versions of their 2008 book and in the original Glaser and Strauss (1967) text this step was called “axial coding”) and relevant themes that emerge will start to suggest theoretical propositions. These can be tested against the extant literature for credibility and retested against additional data until theory grounded in the data emerges. Researchers experienced in this type of grounded case research ‘*all emphasize the iterative and at times untidy character of the research process*’ (Pettigrew, 1990b: 279).

#### 4.3.4.3 Van de Ven and Poole (1990), Abbott (1990) and Pentland (1999)

The a priori construct under consideration in this study is dynamic capability.

Dynamic capability is theorised to facilitate strategic change within a firm (Eisenhardt & Martin, 2000). There is a large body of literature devoted to strategic change within firms and an array of models to describe change processes (e.g. Beech & MacIntosh, 2012a; Burnes, 2004; Lewin, 1947). See By (2005) for a recent review of the field. There is a substantial literature extolling the benefits of qualitative longitudinal research (Perks & Roberts, 2013) but there is a dearth of literature offering ‘*guidance on its design and conduct and how to demonstrate longitudinality*’ (Perks & Roberts, 2013: 1101).

This issue with longitudinal process research seems to have first come to the fore with an issue dedicated to the subject in the first volume of *Organization Science*. This case study will include retrospective accounts of strategic change within Admiral Plc. Writing in that issue, Van de Ven and Huber (1990: 213) talk of the ‘*bias in retrospective stories*’ and the advantages and disadvantages were expounded upon by Glick, Huber, Miller, Doty, and Sutcliffe (1990) who recommend to minimize any problems by focusing on important changes that tend to be recalled more reliably and interview the decision makers who were more likely to be involved (p. 302). Pettigrew (1990b: 269) tells us to look for ‘*continuity and change, patterns and idiosyncrasies, the actions of individuals and groups, the role of contexts and structures, and the process of structuring*’ and leans heavily on methods described by Miles and Huberman (1984) and Strauss (1987) but it is in Van de Ven and Poole’s paper (1990: 319) that we find a seven step method for analysing episodes of strategic change. Their steps are: (1) defining the incidents of interest from the data and at this stage those incidents looking at the decision making process, the implementation, and the post-change environment; (2) evaluating the reliability and validity of those incidents by using multiple viewpoints and secondary data available; (3) code incidents; (4) evaluate the reliability and validity of coded events; their step (5) where the qualitative codes are transformed into quantitative data is not applicable to this case; (6) analyse temporal relationships in the event sequence data and (7) analyse temporal patterns in the event sequence data.

Sequence theory forms the backbone of this process and Abbott’s (1990) paper in the subsequent issue of that journal dealt with this. Whilst Abbott’s primer is about quantifying sequences from narrative in an approach he calls “narrative positivism” (Abbott, 1992), he does raise three categories of questions (p. 377) about sequence data which are of relevance to this study where we are not just looking for evidence of how dynamic capability is operationalized and whether that has changed over time but also at the antecedents of this dynamic capability within the organization. The categories are: (1) questions around the pattern of sequences; (2) the antecedents (independent variables) of these patterns and (3) the consequences (dependent variables) of these patterns.

B. T. Pentland (1999) published a paper on building theory from narrative that is helpful in considering the retrodution process required in critical realism. Critical realism portrays reality as stratified (Bhaskar, 1978/2008; K. D. Miller & Tsang, 2011; Sayer, 2000) – see

Figure 4-1. Any emergent properties must be treated as dependent upon other levels (K. D. Miller & Tsang, 2011:145).

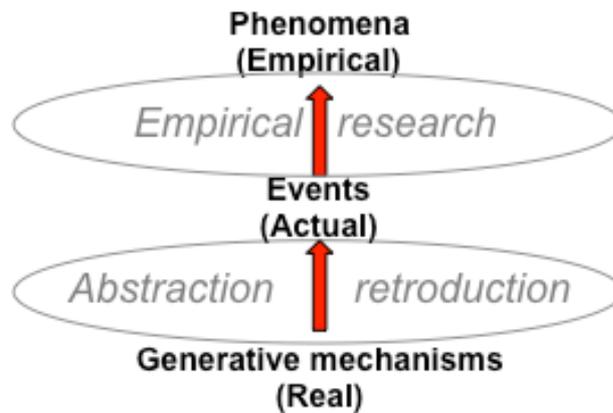


Figure 4-1: *The stratified ontology of critical realism (adapted from Bhaskar (1978/2008))*

The aim of retroduction is to ensure that the abstract research in terms of analysing phenomena in terms of their constitutive structures and causal powers is informed by the empirical research of the phenomena and events in their contexts (Zachariadis et al., 2013). The data we collect is limited to the phenomena and events with the generative mechanisms often unobservable and/or existing in a tacit dimension (Sayer, 2000). B. T. Pentland (1999: 712) argues that *'narrative does much more than just mirror the social world. It is a kind of cognitive and cultural ether that permeates and energizes'* and goes further to note that *'process explanations that draw on narrative data are particularly close to the phenomena they purport to explain'*. He contends (p. 713) that event sequence is the core of narrative structures but takes Abbott's (1990, 1992) analysis further, arguing that the Abbott's "narrative positivism" abstracts away from the actors and contexts. Furthermore, these aspects are part of the deep structures and without understanding their identities and relationships, we lose overall understanding of the process. But narrative can give clues to the values of the group and *'allows us to examine the ways in which culture guides action, among other things'* (B. T. Pentland, 1999: 715). So, it is not enough to describe patterns of events. Explanation requires insight – retroduction to find the generating mechanism that drives the process. In critical realism this would involve explanatory regress, continuing to look deeper to the point where the critical realist "generating mechanism" is discovered. Pentland notes (p. 720) that this level is outside the scope of standard narrative theory and although his terminology of "generating

mechanisms” and “causation” is different from that in critical realism, it is the process of using the narrative data to look under the surface that is of interest here. He proposes modifying Abbot’s questions (Abbott, 1990) to create explanations: ‘*why are there patterns? Why do we observe these antecedents and consequences?*’ (B. T. Pentland, 1999: 717).

#### 4.3.4.4 Zachariadis, Scott & Barrett (2013)

This paper (Zachariadis et al., 2013) gives us a retroductive methodology whose main objective is ‘*to link the structures and causal powers of the objects under study to the events we want to explain through the notion of causal mechanisms*’ (p. 866). Based on Mingers (2001: 246) questions for critical realist research, Zachariadis et. al. (p. 866) have identified four main phases for their retroductive methodology as follows: (1) **Description** of the research context, the data collected and the shared cognition that motivates deeper and deeper examination of the generating mechanisms (what is happening here? - Mingers, 2001); (2) **retroductive analysis** of the data: analysing, abstracting and hypothesizing possible mechanisms and looking for evidence supporting those insights, testing directly if possible (recommended by Sayer, 2000) instead of testing their observable implications (why is it happening? - Mingers, 2001); (3) **assessment and elimination** of alternative explanations generated to explain how different mechanisms interact within their context to produce the events and phenomena (how could the explanations be different? - Mingers, 2001); (4) **action** analogous to the last table entry in Table 4-3 “Review of transcript and draft by key informants” the last stage in ensuring rigour in a case study (Gibbert & Ruigrok, 2010). This essentially checks that the causal explanations uncovered are satisfactory to my colleagues (the "so what" question -Mingers, 2001).

#### 4.3.4.5 Miller and Tsang (2013)

Lastly, K. D. Miller and Tsang (2011) give us guidelines for producing testable management theory. Their four-step critical realist approach to theory testing will form part of the data analysis of this study: (1) identify the causal mechanisms as a ‘*contextualized specification of the explanatory properties and processes that underlie hypothesized causal relations*’ (p. 147); (2) test for the presence of the mechanism, ideally directly but the ‘*more observable effects that logically are attributable to the mechanism, the more compelling is the case for its presence*’ (p. 148); (3) test for causal effects

providing that ‘*available evidence affirms the presence of the theorized mechanisms*’ (p.149); (4) test the entire theoretical system by examining the implications of its mechanisms jointly. Their guidelines are expressed in positivist language and apply to mixed designs both extensive and intensive and this will be an intensive research design of a single case and as such not really testing theory but adding to existing theory of how dynamic capability is operationalized. Steps 1-3 are feasible within this study but testing the entire theoretical system lies beyond the scope of this thesis.

#### **4.3.5 Research Design summarized**

*‘Case research which would wish to lay claim to a realist philosophy should be carried out in a different way: to be inquisitive, to look for the roots of things, to disentangle complexities and to conceptualise and re-conceptualise, test and retest, to be both rigorous and creative and above all to seek for the underlying reality through the thick veil which hides it.’*  
(Easton, 2000: 212)

So having reviewed the tools available from the literature we have developed an intellectual context to draw upon and implicitly guide the data collection and analysis.

The literature provides definitions for the dynamic capability construct being explored in this study. The data collection is designed to show that in accounts of the firm’s continued success, from the perspective of its senior management team, themes will emerge that meet the criteria for dynamic capability, as provided by the literature (Eisenhardt & Martin, 2000; Helfat et al., 2007; Teece, 2007; Teece et al., 1997; Winter, 2003). Having confirmed that this firm uses dynamic capability, these accounts will be analysed to see how dynamic capability is deployed and operationalized. Additionally, during this stage, the process of how dynamic capability is wielded and its generative mechanisms will be explored.

As the methodology relies heavily on researcher inference the goal is to use triangulation of inference from primary data to similarly expressed themes in secondary data and actual report or survey data where applicable.

Inferred mechanisms where possible will be tested for presence and then their explanatory power confirmed or otherwise with the participants. Finally any contribution to theory will be explicitly affirmed.

#### **4.4 Data Collection Methods**

To increase validity and reliability, a range of different data sources will be used (Creswell, 2013; Van de Ven & Poole, 1990; Yin, 2003).

The initial goal of the research is to determine if dynamic capability exists in this business using primary data collected around conversations about the company's success.

The primary data will be gathered via two email focus groups: one with the UK based managers and the other consisting of their non-UK based colleagues; and via open-ended interviews with a number of the senior management team: past and present. In the email forum I will be acting as a facilitator and the groups have been split between the UK and non-UK, because for the most part (and looking at Table 4-5) the UK group have been with the business since the early days and provide insight from the early days and the non-UK group were all recruited post-IPO and provide insight as newcomers to the business as a much bigger operation. In addition the non-UK group are all MBA graduates and would be expected to bring a theoretical versus actual discussion around competitive advantage, as they are more familiar with that terminology thanks to their education.

Email focus groups or "time-extended" focus groups are becoming more common, particularly in marketing research (Bern, 2009) although it has been noted that the medium is problematical in that there is a loss of the role of the moderator and the ability to feel the atmosphere and understand the group dynamics (Greenbaum, 2003). However this is a group of people who know each other very well and as a colleague I understand the group dynamic quite well. As a consequence and keeping in mind Bern's observation that dominant personalities can overpower a group (p. 166), I excluded the CEO from the email groups to try and get representative views of the group without any "power influence".

The executive team both past and present were scheduled for interviews and the remaining interviews were chosen in that they offered a particular perspective that I considered might be useful given the a priori work in identifying dynamic capability as the area of interest.

This is an example of purposive sampling as described by Miles and Huberman (1994). Purposive sampling helps to ‘*create a frame to help you uncover, confirm, or qualify the basic processes or constructs that undergird your study*’ (p. 27). In choosing a mix of tenure I hope to get a longitudinal view of the evolution of dynamic capability within the business.

For the email focus groups I have modified a focus-group interviewing technique from both Easterby-Smith et al. (2002) and Bern (2009). It will take the form of a ‘*steered conversation*’ (Easterby-Smith et al., 2002: 105) and my role as moderator or facilitator is to draw out information from the participants once the initial question has been posed. In face-to-face groups, discussion is guided by what Easterby-Smith et. al. call a “topic guide”. In this situation it is the dialogue raised by the initial question that will be important. My role is to prevent any domination of the group and to continue to explore the subject until the conversation reaches a natural conclusion. In typical focus groups the participants generally do not know each other and in this situation they are colleagues but I am hoping that I get a larger range of ideas than would be possible from a few in-depth interviews and that group dynamism will stimulate conversation and ideas (Bern, 2009: 163).

For the interviews, I will be using an open-ended interview technique as described by Silverman (2006: 109-113). As the interviewer, I allow ‘*the interviewee the freedom to talk and ascribe meanings*’ (Noaks & Wincup, 2004: 80). Silverman ascribes flexibility, rapport with the interviewee and active listening as key skills for this type of interview. Bern (2009: 105) describes these type of interviews as “unstandardized” and in his continuum of formality these type of interviews lie at the unstructured end of the scale: there is no set order or wording to questions, the questions can vary between interviews; the interview can be more conversation-like and this best suited the research context where I am a longstanding colleague of my participants. Initially in the submission to the Ethics Committee at Glasgow University I had planned on semi-structured interviews but after the first two interviews it became clear that my colleagues whilst willing to be “interviewed” wanted, indeed expected, a more conversational, informal style. Kvale and Brinkmann (2009) point out that in open-ended interviews interpretation occurs during the interview when the researcher is summarizing or reflecting during the interview. All interviews will be recorded and transcribed and reportage memos will be written after each

interview recording initial interpretations and thoughts as recommended as part of this grounded theory method (Corbin & Strauss, 2008; Creswell, 2013; Miles & Huberman, 1994; Saldana, 2013).

Below is a table representing the details of the interviewees/participants in this first phase of the research. For the purposes of clarity it is important to note that I am both a founding member of the firm and am currently employed as a non-executive director of the aggregator businesses.

Initials	Current Position	UK Based (Y/N)	First employed	Founder* (Y/N)	Employment Status 2011/12	Highest Educational Attainment	Member of UK-CMG?
HE	Chief Executive	Y	1992	Y	F/T	MBA (Insead)	N
DS	Chief Operating Officer	Y	1992	Y	F/T	MBA (Insead)	Y
AP	Former Chief Financial Officer	Y	1992	Y	P/T Non Exec Dir	FICA	N
KC	Chief Financial Officer	Y	2005	N	F/T	MBA (LBS)	Y
CA	Head of People Services	Y	1995	N	F/T	A Levels	Y
CB	Head of Marketing	Y	1996	N	F/T	ACII	Y
SC	Head of Risk/Compliance	Y	1995	N	P/T	ACA 1994	Y
CH	Former Head of Confused.com	Y	2009	N	Left Dec 2010	MBA (Insead)	Y
GJ	Head of Finance	Y	2002	N	F/T	FICA	Y
SL	Head of Renewals	Y	1994	N	P/T	ACII	Y
SLg	Head of Customer Services	Y	1993	Y	F/T	ITIL (ISEB)	Y
BM	Head of Sales	Y	1994	N	F/T	BA Psychology	Y
SM	Head of Claims	Y	1993	Y	F/T	ACII	Y
LS	Head of Communications	Y	1997	N	F/T	BSc Behavioural Science	Y
NWK	Head of Confused.com	Y	2005	N	F/T	MBA (Insead)	Y
EB	Head of Rastreator (Spain)	N	2008	N	F/T	MBA (IESE)	N
CC	Head of L'Oliver (France)	N	2008	N	F/T	MBA (Insead)	N
FG	Former Head of Chiarrezza (Italy)	N	2008	N	Left 2012	MBA (IESE)	N
DL	Marketing at Le Lynx (France)	N	2009	N	F/T	MBA (Insead)	N
CN	Head of Balumba (Spain)	N	2005	N	F/T	MBA (Insead)	N
AR	Head of Elephant (USA)	N	2008	N	F/T	MBA (Insead)	N
XZ	Pricing at Conte (Italy)	N	2005	N	F/T	MBA (Insead)	N
JM	Former Head of People Services	Y	1992	Y	P/T	A-Level	N
GR	Head of Admiral Academy	Y	1995	N	F/T	A-Level	N
HP	CEO Gocompare.com	N/A	1994	N/A	Left Sep 2006	A-Level	N/A
KD	Gocompare.com	N/A	1996	N/A	Left Dec 2004	BA	N/A
JG	Merrill Lynch	N/A	N/A	N/A	N/A	N/A	N/A

\* Anyone employed in 1992/1993 is counted as a founder

*Table 4-5: A list of the interviewees/participants in this research along with basic contextual data.*

Secondary data will be used to support (or dismiss) emergent themes from the interview data offering triangulation value. Data available is listed in the next table.

Author	Admiral		Independent
	For internal consumption	For external audience	
Document	CEO presentations to staff (1992-2014)	Presentations to investors (2004 to 2014)	Best Companies detailed results (2010-2014)
	Annual Management Accounts (1993-2003)	Annual Reports (2004 to 2014)	GPTW detailed results (2010-2014)
	Monthly reporting packs (1993-2014)	Float Prospectus (2004)	Deloitte industry reports (2009-2014)
	Board Packs (1998-2014)	Best Companies submissions (2001-2014)	Datamonitor industry reports (2009-2014)
	Minutes CMG (1993-2014)	GPTW submissions (2001-2014)	Ebenchmarkers spring reports (2003-2014)
	Operations Meetings minutes (1993-2014)	Press releases (1993-2014)	Ebenchmarkers autumn reports (2003-2014)
	AGL Board minutes (1998-2014)		Analyst reports on Admiral (2004-now)
	Inspop Board minutes (2002-2014)		Newspaper articles (1993-2014)
	Staff survey results (1993-2014)		
	Emails to/from participants (2010-2014)		
	Email distribution lists (2013)		
	Top 10 Department competition films 2010		

Table 4-6: Details sources of secondary data available classified by author and whether it is intended for internal or external audiences.

### 4.5 Data Analysis Methods

Coding is the primary process for developing themes from the raw data. Miles and Huberman (1994: 56) define codes as ‘tags of labels for assigning meaning to the descriptive or inferential information compiled during a study’ because ‘its not the words themselves but their meaning that matters’. Saldana (2013: 4) notes that “coding is not a precise science: it is primarily an interpretative act”.

The initial schema of codes will include both descriptive codes, directly taken from the text (called in vivo codes by others - notably Saldana (2013)) and interpretative codes as defined by a Miles and Huberman typology (p.57). The creation of these codes is through an inductive coding technique (Corbin & Strauss, 2008; Strauss, 1987) where the data is reviewed line by line generating the codes inspired by initial thoughts. Some lines generated multiple, different ideas. These codes are reviewed again, often in context of the other data that had been collected later in the research and becomes more abstract as ‘themes’ emerge. The interpretative focus will be emergent rather than pre-figured (Creswell, 2013).

At this stage, tables can be collated from the analysed text showing the development of these themes to help preserve the specificity in their development for helping to focus subsequent analysis. These can be found in Appendix A although a worked example is included in Chapter 5.5.1. Corbin and Strauss (2008: 52) recommend keeping the initial schema (which they call *lower-level concepts*) in any explanation of the resultant themes (the *higher-level concepts*) so that ‘we are never too far removed from the data’, warning

that *'the broader and more explanatory the concepts become .... begin to lose some of their specificity'*.

In order to answer the research question looking at the source and evolution of dynamic capability, the retroductive process will require seeking answers to Pentland's (1999) questions: *'why are there patterns? Why do we observe these antecedents and consequences?'*

Thematic analysis and the classic content analysis of grounded theory are methodologically similar frameworks (Van de Ven & Huber, 1990). They both attempt to represent a view of reality via systematically working through text to identify topics that are progressively integrated into higher order themes, via processes contextualization, where *'meaningful patterns, stances and concerns were considered more important than more elemental units of information'* (Yakhlef & Essén, 2013: 889). Descriptions of themes include the words or phrases such as "tacitly understood", "implied", "captures the essence" and "a pattern" as featured in a review of the literature by DeSantis and Ugarizza (2000). Moreover they note (p. 355) the *"uniform agreement in the literature [is] that themes emerge from the data"*.

There are differences between the two analytical techniques of thematic and content analysis whereby thematic analysis pays greater attention to the qualitative aspects of the material analysed (Strauss, 1987). In contrast, content analysis employs predefined mutually exclusive categories to count the frequency of a theme and is more appropriately used to statistically test any hypotheses. Most content analysis results in a numerical description of features of a given text, or series of images (Miles & Huberman, 1994: 183-184). This study will employ a thematic analysis technique.

However the processes by which themes, concepts and categories are managed varies and is not well described in the strategic management literature, even amongst grounded theory studies – it seems to be implicitly understood. It is far more commonly discussed in nursing (e.g. P. Benner, 1985) and in psychology (e.g. Giorgi, 1997) as part of phenomenological studies. We see examples in the strategic management field as part of the SaP branch of research (e.g. Chia & Holt, 2006; Küpers, Mantere, & Statler, 2013; Yanow & Tsoukas, 2009) and recently Yakhlef and Essén (2013) utilized Benner's (1985)

approach to organizational studies although it is the only paper in our field to do so (M. J. Gill, 2014). P. Benner (1985) in the nursing context, advocates a thematic analysis of texts whereby common themes are identified with supporting evidence. An overview of her method is provided by Crist and Tanner (2003) who describe (p. 204) developing “paradigm cases” describing a vivid pattern of meaning that helps the researcher recognize similar patterns and “exemplars” where ‘*salient excerpts that characterize specific common themes or meanings across informants*’ (p. 204). These two concepts are valuable in deciding how to draw out themes from a text for a novice researcher in these techniques.

Themes are present at what Boyatzis (1998: vii) describes as the manifest level (directly observable in the data). At the manifest level, a theme serves to categorize data into “*an implicit topic that organises a group of repeating ideas*” (Auerbach & Silverstein, 2003: 38)

This analytic process is defined by Braun and Clarke (2006:79) as:

*“identifying, analysing and reporting patterns (themes) within data. It minimally **organises and describes** your data set in (rich) detail. However, frequently it goes further than this, and **interprets** various aspects of the research topic.”*

Additionally, prior to writing up the analysis, they recommend (along with Auerbach & Silverstein, 2003; Leininger, 1985; Rubin & Rubin, 2012 amongst others) a number of steps in the process of thematic analysis, notably:

1. Becoming familiar with the data. In this case through transcription of the interviews, listening to the interviews, reading and rereading the transcripts each time themes were reviewed.
2. Generating an initial coding schema which was achieved by coding first the email data-set, applying this and extending it through the richer interview data-set.
3. Searching for themes by beginning to categorise the codes.
4. Reviewing the ‘proto-themes’ thus identified by reviewing the data-sets and coding and categorisation in place and also looking at patterns and possible relationships between the themes evidenced from the data-set.
5. Defining and naming the themes using wherever possible actual words from the participants.

In practice, these are an iterative set of steps which include memo-writing (as recommended by Saldana (2013)) that documents meaning and a rationale for the groupings of emergent themes. The end result should be a list of themes that gives expression to the commonality across the participants and assertions must be supported by the data, fundamental to developing grounded theory (Glaser & Strauss, 1967). Packer (2011) cautions that themes don't emerge fully-fledged from the data but rather are the product of interpretation (p. 70) so I also will keep a log, as recommended by Auerbach and Silverstein (2003) to record any concerns with the main research goals or issues that arise and this includes possible "insider" interpretations of the data that occurs to me. These notes can be used in the last step of the thematic analysis: to "*create a theoretical narrative*" (Auerbach & Silverstein, 2003: 42).

My goals were to develop the themes found into an overarching account about their relationship to the dynamic capability construct in the literature subsequently analysing those accounts of success in order to answer the research questions, ultimately with a view to develop a contribution to the dynamic capability theory.

#### **4.6 In Summary**

So in summary, we have an inductive (or "retroductive" to use the language of critical realism) longitudinal, exploratory single case study using grounded theory principles for coding and generating analytic theory that may either enhance existing theory or modify theory on dynamic capability based on empirical data. Although not purely grounded theory work where the method relies on the continuous comparison between data and theory predicated on initial data collection (Glaser & Strauss, 1967), the a priori identification of the constructs associated with a study of dynamic capabilities allows a firmer empirical grounding for any emerging theory (Eisenhardt, 1989a)

## CHAPTER 5: EVIDENCE OF DYNAMIC CAPABILITY WITHIN ADMIRAL PLC

### 5.1 Introduction

The aim of this study in essence is to explore how dynamic capabilities (if they exist) are operationalized within this firm and on the basis of that analysis critique the dynamic capability framework. From the literature review in Chapter 2, the main definitions used to define dynamic capability were discussed in Chapter 2.4.2 and are summarised here:

Study	Definition	DC Focus
Teece, Pisano & Shuen, 1997: 516	<i>the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments.</i>	Managerial & organizational processes
Eisenhardt and Martin, 2000: 1107	<i>the firm's processes that use resources - specifically the processes to integrate, reconfigure, gain and release resources - to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die.</i>	Processes
Zollo and Winter, 2002: 340	<i>a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness'</i>	Routines
Winter, 2003: 991	<i>those [capabilities] that operate to extend, modify, or create ordinary capabilities.</i>	Routines
Zahra, Sapienza & Davidsson, 2006: 918	<i>the abilities to reconfigure a firm's resources and routines in the manner envisioned and deemed appropriate by the principal decision maker(s).</i>	Abilities
Helfat et al., 2007: 4	<i>the capacity of an organization to purposefully create, extend, or modify its resource base.</i>	Patterned & practiced activities
Teece, 2007: 1319	<i>the capacity (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets.</i>	Managerial processes

*Table 5-1: Primary definitions of dynamic capability taken from the literature and used in this study*

As Barreto (2010: 259), in his review of dynamic capabilities research, notes: these definitions 'vary significantly in terms of the nature, specific role, relevant context, creation and evolution mechanisms, types of outcomes, heterogeneity assumptions, and purposes of dynamic capabilities.' However given one of the aims of this study is to contribute to an understanding of the construct, an understanding of all the primary source alternative conceptualizations helps to examine the construct in this case from first principles.

## 5.2 Overview of the Collection and Analysis

Chapters 3 and 4 laid out the reasoning behind the research philosophy and the research design for this study. The case protocol, found in Appendix B, was used to focus the data collection and subsequent analysis. This chapter represents analysis of that data collection seeking to establish if Admiral Plc. demonstrates dynamic capability as defined in the literature. In Chapters 6 the extant literature is examined in light of the analysis here and then in Chapter 7 I discuss the nature of dynamic capability in this firm and attempt to confirm or repudiate some of the theoretical discussion around dynamic capability as outlined in the research question.

As explained in the previous chapter, the data collection exercise consisted of exploratory discussions around key elements of the firm that underlie the company's continued success from the participants perspective.

The primary data was gathered via two email focus groups: one with the UK based managers and the other consisting of their non-UK based colleagues, and via open-ended interviews with a number of the senior management team: past and present. Justification for this sampling and a list of participants and secondary data sources can be found in Chapter 4.4 on page 4-101.

The data was coded as described in Chapter 4.5 on page 4-104 with each line of data collected generating in-vivo (Saldana, 2013) and interpretative codes (Miles & Huberman, 1994) in the open-coding process of grounded theory (Corbin & Strauss, 2008). These codes were then incorporated into emerging proto-themes as connections between codes were made (called axial coding by Glaser & Strauss, 1967). Subsequent coding and thematic development through the interviews culminated in looking at the relationships between the proto-themes that had emerged from the data and a final round of selective coding on the basis of those relationships (again, a step in grounded theory articulated by Glaser & Strauss, 1967) to create a final list of relevant themes from the data.

The next figure shows an example of how codes were generated from the transcript. Each code in the example is a different colour representing the ultimate themes to which they were coded. See the figure text for details.

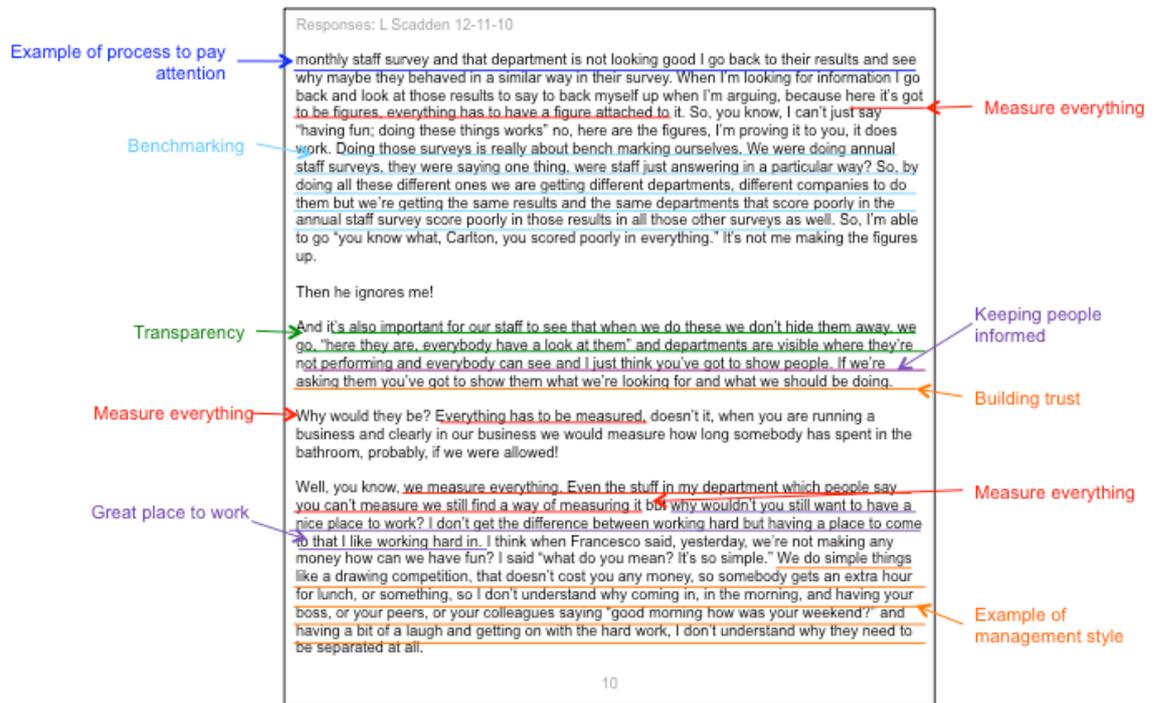


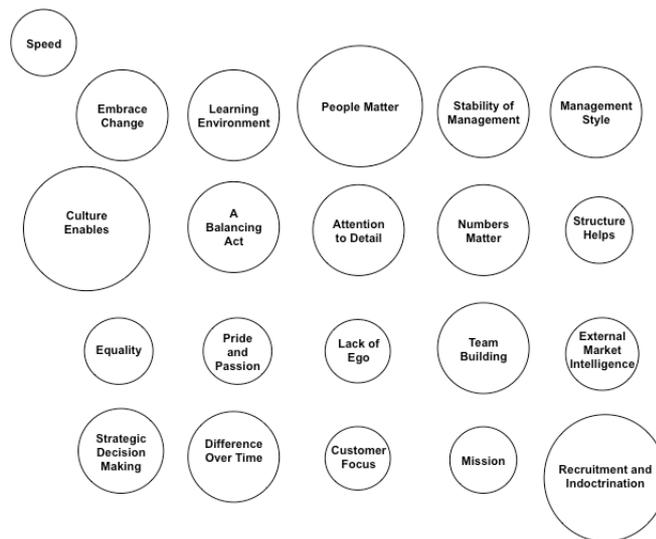
Figure 5-1: An example of how the transcript was coded. Each code ultimately was merged into a theme: the blue coding became ‘attention to detail’, red became ‘numbers matter’, green became ‘culture enables’, purple formed part of ‘people matter’ and orange was absorbed into ‘management style’.

This thematic analysis of the transcripts generated a number of common themes about what the participants believe are the sources of the firm’s competitive advantage and how that may have changed over time. When the themes are mapped, in the last sub-section of this chapter, to the definitions of dynamic capability summarised in Table 5-1, elements of the dynamic capability construct are revealed to be present in the business and are subsequently grounded in the extant literature in Chapter 6.

Although the process was iterative, gradually three interpretations of the data emerged as part of the axial and selective coding stages of the grounded theory method. These are represented by three drawings presented here to set the scene for the data analysis section.

In Figure 5-2 the underlying frequency of coding is represented. The size of each theme is represented by how many underlying codes were grouped up into the theme. For example the smaller proto-themes have 5-20 initial codes. Although frequency of underlying codes is not important in thematic analysis (Joffe & Yardley, 2004), I felt it would be useful from data to see the relative importance the participants (for the most part unprompted) placed

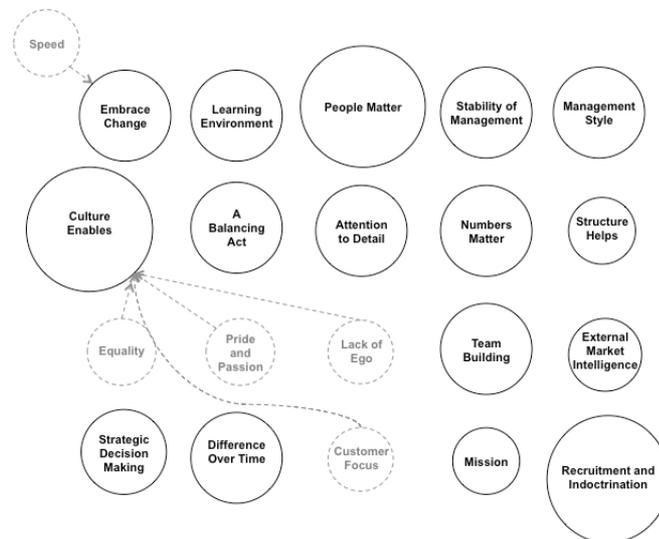
on the emerging themes. The mid-size proto-themes have between 30-60 initial codes and the largest proto-themes over 100 underlying codes.



*Figure 5-2: Detailing the emergent proto-themes from the data showing the relative importance of proto-themes to participants as measured by number of underlying initial codes incorporated into the proto-theme.*

The next figure shows how these themes relate to each other using evidence from the data collected. It is a very complicated diagram but its purpose here is to show how the final themes were arrived at. For example some of the themes were incorporated into others when the relationships were examined and these relationships are shown in orange on the diagram. Some of the emergent proto-themes, were revealed as traits or behaviours specifically looked for in recruitment and/or indoctrination. These are shown in green and helped develop theory expounded later in Chapter 7. The red connections can be read as a representation of a relationship between themes and can be read as a simple sentence using the text in red associated with any given connector. For example: ‘**Attention to detail underlies intuition driving Strategic Decision Making**. The black italic text is evidence from the data of that relationship. And lastly there were a few foundational relationships that were very strong in the data and these are shown in blue.





*Figure 5-4: Detailing the final themes to emerge from analysis of the data collected at Admiral Plc.*

All the data tables constructed can be found in Appendix A but for the purposes of illustration, a fully worked example of how a theme developed is presented in Section 5.5.1 which includes the full data table. The remaining sub-sections don't include these tables but they all follow a similar structure: looking at the development of the theme from the primary data, triangulation from secondary data sources and a summary. Once all the themes have been developed, Section 5.6 looks at differences that have emerged over time in the firm from the point of view of the participants, analysis of which in Chapter 7 will contribute to the theoretical discussion of evolution of dynamic capability in firms. Lastly, in Section 5.7, the themes found are compared against the definitions of dynamic capability from the literature setting up a discussion around the research question in the Chapter 7 after an exercise in grounding the findings in the existing literature in Chapter 6.

### **5.3 Setting the Context**

#### **5.3.1 Context for the Non-UK Managers Email Data-Set**

In early June 2010, I recruited volunteers from the non-UK management team who run or play a key role in our international businesses. All report directly to the CEO or to a Head of Country and all form part of the wider top management team for the Group. They meet regularly both with the CEO and each other and once a year join the UK management

team, referred to as the ‘Coffee Morning Group’<sup>23</sup> (UK-CMG) for a week of meetings and events discussing strategy and sharing ideas and ‘*having fun*’<sup>24</sup>. The format varies from year to year and, internally, these are referred to as MAD (Management Away Days even though they are a week long) and this appellation is used in the rest of this thesis as the MAD have provided contributions to the secondary data used to triangulate findings from the primary data.

Of the 10 invitees, 7 volunteered to participate in this phase of the research and all contributed to the discussion.

For the details of the membership of this group refer to those participants who have an ‘N’ in the ‘member of UK-CMG?’ column in Table 4.5 on page 4-103. Unlike the UK-CMG, on the criteria shown in that table, this is a very homogenous group. They were all employed post-IPO as New Business Development Managers, mostly directly on completion of an MBA and they were hired to support Admiral’s expansion of its insurance and aggregator businesses into other markets from 2005 to 2010. One has since left the company (FG) as the Italian aggregator business La Chiarezza he led was sold in 2012. It is their homogeneity and the fact they all work outside the UK that led me to separate them from their UK colleagues, as I was interested in seeing how their ideas compared to their UK counterparts.

The format of the discussion group was in the form of a response to an email chain amongst the group. I set off the discussion with an initial email on the 2 June 2010. All participants had responded by 4 June and I closed the conversation on 08 June after summing up the discussion and garnering no further response on the 4<sup>th</sup>.

The coding was left until I had completed gathering the data from the UK-CMG.

### **5.3.2 Context for the UK Managers Email Data-Set**

Also, in early June 2010, I recruited volunteers from the UK management team who form the UK-CMG. All report directly to the CEO, the COO or the CFO and are responsible for

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<sup>23</sup> *The name came about because the original management team met for coffee every morning during the launch phase in 1992 and became known in the company as the Coffee Morning Group.*

<sup>24</sup> *According to Jackie Miles, a former Head of People Services, now responsible for organising this week in September/October each year.*

running the UK business on a day-to-day basis. The UK-CMG meets monthly under the auspices of the COO to discuss strategy, make plans and report on implementation projects and discuss business performance. Of the 18 members of this group, 13 volunteered to participate in this phase of the research and with the exception of the COO, all contributed to the discussion. The COO, emailed me privately a week into the discussion saying that he would pick up the conversation in our scheduled interview.

For the details of the membership of this group refer to the ‘member of UK-CMG?’ column in Table 4.5 on page 4-103. This table reveals that the group is heterogeneous with respect to length of tenure, educational attainment and promoted to current position from within the company. However only three of the group were employed post-IPO (2004) and another two have since left the company (CH and NWK). It is also worth noting that a number of the participants in this forum changed role in a reorganization of the UK business in March 2013 and Table 4.5 reflects their positions as at June 2010.

The format of the discussion group was in the form of a response to an email chain amongst the group. I set off the discussion with an initial email on the 7 June 2010. After six responses in the ensuing 3 days, I prompted a reminder on the 10 June and on the 14 June prompted a discussion on the factors the group thought allowed the ideas they expressed to be spread within the organization. On 22 June, I summed up the discussion thus far and prompted another question on how Admiral configured for success some of the elements they had been discussing which elicited less response and I closed the conversation on 30 June.

### **5.3.3 Context for the Interview Data-Set**

There were 9 unstructured interviews conducted including all of the executive directors past and present.

In addition, there were three semi-structured interviews exploring specific issues around ideas that were emerging from the other interviews and the email forums. These are good examples of what Corbin and Strauss (2008: 65) call “theoretical sampling”: ‘*sampling on the basis of concepts derived from the data*’. These three interviews did yield unprompted contributions to thematic development but in the first of these interviews the transcript centred on questions relating to tensions between competing priorities a theme emerging

from both the email forum data-set and the early interviews (interview with AP, date: 11/11/10). I also wanted to explore recruitment and training practices within the business at middle-management level which answered questions about how the culture formed, evolved and was propagated throughout the company (interview with GR, date 24/06/10) as cultural themes were emerging from early interviews. The third interview in this category was the opportunity to interview a member of the Merrill Lynch team who had formed a relationship with the company during its IPO in 2004 and could give an external perspective on the company that could be later contrasted (allowing triangulation) with the views of city analysts writing about the firm after each half-yearly reporting by the Directors of the company to the Stock Exchange.

#### **5.3.4 Context for the secondary data-set**

The purpose of using secondary data sources was to allow triangulation of the emergent themes from the primary data. All secondary data was theoretically sampled, *'a process of letting the research guide the data collection ... it is through theoretical sampling that concepts are elaborated'* (Corbin & Strauss, 2008: 157) whilst providing a means by which concepts arising could be triangulated. This process too can also identify a "negative case" (Corbin & Strauss, 2008: 84) from which alternatives can emerge: a key part of critical realism (Sayer, 2000). However the secondary data found only supported the emergent themes.

#### **5.3.5 Reflection on this Data Collection in Practice**

Initially, with a view to the research question and given my inexperience with conducting qualitative research, I had planned more structured interviews with a specific set of questions. However, given my well-established working relationship with all the interviewees and their expectations of me: as a long-standing colleague and friend, a more formal approach proved impossible. After the first two interviews<sup>25</sup>, I viewed the subsequent interviews as "conversations between colleagues" (Cunliffe, 2002) whilst being careful to use the conversation to access the participants reality consistent with my stated ontological position rather than conversation used to construct shared experience. There was some structure in that I asked all of them about the strengths of the company and how that may have contributed to it's success. I asked specifically about processes of

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<sup>25</sup> *And the transcripts reveal some awkwardness and listening to the audio you can hear the tension that this sort of 'fake persona' I assumed as an objective researcher caused.*

recruitment and induction training for senior managers to all of them as initially I thought that clues to the source of any managerial dynamic capability may lie here. The remainder of the conversation was directed by participant responses i.e. as in an unstructured interview. This removed any awkwardness in either party that had been apparent in the first two interviews. However I was aware of a pressure not to lead the conversation although many of the questions are phrased using our shared cognition: the innate knowledge and vocabulary of the business. There are also some shared assumptions namely that Admiral is a successful business and outperforms its competitors. An argument for these assumptions was made in Chapter 1 using external market data.

Rereading the transcripts there are three types of occasion where leading questions were asked:

1. **Inadvertently:** representing 2.3% of my interactions during the interview. In 30% of these cases, my comment/question was ignored and the flow of conversation from the interviewee continued, in 12% of cases I expressed my own opinion first, and in 29% of cases I pre-empted with a phrase that described the topic I wanted them to talk about. The remainder were just inexperience but given the support found in the secondary data this did not affect the development of the proto-themes.
2. **Sharing:** with one participant what another has said, which is against the orthodoxy of qualitative interviewing. This occurred in 2.5% of my interactions. But, with one exception, I know that the thought being shared is one that has been shared in other forums between the participants in the work environment in my presence so I did not feel that I was violating privacy. Listening to the interviews would confirm that the participant didn't find this sharing 'newsworthy' with the implication being they have heard this before.
3. **Posterity:** I asked leading questions in 2.0% of cases to get the participant to articulate for the record something I have heard them say in a previous conversation or meeting and I think it is a useful phrase or summary of a theme that seems to be emerging. In each case the participant responds positively both in tone of voice and verbally. This affirmation implies that I have fed back a previously stated position or idea to them.

Lastly, a brief word about using the email forums as a technique. By its nature, email communication is more succinct than face-to-face communication and my role was less as

a colleague and more that of an orthodox facilitator. There was not the depth of discussion as in the interviews but the forums fulfilled their purpose in identifying most of the themes that emerged overall just from this more limited data-set. Another note about the coding: in some of the emails, the participant would explicitly agree with the earlier conversation and where this occurred, I ignored it for coding purposes as the actual counts have little meaning with this analysis which was more about thematic development however I wondered if a comparison between the UK group and the non-UK group would be revealing given that the latter group has all been recruited post-IPO.

### **5.3.6 The Data-sets**

The data collected exists as word documents. A word document was created from the emails sent in the email forums and the recorded interviews were transcribed into word documents.

The interview data is a much richer dataset than that yielded by the email discussion forums however *all* the existing themes identified at the email forum stage were echoed in the interviews and a much richer understanding of the nuances of each theme emerged from the interview transcripts. In addition, a number of new potential themes emerged. The email dataset was re-evaluated in light of these new themes (again a standard practice of grounded theory as espoused by Glaser and Strauss (1967) and Corbin and Strauss (2008)) with some support being found in a different interpretation of the email data. By the time the last interview was coded, no new ideas were emerging and I turned to finding supporting evidence from the secondary data at my disposal. After it seemed as if I had attained a point of “conceptual saturation”: where there was *‘sufficient data to develop each category/theme fully in terms of its properties and dimensions to account for variation’* (Corbin & Strauss, 2008: 195). I certainly felt at this point that thematic development included *‘every single gobbet of relevant data’* (Silverman, 2006: 298).

## **5.4 Data-set Analysis: Coding and Emerging Themes from the Email Forum Data-set**

The detail of the data analysis has been included in the Section 5.5 and in Appendix A looking at how the themes emerged from both data sets but the email data set was analysed first and some interesting observations from the process arose that informed the analysis of the interview data.

All the data was coded mostly using descriptive codes (Saldana, 2013) rather than an ‘in vivo coding’ given the paucity in language because of the email medium. Eleven recurring ideas emerged as “proto-themes” from the email coding. The next table is an example of how the initial codes (schema) for the ‘recruitment and indoctrination’ theme were tabulated and ultimately ended up in the overall theme table that appears in Appendix A.2.

Respondant	Email Date	Verbatim Statement from Respondant Email	Initial schema	UK?
FG	03/06/2010	<i>Hiring? (e.g., don't know many listed groups that hire youngsters to launch businesses, and probably the driver is not the lack of experience of the individuals)</i>	Fit	x
CN	03/06/2010	<i>Very bright senior managers</i>	Intellectual capacity	x
AR	04/06/2010	<i>The recruiting process is likely fraught with false negatives but that makes sure the people that are brought in are usually great fits and can be tasked with much greater responsibility because the manager has great comfort and confidence in their ability to do the job.</i>	Fit	x
CA	08/06/2010	<i>Some pretty sharp people at the top..... and throughout the group.</i>	Intellectual capacity	✓
SC	08/06/2010	<i>A management team that get on well together and feel comfortable in each others company.</i>	Fit	✓
	08/06/2010	<i>A well balance Board of directors with a good mix of non executives and a very good chairman.</i>	Fit	✓
SL	10/06/2010	<i>They are on the whole, a very talented bunch.</i>	Fit	✓
SLg	10/06/2010	<i>Spotting talented staff, developing them and not limiting opportunities for promotion. Actively encouraging staff to work in different areas of the business.</i>	Internal promotion	✓
CB	14/06/2010	<i>we promote from within (whilst recognising that sometimes we have to go outside too for the right skills, but our bias is for within) ... they usually know the business inside out, including knowing our customers, from having worked in it from the ground up</i>	Internal promotion	✓
LS	22/06/2010	<i>Our secret weapon is that we try to indoctrate our managers so they try to follow all these things</i>	Brainwashing	✓
NWK	22/06/2010	<i>And then like Louisa says every new person is brain washed into what we do.</i>	Brainwashing	✓

Table 5-2: Raw data codes for the ‘recruitment and indoctrination’ theme.

These codes can be seen in Table 5-3 which shows all the codes generated from the email data-set grouped into the proto-themes that emerged at this stage of the analysis. It was very interesting to see the same themes emerge from each email group and note the homogeneity of the whole management team in thinking about the factors that contribute to Admiral’s continued success. The replies from the non-UK group were couched in more formal language that could be explained by their training in business concepts and theory during their MBA programmes but their underlying thoughts marry very well with the UK-CMG responses.

Table 5-3 summarises the proto-themes at this juncture although the names of the themes at this stage are consistent with the naming that actually occurred at the end of the thematic analysis rather than the temporary names that emerged from this stage.

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INITIAL CODING SCHEMA FROM EMAIL DATA	PROTO THEMES
Innovation/ Speed/ Constant change/ Test & control/ Motivation for change	Embrace change
Learning culture/ Learning mechanism/ Test & control/ Implied learning	Learning environment
Listening/ Respect & fairness/ Inclusiveness/ Alignment/ Alignment mechanism/ Lack of 'politics'/ Happiness/ Fun/ Communication/ Empowerment/ Opportunities/ 4 Corner stones/ Work environment	People matter
Fit/ Intellectual capacity/ Internal promotion/ Brainwashing	Recruitment and indoctrination
Founder stability/ Management stability/ Benefits of length of service/ Feels like a family	Stability of management
Example of style/ Mechanisms	* Management style
Culture/ Traits/ Customer focus/ Active management/ Monitoring culture/ Cultural mechanisms	* Culture enables
Balance freedom & autonomy/ Balance action & inaction/ Paradox in wording used/ Paradox/ Balance fun & control/ Balance micro & macro	A balancing act
Focus on 'low cost'/ Measures/ Measures reviewed/ Focus on car insurance/ Attention to detail/ Focus	? Attention to detail
Measure everything/ Numerate/ Rational/ Analytical	? Numbers matter
Flat structure/ Flexibility	Structure helps

*Table 5-3: The emergent themes from the email discussion data were developed from initial coding schema. See text for discussion on red asterisked proto-themes.*

Just a note, that even at this stage I did contemplate combining the 'management style' and 'culture enables' themes together and the 'attention to detail' and 'numbers matter' themes together. Many of the underlying ideas overlapped the analytical, numerate and logical elements of 'numbers matter' but this idea of attention to detail morphed during the subsequent interviews into 'staying close to the business; which captures the ideas expressed by the UK-CMG and the interviews better. Similarly the interviewees separated out quite clearly in their own minds the ideas around the management style and those of the culture so at this stage I left them as separate proto-themes.

In thematic analysis, coding frequencies are not important (Joffe & Yardley, 2004) however, as I noted earlier, the homogeneity of response was remarkable. If you express each separate code that contributes to the proto-theme as identified in Table 5-3 as a percentage of the total codes identified in this data set for each group it is easier to see the commonality of thought. This is demonstrated in Figure 5-5 overleaf.

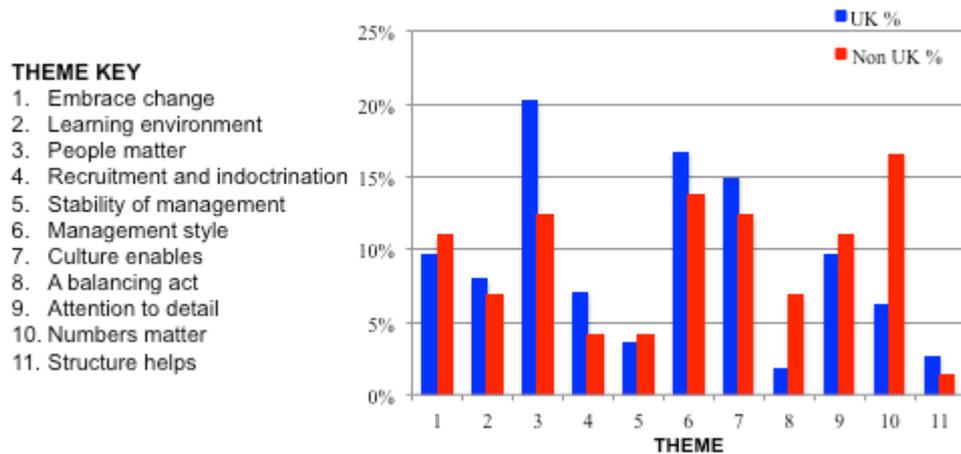


Figure 5-5: Comparing the emerging proto themes in terms of frequency of mentions between the UK and non-UK managers during the email forums.

Just looking at the chart some questions arise:

- The contrast in ideas between the UK and non-UK managers around people matter is marked (theme 3 in the graph). But this is where frequencies in this type of analysis can be misleading. There are more people in the UK group than the non-UK group. Some participants mention people in the story of Admiral's success more than others. For example, it isn't surprising that the Head of People Services in the UK (CA) came up with 6 separate ideas all revolving around people. What is important is that almost everyone mentioned people or aspects thereof as elements of what underlies Admiral's success.
- The non-UK team talk more about the 'balance' between opposing pressures (theme 8 in the graph). For example the balance between the freedom and autonomy given to them as new managers and the controls in place. One wonders if they found this balancing act unusual or difficult to maintain but I didn't deem this line of questioning relevant specifically although the idea of balance between what at first glance appear to be opposite positions was the subject of an interview with Andrew Probert on 11/11/10.
- The non-UK group talk a lot more about numbers and their use in the business. Is this because they are all MBA's and as part of the recruitment they needed to pass a GMAT mathematical and verbal reasoning test or they wouldn't be hired: *'I know when Henry has been recruiting if the GMAT scores are bad he wouldn't take it to the next stage (JM 22/06/10)'*. There may also be the possibility that in 2010 none

of the non-UK operations were making profits and so there was/is senior management attention focussed on these businesses. This is explained in an email from AR (04/06/10): *'with all the measures always visible, no one spends time trying to hide their performance. Instead they focus on fixing or improving. Knowing the senior leadership has access and looks at the numbers constantly means you must as well.'* The non-UK respondents may well be at a stage where numbers are far more important to their work-day lives than their UK counterparts or even that the UK participants take the numbers they deal with on a daily basis for granted. On the basis of the subsequent interviews it would appear that it's probably the latter, as measuring everything and how those measures are used became stronger contributions to the "Numbers Matter" proto-theme during the interview phase.

Although, code frequencies are not the purpose of thematic analysis, they revealed some interesting questions. What perhaps is more important to this case is the homogeneity of the thematic development from the participants and that is shown in the next graph (see Figure 5-6) where the number of respondents in each group who contributed at least one code to the nascent theme is a percentage of the group.

Again, looking at this chart, some of the same questions arise around the balancing act and numbers, both discussed previously. However more of the non-UK group appreciated the stability of the founders and the senior management team in the company. As the Head of the US operation puts it: *'Still having more than 20% of the original starting staff means a history and legacy that is held onto. Having the same, effective leadership eliminates a lot of unneeded effort during transitions (AR 04/06/10)'*. During the interviews this stability emerged stronger implying perhaps like the numbers issue, it was taken more for granted in the UK email respondents (as they are, for the most part, long-standing employees of the company).

There were also more contributors from the non-UK group on numbers mattering than their UK counterparts. Again, I think this is explained by many of the non-UK contributors working in businesses that are not yet in profit so there is a concentrated executive management focus on numbers perhaps to the extent that the UK group take for granted because every set of minutes from meetings of the UK group assumes that everyone has

seen the business numbers, they all have access to their departments down to individual performance on a daily basis, and they all conduct tests whose results are measured numerically.

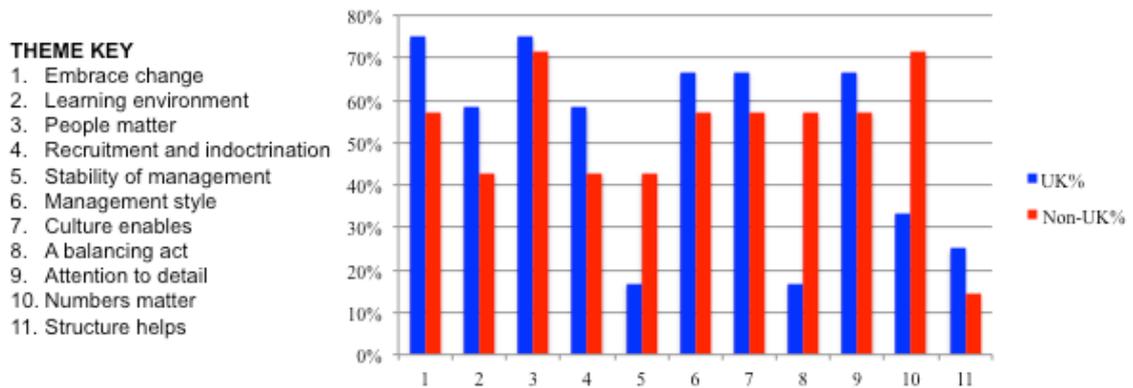


Figure 5-6: Comparing the number of respondents in each group that contributed to the proto-theme development during the email forums.

Using the coding and emerging proto-themes from the email data forum, I had an analytic framework relevant for the analysis of the interview (a template of sorts as per King, 2004).

### 5.5 Data-set Analysis: Coding and Emergence of Themes

The proto-themes that emerged from both the primary interview data and the email discussion forums are summarised in Figure 5-2 on page 5-111 and the final themes that emerged in Figure 5-4 on page 5-113. This section looks at how the final themes developed through the analytic process.

This process was inductive, using the shared cognition and knowledge I have of this company. Each interview underwent “comparative analysis”: where *‘incidents found to be conceptually similar to previously coded incidents were given the same conceptual label and put under the same code’* (Corbin & Strauss, 2008: 195). By examining the individual codes, shared meanings, albeit with nuances of degree, emerged and became the proto-themes. As explained in Section 5.2 relationships between the proto themes were evidenced from the data (see Figure 5-3 on page 5-112) to arrive at these final themes.

My primary purpose at this point is to demonstrate the coding and analytical process in detail by using one fully worked example. All other coding tables were generated using the same approach and can be found in Appendix A.

### **5.5.1 Fully worked example of the development of ‘recruitment and indoctrination’ theme**

Since the data-set is large, what follows is a worked example of how the ‘recruitment and indoctrination’ was developed from the text where initial coding for each line of text is gathered into an over-arching, more abstract theme. This will display the analytical process and further details of each subsequent theme can be found in the Appendix A. It includes both the email forum and interview data for completeness. A reader will note that some quotes from the text can be interpreted under one theme and appear as an illustration of another as well, however this is common in thematic analysis (Auerbach & Silverstein, 2003). Supporting secondary data is included to provide triangulation of the data demonstrating the validity of the emerging theme of ‘Recruitment and indoctrination’ in this case study.

The name of this theme came from an early version of the research question looking at whether recruitment, induction and indoctrination processes were a source of dynamic capability within the firm. Newer members of the senior team (KC and NWK) shared their experiences and recruitment and training was discussed more generally within the company with a senior member (GR) of the People Services department responsible for management recruitment and training at middle management level. Specific questions around recruitment and training were asked of the remaining interviewees. However, of more interest, were the unprompted offerings in the data coded as ‘fit’ or ‘traits’ and ‘values’ rather than recruitment processes per se as the idea of traits particularly has been the focus in recent literature in the micro-foundations of dynamic capability as discussed in Chapter 2 and the rest of this section focuses more on this micro-foundational aspect than the processual aspect of the data.

#### **5.5.1.1 Evidence from the primary data**

Unlike the other themes, recruitment and training had originally been a focus for this research. Yet without prompting, codes emerged from the email data set around hiring for fit, intellectual capacity and brainwashing. A chance conversation with one of the original

employees, who is now Head of Marketing, summed up Admiral’s approach succinctly, ‘we hire people who fit and the rest of it – we can teach them’<sup>26</sup>. This observation was strengthened during the interviews where the idea of ‘fit’ emerged as a combination of traits and values and attitude. If the concept of dynamic capability was rooted here then the recruitment and indoctrination process may well enable dynamic capability in the firm but the source was rooted at a deeper level within the individuals themselves (Gavetti, 2005; Hodgkinson & Healey, 2011; Teece, 2007). This reflection resulted in the reframing of the research with an emphasis on the micro-foundation level: the generative levels of explanation (Sayer, 2000), supported by the literature, rather than simply at the processual level as originally envisaged.

What follows is a tabulated version of the coding for this theme from the email and interview data-sets.

Respondant/ Date	Verbatim statement from interview	Initial Code
FG 3/6/10	<i>Hiring? (e.g., don't know many listed groups that hire youngsters to launch businesses, and probably the driver is not the lack of experience of the individuals)</i>	Fit
CN 3/6/10	<i>Very bright senior managers</i>	Intellectual capacity
AR 4/6/10	<i>The recruiting process is likely fraught with false negatives but that makes sure the people that are brought in are usually great fits and can be tasked with much greater responsibility because the manager has great comfort and confidence in their ability to do the job.</i>	Fit
CA 8/6/10	<i>Some pretty sharp people at the top..... and throughout the group.</i>	Intellectual capacity
SC 8/6/10	<i>A management team that get on well together and feel comfortable in each others company.</i>	Fit
SC 8/6/10	<i>A well balance Board of directors with a good mix of non executives and a very good chairman.</i>	Fit
SL 10/6/10	<i>They are on the whole, a very talented bunch.</i>	Fit
SLg 10/6/10	<i>Spotting talented staff, developing them and not limiting opportunities for promotion. Actively encouraging staff to work in different areas of the business.</i>	Internal promotion
NWK 10/6/10	<i>And then like Louisa says every new person is brain washed into what we do.</i>	Brainwashing
CB 14/6/10	<i>we promote from within (whilst recognising that sometimes we have to go outside too for the right skills, but our bias is for within) ... they usually know the business inside out, including knowing our customers, from having worked in it from the ground up</i>	Internal promotion
HE 22/06/10	<i>.. it is hiring and a like mind, it's bringing people into the organization that share the basic values.</i>	Fit / Traits in hiring
HE 22/06/10	<i>So, hiring people who have the culture already in them is very important.</i>	Fit
HE 22/06/10	<i>we try and ask questions that will bring out the answers and we do ask questions, kind of difficult questions about culture.... it's a good way to get people to talk about their feelings and culture and how does culture fit into the actual decision making of the company, so that's one of the questions we ask that tries to find out how people sit on the culture measure</i>	Fit
HE 22/06/10	<i>a lot of it [innovation] does come from the senior managers, as it should. These are very bright people who think about this business all the time</i>	Intellectual capacity
HE 22/06/10	<i>we look for people who can be creative... [by] asking questions that try and examine their thought process. I like questions where they have to give, they have to look at both sides of a story.</i>	Traits in hiring (creative)
HE 22/06/10	<i>The maths in particular in many positions really important that they have a decent maths score because quantitative skills are very important...we have a list of about 60 people now that have taken that test so we can calibrate that quite easily.</i>	Traits in hiring (numerate)
HE 22/06/10	<i>So, that's for me in particular how they just answer that simple question of "tell me about yourself" is a really big reply to the question I have, is how ego driven are they.</i>	Traits in hiring (ego)
HE 22/06/10	<i>It's in the people. It is continuing to hire in your own image. So, if everybody does that you maintain that consistency.... it's letting people express their own personalities but at the core they all have the same, fundamental, beliefs.</i>	Fit

<sup>26</sup> Comment made in passing by PJ, Head of Marketing, 23/06/2010.

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HE 22/06/10	<i>You are not hiring exactly in your same image. And sometimes certain positions must be filled by people who maybe don't quite fit as well as you'd like but you need their other skills are important and you do need that variety too, you need people who come from different cultures and maybe have slightly different cultures and we do allow differences. I mean, we do have a belief in tribalism as well..... They are all somewhat different because the people that lead them are different and you've got to accept that. Rather than trying to mould every individual to be a clone of each other it's letting people express their own personalities but at the core they all have the same, fundamental, beliefs.... there is that core set of values that ties everybody together but then beyond that it does express itself differently.</i>	Fit ..but some diversity good 'Tribalism'
HE 22/06/10	<i>[on hiring senior managers after flotation] you had to hire people you felt would just drop into the Admiral way of things. You didn't want the body to reject the organ ... [they all went through] ...The entry level training. Because you wanted them to really taste the culture. I wanted them to have that contact with the customer. I wanted them always to be able to say, "hey, I started by going on the phone just like you</i>	Hiring mechanism
HE 22/06/10	<i>I think that [entry level training] was a very good way to get them into the culture. It did other things as well, though, it taught them a lot about the business because they learn just like any entry level person</i>	Brain washing
HE 22/06/10	<i>One of the things when I do introduce myself to all the new staff, I insist that we have 2, 3, 4 of the existing managers sit in on those talks. Not so much that they can hear my spiel, but it's always good maybe for them to hear it, but when I go around and have the people in the audience introduce themselves, I ask them "where have you come from and why did you leave that job you were in to join us here?" and so many people say "I left that job because they treated me badly". What do you mean, treated you badly? "Didn't pay attention to me, didn't care, didn't ask my opinion..." whatever, and I want those managers sitting there to hear this. What is it that people leave jobs, what does it mean treat them badly, are you doing that as a manager, that's what I want them to ask themselves. What are you doing so that people wouldn't say "I left that company because of the management, because they were treating me badly" because we get a lot of that.</i>	Brain washing
JM 22/06/10	<i>bright and able people</i>	Intellectual capacity
JM 22/06/10	<i>No, I think there is a certain type of person. We've seen people come in and not be able to do it</i>	Fit
JM 22/06/10	<i>If you come in with an ego, I suppose, where you... if you come in thinking that you deserve respect or status you are going to get blown out of the water very quickly because people don't treat people with that sort of respect unless they're earning it. I can think of a couple of examples of people that have come in and had a woeful time because they just didn't get their hands dirty. They thought they would come in and take up a senior role where they could just manage.</i>	Traits in hiring (ego)
JM 22/06/10	<i>So, I do think that you need to be the type of person that can be good with people</i>	Traits in hiring (people skills)
JM 22/06/10	<i>Whereas, when you come in and you're a little cooler or a little bit more controlled it doesn't happen. People will feel alienated to people like that. The culture has almost taken over and unless you fit you immediately put people's back's up.</i>	Fit
JM 22/06/10	<i>I think it's reinforced pretty much by the trainers right at the beginning. Certainly when we went out to Canada to talk to a huge group of people when we first recruited out there. this is really 2.5 – 3 years ago. When we talked to them right at the very beginning we talked about the fork in the road and the decision making and how it was important that people were left to make decisions for themselves; that their contact with the customer was, if you like, key; that they were the first people, and perhaps the only people, that customers ever spoke to, so theirs was the important role. I think it's the training messages that go out and then the way their team managers interact with them that passes this message on.</i>	Indoctrination process
JM 22/06/10	<i>Now, what I do think could be difficult is that by, if you like, only having people who fit with culture, the culture doesn't grow and the culture can get stunted or stunted, and that we don't actually take it anywhere ... They didn't just come in; we're not just recruiting clones.</i>	Problems with 'fit'
JM 22/06/10	<i>I think it's important that we embrace new ideas so that just because it's important that somebody fits they don't have to fit like a glove, they need to fit with the general culture but have something new to offer</i>	Fit ..but some diversity good 'Tribalism'
JM 22/06/10	<i>I think that is key, don't underestimate them because they are quite sharp cookies.</i>	Intellectual capacity
JM 22/06/10	<i>So, you have to have a certain type of person that wants to do a bit more. If you are going to get clock watchers, forget it.</i>	Traits in hiring (passion/commitment)
JM 22/06/10	<i>Yeah, I think it's got to be people that are prepared to do whatever it takes to do a bit more you've got to have people that will go through the good times and the bad times. People think "ok, we'll pull through this, it will get better"</i>	Traits in hiring (resilience)
JM 22/06/10	<i>people that will give their ideas and people that will learn from their mistakes. It's no point in having a no blame culture if they actually do the same thing a fortnight later. So it has to be, I think, a base intelligence helps that people understand what they're doing and know where they're going, that they know there is work for them to do and they know that there is, I suppose, a future for them. That "if I do that, I can do that next". Now, not everybody wants to work like that. Some people are quite happy to do what they do and carry on doing it. I think those people are important as well. So, you need a mix, really, of people. Some of the stretchers, and goers and if you like the drivers and others that actually who will mop up. I think most successful teams that I work with here have had a mixture of those people. People who pay attention to the detail and people who will go off with the big ideas and people that will smooth over the feathers and all those sorts of people.</i>	Fit / Traits in hiring
JM 22/06/10	<i>a lot of people were doing far more than they were paid for because it wasn't just about money it was about doing whatever needed to be done and that could have been extra hours or extra input or it could have just been doing more. I</i>	Traits in hiring (passion/commitment)

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JM 22/06/10	<i>Do individual managers value it [intellect]? yes, certainly. ...We don't test for it particularly, no. Henry does some work on senior managers when he's recruiting them but generally we don't ... We have, obviously had graduate intakes which have been successful. Have they been more successful than the people that came through the ranks? I don't think so, not from what I've seen. We certainly have had some good graduates come in. .... Then our other management groups, our management trainees, a lot of those people moved into different roles but equally they would have worked through the roles if they'd come through the call centre, probably. So, in that form we don't put much of a premium on it but I can think of a couple of interviews that we've done where the successful candidate has clearly been somebody that has demonstrated a higher intellect, so that we might have had a couple of candidates with good people skills and good attitudes but the I'm certainly thinking of one in particular where the intellect of the individual was the deciding factor.</i>	Intellectual capacity
JM 22/06/10	<i>We look for attitude and personality really</i>	Definition of 'fit'
JM 22/06/10	<i>[the more you go up the company...] The more you are expected to be able to do it, yes. Because then it's more than just ... some of the initial team managers, the junior team managers are still pretty much based on ... [People management] People management but I think as you move up and you need to start looking at data and intelligence in the other form then yes we are looking much more for intellect because without that you really are, again, restricting your ability to grow.</i>	Intellectual capacity
JM 22/06/10	<i>I know when Henry has been recruiting if the GMat scores are bad he wouldn't take it to the next stage.</i>	Intellectual capacity
JM 22/06/10	<i>key people who are very inspirational. They are the key thinkers, they are the key... the people skills is just too soft, there isn't one job or person specification for people skills here. There must be hundreds.</i>	People management skills
JM 22/06/10	<i>So we were getting in the new lot and how are we going to replicate that? How do we get the new lot to fit that in? ..... If I think of a couple of the new ones. [Nic and Kevin] And Steve, and who else have we got? [Geraint, Ceri in that role] Well, we must have done it because we're struggling to remember who they were; I think is the first indicator. Just the fact that we had to remember who they were.</i>	Fit
JM 22/06/10	<i>first of all when we made their offers they weren't offered the sort of perks that financial directors and heads of operations and things would normally get. There was no car park or key to an executive wash room or anything. You were going to be in with the boys, so carry on. So, at the time of the offer there was nothing special, there was no increased holidays, there was nothing. They got the same holidays, starting, as Sally down on the sales floor got. Then when they got here we sent them down to do the training with Sally from the sales floor</i>	Traits in hiring (ego)
JM 22/06/10	<i>I think that made a difference the fact that it was a clear message. (a) It taught them that this is what people go through and this is our bread and butter and so you need to know what it's about; but it also told them that "actually get your hands dirty and let people know that you can do it with them."</i>	Purpose of basic training
JM 22/06/10	<i>Part of it then was about sitting with people. They were sent around the company at length to learn from people, and they did. One of the key things I found was that they are, most of those people that I came into contact with were prepared to listen and to find out and learn from people's experiences.</i>	Purpose of basic training
JM 22/06/10	<i>we were afraid that we were taking people for the very first time at that level, that somehow we had to have the same sort of people otherwise it would all go wrong but I think as time has gone on what we've seen is that we can actually take on people with different attitudes and as long as they understand it and appreciate the core values...</i>	Fit ..but some diversity good 'Tribalism'
JM 22/06/10	<i>We've tried, on several occasions, to write them down but we can't agree really on anything like that because everybody has a different opinion on what the core values are but I think as we've seen people we've become a little more relaxed about taking people that seem to be different but have been out and come back with different skills.</i>	Fit ..but some diversity good 'Tribalism'
LS 22/6/10	<i>Our secret weapon is that we try to indoctrinate our managers so they try to follow all these things</i>	Brainwashing
AP 23/6/10	<i>I don't think any of the management has ever been fearful of actually going and sitting on a phone .. I mean, I've spent time in the post room when it used to report to me and I don't see any problem with that and again that gives you respect.</i>	Traits in hiring (ego)
AP 23/6/10	<i>we knew those people we were taking on in the early days were going to be team managers and managers of the future and it was a method of picking like-minded people</i>	Fit
AP 23/6/10	<i>some of our management were imposed on us. It was all about expunging people who didn't fit that role and significant that the majority of those which were got rid of were actually imposed on us as a management team rather than chosen</i>	Not fitting!
AP 23/6/10	<i>[I was talking to PJ earlier today and PJ said to me "we hire people who fit and the rest of it we can teach them".] Yes, absolutely, absolutely. And I think we've always done that. I think we would rather do that and the ones that don't work, and there have been quite a few that don't work, where we hire the expertise but they don't fit our values and it always turns sour. And there are lots of examples of that.</i>	Fit
AP 23/6/10	<i>[talking about senior european manager recruitment] we pick people, the academic background</i>	Intellectual capacity

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AP 23/6/10	[talking about senior european manager recruitment] <i>we pick people [with] ... the values that we have ... these people are working in their own national markets but I think we did heavily concentrate on people with the values</i>	Values
AP 23/6/10	<i>They would not have come to us because we insisted they come to Cardiff for a year - whether we stuck to a year doesn't really matter - at the time to learn everything about car insurance. Now, you have to have a particular belief in us, or what you want to get out of life or how you want to operate to actually do that and have some humility that having worked for some years, gone and done an MBA in one of the finest MBA schools in the world and then be told "you're coming to Cardiff for a year and you will be in the post room or on the phones", and I think that, you're choosing people there with values.</i>	Values
AP 23/6/10	<i>I don't think you achieved that in some of the overseas operations, that the people at the top are very good, have our values, but they didn't... I think where they've struggled, more than probably we did</i>	Values not strong enough
AP 23/6/10	<i>I think we've tended to recruit people with like values but within that there is this huge range of personalities. There is a tolerance here that you wouldn't actually find in a lot of organizations. I would say probably Admiral is the place I've worked in that least needed equality laws for anything: race; colour; sexual orientation; it's all really not an issue here. So, don't people fit in through that, and I suspect a lot of our recruits today are here because they were recommended by somebody who already worked here.</i>	Fit ..but some diversity good 'Tribalism'
GR 24/6/10	<i>I've been here for 15 years now and I know back in the day we had this almost innate ability to spot somebody who you just knew is going to be the type of manager that we would want.</i>	Fit
GR 24/6/10	<i>We are obviously looking for people who are competent at their existing job. We do split it into two really distinct areas, we do look at performance .... We do perhaps look for similarities with the type of person they are and the type of behaviour they exhibit. ... we look for somebody who's keen to develop themselves, to develop others, to get involved in their department, show a sense of commitment to the business and they are the types of people that we look for.</i>	Fit / Traits in hiring
GR 24/6/10	<i>an Admiral person looks like this Admiral person; they like to dress very similarly, they may act very similarly, they may describe themselves in similar ways but that's not really all they are and I think if you look underneath the surface then there is more to them than that and they bring slightly different things to that group of team managers.</i>	Fit ..but some diversity good 'Tribalism'
GR 24/6/10	<i>We actually do sessions that are called Values and Beliefs. We've got a series of 12 different topics that we talk through and some of the ones that we really enjoy running are the sessions to do with attitude and behaviour; feelings and emotions; how to deal with mistakes; management and leadership.</i>	Training or brainwashing?
GR 24/6/10	<i>we have got a set of core competences which describes how they ought to behave and what they ought to be able to do and I think that pushes people into a particular sort of path with regards to their behaviour and attitude.</i>	Indoctrination process
GR 24/6/10	<i>I think they are more likely to be Admiral people when they start. The recruitment team look for "right fit", is what they would call it ... They look for things like friendliness, sense of fun, including other people in discussions</i>	Fit
GR 24/6/10	<i>I'm not sure many companies - and I could be wrong - look for a sense of fun when they do assessment centres ... The way they've looked, they've made appropriate jokes, laughed with other people, used humour through discussions, and there are plenty of opportunities for those things through the assessment centres</i>	Traits in hiring (sense of fun)
GR 24/6/10	<i>it's just reinforcing maybe what they've seen a little bit of during the recruitment process in induction before they go live so it's setting the tone early.</i>	Brainwashing
GR 24/6/10	<i>We've talked about how we have tended to promote from within for our team managers and there is talent there. Not all those people would necessarily have a university education</i>	Intellectual capacity
GR 24/6/10	<i>management trainee program was look outside of the business, bring in some different talent. We were looking for well educated talent that would add something different to the mix.</i>	Intellectual capacity
DS 24/6/10	<i>I think the commitment to thinking in house rather than out of house</i>	Intellectual capacity
DS 24/6/10	<i>I think we've got senior managers [international] who have successfully taken on board large chunks of the culture, who have the intellectual capability to deliver interesting outcomes,</i>	Intellectual capacity
DS 24/6/10	<i>I think what you've got is people who in terms of personality are quite different, have either in the first place had a similar set of values or because of the success of those values they've seen it develops</i>	Fit ..but some diversity good 'Tribalism'
DS 24/6/10	<i>but the organization as a culture that it sorts of pulls different people into a degree of homogeneity which I think is much healthier than the same people</i>	Homegenity enabled by culture through recruitment and indoctrination
DS 24/6/10	<i>So, I'm keen on a more formal talent identification and development process. Henry isn't because he thinks it's inconsistent with the ethos of the place because it's top down moving pawns on the chess board, the whole place will get more political, people will perceive it's unfair ... one of these cases where actually we don't hugely disagree</i>	Evolution of filling internal vacancies starting?
CA 11/11/10	<i>when we recruit people at senior level they go through this whole range of interviews with 16 million people to see if they're the right fit! So, we try to make sure that senior people who have an influence over others really understand what we're about in terms of the way we do things. We don't just employ them because of the technical expertise in this area or that area. No, a big part of it is are they the right fit for us?</i>	Fit
CA 11/11/10	<i>I think the common thread is understanding of our principles and values</i>	Fit

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CA 11/11/10	<i>You rely on local managers observing them [managerial candidates] coming through, their behaviour, the way they speak to people, the way they deal with people and treat people, the reactions of different things going on around them. You can tell whether these people understand what we're about.</i>	Fit
CA 11/11/10	<i>an influx of people, multilingual, multitalented, all been through INSEAD and then there was a group of people who'd come through the business and we were thinking "whoa, this is the next generation coming through"</i>	Intellectual capacity
AP 11/11/10	<i>I think it is very tolerant. Diversity in all its aspects, it's using that diversity to advantage.</i>	Fit ..but some diversity good 'Tribalism'
AP 11/11/10	<i>because they are all bright and they are all picked because they are bright MBAs, got some of the basics, they are all picked, I guess, because they were in a similar mould, personality wise, would adapt to the culture</i>	Intellectual capacity
LS 12/11/10	<i>For me it starts with the top because we have Henry and David, obviously Kevin, now, Andrew before who are people that you trust, people that you respect and people who tell you what they value and live those values so you want to copy those things</i>	Importance of founders as role models
LS 12/11/10	<i>And I remember when we recruited these INSEAD graduates ... . Bright people but ...</i>	Intellectual capacity
LS 12/11/10	<i>I think we're looking for – clearly they're bright already otherwise they wouldn't be at INSEAD – but people who have got an energy and are not afraid to get their hands dirty, so we clearly explain to them they have to spend time on the phones when they join, for three to four months. ... So, bright, enthusiastic, with a little bit of, I would say, questioning or prepared to stand up to people, not be afraid to say no or disagree. We clearly need that going forward. Also, I like, and again it's a personal preference but we have to try and find it is somebody who will have a laugh and laugh at what they're doing wrong and the things that are going wrong as opposed to taking it so seriously. But, also, they have to be able to be prepare ... those are the kinds of things that you need to be able to look for in these individuals.</i>	Definition of 'fit'
LS 12/11/10	<i>So, in a sense they have to be able to do everything from the ground up because if they're going to be running organisations or looking after organisations, or just running teams they have to know the problems from the bottom up.</i>	Rationale for doing basic training for new managers
LS 12/11/10	<i>but I think it makes a huge difference, they know what they're talking about when someone says "we do this with the customer and it doesn't work" and they've done it and they say yes and they can explain why it does work, or why it doesn't work, or why we can change it.</i>	Rationale for doing basic training for new managers
LS 12/11/10	<i>but I think we were trying to work out recently the areas that weren't great and it was usually because those managers had not been on the phone and done the whole training programme. They had just gone straight into their departments as the head of that department and that may have caused some problems. Not problems, they don't understand the culture.</i>	Rationale for doing basic training for new managers
LS 12/11/10	<i>for me it's about growing our own people. I know we can't always have internal candidates to take jobs but if we can train and teach as many people so that if that team manager is new and comes in the other guys are saying to you "no this is how we do it, we want to do it like this" and their peers are telling them that. So, they almost by a process of osmosis they take on the culture</i>	Ensuring cultural integrity mechanism
LS 12/11/10	<i>it's bright people, enthusiastic, committed, attention to detail, people who will try new things, be flexible, will change and that's a lot to ask of people, a lot to ask of people.</i>	Definition of 'fit'
NWK 2/2/11	<i>and I was pretty fixated on a Swiss company, based in Switzerland in Lucerne, fantastic pay package, double what Admiral pays, as usual, interesting job, operational side. I'm like, ok, I can see myself doing that, but the problem with them is that they were doing cigarettes and I don't like cigarettes. I was going through the process of do I want to do that ... I was like, hmm I don't like doing cigarettes and they may pay double salary but it's against my beliefs</i>	Evidence of NWK moral compass
NWK 2/2/11	<i>I didn't say increase my salary, I said can we find a way to be constructive and creative in that field. David called me back and said "I understand your problem" and they made me a counter offer that was slightly more but nowhere close to what I was hoping for</i>	Interview process for Insead BDMS
NWK 2/2/11	<i>can I see my handwriting analysis ... On one side it said he is very numerical, he knows his numbers</i>	Traits in hiring (numeracy)
NWK 2/2/11	<i>can I see my handwriting analysis ... then on the other side it said he likes people.</i>	Traits in hiring (people skills)
NWK 2/2/11	<i>I think one of the things that worries me at the moment is with the pace of growth why, how do you transmit your message down? We went from 380 sales agents last year in June to 620 by September, meaning that you had to promote heavily in terms of team managers, seniors, and they're not always the best team managers. They are the ones who passed the interview or technically are there or thereabout. And we are just starting a new program now with the MDs where I say we will meet a bunch of newly promoted team managers every month and because there are so many of them it will take us some time to go through but we will just sit with newly promoted team managers from different functions, it doesn't have to be from your function and then we'll just listen to what are their problems how can we help them.</i>	Problems with growth from staff perspective
KC 03/02/11	<i>I had the interview with Henry, David and Andrew, which was bizarre. I still remember it, you know, that bizarre Admiral interviewing style which is lots of scenario based questions which I take for granted now because I do all the time but come... But it is bizarre, it's a very unusual style of interviewing but I think it's very powerful.</i>	Interview process for CMM

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KC 03/02/11	<i>They don't ask me about my... well, very few questions about your CV and core experience. ... but the interview with Andrew, David and Henry was David just firing silly questions at me. "If someone in the call centre calls in sick what would you do?" I can't remember some of the daft ones. "If somebody comes back first class on the train from London and they tell you they had to go first class because it was packed in the second class would you pay their bill or would you..." That sort of stuff, lots of really odd scenario questions which were really about testing your attitude and your logical thinking skills, in a generic sense, rather than you specific experience, traits for the job which is stuff you were talking about yesterday afternoon, I think, to the guys which were exactly spot on. It's about recruiting for attitude and desire and passion, as long as you've got the core basic experience that is enough to tick the box and the rest of it you can train or learn as you go along. I think it's a really powerful interviewing technique</i>	Interview process for CMM
KC 03/02/11	<i>I'm sure other people have told you is you get interviewed forever by everybody. That I think is really powerful as well, which doesn't happen in most of the companies I've worked in.</i>	Interview process for CMM
KC 03/02/11	<i>I did the Gmat ... I remember that was quite nerve wracking, and the graphology test, that as well.</i>	Interview process for CMM
KC 03/02/11	<i>So, I had been 11 years of FD type jobs. All of them with offices and secretaries and nice carpets and that sort of thing, very corporate, I'm very used to the corporate world. I came into Admiral, Capital Tower, 12 September 2005, 0830 in the morning and there were 50 people in the Reception room. It was a Monday morning, it was a recruitment day. There were kids all over the place and I don't think I was wearing a suit because I knew I shouldn't be wearing a suit but I was trying to look reasonably smart.</i>	First hand experience of induction programme
KC 03/02/11	<i>And I just remember getting bundled up with all these people and ... because I knew I was going to be doing some sort of customer services training when I joined, I didn't realise what it meant. So, anyway, I just got swept up with all these people and we all came over to here, Friary House to do the training and I went into a training room and I didn't leave the room again till lunchtime! And Julie thought I hadn't turned up! ... yeah, they thought, "oh bugger it, another one hasn't turned up for work!"</i>	First hand experience of induction programme
KC 03/02/11	<i>, so I didn't know what was going on, it was all quite bizarre to me, I didn't really know what was going on so I thought, "oh, I'll just go with the flow." So, we started the customer services training and it was five weeks of training ... Just the CCR starting group. So, they were mostly, well, they were all ages, Nicolas was in the group and Christina was in the group as well so all three of us were in there ... So, it was a bit weird and a bit destabilising because I always thought "I'm a really important guy, I'm a finance director, I ought to be treated with a bit of respect here, where is my office and my secretary, etc, and my company parking space"</i>	First hand experience of induction programme
KC 03/02/11	<i>Once that finished, the next three to six months weren't very good at all, really. I didn't feel... I wasn't happy, it wasn't very clear what I had joined and what I was supposed to be doing. I didn't seem to have responsibilities for anything. I'd gone from being a main board director, putting instructions in all sorts of directions to being this bloke who just sits here watching Andrew working. And it was, I thought, a bit strange and quite destabilising. I have had since, I don't know if you've done Steve yet with your interviews but he and I had a conversation since and a very similar experience that he had, as well. It was adjusting to how to be an Admiral person in the initial months was, I found, quite difficult. That's, I think, because I came in at a very senior level and didn't grow with the system, which so many Admiral people do.</i>	Adjusting to Admiral way
KC 03/02/11	<i>The ambiguity, ambiguity was enormous. Andrew was a rubbish boss.... I couldn't get out of him "I'm not happy with you about that; I am happy about that" it was all a bit vague; he's a lovely guy but a bit vague as a boss. Henry is very happy with the ambiguity ... And can be sometimes very, very challenging. Like "Oh God, what have I done wrong?"</i>	Intellectual capacity
KC 03/02/11	<i>I think to some extent you brain washed me, yes, not you personally but you probably had a role to play as well! But to a large extent you do what you are and I think this is a great company for me and it works for me and so that's kind of a truism.</i>	Fit
KC 03/02/11	<i>Well, yes, a step [I asked if this was a step in his career progression], this is a very big step. I don't know, I came here because I was an FD and this was a FTSE 250 company and to be FD in a FTSE 250 company was a great step in my career, so thank you very much, as anybody would, you know, that's why you take any job, isn't it? But, no. Having been here now I just can't imagine going anywhere else!</i>	Found his 'home'
NWK 3/2/11	<i>Actually that's what we are doing is we're putting everything into context and when you look at the job of a CC after that you think of it in a different way, you don't just say "oh, he's somebody taking calls and he should be available" and you have personal things that might happen, too, why isn't he doing it? So, we get a softer view on the job of an agent and the difficulties of the job of an agent.</i>	Brainwashing
NWK 3/2/11	<i>I think it still taints how I see IT and the complexity of a job in CS now, is they have a lot to learn, they make mistakes and, well, if they make mistakes, hopefully, they improve from it but our systems are not fool proof and we should never blame the agent because they made a mistake.</i>	Brainwashing
NWK 3/2/11	<i>I think that at the end it's get onto the job and you discover the complexities and you adapt. You adapt very, very quickly</i>	Traits in hiring (adaptability)

Table 5-4: Data from the email discussion groups and interviews as initially coded from which the proto-theme 'Recruitment and Indoctrination' developed.

The development of the theme with this ‘trait’ focus can be summarised by the CEO in the comment: ‘*hiring people who have the culture already in them is very important (HE 22/06/10)*’. The codes that made up this theme can be seen in Table 5-4. I have omitted coding originating from prompted questioning on this theme. If you include these responses, this theme generated 128 separate coded elements but excluding them there were still over 95 elements.

Although this is not an organization that has formally articulated its values, all the interviewees express the idea that recruitment is about finding people who “fit”: ‘*the common thread is understanding of our principles and values (CA 11/11/10)*’, about ‘*bringing people into the organization that share the basic values (HE 22/06/10)*’. Another attempt to define fit was ‘*it’s bright people, enthusiastic, committed, attention to detail, people who will try new things, be flexible, will change and that’s a lot to ask of people (LS 12/11/10)*’. When the transcripts were analysed as to what the interviewees mean by “fit”, a number of words or ideas emerged. One simple way to visualize the groupings, their relative importance and frequency is to use a word cloud. Whilst this is a helpful way to engage with the data analysis, it is merely an aide to the underlying process of coding and theme development set out in the earlier methodology chapter.



Figure 5-7: Word cloud constructed from interview and email data-sets using explanations of “fit” as provided by participants. The larger and bolder the text the more participants used that phrase. The colours refer to groups as outlined in the text.

The words can be grouped into: **intelligence**, **willingness to engender or embrace change**, sharing the same values, **having a sense of humour**, **having a desire for personal development** and **personality descriptors**. On this basis “fit” would appear to revolve around an applicant’s intelligence, values, ability to laugh and humility<sup>27</sup>. The colours refer to groupings of words in Figure 5-8.

A number of interviewees were at pains to note that despite hiring people for “fit” they don’t believe the company hires clones: *‘I think we’ve tended to recruit people with like values but within that there is this huge range of personalities (AP 23/06/10)’* or as the COO explains *‘the organization as a culture it sorts of pulls different people into a degree of homogeneity which I think is much healthier than the same people (DS 24/06/10)’*.

This idea of being an “Admiral person” but not a clone also resonates in the concept of “tribalism” a word used by several of the participants. The CEO explains it as: *‘rather than trying to mould every individual to be a clone of each other it’s letting people express their own personalities but at the core they all have the same, fundamental, beliefs.... there is that core set of values that ties everybody together but then beyond that it does express itself differently (HE 22/06/10)’*. As a concept, “tribalism” also was coded as an element of the theme around culture as described in sub-section 5.5.15. But it seems clear that although recruitment tries to hire “like minds” the company accepts and expects differing personalities and experiences to enrich its culture and improve its idea generation.

A number of the participants talk about “brain washing” and the induction training and subsequent training processes all seem to be designed not just to teach skills but also to reinforce cultural norms of the business: *‘I think it’s reinforced pretty much by the trainers right at the beginning (JM 22/06/10)’*. This and a hands-on management style<sup>28</sup> are designed so that new recruits to the firm or for the newly promoted *‘by a process of osmosis they take on the culture (LS 12/11/10)’*. For example, externally recruited members of the senior management team since IPO not only have to understand their new jobs but they all have to undergo entry level training in the UK with whatever department is currently training new recruits to the phones. Rationalising this induction training the CEO explains: *‘I think that [entry level training] was a very good way to get them into the*

<sup>27</sup> Lack of ego was an emergent theme during the analysis. See Section 5.5.15.

<sup>28</sup> See Section 5.5.5 on the development of the theme around management style.

*culture. It did other things as well, though, it taught them a lot about the business because they learn just like any entry-level person.... I wanted them to have that contact with the customer. I wanted them always to be able to say, "hey, I started by going on the phone just like you (HE 22/06/10)'. Speaking as someone who underwent that regime, NWK's view is 'what we are doing is we're putting everything into context and when you look at the job of a CCR [entry level person] after that you think of it in a different way, you don't just say "oh, he's somebody taking calls and he should be available" and you have personal things that might happen, too, why isn't he doing it? So, we get a softer view on the job of an agent and the difficulties of the job of an agent (NWK 03/02/11)'.*

So the proto-theme of 'recruitment and indoctrination' developed beyond the initial questions around how these processes may contribute to dynamic capability to more fundamental questions around the micro-foundations of dynamic capability from the primary data.

#### *5.5.1.2 Supporting evidence from the secondary data*

There are a number of pieces of secondary data that support the codes used to develop this theme helping to triangulate the primary data findings.

Firstly let's deal with recruiting for intelligence: the firm claim that intellect can be tested using a GMAT<sup>29</sup> type test. Only the quantitative test and verbal reasoning are used from the GMAT in recruitment. From Table 4.5 on page 4-103 we can see that all the executive team hold MBA's and that all the senior managers recruited since 2004 have an MBA and also have sat a GMAT administered by Admiral. Of the senior managers in place before 2004 all are educated to a minimum of A-level augmented by professional qualifications or hold a Bachelors level degree. These people have not sat a GMAT, as it was only introduced as a recruitment requirement in 2004. In the internally administered GMAT, there are 25 quantitative questions and 30 verbal questions and a score is determined by subtracting the number of incorrect answers from the number correctly answered. A maximum score is 55. Looking at the senior appointments in and out of the UK since

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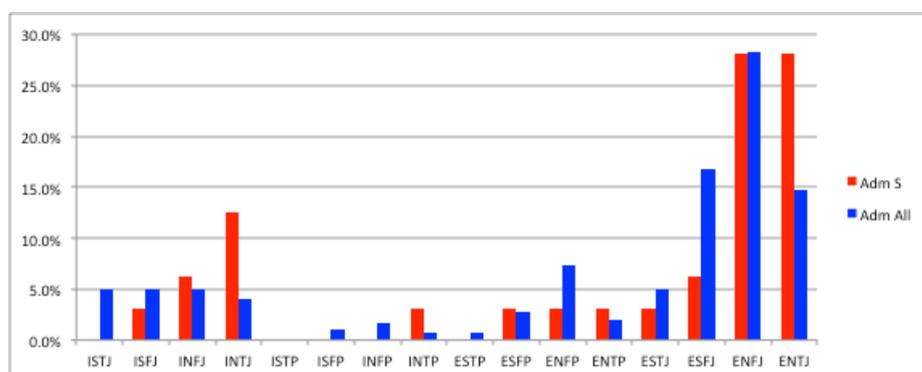
<sup>29</sup> *Graduate Management Admission Test (GMAT) is a computer adaptive test commonly used for admission to MBA programmes.*

2004: the highest score is 51 – the lowest 25. The average for the 20 people employed in a senior role between 2004-2013 is 38.35<sup>30</sup>.

There is a belief emerging from the primary data that recruitment is for “fit” although the interviewees believe that the firm doesn’t recruit clones. There is some supporting data for this if we use the results of a team-building day held in 2007. All 299 senior and middle managers were asked before the day to complete a Myers-Briggs personality test and the results were used during the day’s activities. The Myers-Briggs Type Indicator (MBTI) is a 93-item instrument and one of the most widely used personality instruments worldwide (Carr, Curd, Dent, Davda, & Piper, 2011) and has been subjected to many tests of reliability and validity (Myers & McCaulley, 1985). There are 16 types made up of four dichotomies:

1. **E**xtroversion – **I**ntroversion dichotomy offers insights as to from where an individual gets their energy.
2. **S**ensing – **I**ntuition dichotomy assists in understanding how an individual takes in information.
3. **T**hinking – **F**eeling dichotomy helps an individual understand how they make decisions.
4. **J**udgement – **P**erception dichotomy offers insights as the way an individual prefers to live their life.

The MBTI spread of Admiral management is represented below where Adm S (red) represents the UK and non-UK senior managers including the UK operations managers and Adm All (blue) represents all of this group plus the middle managers:



<sup>30</sup> Source of GMAT results is from a spreadsheet held by the CEO to which he gave me access.

Figure 5-8: The percentage of the 16 MBTI represented by the Admiral management team as at 2007 (ADM All n=299, Adm S n=32).

From this we can see that 28% of the management at Admiral are ENFJ, with 17% ESFJ and 15% ENTJ. So 60% of the Admiral management are represented by only 3 types and that represents evidence of homogeneity in psychological type. This is further pronounced when breaking down by the dichotomous pairs (as shown in Table 5-5) we see that there is stronger degree of homogeneity about the types Extroverts, iNtuitives, Feeling and Judgement. In the senior team this homogeneity is even more pronounced with the Sensing-iNtuitive pair at 15.6%: 84.3% and less homogenous with regards to the Thinking–Feeling pair that are represented roughly equally.

	E	I	S	N	T	F	J	P
Adm S	74.9%	25.1%	15.6%	84.3%	49.9%	50.0%	87.5%	12.5%
Adm All	77.6%	22.4%	36.2%	63.8%	32.2%	67.8%	83.8%	16.2%

Table 5-5: The ratios of dichotomous pairs for the Admiral management team.

This appears to be evidence for the idea that the management team are hired for “fit”. This begged the obvious question ”what does it mean?” and the data from Admiral was compared both against the data held by Ashridge Business School on the MBTI of participants in management development programmes from 2000 to 2010 (n=22,783) (Carr et al., 2011) and against the UK population as a whole, selected by the Office of National Statistics to be representative of the UK general population in 1996 (n=1,634) (OPPLtd, 2011) and shown in Table 5-6.

	E	I	S	N	T	F	J	P
Adm S	74.9%	25.1%	15.6%	84.3%	49.9%	50.0%	87.5%	12.5%
Adm All	77.6%	22.4%	36.2%	63.8%	32.2%	67.8%	83.8%	16.2%
Ash All	64.8%	35.2%	52.5%	46.5%	85.5%	13.5%	66.8%	33.2%
UK All	52.3%	47.7%	76.4%	23.5%	45.8%	54.1%	58.2%	41.8%

Table 5-6: The ratios of dichotomous pairs comparing the Admiral management team against Ashridge MBTI data for managers (Carr et al., 2011) and the UK general population (OPPLtd, 2011).

From the data in Table 5-6 we can deduce that as a whole Ashridge managers seems to be more Extrovert and Thinking orientated and slightly more Judgement orientated than the

UK population as a whole and more balanced between the Sensing and iNtuition aspects. However it is striking how the “fit” of the typical Admiral manager and senior manager differs from the Ashridge data being over represented in Extroversion, iNtuition, Feeling and Judgement. I parked more questions at this time, not sure of their relevance to the aim of identifying dynamic capability within the business, but interested that it supported the idea of homogeneity in the Admiral management team and yet is different from the management population as a whole.

Lastly, although the idea of “fit” is not formally articulated for hiring within the business, there is data available from the Admiral Staff Survey in a question that asks the respondents to describe in their view what are the traits of an “Admiral person” from a list presented to them. The survey is conducted annually in December amongst all staff in the company. It has over 85% completion rates from all available staff each year and is used by the management to monitor trends overall and by department of key elements of the softer elements of people management: for example views on communication, leadership, fairness and trust etc. The data in Figure 5-9 represents the results from 2006-2012.

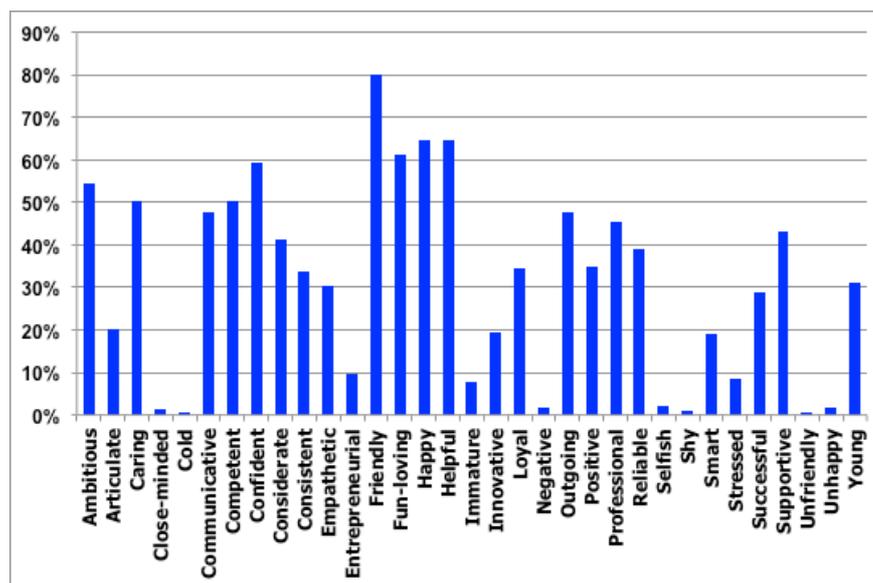


Figure 5-9: Results from the Admiral Staff Survey 2006-2012 where respondents select the traits they think best describes an “Admiral Person”. An average of 85% of all staff respond to this question each year (from 1789 people in 2006 to 4309 in 2012)

Note that with regards to the description of the Admiral person, the question changed in 2006 from being an open-ended question to selection of traits from a list constructed from

previous years results. Over 50% of the staff believe that the typical Admiral person is ambitious, caring, competent, confident, friendly, fun-loving, happy and helpful. Compare the similarities in this list with the word cloud data produced from the primary data shown in Figure 5-7 on page 5-131. The survey data represents the views of the whole staff, the word cloud data from selected senior managers. The similarities indicate that despite the fact that “fit” is not explicitly articulated for recruitment and hiring, the tacit understanding throughout all levels of the company are consistent.

### 5.5.1.3 Summarising evidence for the ‘Recruitment and indoctrination’ theme

The theme ‘recruitment and indoctrination’ emerged as a theme unprompted from the interview data, ignoring those interviews that specifically focused on this area. There is a strong link between this theme and the theme of ‘culture’ (see Section 5.5.15) in that many of the respondents linked the two concepts essentially expressing the idea that *‘hiring people who have the culture already in them is very important (HE 22/06/10)’* and many of the traits of an “Admiral Person” chime with descriptions of the culture. The evidence for this theme from the primary data is well supported by the secondary data aiding the claim that the development of this theme has analytical validity (Venkatesh et al., 2013).

## 5.5.2 Development of ‘embrace change’ theme

The name of this theme came from an interview with David Stevens, the COO. He said: *‘making us, everyone, open to change that people believe will take us in a positive direction, willing to embrace change (DS 24/06/10)’*.

### 5.5.2.1 Evidence from the primary data

See Appendix A.3 on page A-324 for the details of the email and interview data set coding.

From the email data-set, the idea of continuous change: both adaptive and innovative (a distinction first coined by Kirton, 1976) emerged. The initial codes here were around innovation, change being constant and the pace of that change fast, and that this speed was tempered by what I coded as ‘Test and Control’ which is *‘a strong culture of test and learn (KC 08/06/10)’* later explained as *‘we do it in a small way, as small a way as we think we can get away with, basically, to do enough to see if it’s going to work but not gamble too much (KC 03/02/11)’*. These initial codes were then nuanced during the interviews as

shown in Table 5-7 and at this stage I separated out the ideas around change from speed feeling that the difference may be important.

INITIAL CODING SCHEMA FROM EMAIL/INTERVIEW DATA
Innovation/ <b>Speed</b> / Constant change/ Test & control/ Motivation for change/ Seizing opportunities/ Innovation from top/ Culture of change/ Rationale for hiring outsiders to enable change/ Process for change/ Trait (Dissatisfaction with status quo)/ Founder belief translates to fundamentals of culture/ Rationale for why staff 'embrace change'/ Rationale for innovation success is attention to detail and the learning environment and management stability/ Stop punctuated change versus continuous change/ Constant reinvention of an areas/ Innovation process/ Innovation source/ Adaptive change driven by detail and desire to improve/ Driving improvement/ Adaptability

Table 5-7: *Codes from the email and interview data that encompass the 'Embrace Change' theme. See Appendix A.3 for details. The code 'speed' is on bold as it was a proto-theme absorbed into this theme in the final stage of analysis.*

Every participant was coded at least once for signalling that change through both innovation and adaptation is key to its success. There is a definite belief that innovation is driven primarily from the very top of the organisation as epitomised by the former CFO who told me: *'where is the next hunch from? ... It's from a very small group of people, again, it goes back to a small number who have some trust amongst each other that they can throw out odd ideas (AP 11/11/10)'*. However several participants also talked about how the change to improve the business can come from anywhere in the organisation because: *'small changes they happen all the time (CA 11/11/10)'*. The data paints a picture of a company that senses and seizes opportunities<sup>31</sup> and is structured in such a way that people embrace change and with 'test and control' processes that everyone understands, change can be made quickly but mitigate the risk. And as for really big strategic innovations that can't be tested against a control there is still a culture of risk mitigation: *'It may be a crazy idea, we don't really know, we haven't got the data of whether it works but let's do it in a smaller way in a controlled investment but measure it to see if it works. If it doesn't work then we throw a great hunch but it didn't work, throw it away and move on (AP 11/11/10)'*.

It isn't surprising that constant change and the culture required to make that happen has emerged as a theme when participants are asked about key success factors. That the

<sup>31</sup> *This is a deliberate use of language first used by Teece (2007: 1319) when he was making the argument that the dynamic capabilities needed to shape the environment include seizing opportunities and from the Admiral data it is clear that they do seize opportunities as described by Teece (2007: 1326 – 1334). This literature was reviewed in Chapter 2.*

industry is an early adopter of technology and that Admiral is innovator within the industry was argued in Chapter 1 (specifically refer to Tables 1.3 and 1.4). In 45% of the cases of strategic innovation within the industry reported in Table 1.3, Admiral was the instigator. Also reported in Chapter 1 was the recognition of innovation as a key success factor by external insurance market analysts in their 2005 and 2006 quarterly updates on Admiral as well as in the Initial Public Offering (IPO) prospectus in 2004.<sup>32</sup> It is a successful company (again, argued in Chapter 1) on a number of measures so must have maintained a competitive advantage since it's launch in 1993.

### *5.5.2.2 Supporting evidence from the secondary data*

There is also evidence from the secondary data that change is still a success factor since flotation in 2004. Between 2005 and 2013, Admiral has launched direct insurance companies and aggregators in Italy, Germany, Spain, France and the US. Although not innovations per se in these markets (with the exception of the US aggregator launched to the public in January 2014) they have required substantial internal changes to the organization to cope with new reporting structures to include the managers from the international companies and to maximise learning opportunities. New groups that meet several times a year have been inaugurated: for example all the pricing managers or marketing managers or claims managers meet in Cardiff or on the phone to discuss issues and solutions regularly. The format of these meetings have 'changed' over time as the groups get larger and as their foci change from launch issues to running their nascent businesses.

Another internal strategic change occurred in 2008 when the company restructured its call centre staff previously organised by brand to a functional structure so all sales staff from the four brands became a single sales department. Ditto for customer services, renewals and claims staff. This change was alluded to in a number of the interviews that reveal a number of the key players anticipated a major upheaval culturally and a difficult change to implement supported by evidence from staff surveys showing that staff identified strongly with their brand. This change had been mooted since 2006 at meetings I attended with the key players and a decision was made between them in 2007 to move ahead. After planning

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<sup>32</sup> *Admiral Group Plc, Global Offer Listing Particulars, Global Co-ordinator, Sole Bookrunner and Sponsor Merrill Lynch International, Joint Lead Manager Citigroup. Published 2004. Available from Admiral archive.*

in the early months of 2008, NWK announced the move to the Operations Meeting in April. By early June, 2008 the change had occurred. This change represented a major change in the way Admiral structures itself.

In the last two years Admiral has also been working on the launch of two new products. The household product represents a major move for the firm who up until 18 December 2012 focussed exclusively on motor insurance highlighted in GJ's response in the email discussion: '*Many years of keen focus (largely) on one (compulsory) product (GJ 08/06/10)*'. The main argument for launching home insurance was down to cost effective acquisition costs becoming available thanks to price comparison sites and a '*near doubling of policy base over 2010-12 creates a more material cross-selling opportunity*' (DS 07/05/13)<sup>33</sup>. The product was launched slowly i.e. marketing only on one aggregator site in December, rolling out to the others in Q1 2013. Cross-selling to the database started with test emails in January, the idea being to ramp up in time for Spring which is a peak renewal period in the UK. Results are reviewed closely daily by the household team but are circulated monthly every month by email<sup>34</sup> and are a focus for discussion by the UK-CMG<sup>35</sup> to ensure numbers are where they should be. In April 2014, 10,000 household policies were sold in a single month.

The second product, beta launched in June 2012, is a telematics motor product. It is a good example of how Admiral introduces change to the business. Although the technology has been around for a decade and Aviva first committed to the technology in the industry, finding a way for Admiral to develop a product around it that adds value for the customer proposition *and* improves our underwriting result has proved elusive given the costs of the technology<sup>36</sup>. In 2009, Admiral ran a very small trial<sup>37</sup> 'the Green Road Project' targeting 17-18 year old drivers with a box in the car. The results showed resistance in consumer

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<sup>33</sup> DS email to me in reply to me asking for the thought process behind the home launch.

<sup>34</sup> I am a recipient of these monthly emails.

<sup>35</sup> See the CM minutes for 2013 stored on I drive on the Admiral servers.

<sup>36</sup> I was present at numerous UK-CMG meetings in 2004-5 where the technology and AVIVA's move was discussed at length – and I diaried the discussion as it seemed likely I would be given the responsibility to explore the project further. I didn't take up that opportunity before leaving full-time employment, however I currently mentor the key personnel on the project so have access to its development.

<sup>37</sup> See Operational Meetings minutes May through September that year for discussion of trail: minutes are stored in the I drive on the Admiral servers in the OPSMEET/Ops Meeting Minutes/2009.

behaviour but some underwriting benefits. The technology improved so in 2011<sup>38</sup>, Admiral installed 3000 boxes in a scheme targeting low mileage drivers. A better loss ratio emerged, early data showed a strong correlation with claims, and women appeared more willing to install but a higher volume was needed to prove loss ratio findings. By 2012 the objective of the next stage of testing was to identify the value drivers of telematics: conversion and renewal data, claims frequency and loss ratio data, by evaluating the value of the driving data supplied by the telematics technology and verification of the underwriting data supplied by the customers such as mileage, address kept, class of use. To test, an aggregator product Bell From Admiral (BFA) was tested on price comparison sites with the control groups being the other Admiral brands. It offered two types of technology: a hard install to the car engine or a self install version. Between July 2012 and January 2013, 28,700 policies had been sold. The learning included consumer resistance and that significantly better loss ratios have not yet eventuated. However, the value in verification of declared data and predictive nature of the driving data have been sufficient for Admiral to launch LittleBox in March 2013 in broadcast media where the consumer response to direct marketing can be tested and to pilot a self-installed test through the Bell brand. By the end of 2013, 65,000 policies had been sold and telematics products represented 4.5% of 2013's total sales. In January 2014, another version of the telematics product using mobile phone technology was launched. These tests are still ongoing with data and processes being reviewed quarterly but it's a good example of change from the secondary data sources.

The idea that Admiral is successful not only by implementing innovative change but also sees adaptive change as important to its success emerged from the primary data. There are examples throughout all the interviews of the participants talking about improvements they have been personally involved with. If you look at departmental videos, at presentations given within departments, at themes to be covered at away days and speak to the staff they readily articulate the mantra '*Be the Best*' which was expressed in the interview data as '*strive at all levels to be the best (SL 10/06/10)*'. This cultural tenet leads to an attitude where staff are '*more than happy to try different ideas (JM 22/06/10)*'. Minutes from the

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<sup>38</sup> The evidence for the rest of this section can be found in a presentation to the Board on Telematics given March 2013 and supplied by COO.

Operational meetings<sup>39</sup> show how change at an operational level is continual within the business with results of tests been discussed, with announcements of changes within departments, with issues and ideas for change been thrown around. As the COO explains: *'[Head of Gladiator], astonishing in terms of constant reinvention of an area ... Claims is another great area where people are trying new things all the time. That's evidence rather than why but I think it's because people... it must be lower down the organization people have a desire to improve and feel able to try and come up with the improvements (DS 24/06/10)'*. In the 2013 staff survey,<sup>40</sup> in response to the a prompt for the staff to question the status quo with regards to 'silly rules', bureaucracy and things they may see as barriers for customers and efficient, effective processes, 116 ideas were proffered supporting the ideas expressed in the interview data that *'everyone is encouraged to make a difference (SLg 10/06/10)'*.

### 5.5.2.3 Summarising evidence for the 'embrace change' theme

The theme 'embrace change' emerged as a theme from the interview data. Like the recruitment and indoctrination theme and many of the themes here, there is a strong link between this theme and the theme of culture (see Section 5.5.15). One of the codes was 'culture of change' in that many of the participants believe that there is a culture of change in the business expressed by the COO as: *'making them interested, like success, making them not scared, like testing and half arsed being acceptable (DS 24/06/10)'*.

The secondary data gave examples of change drawn from secondary sources. Just reading through minutes of the Operations and Coffee Morning we can see how many changes are in progress in the company every month. This is a firm that "embraces change".

### 5.5.3 Development of 'learning environment' theme

Many of the participants used the word 'learning' as you can see from the detailed coding of the data for this theme to be found in Appendix A.4 on page A-327. This idea was exemplified early in the email discussion forums when the Head of People Services

<sup>39</sup> These meetings are held monthly to discuss operational issues across the business. Agendas and minutes are stored in the I drive on the Admiral servers in the OPSMEET/Ops Meeting Minutes folders for each year.

<sup>40</sup> All the comments from staff surveys are circulated each January by the Communications team to all the senior managers in UK and outside the UK. I am a recipient of this data. This particular document was attached in an email from Justin Beddows dated 22 March 2013.

commented that he thought a key to success was through *‘empowerment of staff to try new ideas and not criticise if mistakes are made, but rather learn from them (CA 08/06/10)’*.

### 5.5.3.1 Evidence from the primary data

The initial codes from the email forums were around a learning culture, test and control, implied learning and examples of mechanisms were given. The current CFO observed that there is *‘a strong culture of test and learn (KC, 08/06/10)’* and the marketing director described an environment where *‘feedback is useful rather than critical. Also I think admitting to your mistakes and that no-one's perfect, but you can learn from things, is important (CB 14/06/10)’*.

From the interview data, the idea that there is a learning culture within this firm was enriched with examples of how learning takes place, how that affects the measures, the importance of staff having curiosity and a desire to experiment and the importance of a “no blame” mind set.

The theme can be summarised in the CEO’s words: *‘we are constantly learning and improving what we do but it’s evolutionary not revolutionary (HE 22/06/10)’*.

Fundamental to this theme from all the datasets is the idea of “test and control” which was axiomatic to the ‘embrace change’ theme but also was included in the development of this theme. This is a methodology that a number of the founders had experience in with their backgrounds in direct marketing. It was ‘imported’ into the very early days of the firm as a way of mitigating risk. As Appendix A.3 on page A-324 charted the development of the change theme, the data there demonstrates how the participants describe the “test and control” process used to introduce change into the business but I summarise it in a course I developed for all new Admiral managers as a *‘way of introducing a change in a small, tightly measured way (a “test” group) and compare the results against a “control” group who have not been subjected to the change.’*<sup>41</sup> Testing is a very pervasive mode of thinking amongst the interviewees (and indeed the overall firm judging from written records of meetings). It is a way of mitigating risk but still be action-orientated and maximise learning in a short space of time. This is expressed by the COO who says: *‘one of the best*

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<sup>41</sup> See Slide 31: Foundations Feb 2006.ppt, a powerpoint presentation delivered to all new Admiral managers as part of the Admiral Academy programme.

*maxims of Henry's is "the perfect is the enemy of the good". And that means that you can do half arsed changes which either turn out to be a waste of time or turn out to be the germ of something valuable that you then push forward (DS 24/06/10)'.*

Like the 'embrace change' theme, there were specific descriptions of what I coded as a "learning culture" enabling organizational learning within the firm. From the data, it has a number of elements: transparency and "no blame" and the idea that people are not 'attached to a particular way of doing things (CH 10/06/10)'. Although culture is developed separately as a theme (see Section 5.5.15), the notion that 'experimentation has always been at the heart (AP 23/06/10)' and that 'feedback is useful rather than critical ... admitting to your mistakes and that no-one's perfect, but you can learn from things, is important (CB 14/06/10)' describes a learning culture that the participants believe is fundamental to the way Admiral has established itself as an organization that learns from its actions and thus its success.

### 5.5.3.2 Supporting evidence from the secondary data

At Admiral, minutes of meetings, at both strategic and departmental level, contain references to 'testing', 'pilots', 'trials', 'test and control groups' or 'Champion and Challenger'. Just a sample of the minutes from the Operations Meetings in the Q1 of 2013<sup>42</sup> reveals 12 discussions about new or existing tests and 8 reviews of tests in progress with actions for moving forward. From the minutes of the Operations Meeting held on the 21<sup>st</sup> March 2013<sup>43</sup> there is an update from the Littlebox product test:

*'This was launched on 24th Feb on site without any marketing support; at this time they were receiving 500 quotes daily which converted into 25 sales. They went live on the TV on the 13th and saw the quotes increase to 1000, so looks like TV has had a positive impact. The test will run for 3 months direct site with no plans for aggregator'.*

From this we can see that the marketing department learned that a small test TV campaign would generate leads and as a consequence Littlebox was expanded to a TV campaign in the north-west on the 3<sup>rd</sup> April 2013. In Section 5.5.2.2 the learning from the telematics

<sup>42</sup> See I drive on Admiral servers, Ops Meeting/Ops Meeting Minutes/2013 folder: files 01.January 2013, 02.February 2013 and 03.March 2013.

<sup>43</sup> See I drive on Admiral servers: Ops Meeting/Ops Meeting Minutes/2013/03.March 2013.docx

project that became Littlebox was summarised. In a summary of a Board presentation in March 2013 it was clearly stated ‘*we will launch a TV trial in the Admiral LittleBox brand*’ (Slide 25) and ‘*this month will also see the launch of our first sizeable self-install pilot*’ (Slide 26) after outlining the telematics project to date under the heading ‘*Progress and learnings to date*’ (Slide 2). So even at Board level the language of test and control is in evidence. In the 2009 Annual Report<sup>44</sup> the Chairman writes:

‘Our Board has spent a lot of time during 2009 discussing the learning that we should take from the events of the last 18 months’ (p. 5)

So the concept and language of learning prevails even at the highest levels of the organization both internally and externally.

An example of learning within the UK-CMG can be found in a memo sent by email to the group from the COO on the 28/01/13. Late in 2012 it was decided that the current UK-CMG – most of whom have either been promoted from within or have been in situ since launch (see Table 4.5 page 4-103) would undergo the same new business induction training that all new recruits for the sales department go through. This memo refers to actions from a conversation at the previous CMG meeting<sup>45</sup> where the group discussed their experiences: their “learning” from that exercise. This raised a number of questions and hence actions upon the group to try and improve the sales process for the customer. For example, an extract below of the COO’s email documents one of the action points as follows:

*‘Ancillaries (“Trainee” lead = AH)*

*I am told that work is in progress on the correct way of handling ancillaries. This work has included work on testing giving CCR’s more freedom on how and when to “sell” ancillaries (obligation to mention all, incorporation within quote rather than leaving until the end, etc.).*

*In my meeting with Chris & Brian, we also talked about:*

*- Testing changing the ethos towards a more customer-friendly benefit-led approach, rather than a more superficial “slipping them in” approach.*

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<sup>44</sup> Copies of annual reports can be found on the website [www.admiralgroup.co.uk](http://www.admiralgroup.co.uk).

<sup>45</sup> See *I drive on Admiral servers: Coffee Morning Minutes/CM AM 2012/11 – Dec/Coffee AM 191212.docx*

- *Supplying CCR's with a much wider range of facts that they can use to support the sale of ancillaries, reducing the excessive constriction currently being faced by too wide a definition of "opinion".*

*I'm assuming Alistair is taking this forward separately with Chris & Brian. I am assuming also that he's liaising with Mark, who is leading the breaches & wordings work.'*

This is interesting because in the February Operations meeting<sup>46</sup> the minutes record under NB Update:

*'NB have decided to get rid of any aggressive sale tactics and instead sell through quality and level of service. There will be no hard sell. Targets have gone and they have changed the incentives so they are based on quality of service. With ANC; they will have soft introduction of the ANCs as the call progresses and then mention them again at the close of the call. That way it will come as less of a shock to the customer then.'*

This provides clear evidence of learning from the UK-CMG being implemented at the operational level within three weeks of the COO emailed memo and a month after the discussion at the Dec 2012 CMG meeting.

In the interview data, there are many references to the senior managers being close to the business, in turn setting an example to staff *'people don't take discussion of ideas or issues personally and they know we will discuss the minutiae and the macro (AR 04/06/10 ii)'*. Re-emphasising learning as a fundamental tenet for the business requires managers even at the top of the organization to set the tone. An example of this, in discussing a promotion Confused.com was considering rolling out the CEO commented at the Board meeting<sup>47</sup> of the 13/03/13: *'Clearly there is learning going on but is there an opportunity to make our learning more effective?'*

Many of the cultural elements in the primary data are difficult to evidence directly from the secondary data available. The interview data talks about open and transparent communication. A proxy for this might be the response to two questions asked in the UK

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<sup>46</sup> See *I drive on Admiral servers: Ops Meeting/Ops Meeting Minutes/2013/02. February 2013.docx*

<sup>47</sup> *Not minuted – this is a verbatim quote from the meeting at which I was present that the CEO has allowed me to use.*

wide 2013 Best Company To Work For Survey 2012/2013<sup>48</sup> (Admiral came 11<sup>th</sup> in 2013) where for positively phrased questions 7 represents the highest score, 1 the lowest:

*'My manager shares important knowledge and information with me'* 6.033

*'I feel my manager talks openly and honestly with me'* 6.167

The interview data refers to a “no blame” culture. A result of this is that people have to talk openly about their failures and when the Head of the US company got up at the 2012 MAD Day on the topic of “Lessons Learned” he wryly noted<sup>49</sup> that: *'in any other company, getting up and talking about where you made mistakes in front of your peers is suicide'*. But it is not only the participants that feel there is a “no blame” culture. In a survey conducted in October 2011 by The Great Place To Work Institute<sup>50</sup> 90% of the staff who responded agreed that *'management recognises honest mistakes as part of doing business'* and one employee response to the open-ended question ‘Is there anything unique or unusual about this company that makes it a great place to work?’ in the same survey was: *'honesty is a huge thing here, especially giving straight answers to questions'*.

Other elements of the culture of learning coded from the interview data are picked up throughout this chapter as other themes are developed from the data.

### 5.5.3.3 Summarising evidence for the ‘Learning Environment’ theme

The theme ‘learning environment emerged as both a code and a theme from the interview data. AGAIN, like many of the themes here, there is a strong link between this theme and the theme of culture (see Section 5.5.15) and this has been partially explored in this section as it relates specifically to the creation of a culture conducive to learning.

Examples of both learning and evidence for some of the elements of the learning culture were also drawn from secondary sources.

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<sup>48</sup> The survey forms part of the Best Companies to Work For ranking published by the Sunday Times. The results were based on the response from 3,829 surveys – a response rate of 78.2%

<sup>49</sup> I attend MAD and this is a verbatim quote from AR’s speech for which he granted me permission to use.

**5.5.4 Development of ‘people matter’ theme**

In his first interview, the former CFO and a founder of the company told me ‘*It’s always been about people (AP 23/06/11)*’. That ‘people matter’ to this firm was a very strong theme to emerge from the email data as can be seen in Figure 5-5 and in Figure 5-6, 75% of the UK interviewees and 71% of their non-UK colleagues mentioned at least once the importance of people to this business: ‘*The constant drive to make Admiral a great workplace is real (SC 08/06/10)*’. The interview data continued to reveal the importance of this theme as can be seen in the full coding tables in Appendix A.5 on page A-329.

**5.5.4.1 Evidence from the primary data**

The proto-theme emerged from the email discussion set of codes: Listening/ Respect & fairness/ Inclusiveness/ Alignment/ Alignment mechanism/ Lack of ‘politics’/ Happiness/ Fun/ Communication/ Empowerment/ Opportunities/ 4 Corner stones/ Work environment. All of these codes were used in the interview data set too but were nuanced by further coding as seen in the following table.

INITIAL CODING SCHEMA FROM EMAIL/INTERVIEW DATA
Listening/ Respect & fairness/ Inclusiveness/ Alignment/ Alignment mechanism/ Lack of ‘politics’/ Happiness/ Fun/ Communication/ Empowerment/ Opportunities/ 4 Corner stones/ Work environment/ Caring/ Rationale for approach to people management/ Enjoyment/ Management style reminders/ Satisfaction/ People matter/ Inclusiveness/ Matching potential/ Processes in place to help individuals/ Relationship bw manager and staff/ External community support/ Share scheme/ Rationale for India/ Rationale for consistency of staff (and disadvantages)/ Understanding strengths and weaknesses/ breaking the rules about the way we expect people to manage/ Realigning empowerment/ Recognition that family plays a role in job selection/ Rationale for treating people well/ A fundamental belief in people/ An economic rationale/ ‘sharing the love’

*Table 5-8: Codes from the email and interview data that encompass the ‘People Matter’ theme. See Appendix A.5 for details.*

With over 104 contributions to this proto-theme over all the datasets, this is a firm whose senior management have ‘*the genuine belief that “people who enjoy what they do, do it better” (CA 08/06/10)*’. This is one of the CEO’s maxims and is quoted widely throughout the company: in its annual reports, its corporate website, its entries for the Great Place to

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<sup>50</sup> From a random sample of 643 staff, 450 responded to this survey conducted by the GPTW Institute in 2011. The survey and results are used by Admiral to benchmark itself year on year and to compare itself to its peers in the UK and Europe.

Work cultural audits, even in videos made by the staff for the Top 10 Best Department competition in 2010 as shown in following figure.

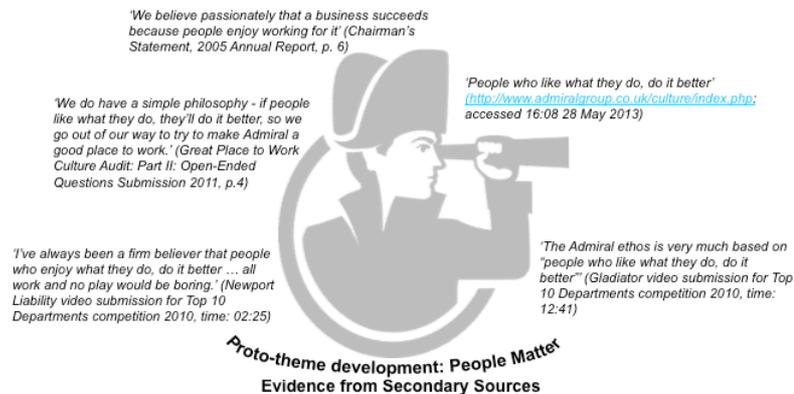


Figure 5-10: The CEO's maxim "People who like what they do, do it better" is widespread throughout the company's communications, both internal and external.

From the primary-data coding, this theme covers not just a way of dealing with people by communicating and listening and treating them with respect and fairness but also ensuring they are happy and have fun at work and that there is a pleasant working environment that allows them opportunities for personal development. The interview data has examples of mechanisms and rationale for this type of approach within the Admiral context.

The evidence points to a company who doesn't think of its staff as "human resource". The current People Services Manager in his interview (CA 11/11/10) summarises his view as: *'I don't like [the term] human resources. ... Well, it just sounds like resource not people. I know people are a resource but it just makes it sound so impersonal, doesn't it?'* From the data, that sentiment would appear to be true of the senior management as a whole.

10% of the responses in this dataset referred to the wide share ownership within the firm. In explaining the elements of Admiral's culture, the CEO states a fundamental tenet of the business and that is: *'we want people to feel like they own part of the company, the best way to do that is to give them part of the company to own (HE 22/06/10)'*. The CEO began this at launch in 1993 by giving each of the senior managers a percentage of the fledgling company. Throughout the structural changes of the firm: through the management buy-out in 1999 and the stock exchange listing in 2004, that share ownership was preserved and widened to everyone in the company thanks to the efforts of the executive team. As the

former CFO says: *'we had to fight for that, we want to give part of our share to a much wider base, and that is not normal (AP 23/06/10)'*.

At the IPO in September 2004, every member of staff received some money and some shares in the newly created Admiral Plc. Twice every year, providing the company reports meeting or bettering its half yearly forecasts, *all* the staff, across seven countries, receive an allocation of shares tax-free which, should they stay for three years, start to "vest" and can be sold through the company's brokerage system. Managers receive additional allocations as part of their remuneration packages. The data talks about being *'extraordinarily aligned about a collective goal for the business (CH 10/06/10)'* and of the *'profit sharing culture (CN 03/06/10)'*. Many of the interviewees articulate their belief that alignment and the profit sharing are linked and echo the view of the CEO and that of the former CFO: *'that's a fundamental belief that if staff have ownership then they work better for the business by feeling part of it and actually save you money (AP 11/11/10)'*.

#### 5.5.4.2 Supporting evidence from the secondary data

Two main sources of secondary data can evidence that the belief that 'people matter' is widespread throughout the company not just amongst the participants in this research. These sources are: (1) the Annual staff survey data available from 1999 to 2013. The survey is available for all staff to complete every December and the results circulated in February/March; and (2) the Best Companies to Work For 2011-2013 surveys. Best Companies have been responsible for the survey organisation, analysing results and compiling the ranking of best companies to work for that appears in the Sunday Times each year. Admiral has ranked in that list every year since 2001. A random sample of staff was selected from the payroll system to complete the survey each year 2001 to 2011. In 2012 and 2013 all staff were surveyed. Only the 2011 to 2013 data has been made available.

Firstly, from the annual staff survey conducted by the Communications Department at Admiral, selected questions can evidence a 'people matter' ethos at the company beyond the interviewed senior managers. Between 70 and 85% of all staff across all sites complete the survey each year. The results are shown in the next table where for each year the percentage of staff responding positively to that question is shown.

Question	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Taking everything into account, I am happy at AGP.	91%	84%	86%	83%	78%	91%	91%	92%	87%	90%	91%	88%	89%	91%	90%
I think morale in my department is good.	79%	86%	81%	76%	76%	80%	84%	87%	82%	90%	86%	84%	85%	87%	82%
I think morale is good throughout AGP.	76%	76%	87%	77%	55%	76%	79%	76%	89%	90%	93%	89%	90%	93%	90%
Every effort is made to understand the opinions and thinking of staff in AGP.	59%	64%	79%	70%	60%	72%	75%	74%	73%	86%	87%	88%	88%	91%	88%
I feel valued by my colleagues	-	-	-	-	-	-	-	-	88%	90%	91%	87%	89%	92%	91%
I think that people here are willing to give extra to get the job done.	-	76%	83%	78%	65%	77%	83%	68%	84%	88%	89%	86%	88%	89%	89%

Table 5-9: Results 1999-2013 for selected questions from the Admiral staff survey conducted in December.

Taken as a whole, these questions present a company that over time has demonstrated to its staff that ‘people matter’. Although there is some variation from year to year, overall there is a rising trend for staff to respond positively to any given question demonstrating the success of improvements each individual department makes as a consequence of their survey results each year. In 2003 there was a consistent drop across all areas in the survey. At the time, the senior management team put this down to the uncertainty over the sale or otherwise of the company<sup>51</sup>.

Since 2001, Admiral has partaken in an annual external survey conducted by Best Companies and although only recent data was available for this study, the fact that Admiral has ranked every year should indicate that it performs consistently across the question set. Admiral’s management use this survey as an external benchmark each year. Not all companies enter year on year, and Admiral’s ranking can vary from year to year but management are interested in trends shown in individual questions and are keen to maintain their standing as one of the best companies to work for in the UK.

Again, I have chosen questions that can act as proxies for the concept of ‘people matters’ within the business and the results from 2011 to 2013 are shown in the next table. The maximum score possible is 7 and a score of 7 represents strong agreement with all positively phrased questions and strong disagreement with all negatively phrased questions. 4 represents a neutral response.

<sup>51</sup> Admiral’s IPO at the London Stock Exchange in September 2004 was by necessity kept from the staff until the intention to float was confirmed in summer 2004. From 1999 at the time of the management buy-out it was known that Admiral’s venture capital partner would seek to divest within five years. This often means a trade sale and there was some nervousness amongst staff that this might happen.

Question	2011	2012	2013
My manager helps me fulfil my potential.	5.73	5.75	5.71
My manager cares about me as an individual.	6.00	5.99	5.98
My manager regularly expresses his/her appreciation when I do a good job.	6.03	6.01	5.98
My manager would be quick to respond if I showed signs of being under too much pressure.	-	-	5.57
People in my team go out of their way to help me.	6.02	6.07	6.07
I feel a strong sense of family in my team.	5.85	6.01	6.20
People in our team don't care much for each other.	6.06	6.18	6.00
Sometimes I feel that this organisation takes advantage of me.	5.33	5.27	5.31
My manager takes an active interest in my wellbeing.	-	6.02	6.02
<b>Overall Ranking in that year</b>	<b>9</b>	<b>6</b>	<b>11</b>
Surveys sent to staff	1611	4423	4897
% Completed	76.80%	75.11%	78.20%

Table 5-10: Results 2011 -2013 for selected questions from the Best Companies survey.

It seems from these responses, that the staff believes that managers demonstrate a caring ethos and that caring for each other extends from management down to team level. That managers feel a sense of family is clear from the primary data used to develop the theme ‘Stability of management’ in Section 5.5.14. From the coding in Appendix A.5 on page A-329 you can see the references coded as ‘feels like family’ and that the staff share this feeling is apparent from the above data supported by comments taken from presentations filmed for The Top 10 Departments competition in 2010. For example:

*‘I love working for Gladiator because of the family atmosphere’ (Gladiator video: 00.57)*

*‘We are, as stupid as it sounds, like a big family. We work and support each other through the good and bad’ (Swansea Outbound, 09:31)*

Additional evidence can be found in the survey conducted in October 2011 by The Great Place To Work Institute. Two employee responses to the open-ended question ‘Is there anything unique or unusual about this company that makes it a great place to work?’ were:

*‘It feels like a family business, we are all close friends here who help out each other in work and at home.’*

*‘I enjoy coming into work as I know how great my team are and how we all act like family. I can ask any questions if im stuck and my manager is always there to make sure that I am ok and happy with my work.’*

5.5.4.3 Summarising evidence for the ‘People Matter’ theme

In summary there is evidence from both primary and secondary data sources to support ‘People matter’ as a proto-theme when looking at what makes this company successful in its environment and the CEO’s aim of ‘trying to set up a company that ... did care for ... its staff (HE 22/06/10)’ has been largely effective.

5.5.5 Development of ‘management style’ theme

The email data set contained many examples of management style in action and examples of mechanisms or processes and at this stage of data analysis it wasn’t clear whether management style was simply an aspect of the culture or warranted being a theme in its own right. However during the interviews the idea of management style being key to this firm’s success crystallized warranting 49 coding mentions throughout both data sets. The theme was named ‘management’ rather than ‘leadership’ because ‘management’ is the term used by the respondents.

5.5.5.1 Evidence from the primary data

The detail of the development of this as a theme in its own right can be seen in the full coding tables in Appendix A.6 on page A-333. There are fewer codes underlying this theme as seen in the next table:

INITIAL CODING SCHEMA FROM EMAIL/INTERVIEW DATA
Example of style/ Mechanisms/ Reestablishing management by example/Emotional intelligence/Lead by example/ Personal touch/ Self-awareness/ Definition of management style

Table 5-11: Codes from the email and interview data that encompass the ‘management style’ theme. See Appendix A.6 for details.

But fewer codes doesn’t detract from the richness of understanding of this company’s management style as the data is full of examples and mechanisms used by the respondents around their own management style and techniques to illustrate why they think the company is successful.

There is no doubt from the evidence that the belief that ‘people matter’ influences the firm’s management style summed up by the CEO as ‘stay in touch with all the people in the organization (HE 22/06/10)’. Many of the contributions reflect the ‘7 Principles’ which

form the basis for all management training in the company and appear as cards on managers desks and on the walls. The '7 Principles' were articulated by the CEO in the late 90's when he was asked what a managers role encompassed in the company and his principles have been used in training ever since. The principles are:

1. *Put yourself in the place of the people you manage;*
2. *Remember your targets, but keep in mind that very few of them can be met without the efforts of those you are managing;*
3. *Get out of your chair;*
4. *Never forget how important you are to the people you manage;*
5. *Pitch in and help. Don't do everything, but don't automatically delegate;*
6. *Communicate, communicate, communicate. Feedback, feedback, feedback;*
7. *Leave your ego at the door when you come in each morning.*

Essentially it's about actions demonstrating '*accessible management at every level. Managers sit amongst their team and are not remote from their day to day needs and feedback (NWK 10/06/2010)*' and it's behavioural: '*it's almost a way of interacting with people that makes them believe in you, believe that you would do it if you had to and that you value their input (JM 22/06/10)*'. It's very much about leading by example. The Head of Communications commented '*it comes from the top (LS 12/11/10)*' with the Head of Confused.com telling me that he follows the other senior managers example, particularly the CEO in that '*I try to do the same, walk the floor every day and say hello to everybody (NWK 03/02/11)*'. The current CFO in explaining why he thinks Admiral is different from other companies he has worked for told me '*there is this tremendous knowledge of the detail of the business which is very unusual and so is the way in which management think and work which is very practical and very hands on, very testing (KC 03/02/11)*'.

Reading the excerpts from the interviews and emails that have been coded to this theme (see Appendix A.6 on page A-333) and recoding the text to the 7 Principles above it is interesting to note that 71% of the participants talked about at least one aspect of the 7 principles. This recoding analysis is represented in the following graph.

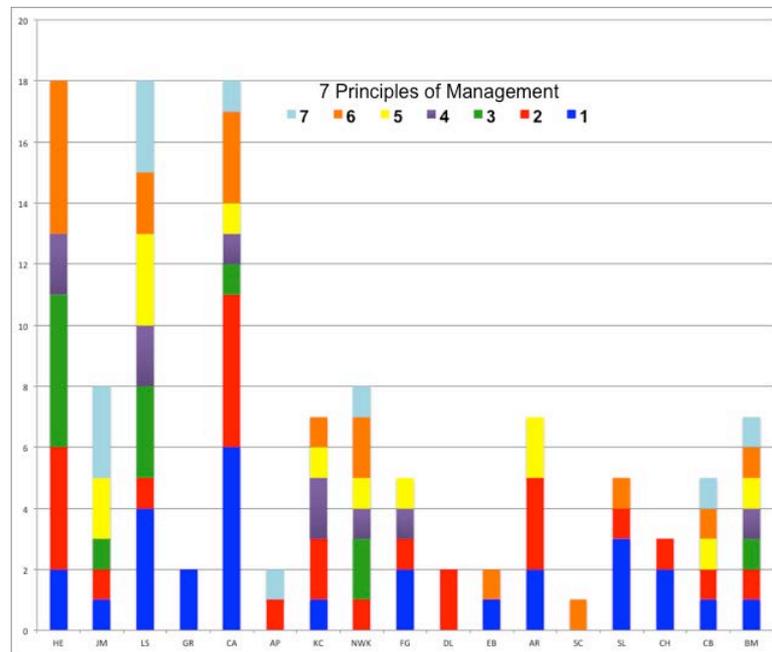


Figure 5-11: Showing how many times each respondent referred to at least one aspect of the 7 Principles.

It is not perhaps surprising that the CEO and author of the Principles has 18 mentions of at least one aspect of the Principles in his interview and although he didn't specifically talk about 'pitching in' (No 5) or 'lack of ego' (No 7) in the extracts coded for the 'management style' theme both aspects featured in the rest of his interview. For example when he's talking about recruitment he tells me *'how they just answer that simple question of "tell me about yourself" is a really big reply to the question I have, is how ego driven are they? (HE 22/06/10)'* and later adds *'anybody who says "no, not really, that's beneath me" they are not part of the culture, they don't hire them (HE 22/06/10)'*. With the exception of AP, JM, GR and SC all these respondents are leaders of large groups of people and one would expect some mention of the Principles to be articulated. I find it interesting that the fact that even for those hired post-IPO: KC, NWK, FG, DL, EB, AR and CH are as inculcated with the Principles as those with longer tenure. As a senior manager myself I feel satisfied that the indoctrination process of our newer managers has obviously been effective.

One surprising omission from this list was that of the COO. In his interview he recognizes the importance of people and the culture but comments: *'I would be intellectually very keen to maintain it and renew it but quite anxious that I'm not necessarily that well equipped to know how ... so I'm sort of thinking the importance is you need people in the*

organization that can fight for the culture (DS 24/06/10)'. He also stated at the start of this interview that 'I think I will probably end up talking, first of all, about some of the things that I haven't seen flying around on the email as much. So, it might be slightly skewed in that respect (DS 42/06/10)'. Additionally, DS is an NT Myers-Briggs combination which would lead me to conclude that his strengths are not naturally orientated towards thinking about people although it is clear from his comments that he appreciates the importance of those aspects to Admiral's success.

From the primary data the following word cloud describes the management style at Admiral. These descriptors mesh well with the 'people matter' theme as they describe a style of managing that respects the values articulated by a company who believe that people do matter.



Figure 5-12: Word cloud constructed from interview and email data-sets phrases or adjectives describing the management style at Admiral. The larger and bolder the text the more participants used that phrase.

#### 5.5.5.2 Supporting evidence from the secondary data

THE CEO's 7 Principles exist widely in training materials throughout the Admiral Academy (run by GR one of the interviewees) and all new managers received formalized training in these principles and laminated cards for their desks listing the principles. The CEO also talks to groups of managers on what the 7 Principles mean and there is data available from his presentations. For example: from the Cardiff Operations Managers in 2004, to all managers based in Seville 2009, to all senior managers in the Group September 2013 and most recently to all the managers in the US insurance company Elephant.com in

April 2014. So, as an articulation of the management style, it is used throughout the company. But is there other evidence?

Three main sources of numeric secondary data can partially evidence the management style that the managers describe. These sources are: (1) the Annual staff survey data available from 1999 to 2013 as described in Section 5.5.4.2 where it was also used; (2) the Best Companies to Work For 2011-2013 survey also described in Section 5.5.4.2; and (3) GPTW Institute data 2011 to 2013. The Great Place to Work® Institute conducts research and recognizes leading workplaces in more than 45 countries on six continents. It has published national and international best companies lists since 2000 and Admiral began benchmarking in 2001 with the GPTW Institute. It has placed every year of the benchmark and since 2007 Admiral has featured every year in the top 10. Random samples of staff are selected from the payroll system each year to complete the Trust Index survey which comprises 66% of the ranking algorithm and the Communications Department complete the Cultural Audit which comprises the remainder of the ranking algorithm. This is discussed further in Section 5.5.15 where the ‘culture enables’ theme is developed from the primary data and evidenced in the secondary data. The Admiral European countries have also started to benchmark themselves in the European lists run by the GPTW Institute and as a consequence, Admiral has featured in the Great Place to Work Best Workplaces in Europe list since 2008 coming 4<sup>th</sup> in 2012 and 2<sup>nd</sup> in 2013 as the European ventures have improved their results.

Firstly, from the annual staff survey conducted by the Communications Department at Admiral, selected questions can evidence elements of the ‘management style’ in use. However one could argue that the effects of the management style can also be evidenced and these were used in Table 5-9 on page 5-151 and formed part of the evidence chain for the ‘people matter’ theme. Between 70 and 85% of all staff across all sites complete the survey each year. The results are shown in the next table where for each year the percentage of staff responding positively to that question is shown.

## CHAPTER 5: EVIDENCE OF DYNAMIC CAPABILITY WITHIN ADMIRAL PLC

Annual survey questions	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
I think that people here are willing to give extra to get the job done.	n/a	76%	83%	78%	65%	77%	83%	68%	84%	88%	89%	86%	88%	89%	89%	
I feel my direct manager makes his/her expectations clear									91%	92%	94%	90%	92%	94%	94%	
I feel my department manager makes his/her expectations clear									88%	90%	92%	89%	90%	90%	90%	
I feel safe speaking up in AGP.	73%	71%	78%	70%	61%	68%	74%	88%	86%	89%	87%	85%	86%	87%	85%	
Every effort is made to understand the opinions and thinking of staff in AGP.	59%	64%	79%	70%	60%	72%	75%	74%	73%	86%	87%	88%	88%	91%	88%	
I feel that we make a big effort to improve the general level of information and communication in Admiral Group														87%	90%	88%
The Admiral Group does enough to communicate information about the business														83%	86%	86%
I would recommend my immediate manager as a good manager															92%	91%
I would recommend my department manager as a good manager															90%	90%

*Table 5-12: Results 1999-2013 for selected questions from the Admiral staff survey conducted in December.*

As mentioned when looking at this data in Section 5.5.4.2, in 2003 there was a consistent drop across all areas in the survey where the senior management team attributed this to the uncertainty over the sale or otherwise of the company.

These questions only evidence the communication elements of the 7 principles although the last two questions which first appeared in the survey in 2012 indicate that currently the staff approve of the management style.

However using the data from the annual external survey conducted by Best Companies that was used to evidence the ‘people matter theme’ in Table 5-10 on page 5-152 and matching the wording of the survey question to the adjectives used in the wordcloud in Figure 5-12 provides a proxy for a number of the elements of the management style evinced in the primary data. This mapping is shown below.

Although only recent data was available for this study, the fact that Admiral has ranked every year since 2001 should indicate that it performs consistently across the question set.

Best Places to Work: Survey	2013	2012	2011	Proxy from Word cloud
<b>My manager</b>	<b>5.85</b>	<b>5.91</b>	<b>5.85</b>	
My manager helps me to fulfil my potential	5.71	5.85	5.73	Mentor & Coach
I feel that I lack support from my manager	5.93	5.65	5.54	Supportive
My manager shares important knowledge and information with me	6.03	5.77	5.87	Accessible
My manager does a lot of telling but not much listening	5.79	5.75	5.88	Listening
My manager motivates me to give my best every day	5.64	6.02	5.63	
I have confidence in the leadership skills of my manager	6.01	5.99	5.93	A role model
My manager cares about how satisfied I am in my job	5.75	5.67	5.77	Supportive
My manager is an excellent role model for me	5.66	6.20	5.99	A role model
My manager cares about me as an individual	5.98	6.05	6.00	Empathetic
I feel that my manager talks openly and honestly with me	6.17	6.01	6.04	Open
My manager regularly expresses his / her appreciation when I do a good job	5.98	6.01	6.03	Affirming
My manager would be quick to respond if I showed signs of being under too much pressure	5.57	6.00	5.91	Empathetic
<b>Leadership</b>	<b>5.93</b>	<b>6.38</b>	<b>5.69</b>	
Senior managers truly live the values of this organisation	5.76	6.07	5.97	A role model
I am inspired by the person leading this organisation	6.03	5.99	6.06	Influencing
I have confidence in the leadership skills of the senior management team	5.94	6.07	6.00	
The leader of this organisation runs this organisation based on sound moral principle	5.93	5.99	5.87	
This organisation is run on strong values / principles	6.02	6.01	5.96	
I have a great deal of faith in the person leading this organisation	6.28	5.76	6.26	A role model
Senior managers of this organisation do a lot of telling but not much listening	5.53	5.71	5.55	Listening

Table 5-13: Results 2011 -2013 for selected questions from the Best Companies survey conducted each year mapped against adjectives used to describe the management style taken from the primary data.

This data supports the communication aspects of the management style but also lends credence that the staff are experiencing the style espoused by the managers in reality particularly with regards to an open transparent accessible style with the manager role more as role models, mentor and coach providing support rather than as wielders of formal authority (as described by Mintzberg, 1975).

Additional evidence for management style can be found in the survey conducted by the GPTW Institute.

*‘There is a very relaxed attitude; you are expected to get work done efficiently and to a high standard, but that doesn’t mean you can’t enjoy your time in work. I regularly get to see and speak to my managers and senior managers, and they make a real effort to have a presence in our department’ Anonymous member of staff<sup>52</sup>*

This quote is taken from their 2012 feedback report listing responses to the open-ended questions GPTW ask employees. This quote supports the idea that the management style is relaxed and yet the employees realize that they must work to high expectations.

<sup>52</sup> Quote taken from the Employee Comments Report produced after the Admiral survey in the 2012 UK’s Best Workplaces Programme conducted by GPTW Institute.

The GPTW Institute have developed a model which defines ‘a great workplace as one where employees trust the people they work for, have pride in the work they do, and enjoy the people they work with’ (GPTW Graphical Scores Report, Admiral Group Plc, 2011: 3)<sup>53</sup>. The GPTW model<sup>54</sup> measures these three relationships but it is the relationship between employees and management that is of interest here. This is a 64-instrument survey designed to see how a company fits the model and produces a benchmark for comparison each year. The model<sup>54</sup> examines trust as a key component of the employee’s relationship with management. The drivers of trust in this model are: (1) credibility whose dimensions concern two-way communication, competence and integrity; (2) fairness whose dimensions include equality, impartiality and justice; and lastly (3) respect whose dimensions of support, collaboration and caring. Dimensions of credibility and respect emerged from the primary data. By using Admiral’s performance against this model I am arguing that the management style must be conducive to building a relationship with management that scores Admiral as a ‘Great Place To Work’.

<b>GPTW Model:</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Dimensions to measure management relationship</b>			
Credibility	90%	87%	86%
Respect	89%	88%	86%
Fairness	86%	82%	82%
<b>Overall Position</b>			
Sample Size	643	1000	998
Respondents	450	730	712
Completion	70%	73%	71%

*Table 5-14: Results from the GPTW Institute Trust Index 2011 -2013.*

Like the Best Companies data, only recent data was available for this study, but the fact that Admiral has ranked every year since 2001 should indicate that it performs consistently across the question set. It also outperforms the Top 25 Large Companies in the UK benchmark indicating that perhaps these three dimensions of the model are part of Admiral’s success story. This can be seen in the table overleaf.

<sup>53</sup> Report made available by the Communications Department.

<sup>54</sup> See the model on <http://www.greatplacetowork.net/our-approach/what-is-a-great-workplace>: Accessed 17/02/14, 4:16pm.

GPTW Model:	2011	2012	2013
<b>Taking everything into account I would say this is a great place to work/</b>			
Admiral Plc UK	93%	89%	87%
UK Top 25 Largest Companies Avg	83%	82%	83%

*Table 5-15: Comparing Admiral's results for the statement 'Taking everything into account I would say this is a great place to work' versus the average in its Top 25 Large companies cohort from the GPTW results 2011-2013.*

The last source of evidence is in the 'core competencies' referred to by GR in his interview (24/06/10). These are used by the Academy to help train managers and use to recruit new managers within the company. GR was the only interviewer to refer to them when specifically asked about management training but they do exist and GR made the most recent iteration available for this study. The role of each hierarchical layer is defined within this competency framework and the departmental managers competencies are listed in Table 5-16 under three key competency headings.

The competencies are articulated and documented internally by the People Services Department so it is not surprising that we find similar language used in the competencies as used by the managers themselves as indicated in the wordcloud constructed from the primary data in Figure 5-12. Table 5-16 lists the competencies for the department managers (who form part of the UK CMG the majority of whom provide the primary data) as well as the expectation of the roles at each level of the company. Each competency has relevant words highlighted in the matching colours of words or sentiments expressed in the wordcloud in Figure 5-12.

From this analysis there is evidence of a relationship between the way managers describe their style and the competencies delivered down through the management hierarchy. Not surprising given the source of the competencies but together with the external survey data from the employees there appears to be a synergy in the espoused theory (primary data descriptions of management style) and the 'theory –in-use' (Argyris & Schon, 1974) experienced by the employees. Although it is hard to directly compare the evidence from the secondary data there is a compelling story here of the management style evinced by the managers creating an environment that reflects that style.

Informal conversations with CA, Head of People Services and JM, the former occupant of that role, show that although competencies have only being formalised and revised in the last decade, prior to that they believe the management style has not changed and has been open and transparent and energising and above all effective in creating a place where people want to work since the launch days.

Role	<b>Commitment:</b> dedicated to achieving success	<b>Support:</b> working together to achieve common goals	<b>Culture:</b> making Admiral an enjoyable place to work
<b>Consultant</b>	Shows dedication to the job	The frontline support for the business	A positive impact on others
<b>Senior</b>	An example for the team to follow	Works with the TM to support the team	Helps team members enjoy what they do
<b>Team Manager TM</b>	Develops the team effectively	Works with the senior to support the team	Being there for team members
<b>Operations Manager OM</b>	Focussed on continuous improvement	Develops teamwork in the department and the company	Celebrates their department
<b>Departmental Manager DM</b>	Keeps the department at the cutting edge	Ensures the whole department is moving in the same direction	Promotes Admiral culture
<b>DM's Competencies</b>	<b>Receptive</b> to feedback and actively puts suggestions in to practice	Treats customers fairly and is <b>sensitive</b> to their needs	Committed to the Admiral culture
	<b>Positive</b> attitude to new ideas and change	<b>Respects</b> the <b>experiences and needs</b> of colleagues	Comes across as <b>friendly and approachable</b>
	<b>Organises time well to hit targets</b>	Committed and <b>flexible</b> approach to workload	Maintains <b>good working relationships</b>
	<b>Understands the business plan and departmental goals</b>	Sets a <b>good example</b> to others	Plans, promotes and participates in social events, competitions and other <b>fun initiatives</b>
	Proactive approach to self-development	<b>Motivates staff through encouragement and coaching</b>	Treats everyone in a fair and impartial manner
	Encourages <b>innovation</b> from all levels of staff	<b>Provides learning opportunities</b> for team members	<b>Understands the legal implications</b> of dealing with staffing issues
	Effective manager of change	Effective <b>communicator</b>	Creates a culture of <b>long term well being</b> for team members
	<b>Keeps up to date with competitors and market changes</b>	Actively develops the management team by <b>delegating work and teaching good management practice</b>	<b>Positively</b> represents the department at events, meetings and forums
Actively <b>contributes to the business plan</b> and sets departmental goals	Full <b>legal awareness</b> of the products offered and <b>obligations</b> to the regulators Manages department budgets effectively	<b>Builds and maintains working relationships with other departments</b>	

Table 5-16: Role expectations and core competencies for departmental managers highlighted where matches can be found with language used in the primary data interviews.

### 5.5.5.3 Summarising evidence for the ‘Management Style’ Proto-theme

Management style has emerged as a theme from the primary data separate from the ‘people matter’ theme but the style revealed in the primary data is contingent upon a belief that ‘people matter’. The secondary evidence supports the espoused style by revealing that the way of working at Admiral as experienced by the employees is likely based on the espoused style and that this is a company whose founding value to ‘stay in touch with all the people in the organization (HE 22/06/10)’ has effected its style of management which is recognised by external benchmarking to being a contributory factor of a ‘great workplace’.

**5.5.6 Development of ‘a balancing act’ theme**

From the email data set, this emerged as a theme where the respondents talked about balancing two quite different positions for example ‘*the minutiae and the macro (AR 04/06/10 (ii))*’ or ‘*our culture is relaxed and informal, but we measure everything (LS 22/06/10)*’. There was even a use of the word “paradox” in this data set:

*‘I think there is a bit of a paradox about us – we are very relaxed about most things to do with the working environment and how we manage staff – dress code, flexitime in some departments, flat structure, no hierarchies, fun, etc – and yet we’re anything but relaxed about the actual business – results, details, the method of how we do things – we are relentless in pursuing better ways of doing things and better results CB 23/06/10’.*

The theme developed further from the interview data and although one of the smaller themes with only 30 contributions (6 of which were prompted in a stand alone interview: AP 11/11/10) it has emerged as an element of the firm’s success.

**5.5.6.1 Evidence from the primary data**

The balancing acts that emerged from the email discussion set of codes were: a balance between freedom and control, between action and inaction and between fun and control. All of these codes were used in the interview data set too but were nuanced by further coding as seen in the following table.

INITIAL CODING SCHEMA FROM EMAIL/INTERVIEW DATA
Balance freedom & autonomy/ Balance action & inaction/ Paradox in wording used/ Paradox/ Balance fun & control/ Balance micro & macro/ Balance work & home/ Balance is a challenge/ Balance n recruitment/ Balance hunch and rationality/ Balance cost control with generosity/ Balance between big picture and detail/ Resolution of paradox/ Paradox of the democratic spirit/ Balance between logic & numeracy with consideration for people/ Balance between compliance and common sense

*Table 5-17: Codes from the email and interview data that encompass the ‘A balancing act’ theme. See Appendix A.7 for details.*

The word “balance” was used occasionally. In the interview with the CEO he told me that he believed a founding value of the firm was ‘*a balance between work and home (HE 22/06/10)*’. But, for the most part, respondents would compare two different aspects of their experience at Admiral as two opposing positions where balance was maintained. For example a phrase from the current People Services Manager was coded as ‘balance fun &

control'. He was illustrating for me the fact that this is a firm who takes its business very seriously and yet has fun 'so, I have got first-hand experience of people coming in and taking a look around and thinking, they must be thinking "how are these people making money? You've got a group of people shoving donuts in their mouth for God's sake, is this a serious organisation or what!" (CA 11/11/10)'. This balance between a relaxed fun culture and a serious approach to numbers and performance figured prominently in the data. As did the apparent dichotomy of managers that really understand the detail of the business with a more casual decision making process and focus on the big picture strategically: 'There is, in my mind, a strange juxtaposition of very detail oriented data analysis in a lot of areas of the business at a surprisingly micro level and it's easy to forget now because I've been here so long ... but then you have got this process of decision making which actually is free of a lot of data and information, it is based on a conversation and a bit of a debate (KC 03/02/11)'.

It struck me, in reviewing the reportage memos after the first interviews, that I was seeing paradoxical comparisons. The Oxford Dictionary<sup>55</sup> definition of a "paradox" includes the statement '1.2 A person or thing that combines contradictory features or qualities (Oxford Dictionary)'. The interviews would talk about "fun" yet being "super results orientated", about "being tight" and yet everyone receives share allocations, about having "autonomy" and yet "tight control". To try and resolve this thinking I scheduled an interview with the ex-Finance Director specifically to talk about these seeming paradoxes at work within the firm. This interview (AP 11/11/10) and a later one with the current Finance Director (KC 03/02/11) can be summed up as 'I don't find that a paradox ... they're balancing acts (AP 11/11/10)'. Specifics questioning around the paradoxes observed from the data essentially were resolved: it would appear that the participants don't particularly see what they do as paradoxical but as balancing priorities between two equally important elements of the business. This is represented by Table 5-18.

Hence the theme of 'a balancing act' emerged from the primary data as an element of Admiral's success.

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<sup>55</sup> <http://www.oxforddictionaries.com/definition/english/paradox>. Accessed 01/04/14 at 16:08.

Paradox observed from data	"Resolution" from interview data
This idea that we have ultra-rationality: we are very logical, very analytical and yet we are also very, kind of, go with the hunch, entrepreneurial. We've got that side of it as well.	Why is that a paradox? I'm not sure it is because I think we're able to innovate, go with a hunch, because we are dedicated to putting measurements around it. so, we know if we go with a hunch we're not going to go down a completely dead end and keep on batting it ... so, I don't see the paradox between ultra rationality, measurement and innovation. And I think that's our strength because that control thing of the rationality, the measurement, if it moves measure it, it goes along with innovation. (AP 11/11/10)
What about then the idea that we are very tight ... in spending money and yet we give away shares ... and we do spend money on donut competitions.	Yes. We are very cost conscious, always have been from Day One. I think that's part of the psyche, it's also part of the controlling moment we've been talking about ... Certainly giving to staff, I mean, I don't think that's part of cost control, that's a fundamental belief that if staff have ownership then they work better for the business by feeling part of it and actually save you money. (AP 11/11/10)
Its always putting it in the bigger picture, and having these bigger ideas, these sort of strategic moves for Admiral and yet being very close to the detail.	You have to know your own business inside out but you have to allocate time to understanding the market place. It's a matter or priority, isn't it? What you prioritise, don't prioritise one over the other. Just a matter of allocating your time to make sure you keep an eye on both. (AP 11/11/10)
Decision making, action and ambiguity	we talked about the ambiguity around what exactly you're supposed to be doing but there's also an ambiguity about who makes the decision about what, not quite who makes the decision but everybody is allowed to make a contribution to the decision about what's being done in whatever, whether it's the post room or the pricing department. (KC 03/02/11)
Decision making is top down but the company has 'a democratic spirit' (quote from R. Titford, <i>Further Thought</i> )	I can remember the coffee morning group, I remember trying to define what it was for. Do you remember, we all came out with "well, it's a way of passing information, it's not a decision making group." And it's not. It's passing information both ways.(AP 11/11/10)  there's a nice sense of... getting to the hub, the nub of the problem and then trying to find a solution to the problem in the way that discussions occur in teams or whatever. As opposed to reporting to people on what you're doing. (KC 03/02/11)

Table 5-18: *Detailing the resolution of apparent paradoxes from the data through specific questioning*

### 5.5.6.2 Supporting evidence from the secondary data

This is a difficult theme to triangulate from secondary data as balancing competing elements is intrinsic to the management team and something innate that they “do” rather than rationalise and action. It certainly is neither a topic of conversation in minutes of meetings nor in more informal email communication.

One could argue that the financial success of the company and the success of the company as a Great Place to Work in external benchmarking indicates that balance must exist between the desire to make profits and the desire to keep people happy.

However there are some clues in external benchmarking data that the company undergoes. Firstly, there is evidence that the workforce as a whole is positive (a score between 5 and 6) about the work-life balance that exists in the firm mentioned in the CEO’s interview as a founding value (see quote on page 5-163). This is shown in the following table.

Question	2011	2012	2013
I am happy with the balance between my work and home life	5.15	5.16	5.02
Overall Ranking in that year	9	6	11
Surveys sent to staff	1611	4423	4897
% Completed	76.80%	75.11%	78.20%

*Table 5-19: Results 2011 -2013 for question about work-life balance from the Best Companies survey conducted each year. Scores range from 1 (the lowest) to 7 (the highest) and 4 is a neutral position.*

Other supporting evidence comes from the employee comments to the open-ended question asked in the survey conducted by the GPTW Institute. These quotes are taken from their 2012 feedback report listing the anonymous responses to the open-ended questions.

*‘It is a truly a unique place to work. The work is challenging but you are encouraged to have fun as well so there is a good balance of hard work and having a laugh which helps reduce stress in the work place’*

*‘there is a great balance of work/home life’*

*‘Admiral is able to balance running a very effective company and making sure its workforce are happy and having fun’*

These are examples from the 14 answers (4% of total answers) that included the word “balance” and is suggestive of a company that at least has balance between the focus on results and creating a great place to work as recognized by the staff themselves.

### **5.5.6.3 Summarising evidence for the ‘a balancing act’ theme**

Although there is not the wealth of supporting secondary data for this theme, this theme represents an example of “axial coding” using grounded theory terminology (Corbin & Strauss, 2008) where it is defined as ‘*cross-cutting or relating concepts to one another*’ (p. 195). It is also a good example of Zachariadis et al. (2013) retroductive methodology for critical realists where retroduction of the raw data yields insights into implicit actions by managers may yield a theme that can be construed as dynamic capability.

### **5.5.7 Development of ‘attention to detail’ theme**

From the email data set, this emerged as a proto theme, as did ‘numbers matter’ (see next section) and it wasn’t until the analysis of the interview data set that it became clear that these two were separate themes albeit related to each other. The phrase ‘attention to detail’

emerged meaning ‘stay close to the business’ separate from the focus on numbers: one tool by which the managers stay close to their business.

5.5.7.1 Evidence from the primary data

Appendix A.8 shows the full coding tables that make up this theme but the underlying codes are represented in the next table.

INITIAL CODING SCHEMA FROM EMAIL/INTERVIEW DATA
Focus on 'low cost'/ Measures/ Measures reviewed/ Focus on car insurance/ Attention to detail/ Focus/ Patterns/ Paying attention/ Example of processes (LS AP KC NWK)/ Benchmarking/Underwriting focus/ Close to business/Traits in hiring (Sensing)/ Measure everything/At senior level/ Breaking frugality rule/ Example of control processes/ Data analysis/ Drawback in not having sufficient analytical capability/ Driver of action

Table 5-20: Codes from the email and interview data that encompass the ‘attention to detail’ theme. See Appendix A.8 for details.

This theme includes examples of how the participants pay attention to detail themselves: how they measure everything ‘if it moves measure it (AP 11/11/10)’; perform their own analysis and recognise patterns ‘we’re able to see when problems crop up very early because the numbers all have their own patterns (HE 22/06/10)’; and specifically pay attention to cost. This frugality is cultural and starts at the very top of the organization but represents ‘a foundational commitment to lower cost (AR 04/04/10 (i))’: through hiring new managers ‘they [senior appointees] come and join us, hopefully, at a reasonable price (LS 12/11/10)’ to the Cardiff location ‘the Cardiff location is a big element of this "low cost" approach (CC 03/06/10)’ and ‘a very strong focus on cost control and "find the cheapest or simplest way" to do something, or just do without (KC 08/06/10)’. The current Finance Director also noted in his interview that: ‘the degree of frugality as Andrew would like to call it, is far higher than anywhere else I’ve worked (KC 03/02/11)’.

In Section 5.5.1, in the development of the ‘recruitment and indoctrination’ theme, the practice of promoting from within or ensuring all new senior managers undergo basic level training was discussed as key to Admiral’s success. There is a feeling amongst the participants that such a background allows a manager to ‘know the business inside out, including knowing our customers, from having worked in it from the ground up (CB14/06/10)’. This, with the expectation that managers do practice the mantra ‘which is understand your business; keep close to it (AP 23/06/10)’ and still maintain a balance

between that familiarity with the minutiae and ‘*being able to operate on a bigger scale (AP 23/06/10)*’, emerged as a quite separate theme from the data as important to Admiral’s success.

### 5.5.7.2 Supporting evidence from the secondary data

Like ‘a balancing act’, this is a difficult theme to triangulate from secondary data as this behaviour is intrinsic to the management team and to the culture of the business.

There is secondary evidence in the conversations and presentations of the participants in other forums in the company. For example the CEO often talks about staying close to the business exhorting the international and UK managers at their annual 2012 meeting to ‘*stay close to your business, your staff and your customers*’<sup>56</sup>. Backing up his words, the CEO meets every single new employee to give them this message<sup>57</sup>, and often gives examples during meetings with his managers to illustrate this principle: for example his production of the media spend by competitors over time spread-sheet or his retention report that he circulates monthly, having put the numbers together himself, for as he notes in his interview: ‘*we’re able to see when problems crop up very early because the numbers all have their own patterns (HE 22/06/10)*’. He also gave this example at his MAD lecture in September 2013<sup>58</sup>:

*‘Silly rules and things that are hard to justify—we do that on a regular basis now, and that’s an incredible meeting. You know, try doing that. And this year for the first time at the staff general meeting, we challenged all the staff to tell us what they thought in an email and had about 400 replies, every one of which had a manager that responded to it. And it was a great success because I read every one of the 400, and although some were saying the same things, I don’t think there was a single one that wasn’t interesting, that wasn’t raising something that was important to our business and an interesting question or a comment about what we do; proving to me that the staff really do care and they really do know what’s going on’.*

Until recently, HE reminded me in his interview that he read customer comment forms every week.

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<sup>56</sup> Verbatim quote taken from his speech at MAD Sept 2012. Permission granted to use.

<sup>57</sup> See HE’s Welcome speech: found on I drive on Admirals servers under /global/Henry’s Welcome Talks/Henry Welcome Talk (2013 Full Year Results) updated.ppt

<sup>58</sup> HE allowed me to tape his speech and this quote is taken from the transcript.

The Chairman of the company in an address to the same MAD in September 2013 reminded them *'I am frequently asked by people what makes Admiral so successful and I say there is no one thing ... [but] ... with our senior management close to the business'*<sup>59</sup>. This excerpt from his speech indicates that he recognises that this attention to detail plays a part in the Admiral success story.

At the MAD in 2012, the CEO asked the international managing directors to speak on various topics. The director of Conte, Admiral's Italian insurance subsidiary, was asked to speak to 'What is our competitive advantage?'. Amongst the elements she raised was *'staying close to the business, especially our customers'*<sup>60</sup>.

And lastly a quote from the open-ended question asked in the survey conducted by the GPTW Institute taken from their 2012 feedback report:

*'The managers and the CEO regularly keep in contact to maintain a close working relationship between management and other members of staff  
(Anonymous member of staff)'*

These quotes, out of the interview context, show that the attention to detail is seen as key to success and that it is demonstrated at the very highest level of the firm.

The last piece of triangulation data to support this was an analysis of my email inbox in January - March 2013. Each piece of formalised correspondence sent to the UK-CMG was categorised and counted to show in one quarter the level of detail about the business that the senior staff are expected to master along with their own areas. For example as a Board member I would expect to get the monthly financial reports from the subsidiaries but in addition as a member of the UK-CMG I received a number of emails to help me stay abreast of the business as a whole. This analysis is reproduced in the following table.

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<sup>59</sup> Alistair Lyons is the non-executive Chairman of the Group and provided me with a transcript of his speech with permission to use in this study.

<sup>60</sup> I attend the MAD. Verbatim quote from her talk for which she gave me permission to use.

Category	Types of correspondence	Count
Claims	Monthly reporting pack	3
CMG-UK	Minutes circulated and discussions arising	6
Communications	Online chats, links to Admiral TV, Team briefs	12
Culture	Share notives, annual awards, Goals, 90 Day Challenge	11
External data	Aggregator report, 100 Best US companies, Ebenchmarkers, Competitor investor reports, AA shed jobs	12
General Business	Weekly reports, Business Exchange	15
Investor Reports	As published about Admiral	2
IT	Error notifications/fixes	138
New Product	Household, Little Box, Motormate	7
Ops Meeting	Minutes circulated and discussions arising	7
People Services	Absence reports, recruitment updates, staff development, moves, 360 appraisals for colleagues	13
Regulatory	FSA visit, audit reports circulated	3
Surveys	Internal annual and monthly incl silly rules, GPTW and Best Companies and discussion	13
Underwriting	Quarterly report and rate change notifications	3

*Table 5-21: Number of emails sent to UK-CMG (as only recipients) between January and March 2013*

These emails show that the group is kept up-to-date with the key drivers of the business: claims and underwriting in line with the general business results plus in touch with new product developments: in this quarter the household numbers (launched December 2012), and two test products. There are also a goodly number of emails around People Services, communications and aspects of our culture. The analysis did not include the daily updates from the Ministry of Fun that are sent to the whole company. Several examples of how the participants pay attention to the detail can be found in the primary data (see Appendix A.8).

### **5.5.7.3 Summarising evidence for the ‘attention to detail’ theme**

The data points to a group of managers who believe that they are close to the business and believe this is a success factor for the firm. This belief is not just expressed in the interview data but is supported by secondary sources.

### **5.5.8 Development of ‘numbers matter’ theme**

As mentioned in the last section, this emerged early as a proto theme and it wasn’t until the analysis of the interview data set that it became clear that ‘attention to detail’ and ‘numbers matter’ warranted being separate themes despite the relationship between the two concepts.

This is a firm that believes ‘*if it moves, measure it (AP 11/11/10)*’ and this belief in quantitative data as a tool to manage important elements of the business stretches from obvious numerical data such as financial performance and telephony statistics, sophisticated statistical pricing techniques and quantitative measurement of marketing but also to survey data for staff opinion and feelings and ‘*even the stuff in my department which people say you can’t measure, we still find a way of measuring it (LS 12/11/10)*’.

5.5.8.1 Evidence from the primary data

From the ‘recruitment and introduction’ theme in Section 5.5.1 there is evidence that this is a firm who recruits ‘*highly intelligent people who could number crunch (GR 24/06/10)*’. So there is a propensity and comfort level with quantitative data. As one participant told me ‘*we spend hours on the numbers (LS 12/11/10)*’.

The proto-theme emerged from the email discussion set of codes: Measure everything/Numerate/Rational/Analytical. All of these codes were used in the interview data set too but were nuanced by further coding as seen in the following table.

INITIAL CODING SCHEMA FROM EMAIL/INTERVIEW DATA
Measure everything/ Numerate/ Rational/ Analytical/ Numbers/ Examples of measures used by TM's/ If it moves measure it/ Rationale for success

Table 5-22: Codes from the email and interview data that encompass the ‘numbers matter’ theme. See Appendix A.9 for details.

This theme and ‘attention to detail’ both are roughly the same frequency of underlying codes: 48 to 55 respectively although Table 5-22 shows how few codes actually make up this theme. The theme ranges from actual measurements ‘*with all the measures available ... looks at numbers constantly (AR 04/06/10)*’ to using those numbers ‘*we do what the numbers point to (NWK 10/06/10)*’ and the belief that ‘*numbers create the solution (CH 10/06/10)*’.

A quote from the CEO’s interview sums up this theme as it emerged from the primary data:

*‘Numerate, measure, we measure virtually everything and we watch how it all falls together and we’re able to see when problems crop up very early because the numbers all have their own patterns and the minute a number deviates from the pattern we’re all over it like an old suit (HE 22/06/10)’*

This is a firm that believes that ‘numbers matter’.

### 5.5.8.2 Supporting evidence from the secondary data

Beyond the wealth of financial and performance reporting that is the hallmark of any successful firm, this is a firm that measures everything. When the company was preparing for its IPO in 2004, the Global Offer Listing Particulars (p. 1)<sup>61</sup> listed a number of competitive strengths which included: (1) ‘*low cost direct distribution*’ a description including both cutting edge sales technology (combining telesales, outbound dialling and the internet) but more importantly for successful enterprise Admiral’s marketing efficiency in its peer group yielding lower acquisition costs (see Chapter 1) and (2) ‘*extensive data collection and utilisation*’ describing Admiral’s pricing capability allowing risk selection at an appropriate price.

These could be considered two of Admirals core operational (as defined by Helfat and Winter (2011)) capabilities and both rely heavily on numbers and an analytical capability of those numbers and application to the business. Along with operational costs, remembering that a focus on ‘low cost’ is part of the ‘attention to detail’ theme in the previous sub-section, having one of the lowest acquisition costs in the market allows Admiral to maintain the lowest expense ratio of its peer group (see Figure 1-4 on page 1-15 for data to support this statement). The other element of the combined ratio measure used to gauge success in the market (again see Chapter 1) is linked to pricing capability. The ability to charge the appropriate premium for any given risk feeds through into a superior loss ratio (again see Chapter 1 for supporting evidence for this statement) which is the ratio of claims paid out to premiums taken and the premium is determined by pricing. Any profits are determined by the gap between total premium written in any year plus investment income and the combined ratio of claims and operational expenses (again in Chapter 1, see Figure 1.4).

Pricing is a heavily statistical process where data from every policy sold and renewed is collected and can be analysed by rating factor. Admiral had 25 rating factors to determine

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<sup>61</sup> *Hard copy distributed to all shareholders in 2004. Admiral executive managers and sponsors Merrill Lynch International and Citigroup prepared this document. The document was produced in accordance with the listing rules of the UK Listing Authority made under Section 74 of the UK Financial Services and Markets Act 2000 and was available prior to flotation for analysts and potential investors*

price in 1993 and now has between 50 and 70 depending on the source of the information. For example, aggregators ask more questions allowing more information to be available for rating. Rating is an analytical process looking for predictive data for claims. Asking the head of the underwriting team at Admiral UK to comment on Admiral's pricing advantage, measured by superior loss ratios in the market (see Chapter 1) he noted that:

*'if asked, what the main reasons are for our pricing advantage then we tend to talk about data (more of it and better quality), the company being very data driven (test and learn approach, pricing analysis key to cross-department decisions) and simply the way we do our analysis (DS [current COO still] very involved, common sense and intuition more important than statistical expertise etc.)'*<sup>62</sup>

Supporting this, one analyst report published in August 2011<sup>63</sup> notes *'much of the key to Admiral's success lies in the pricing department ... An entrepreneurial and innovative approach is taken, maximising the use of data (more questions, more data, more disaggregation) and accentuating common sense over a black-box actuarial approach'*.

Marketing efficiency is about knowing exactly how many quotes can be expected from any given marketing activity at an expected cost based on past performance. It links with the conversion rates to sales which are determined by pricing and to the throughput ability determined by telesales agents and/or capacity of web servers. It is very fine grained analysis so for example testing will establish the metrics of any given activity and can distinguish between say a 10x1 ad run in a given newspaper with a 10x3 ad in the same paper or a 10x1 in another paper, or a 10 second ad versus a 20 second ad on a particular TV channel. Cost is not the only lever. The type of customer responding to any particular ad in any given medium is also key and relates to pricing and hence to the overall risk selection for the firm.

However, the primary data raised the point that this is a firm that also measures a whole range of softer variables such as capturing peoples opinions and beliefs about their work and environment. It achieves this through surveys. There are four main surveys done although ad hoc surveys can be conducted on the intranet at any time to get an answer to a

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<sup>62</sup> Email from RC sent to me asking him to comment on pricing dated 07/04/14 22:16:15 GMT+0.00.

<sup>63</sup> *Autonomous (2011). 'Admiral: Keeping faith in a hard market', Available from Investor Relations at Admiral.*

question. These are (1) monthly surveys to take a snapshot of important cultural elements in the business where the actual number of people surveyed varies by department chosen that month but the survey questions remain the same with typically a 70% response rate<sup>64</sup>; (2) the annual survey which has run since 1995 but in its present form since 1999 which measures all the important cultural elements in the business; (3) the GPTW Institute conduct an external benchmarking survey resulting in a cultural assessment and an employee trust index; (4) The Sunday Times 100 Best Companies to Work for in the UK survey again resulting in a cultural assessment of the firm. These surveys have all been heavily used as secondary data in this thesis and as such the reader, by this point, should be familiar with the types of question asked and the results achieved.

### 5.5.8.3 Summarising evidence for the ‘numbers matter’ theme

Not only do the interview participants believe this is a firm where ‘numbers matter’, recruitment practices (see Section 5.5.1) and use and production of data within the company evidence this belief.

## 5.5.9 Development of ‘structure helps’ theme

The initial proto-theme developed around the idea that being a ‘*lean/flexible organization is a great advantage for us*’.<sup>65</sup>

### 5.5.9.1 Evidence from the primary data

This is one of the smaller themes with only 14 contributions. These all revolved around a flat structure enabling flexibility and speed. Appendix A.10 shows the full coding table that make up this theme but essentially another quote from the Managing Director of Conte (see footnote below) summed up this aspect of the theme as

*‘A lean and flexible organisational structure: It’s our ability to avoid unessential overhead. It’s our ability to test ideas and prove them rather than*

<sup>64</sup> The member of staff in the Communications Team responsible for these monthly surveys responded by email to my request for information on 11 April 2014 12:01:22 GMT +01.00. She gave an example that in March 2014, 7 departments: a total of 438 people were surveyed with a 74% response rate that month.

<sup>65</sup> This quote is taken from an email discussion with the international managers on our resources and capabilities in January 2011 that I moderated as a development exercise for those managers. They gave me permission to use the discussion as a resource for my thesis. The contributor here was the Managing Director of Conte, the Italian insurance business.

*carry-on long approval processes or long analysis or look for unanimous consensus. It's our ability to avoid that bureaucracy slow down our business as usual. It's our ability to prevent managers to use decision power as status in the company. It's our ability to create trust that can facilitate decision making and implementation.'*

So the idea that a flat hierarchical structure '*there are only 6 levels in sales between the CCR and Henry [CEO] (BM 15/06/10)*' enables the flexibility the participants had pinpointed as a key success factor and enables speed of response from decision to implementation emerged from the data.

There was also some discussion on the looseness of the structure and the fluidity at the top levels being an advantage to the company as knowledge is shared. For example: the current COO, DS, has also headed up marketing, pricing and claims in the years since launch; the current CFO, KC, volunteered to run Confused in 2011 and then the US insurer Elephant.com from 2012 to date of writing whilst maintaining his CFO role; CB, who was Head of Marketing at the time of the interview was moved to head up the launch of the Household project in 2011 and now is the Head of IT (having being recruited into Claims when she first joined). This has implications for the recruitment process of senior team with one interviewee telling me '*I explain that to people when they come here. "Your job will not be so prescribed that you will know exactly what you're doing because the next week you may be given something completely different so you have to be flexible, be able to change, be able to think on your feet"*' (LS 12/11/10)'.

#### **5.5.9.2 Supporting evidence from the secondary data**

Unlike the other themes, this theme was nuanced by the secondary data on the idea that 'structure helps'. From the launch in 1993 through to the Global Listing Particulars published in 2004 to Analyst Reports from 2004 to 2014 it is clear that 'structure helps' this business through it's capital structure.

The idea for this enhancement to the theme came from a development session with the international managing directors that I moderated, in my role as mentor, over email in January 2011 (see footnote 65). The topic of discussion was the Group's resources and capabilities as the participants saw them and a number of them mentioned Admiral's unusual capital structure (along with the advantages of a flat hierarchy as evidenced above).

In 1993 the company launched under the aegis of Syndicate 253 at Lloyd of London, an institution that typically underwrites non-general classes of insurance such as marine, aviation, war, catastrophe etc. To write UK motor insurance, whilst not unheard of at Lloyds, selling direct to the public was a first. The company was set up with a distinctive proposition and a unique accounting structure that allowed it to amortise its start-up costs over three years benefiting each year of account and enhancing its attractiveness to capital providers to the Syndicate.

In 1999, prior to a management buy-out (MBO), a new innovative capital structure was put into place to make the company more attractive to potential venture capital partners and survives today although the number and identity of the partners change from time to time. Admiral has put into place underwriting agreements with co-insurers and reinsurers to mitigate the risk of underwriting. The proportion has ranged from 35% retained by Admiral in 2000 to 25% at the IPO in 2004 to 28% in 2010 to 26% in 2013<sup>66</sup>. These contracts also have profit commission clauses in them dependent on loss ratios and premiums written in any year. This commission can yield substantial risk-free (for Admiral) income. As the current Head of the US aggregator explains it: *'it is our willingness to give away potentially higher returns for certainty of a limited to negligible downside'*<sup>67</sup> that makes this unique capital structuring an important element of this theme. The 2013 Annual Report<sup>68</sup> describes these arrangements as:

*'The Group has entered into certain co-insurance contracts under which insurance risks are shared on a proportional basis, with the co-insurer taking a specific percentage of premium written and being responsible for the same proportion of each claim ... Under the terms of these agreements the co-insurers reimburse the Group for the same proportionate share of the costs of acquiring and administering the business (p. 79).'*

In terms of secondary data to support the theme as it emerged from the primary data, support can be found in a number of statements made in the 2013 Annual Report or in external players commenting on the nature of the organizational structure.

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<sup>66</sup> Figures taken from the appropriate Annual Reports: Accessed from <http://www.admiralgroup.co.uk>.

<sup>67</sup> See Footnote 65 for details of source of data but contributor here is the former Head of the US insurer and now current Head of the US Aggregator.

<sup>68</sup> Admiral Group Plc Annual Report and Accounts 2013: Accessed from <http://www.admiralgroup.co.uk/pdf/annualreports/2013.pdf>, 06/04/14: 16:07.

From the Chairman's introduction (see Footnote 68, p. 36): *'we also believe that good governance should be proportionate and that individual responsibility and accountability should not be lost within a multi-layered committee structure that distances senior management from the day-to-day reality of operational activity'*.

From an analyst's report (see Footnote 63, p. 10): *'we see little evidence that Admiral is transforming itself into a cumbersome bureaucracy as it takes on more policies and more premium'*.

From the Chairman's address to the International Managers meeting in September 2013<sup>69</sup>: *'[we] have structures for business review and decision making that at times seem at odds with our flexible, responsive and non-bureaucratic way of doing things'*.

These statements suggest that the company presents itself externally as a lean and flexible organization.

### 5.5.9.3 Summarising evidence for the 'structure helps' theme

The literature has suggested that compared to trust: price and authority are relatively ineffective when dealing with knowledge-based assets and predict that high-trust institutional forms will develop (Adler, 2001). The evidence presented thus far in this case-study indicates that this is a firm whose competitive advantage is knowledge based and scores highly on the Trust Index measured by the GPTW Institute. As trust has increased in importance in understanding modern firms, the relationship to flattening of hierarchies has been noted (Heisig & Littek, 1995). The idea that hierarchy is connected to organizational legitimacy (for a full review of this literature see Redmond, 2013) and that egos of top managers (Redmond, 2013) use hierarchy to fix relations and ranks within the organization is contradicted by the evidence in this firm at this stage of its development. There is an evidence that the senior managers in this firm do not use hierarchy as a tool for legitimacy (see coding for 'lack of ego' in the 'culture enables' theme data tables in Appendix A.16). On the evidence from the primary and secondary data: managers in this firm believe that their lean and flexible structure is part of their success.

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<sup>69</sup> *The Chairman kindly forwarded me a copy of his speech to the International Managers Forum for use in this study.*

**5.5.10 Development of ‘team building’ theme**

This theme did not emerge from the email data-set but emerged from the interviews particularly with a discussion at the first interview around team dynamics and team building.

**5.5.10.1 Evidence from the primary data**

This is one of the smaller themes with only 17 contributions with only one from a retrospective re-coding of the email data-set. There were 11 separate codes identified from the data as summarised in the following table.

INITIAL CODING SCHEMA FROM EMAIL/INTERVIEW DATA
Team dynamics/ Formal team building exercises rationale/ Team fit is important/ Academy courses = opportunity for indoctrination/ Self awareness/ Teams everywhere: formal and informal/ Example of process of constructing team/ Solution for a non performing team/ MAD events/ Rationale for working in teams/ Restablishing collegiate decision making/ Well functioning team

*Table 5-23: Codes from the email and interview data that encompass the ‘team building’ theme. See Appendix A.11 for details*

11 of the 17 contributions came from interviews with people from the People Services department where much of the recruitment and training focus is on teams at all levels in the company below the senior management team which is a ‘*team that get on well together and feel comfortable in each others company (SC 08/06/10)*’. Looking at the participants contextual data in Table 4.5 on page 4-103, one can see that this is a group of people who in have worked together to deliver success and even a measure such as simple length of tenure will help this group build trust and respect in the corporate culture already evidenced thus far.

A number of contributions built on the idea that teams at all levels are self-aware ‘*we play to our strengths, we know each other, we know each other well (GR 24/06/10)*’ and work to the strengths of their individual members ‘*areas of skill and relative skills and the sum is much bigger than the individual parts (DS 24/06/10)*’ and indeed are constructed to provide a balance of skills ‘*I think as a company we are very well aware of the dynamics of teams ... plan a team, starting with key people I think and then fill the gaps ... you need all those different people (JM 22/06/10)*’.

The current Head of People Services noted that teams are everywhere: both formal teams but *'then there are lots of informal teams, really, people you've ... it's not a structured team but, if you like, groups of people who you've built a relationship over the years that you go to for advice and support (CA 11/11/10)'*.

Far from simply identifying that 'team building' was key to success, a number of contributions also gave a rationale for teams that reflect on other themes that emerged. For example on innovation the former CFO told me *'being forced to be round the table with other people and pitch in, I think we've always got better ideas or ideas that have been refined because of team work (AP 11/11/10)'*. On decision making there is more *'discussing and agreeing together rather than "I'll tell you what to do" or "you go do it because it's your area" (KC 03/02/11)'* and on implementing change *'the dynamics of a team can make such a difference (JM 22/06/10)'*.

As for the processes designed to bring teams together which is also described as 'team building' by the industry grown up to promote such events: a number of comments were made that these events needed to serve a purpose and that *'throwing money at something isn't the answer ... you can do team building in much simpler ways (JM 22/06/10)'*. The interview with the Head of the Admiral Academy shed light on many of the processes the firm uses to develop teams and team spirit within the firm. See the contributions made specifically by GR in the coding tables in Appendix A.11.

#### 5.5.10.2 *Supporting evidence from the secondary data*

The vocabulary of 'teams' is very apparent when reviewing the way the company talks about itself in internal and external documents. For example, externally, the 2013 Annual Report (see Footnote 68) uses the word team to describe departments and specific groups of individuals using the word 'team' 25 times. Internally people use the word department and team interchangeably often using 'team' to describe their immediate cohort and with 116 unprompted mentions in the 2012 GPTW Employee Response report it is clear that the word 'team' is part of the Admiral lexicon.

In the primary data tables (Appendix A.11) reference was made to the Academy's use of the MBTI to help team building: with the emphasis on individuals becoming aware of their own strengths and limitations but being able to respect difference between individuals. The

programmes run are aimed both at individual managers but also at teams. In 2005, the entire management team at all levels completed MBTI training (their results contribute to the data shown in Table 5-5 and Table 5-6) and that year an externally moderated event based on team building using the MBTI was offered to the UK MAD (all 268 managers).

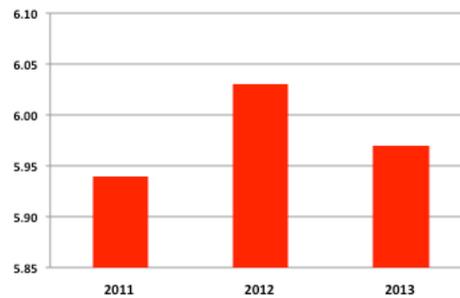
The MBTI is used by *'89 of Fortune 100 companies to maximise individual and team effectiveness from entry to executive levels'*<sup>70</sup> and in the UK the OPP website claims it helps *'organisations unlock potential in individuals and teams'*<sup>71</sup>. OPP have certified from one trainer in 2006 to X in 2014 Y staff from the Admiral Academy to deliver MBTI training. This is evidence that the firm takes team building seriously.

Another source of evidence that 'team building' is an important element of Admiral's success comes from the Best Companies results where 'My Team' is one of the 8 factors used in the overall result. The statements with which the employees must give a score where 1 is the lowest and 7 the highest give an indication of how the employees feel about their teams in action and the overall 'team spirit' which is a factor in highly performing teams albeit ill-defined in the literature (Silva et al., 2014) although it seems to revolve around a shared and cohesive culture (Bolman & Deal, 1992). The statements presented in the survey are: (1) My team is fun to work with; (2) I feel a strong sense of family in my team; (3) Working in this team gives me a buzz; (4) People in our team don't care much for one another; and (5) People in my team go out of their way to help me. The graph overleaf shows the team spirit factor results over the last three years:

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<sup>70</sup> Quote taken from <https://www.cpp.com/products/mbti/index.aspx>: Accessed 07/04/14 16:45.

<sup>71</sup> Quote taken from <http://www.opp.com>: Accessed 07/04/14 16:47.



*Figure 5-13: Results 2011 -2013 for statements asked about ‘My Team’ from the Best Companies survey conducted each year. Scores range from 1 (the lowest) to 7 (the highest) and 4 is a neutral position.*

Although the data is only available for the most recent years, it seems reasonable to infer similar scores in previous years as Admiral has featured in the Best Companies to Work for in the UK since 2001. Although not directly supportive of the theme ‘team building’ it suggests that Admiral can build teams where the team members are very positive about that team and its inclusion as a factor in ‘Best Companies’ indicates that its emergence as a theme from the interviews talking about success is consistent with Best Companies ethos.

Other supporting evidence comes from employees comments to the open-ended question asked in the survey conducted by the GPTW Institute. These quotes are taken from their 2012 feedback report listing the anonymous responses to the open-ended questions:

*‘Managers often treat people as equals both in a professional and personal capacity and view everybodys role in the team as equally essential’;*

*‘I like the great sense of team spirit here’;*

*‘The team culture here is second to none’;*

*‘We go out of our way to make all new starters feel welcome and part of the team from day one’;*

*‘I just enjoy coming to work knowing I get on well with all my team’.*

Again these comments point to a firm that creates the sense of ‘team’ at a foundational level.

### 5.5.10.3 Summarising evidence for the ‘team building’ theme

The transcripts reveal that ‘team building’ is believed to be an element of Admiral’s success. The ability to create teams that have a shared culture and drive and that appreciate

the diversity of membership to create teams that are greater than the sum of their parts is a theme of success in the literature also. The secondary data shows that the concept of ‘team’ is embedded within the organizational psyche and that the ‘team spirit’ experienced by the employees supports the primary data evidence of shared culture and team ethos.

**5.5.11 Development of ‘external market intelligence’ theme**

This theme can be summarised by a contribution from one of the newer members of the UK management team who explained to me that ‘*we listen to the market, we have antennae everywhere and can react pretty well (NWK 03/02/11)*’.

**5.5.11.1 Evidence from the primary data**

This is one of the smaller themes with only 13 contributions that again developed initially from the interview data set with only one contribution from a retrospective re-coding of the email data-set. There were 11 separate codes identified from the data these 13 contributions as each contribution nuanced the concept. These codes are summarised in the following table.

INITIAL CODING SCHEMA FROM EMAIL/INTERVIEW DATA
Awareness of wider context/ Intelligence gathering mechanisms/ Traits in hiring (sensing)/ HE & DS are Admiral to analysts/ Analysts value culture in Admiral context/ Market talent/ Rationale/ EMI processes/ Source of decision making/ Antennae/ Markets

*Table 5-24: Codes from the email and interview data that encompass the ‘external market intelligence’ theme. See Appendix A.12 for details*

One of the codes used in developing this theme was ‘sensing’ taken directly from Teece’s 2007 work on explicating dynamic capability where the capacity to ‘*sense and shape opportunities and threats*’ (p. 1319) is key. In the context of the coding it describes a ‘trait’ that is innate in the management team ‘*It’s always been that the managers have been aware (JM 22/06/10)*’. It is seen ‘*as fundamental. If you are going to grow a business ... you’ve got to understand the bigger market place. So you’ve got to look outside for data (AP 11/11/10)*’. It is part of the decision making process because ‘*you’ve got those [internal] metrics and you can translate what’s happening in the market place (AP 11/11/10)*’. The ex-CFO went on to give an example of this:

*‘we’re in a position – or the group is in a position at the moment – where it has grown incredibly rapidly. That’s foreseen ... i.e. prices rapidly rising and that will be a time of extreme growth for us because of the way we’re positioned. So, you’re looking at the outside market, it’s got to move, it’s got to move, prices have got to move and when they do start it will be rapid and we will follow with rapid growth (AP 11/11/10)’*

So although there were fewer contributions than other themes, ‘external market intelligence’ emerged from the data as important to Admiral’s success.

### 5.5.11.2 Supporting evidence from the secondary data

Reading the thesis thus far should give the reader a feel for the extensive use of external data by the company as much of the secondary data and the data used to build the argument that Admiral is a successful firm in Chapter 1 originates externally. A list of what has been used externally is presented in the next table:

Source of data	Use
Deloitte Annual Motor Seminar	Benchmarking, provides loss ratio comparisons to measure success of pricing strategy compared to market
Datamonitor Industry profile	Benchmarking, provides loss ratio comparisons to measure success of pricing strategy compared to market
Ebenchmarkers Monthly	Benchmarking, pricing implications
Ebenchmarkers Survey	Benchmarking, benchmarking marketing efficiency
GPTW Survey	Benchmarking people management strategy
Best Companies survey	Benchmarking people management strategy
Mintel Motor Insurance	Benchmarking to market
Neilsen Media Reporting	Benchmarking marketing activity
Google	Benchmarking SEO and PPC strategies

*Table 5-25: Listing sources of external data and use to which they are put within Admiral*

Almost the whole market subscribes to this same external data (other than the GPTW and Best Companies data) which begs the question how this can be a source of competitive advantage but I think the answer lies in quotes from the UK Head of Underwriting quote in full on page 173: *‘simply the way we do our analysis’*.

From Table 5-25 we can see that external data is important for benchmarking marketing and acquisition strategies, for benchmarking people management strategies, for mapping underwriting cycles which allow growth in turnover and indicate when levers need to be turned to maintain profits at times where the company is not chasing turnover. Google data is used hourly to determine spend and effectiveness.

One key part of the benchmarking puzzle over price movements in the market has come with the advent and growth of the aggregators. Whilst not strictly an external source of data, Admiral does use their daily conversion rate and the number of times they appear top on a daily basis from Confused data<sup>72</sup> to gauge their competitiveness in the market.

Networking is also a good source of external intelligence. External factors such as networking are a recurrent theme of the knowledge-based view in the literature (see N. J. Foss, Lyngsie, & Zahra, 2013; Catherine L. Wang & Ahmed, 2003 for review). The company is a member of the Association of British Insurers (ABI) and attends functions and conferences. Individuals are members of groups that can be sources of information. A recent example is from a person who is heading up a newly formed telematics team whom I am mentoring. She sent me an email<sup>73</sup> quoting a contact of hers from Merrill Lynch with interesting information on suppliers in the market about whom we'd had a conversation the previous week: *'it looks like the Telematics stakes just got raised. I love HIMEX as I mentioned on the phone last week and it appears RAC and Ingenie have gobbled them up via Allianz'*. This piece of information has changed her testing strategy for the next development of telematics for Admiral.

Like networking, subscriptions to external publications and websites can also be a source of information. The company doesn't keep a centralised database of what comes into the building but personally I am on a distribution list for the following publications:

Publication	Frequency	Use
Insurance Times	Fortnightly	Insurance market information
<a href="http://www.insuranceage.co.uk">www.insuranceage.co.uk</a>	Weekly	Insurance market information
Marketing	Monthly	Marketing information
Marketing Week	Weekly	Marketing information
Management Today	Monthly	General business information
Harvard Business Review	Monthly	Management practice ideas
Journal of Direct, Data and Digital Marketing Practice	Quarterly	Marketing information

Table 5-26: List of publications including me on their distribution list at Admiral

Like the networks to which I belong, these publications can be a source of ideas: for example reading about a new company in Marketing Week in 1998 that was promoting

<sup>72</sup> Just to note that this is data that is made available to all Confused partners, Admiral does not see anyone else's data only its own.

<sup>73</sup> Email received from JG 07/04/14 09:57:48 GMT +01:00.

advertising on the back door of service station toilets led me to call them to arrange a trial campaign for our new Diamond (insurance for women) brand that featured as part of our media mix until it became too expensive and hence inefficient in 2001.

Finally the company accesses analyst reports where applicable and scrutinises company reports and DTI data from the competitors to gauge their strategy from their P&L and corporate communications.

#### 5.5.11.3 *Summarising evidence for the ‘external market intelligence’ theme*

Not only do the managers believe that ‘external market intelligence’ is a success factor in this firm, the secondary data illustrates how such external data has been used to effect within the firm.

#### **5.5.12 Development of ‘strategic decision making’ theme**

The idea that Admiral’s decision making might be a key influence emerged as a proto-theme during the email discussion when it was noted that: *‘top management is involved, so inputs from the very top of the organization can arrive for all sorts of decisions’* as a success factor and yet balanced by the view from the interview data set that *‘[managers] do have autonomy because you have to have it to get on with your job’*. The participants are all senior managers in the organization and yet they all accept that there are:

*‘a small number of people making some of the big strategic decisions seems in some ways less empowering to others but I think the empowerment comes through having set the direction, prepared to let the rest of the management get on with it. To be very quick with “this is the way we want to go” because, “why?”, bang, “this is roughly what you’ve got to do, get on with it, guys.” It’s the best of both worlds. (AP 23/06/10)’*

So as the interviews continued the theme became more nuanced towards ‘strategic decision making’.

#### 5.5.12.1 *Evidence from the primary data*

There were a number of elements of ‘strategic decision making’ that emerged from the primary data summarised by the codes used in the following table.

INITIAL CODING SCHEMA FROM EMAIL/INTERVIEW DATA
Top down direction/ Risk aversion/ Empowerment defined at strategic level/ Drawbacks/ Loud discussions!/ Top team dynamics/ Implementation of strategic change/ Decision making process/ Intuition as basis for decision/ Fast process/ Debate at heart of decision making process/ Board involvement/ Team decision making/ Bigger picture more a senior role

Table 5-27: Codes from the email and interview data that encompass the ‘strategic decision making’ theme. See Appendix A.13 for details

The executive directors past and present contributed to the development of this theme specifically with regards to the dynamics of how decisions were made. ‘*There are a lot of decisions that get made in terms of big decisions about direction in a surprisingly casual way*’ which is ‘*not obvious and it does rely heavily on personal chemistry*’ (both quotes KC 03/02/11). The key decision makers also talked about this personal chemistry that seems to foster speed and decisiveness after a decision ‘*based on intuition, judgement and robust debate (KC 03/02/11)*’. It is the interaction between the top three executives who are described as the optimist, pessimist and pragmatist (see DS 24/06/10) plus the level of knowledge they have of the detail of the business (see Section 5.5.7 on ‘attention to detail’) and the external market intelligence they possess (see Section 5.5.11) and the trust they have developed between them (see quotes from AP 23/06/10 and 11/11/10 in Appendix A.13) which create the context for decision making in this firm.

The executive team provide the strategic direction but there is an expectation that the next tier of managers is responsible for the implementation of that direction. They are expected to use their ‘*ability to answer back and challenge (AP 23/06/10)*’. They are also expected to be autonomous in the decision making that is more operational in nature using their various networks to seek help, inform, communicate but the data indicates that this lower level decision making is more team based where ‘*there’s a nice sense of getting to the hub, the nub of the problem and then trying to find a solution to the problem in the way that discussions occur in the teams or whatever, as opposed to reporting to people what you are doing (KC 03/02/11)*’.

Regarding the role of the Board there is a sense from the primary data that ‘*the strategy is defined by [CEO], [CFO] and [COO] running through the Board for agreement (CA 11/11/10)*’. The primary data didn’t allow for specific questioning on the role of the Board but there are secondary sources (see below) that indicate that the interaction between the Board and its executive team is not as simple as the last quote leads us to believe.

### 5.5.12.2 Supporting evidence from the secondary data

The operation of the Board is formalized as you would expect for a company listed on the stock exchange and minutes of the meetings are very dry and factual and don't really give an insight into the elements of 'strategic decision making' that emerged from the interviews. From the 2013 Annual Report<sup>74</sup> the Chairman states (p. 36), on behalf of the Board, that '*we believe that having a sound corporate governance framework enables effective and efficient decision making*' and later in the Governance Report (p. 40) the role of the Board is defined including the statement '*the Board is the principal decision making forum for the group ... delegating authority to the Executive team*'. The view of decision making that emerged from the primary data needs to be reconciled with the view presented in formal governance statements of the company.

The data I am using to reconcile these positions comes from interview data with the Executive Team for another study where the subject being explored is how strategic change comes about in this firm. There were three main interviews conducted with the CEO, the COO and the ex-CFO. I covered off the areas for this additional study with the current CFO in his interview for this research – hence the number of contributions his interview made to the development of this theme. Speaking to the same people as those in the primary interview is bound to produce supporting evidence for the view of 'strategic decision making' that emerged. However these interviews were gathered for a separate study, hence the appellation "secondary data" and allow comparison of the process from three separate viewpoints revealing the interactions of the Executive team adding richness to the understanding of this theme and support for the emerging theme from the primary data. They also reveal more of the nature of the relationship between the Board and the Executive team and how that has developed over time.

The decision to run the new brands (a separate decision) as separate entities within the business was made when Admiral was in its early years (1996 for a launch in 1997) and still part of Syndicate 253 within Lloyds of London and no Board per se was in place. The CEO told me: '*one of the things, though, that I ... really wanted to do, was set them up as individual entities with their own managing director, their own sales force, their own*

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<sup>74</sup> Admiral Group Plc Annual Report and Accounts 2013: Accessed from <http://www.admiralgroup.co.uk/pdf/annualreports/2013.pdf>, 14/04/14: 14:43.

*customer service force, their own renewals force; to create, to keep that small company feel in what was becoming an ever bigger organisation and I think that worked rather well (HE 01/02/11)*'. The COO remembering this same decision said:

*'Henry was a champion of the MD as sort of something truly like an MD and I would have been at a different position which was the MD was merely a figurehead and a head of operations but I think we went with the separate structures because Henry was a believer in small is beautiful, delegation of power, opportunities to innovate separately and all that sort of stuff, which I think is quite right and very logical and certainly the separation in terms of motivation was very valuable (DS 01/02/11)*'.

Whereas the ex-CFO commented *'yes, and I argued the opposite (AP 02/02/11)*' having told me in one of the primary data interviews which touched on this as *'you take fairly robust views, sometimes you agree to disagree (AP 23/06/10)*'. So in these three quotes we see how discussion and differing viewpoints reach consensus.

The next table compares the views of the Executive directors on three sample strategic decisions taken over a span in the company's history. The context of these three decisions is explained here:

1. The demise of the Gladiator brand. Gladiator was a motor broker set up in 1994 by the firm as a way of utilising the percentage of leads generated that did not convert as Admiral policies. It was a way of generating income ancillary to the main motor underwriting that could offset marketing costs for the Admiral brand. It was set up under the aegis of a newly recruited manager who had been specifically recruited for his broking experience and run as a separate entity within the firm as it had its own systems, relationships and regulatory regime. From the interviews with the Executive Team they report the triggers for its closure being both low morale amongst the staff and disappointing annual survey results plus the financials were on a downward slope.

2. The Initial Public Offering (IPO) in 2004 followed the Management Buyout (MBO) in 1999. At the time of the MBO it was accepted that the venture capitalist (VC) partner, Barclays Private Equity, would want an exit in 4-5 years but whether that was to be a trade-sale or an IPO was a strategic decision to be taken.
3. In 2010 after three years, the German start-up Admiral Direkt was divested from the Group in a trade sale. The data shown in Table 5-28 shows this was a difficult decision.

The data in Table 5-28 overleaf shows that for the most part the Executive team are taking the key decisions. The influence of the Board can be seen in the IPO decision as the non-executive Chairman and VC Board representative clearly had advice for the CEO (and experience of the IPO process). The decision to close Admiral Direkt was clearly an emotive one for the CEO and it is interesting that the Board did take that decision but the data clearly shows that was because the team couldn't agree. Listening to the recordings of these interviews the CEO's very factual statement about this German decision, at odds with his co-Directors opinion of his position, was delivered almost in a monotone. This is very noticeable as the rest of the interview he is very animated and passionate. Reading the context of this decision from the other excerpts, here is a man who did feel passionately about the German project despite knowing the detail of the operation but has accepted the logic and rational decision that was made.

CHAPTER 5: EVIDENCE OF DYNAMIC CAPABILITY WITHIN ADMIRAL PLC

WHO	DECISION		
	Demise of Gladiator Brand <i>Context: 1999 MBO done same year</i>	IPO <i>Context: 2004</i>	Divesture of Admiral Direkt <i>Context: 2010</i>
CEO (HE)	So, we felt, largely, that we just didn't have a good handle on it and we didn't understand the business well enough.	And the board, you know, Alastair was already the chairman and Owen from Barclays, they were the key drivers of that decision, yes.	Well, Germany has been sold now. We, the Board, decided it did not want to proceed there ... It was small and the expense base was high and there were some very efficient players and there might be a cross subsidy between car insurance and other products and we only sell car insurance so we are at the wrong end of the cross subsidy.
COO (DS)	it would have been, yes, just the three of us and I think a lot of it was around reservations about [Head of Gladiator] and a big belief in stick to your knitting as well. Motor broking sounded very, very similar but it isn't quite as similar as you might think.	I think two key stakeholders wanted it and one was willing to accept it. The key stakeholders that wanted it were the management at Munich Re and we wanted it and Barclays Private Equity sort of go "well, these guys know what they're doing, I'm sitting on what's already a vastly appreciated asset very quickly, why should I quibble?"	There was an element of Henry that didn't want to close Germany ... [so] what ultimately went to the Board was "we should review this at the end of the season i.e. February 10 with the expectation of shutting it down ... Then February 10 in a sense Andrew going in there was a piece of procrastination" ... by the middle of 2010 ... Henry could accept that it was right to close Germany but he didn't want to be the person that pulled the trigger. So, there was a Board Committee created and recommended closure
ex CFO (AP)	That decision would have been taken by the three of us; I don't think we consulted anywhere.	And we also knew what's the VC in it for? The VC is in it for an exit and the VC is in it for an exit within a timescale of three, four, five years. That exit is uncertain but it's either IPO or a trade sale and both were possibilities when we started marching down the road together. So, there was clarity of where we wanted the business to grow, what we needed to do, what that exit was and what the timescales were, what the benefits to the VC were, what the benefits were to us.	But I will come over for a week and have a look, see what's there". I was aware of the numbers and not a great fan of what it was doing, aware of the numbers through Gibraltar ... conclusion I had was very soon the management was not good, was not tackling things, they were hiding, the system was rubbish, I don't believe the forecasts, there is way too much overhead here for what they're doing, an awful lot of waste, it needs a totally different approach ... bringing a plan together and that turned into the decision to close or go on had been turned over to a committee of the main Board.
CFO (KC)	<i>KC hired in 2005</i>	<i>KC hired in 2005</i>	I think the one area that you could explore which I think is seminal is the closure of Germany which I think is the only time in my experience at Admiral so far where the Board have actually taken a decision. And a not very happy decision and one the chief executive is still very perturbed about. I think they made the right decision. [KA Why do you think it went to the Board?] Because we couldn't decide. Henry, David and I couldn't decide. David was of the view shut Germany ... it's never going to work. I was of the view we probably should shut Germany but I could be persuaded to keep it open for another year ... David was of the view that we were flogging a dead horse and might as well shut it now. Henry was of the view keep it open; I think we would be cutting our losses too quickly; and this is an experiment, it should run longer; and it may turn out to be great. So, we couldn't decide and so that's why it went up to the Board, we copped out, really, and said "you guys decide instead".

Table 5-28: Takes excerpts from the interviews with the Executive Directors (past and present) on three strategic decisions and allows comparison of views.

But what is the role of the Board? Clearly from the primary data, the management team feel it's more of a ratifying body but I think the evidence from these later interviews show that it is more than that. Certainly there is a lot of trust between long-serving members of the Board and whilst the CEO told me 'I report to the Board (HE 01/02/11)', from Table 5-28 there is evidence that in at least two of these decisions he has sought and taken advice

from Board members. The ex-CFO remembers the VC after the MBO influencing the internet decision *‘the only significant change in direction, which was a good one, was that Owen Clark pushed us to be more internet and we talked about Elephant and what have you and that was after the MBO and probably left to our own devices we wouldn’t have been as quick at it. He did give us a kick in that direction (AP 02/02/11)’*.

That decision-making is the province of the Executive team seems clear. From the primary data interview with the current CFO I was told: *‘I would argue that the European decisions were done and dusted, sorted, decided, long before they got anywhere near the board (KC 03/02/11)’*. The Board presentations had been honed over many months (speaking to the managers that prepared them) and went to the Board along with a recommendation for or against. The order in which the European expansion happened was *‘a bit opportunistic. We were looking, it could have been Spain, at the time it could have been Italy. We liked Spain a lot, we didn’t like France, for instance, they were on our list, the list was five countries but we knew the US and France were going to be bottom of the list and the other three it sort of depended on who [people recruited to run those businesses] we found. (HE 01/02/11)’*. Both France and the US have recently launched: the US in 2010 and France in 2011 and it seems the Executive team do recommend to the Board the course of action with the COO telling me: *‘I don’t think we should have launched in the States. I’ve never thought we should launch in the States and... interesting one, difficult one. It was a very difficult one because, actually, the business plan went to the board at a meeting that Henry wasn’t at, which was a very difficult one because I ... which it shouldn’t have, actually, it was inappropriate really but... I guess I abstained (DS 01/02/11)’* and the US operation became a reality.

In an email conversation<sup>75</sup> between the former and current Company Secretaries and the current Head of Finance the view of Board involvement became clearer as did how strategic decision-making had evolved over time. Prior to the MBO: *‘strategy was totally driven by Henry, David and Andrew ... I would be brought in when they needed financial/modelling on any ideas they were looking at. We had a 5 year detailed financial model that we would often play about with, changing premium rates, loss ratio assumptions, ancillary growth etc to model quick growth vs slow growth, the impact of*

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<sup>75</sup> Emails sent between myself asking for more information and SC, GJ (both participants in UK email forums to create the email data-set and MW 29/04/12 and 01/05/14. Permission to use was given.

*Munich Re's share of business - units vs margin etc (email from SC 20/04/14 09:44:09 GMT+0.1:00)*. After the MBO, Owen Clarke, the representative from Barclays Capital (the venture capital partners) contributed to the strategic decision-making in the view of SC and *'the Board were only involved as a group when Henry/David had come to a conclusion on what they wanted to do - although Owen's support will have been sought prior to the meetings. (email from SC as per earlier)*'. Post IPO, the Head of Finance told me<sup>76</sup> *'There are of course other discussions which take place outside board meetings and in a very small group – HE, DS being the two main contributors – but supported by others where relevant – e.g. the price comparison fund idea, researching the loans market. The way those things work tends to be discussions that start outside the board, but get taken to the board for discussion and approval if required'*. In addition the current company secretary who is present at those post-IPO Boards was able to share<sup>77</sup>: *'The potential project would then usually be raised with Alastair [the Chairman] when he comes to Cardiff on one of his normal monthly visits and he would provide his input. They then may or may not decide to raise the matter at the next Board. If it is raised to Board level then the Board typically have several goes at considering the proposal ... there would be fairly rigorous challenge and debate from the non-executives with everyone given the chance to provide their input'*. So the Board does play and advisory and sounding board for strategic decisions and does ratify decisions recommended by the business.

As to what is the source of decisions, we know from the development of the theme 'numbers matter' that numbers play a very important part in decision making within the firm but addressing 'the informality' and 'hunches' codes that occurred in the primary data, we have a clarification from the COO in his secondary data interview:

*You've got big, strategic things like Elephant and Confused and Multicar and maybe household and things like that where that's not driven, particularly, by numbers. It may be, in a sense, driven by numbers because you are sort of informed by the fact that you know your marginal costs on advertising is significantly higher than your average cost and that's a problem if you want to grow ad infinitum but it's not like "ooh" alarm bells are ringing. It's just the others are always going to be snapping at your heels and if you say we've got the formula, as in a sense we did in Confused of course, we've got the formula,*

<sup>76</sup> Email from GJ 30/04/14 21:06:16 GMT +01:00.

<sup>77</sup> Email from MW 01/05/14 16:52:19 GMT+01:00

*we're all right, then you are suddenly not all right and you are suddenly not all right in a way that you can't address overnight. So, you have to be always finding the next thing but it's not so much... that's just a general belief in innovation and change and pre-empting other people's change and driving the whole market and changing. (DS 01/02/11)'.*

The final piece of the theme as it emerged from the primary data that needs triangulating is the idea that decision making, other than at the strategic level is devolved throughout the company and that people feel empowered to make decisions and feel they can contribute to decisions-making wherever it occurs in the hierarchy.

An external marketing consultant once remarked to me that '*Admiral is imbued with a democratic spirit*'<sup>78</sup> and it emerged in the primary data where the ex-CFO explained:

*'we do have democratic spirit because although the direction is set, ... it's an organization which allows somebody then to argue back and say "I think that's complete bloody rubbish, you've got that wrong, you haven't got the right idea". So, it doesn't stop somebody answering back. It's not bang! This is the way we've decided, do it come what may; over the top chaps...' (AP 23/06/10)'.*

This view is reflected in the Best Companies and GPTW surveys that have been conducted over the years. Using questions about "speaking up" and "responsibility" as proxies for this "democratic spirit" or "empowerment" we see the following results as shown in the next table providing supporting evidence that the staff of Admiral feel that they are empowered and are listened to when decisions need to be made and support this idea of participation that emerged from the primary data.

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<sup>78</sup> A personal communication from R. Titford, Managing Director of Further Thought who has given me permission to use this quote from September 2009.

Question	Source	2011	2012	2013
I can ask management any reasonable question and get a straight answer	GPTW	91%	89%	86%
Management is approachable, easy to talk with	GPTW	92%	90%	89%
Management trusts people to do a good job without watching over their shoulders	GPTW	89%	87%	83%
I am treated as a full member here regardless of my position	GPTW	91%	89%	89%
Management genuinely seeks and responds to suggestions and ideas	GPTW	90%	89%	85%
Management involves people in decisions that affect their jobs or workenvironment	GPTW	83%	76%	78%
My manager does a lot of telling but not much listening	BC	5.88	5.85	5.79
Senior managers of this organization do a lot of telling but not much listening	BC	5.55	5.71	5.29
<b>Overall Ranking in that year (GPTW)</b>		<b>9</b>	<b>1</b>	<b>2</b>
GPTW Surveys sent to staff		643	730	998
% Completed for GPTW		70%	87%	71%
<b>Overall Ranking in that year (BC)</b>		<b>9</b>	<b>6</b>	<b>11</b>
BC Surveys sent to staff		1611	4423	4897
% Completed for Best Companies		76.80%	75.11%	78.20%

Table 5-29: Showing answers to questions from the Best Companies (BC) surveys 2011-2013 and Great Places to Work (GPTW) surveys 2011-2013 where question acts as proxies for “democratic spirit” and “empowerment” at Admiral. The BC questions are score 1-7 where 7 is most favourable and 4 is neutral and the GPTW scores are a % of respondents replying favourably.

### 5.5.12.3 Summarising evidence for the ‘strategic decision making’ theme

‘Strategic decision making’ emerged from the primary data as an aspect of Admiral’s success. Further exploration, within the secondary data, allowed a deeper understanding of the process and support for the theme although you could argue that the data used hasn’t triangulated this theme rather than enhanced understanding of this theme. Triangulation data was available for the aspects of the theme that look at a participatory type of management and a ‘democratic spirit’ and supported this element of the theme as it emerged from the primary data.

### 5.5.13 Development of ‘mission’ theme

This theme emerged originally in the early interviews as ‘clarity of purpose’: ‘the people who took us forward were very clear about where we were going (JM 22/06/10)’.

#### 5.5.13.1 Evidence from the primary data

Once the proto-theme was revisited after all the interviews had been coded it seemed that codes that had been used for the ‘recruitment and indoctrination’ theme could also be used

to nuance this theme. The codes used are summarised in the following table and represent a mix of conceptual notions around having ‘*the organization sort of collectively pointed in a direction (DS 24/06/10)*’ and mechanisms for alignment that the firm uses such as share schemes and the commitment to communication plus the indoctrination opportunities of mentoring and training.

INITIAL CODING SCHEMA FROM EMAIL/INTERVIEW DATA
Alignment mechanism/Alignment/Listening/Brainwashing/Clarity of purpose/Share scheme

Table 5-30: Codes from the email and interview data that encompass the ‘mission’ theme. See Appendix A.14 for details

A mission statement is not formalised in this business and yet ‘*we are extraordinarily aligned about a collective goal for the business (CH 10/06/10)*’ and there is a real sense that ‘*this is our company and when it does well, we do well (JM 22/06/11)*’. There is no mantra used in this instance at senior level although ‘Be the Best’ features in presentations from operational managers and their teams<sup>79</sup> but the interviews give a real sense of a group of managers who understand where they’re going and believe the staff think that they ‘*can make a difference to the bottom line and therefore to the success of our business (SL 10/06/10)*’. The Head of Communications summed up this ‘mission’ as ‘*We want to be, as Henry says, the most profitable, sustainable business out there (LS 12/11/10)*’.

The ‘alignment mechanisms’ coding all had a flavour of ‘*everyone is encouraged to make a difference, we really listen to everyone working here and act on their suggestions. This is powerful in ensuring everyone feels part of our success and generally more comfortable with change (SLg 10/06/10)*’ tempered with the indoctrination coding ‘*every new person is brainwashed into what we do (NWK 10/06/10)*’.

#### 5.5.13.2 Supporting evidence from the secondary data

Support for the management belief that the staff believe the managers have direction and that they understand that direction to the extent that feel they can contribute to the ‘mission’ can be found in the two externally conducted surveys by Best Companies and GPTW Institute as shown in the following table.

Question	Source	2011	2012	2013
Management has a clear idea of where the organization is going and how to get there	GPTW	94%	91%	89%
I am excited about where this organization is going	BC	5.97	5.99	5.86
I feel I can make a difference to this organization	BC	5.82	5.79	n/a
I believe I can make a valuable contribution to the success of this organization	BC	5.82	5.93	5.99
<b>Overall Ranking in that year (GPTW)</b>		<b>9</b>	<b>1</b>	<b>2</b>
GPTW Surveys sent to staff		643	730	998
% Completed for GPTW		70%	87%	71%
<b>Overall Ranking in that year (BC)</b>		<b>9</b>	<b>6</b>	<b>11</b>
BC Surveys sent to staff		1611	4423	4897
% Completed for Best Companies		76.80%	75.11%	78.20%

Table 5-31: Showing answers to questions from the Best Companies (BC) surveys 2011-2013 and Great Places to Work (GPTW) surveys 2011-2013 where question acts as proxies for organizational alignment and understanding of the ‘mission at Admiral. The BC questions are score 1-7 where 7 is most favourable and 4 is neutral and the GPTW scores are a % of respondents replying favourably.

From Table 5-31 we can see that the staff agree positively with statements that indicate they understand the ‘mission’ and are both excited by it and feel they contribute which supports the ideas from the primary data and from the GPTW Employee Comments in 2012 we see further evidence such as: (1) ‘we all share common goals’; and (2) ‘the company share scheme definitely cultivates a feeling that we’re all working to a unified goal’; and finally (3) ‘by giving everyone shares it makes employees feel like part of the bigger picture and makes people realise that no matter what level they work at their input to the business is important’.

The latest Annual Report<sup>80</sup> talks about (p. 12-13) other common goals that the firm adheres to namely (1) the customer and that emerged as a proto-theme absorbed into the overall ‘culture enables’ theme (see Section 5.5.15); (2) a GREAT place to work that appeared as coding in both the ‘people matter’ and ‘culture enables’ (see Sections 5.5.4 and 5.5.15) themes; (3) a profit focus that has been summarised as part of this theme; (4) risk aversion alluded to in both the ‘embrace change’ and ‘learning environment themes (see Sections 5.5.2 and 5.5.3); and lastly (5) dividends mentioned in a number of the employee

<sup>79</sup> As found in the Top 10 department presentations in 2010. See p. 5-213 for more detail of this data source.

<sup>80</sup> Admiral Group Plc Annual Report and Accounts 2013: Accessed from <http://www.admiralgroup.co.uk/pdf/annualreports/2013.pdf>, 15/04/14: 16:24.

comments from the GPTW 2012 survey but not as code elsewhere although it is implied by share ownership which involves dividend pay-outs.

### 5.5.13.3 Summarising evidence for the 'mission' theme

The alignment towards common goals that are not formally articulated but appear to be well understood throughout the company has emerged as a key to the success of this firm.

### 5.5.14 Development of 'stability of management' theme

The CEO in the latest Annual Report<sup>81</sup> comments (p. 11) at the conclusion of his statement *'I'm pleased to say that the aforementioned, well-wrinkled executives are still here, still ambitious and, hopefully, still talented and intelligent'*.

#### 5.5.14.1 Evidence from the primary data

From the email data-set, the proto-theme coding on 'stability of management' was 4% of total codes generated for both the UK and non-UK datasets as shown in Figure 5-5 on page 5-121 but Figure 5-6 demonstrates the patent importance of the 'stability of management' to the non-UK respondents. The codes that emerged from this data-set were around founder stability, management stability, the benefits of length of service and the distinct notion that working in the company 'feels like family'. During the analysis these were two separate proto-themes but the 'family' codes that were related to stability nuanced this theme and the remainder added understanding to the 'culture enables' theme in Section 5.5.15.

The interview data produced codes that also fell into these two strands of thinking: stability and family as shown in the following table:

INITIAL CODING SCHEMA FROM EMAIL/INTERVIEW DATA
Founder stability/ Management stability/ Benefits of length of service/ Feels like a family / Reasons for managementent stability/ Consistency/ Lose consistency/ Community/ Belonging/ Deeper than culture/ Accomodating attitude for loyal staff/ Loud discussions!/ Sharing common experience/ Definition of "family"/ Work Vs Home persona

<sup>81</sup> Admiral Group Plc Annual Report and Accounts 2013: Accessed from <http://www.admiralgroup.co.uk/pdf/annualreports/2013.pdf>, 15/04/14: 17:07.

Table 5-32: Codes from the email and interview data that encompass the ‘stability of management’ theme. See Appendix A.15 for details

Developing the ‘stability/consistency’ strand, the participants talk about an ‘upper management still in place that make every single people in the company part of an adventure (DL 03/06/10)’ and ‘still having more than 20% of the original starting staff means a history and a legacy that is held onto (AR 04/06/10)’. The advantages seem clear to the participants who credit the stability in the ability for teamwork amongst the management because they are ‘not scared to ask questions and ask for help/advice when necessary (SC 08/06/10)’ as well as eliminating ‘a lot of unneeded effort during transitions (AR 04/06/10)’. It also allows for the ability to ‘have the row, have the debate there and then, make the decision, move on and don’t dwell on it ... relatively few recriminations (AP 23/06/10)’.

And it’s not just the founder stability, stability in senior positions also helps because ‘it is very difficult to get the messages down as the company gets bigger and the senior managers sort of lose contact with the shop floor a bit. But it helps that the operations managers and many of the team managers have come through over the years ... I think the messages filter down that way (JM 22/06/10)’.

Regarding the ‘family’ element of this theme ‘there is a core of fierce loyalty to the group, which I believe is inspired by senior management ... there is a subconscious feeling that if you are loyal to Admiral, Admiral will be loyal/good to you which I think produces a disproportionate effort from people and is often described in our surveys as a real “family” feeling (CB 14/06/10)’ and leads to everyone feeling ‘part of a family (LS 12/11/10)’. This ‘feeling of belonging and the willingness to talk in lifts and to talk at friendly forums and to make points and things like that to suggest things and to listen, that is very valuable (DS 24/06/10)’.

The interview with a member of the Merrill Lynch team had an opinion on the benefits of ‘stability of management’ to the firm saying:

*‘If you can have a team of people who can work together that long and be, presumably, broadly in agreement about strategic direction and consistently implement and execute the strategy then that is a huge positive. You look at the average tenure of a CEO of a FTSE 100 company, I would imagine you could measure it, usually in months. That may be a little bit unfair but certainly two*

*or three years you would think would be the standard period. Clearly Admiral has a lot of longevity amongst the main board of directors. So, I think that is key. (JG 10/11/10)*

**5.5.14.2 Supporting evidence from the secondary data**

The ‘stability’ observed in the primary data is a fact. A simple perusal of the date the participants were first employed with the company in Table 4.5 on page 4-103 demonstrates this fact for senior management and inspection of the people services record reveal that 16 of the original 57 starters at launch in 1992 are still associated with the company. 6 out of 8 Operations Managers in UK have been with the company more that 10 years. 3 out of 6 team managers in call centre departments in UK have been with the company more than 10 years. 1 out of 5 staff in UK have been with us more than 10 years and 0.4 out of 5 staff more than 15 years, numbers<sup>82</sup> set against a background of increasing staff numbers year on year since launch in the UK.

The benefits of that stability that emerged from the primary data should be familiar to the reader as they have been evidenced elsewhere in this chapter as aspects of other themes have been triangulated with secondary data. Triangulating for this theme can thus be referenced to other Sections as listed below:

Benefits emerging from primary data	See Theme	Dealt with in this thesis
Trust between people aids decision making and speed of those decisions	Strategic decision making	Section 5.6.12
Aids innovation as people feel they can swap ideas	Embrace change	Section 5.6.2
Trust enables people to embrace change	Embrace change	Section 5.6.2
Work better as a team	Team building	Section 5.6.10
Trust helps a learning environment	Learning environment	Section 5.6.3
Trust is an important aspect of creating a great place to work	People matter and Management style	Sections 5.6.4 and 5.6.5
Stability has allowed culture to embed	Culture enables	Section 5.6.15

*Table 5-33: References benefits of stability emerging from the primary data to other theme development in this study.*

Both the externally conducted surveys by Best Companies and GPTW Institute specifically ask a question about family as shown in the next table overleaf.

<sup>82</sup> Numbers made available from the People Services Department on request.

Question	Source	2011	2012	2013
There is a "family" or "team" feeling here	GPTW	93%	93%	89%
I feel a strong sense of family in my team	BC	5.85	6.01	6.20
<b>Overall Ranking in that year (GPTW)</b>		<b>9</b>	<b>1</b>	<b>2</b>
<i>GPTW Surveys sent to staff</i>		643	730	998
<i>% Completed for GPTW</i>		70%	87%	71%
<b>Overall Ranking in that year (BC)</b>		<b>9</b>	<b>6</b>	<b>11</b>
<i>BC Surveys sent to staff</i>		1611	4423	4897
<i>% Completed for Best Companies</i>		76.80%	75.11%	78.20%

*Table 5-34: Showing answers to questions from the Best Companies (BC) surveys 2011-2013 and Great Places to Work (GPTW) surveys 2011-2013 on questions directly about “feeling like family”. The BC questions are score 1-7 where 7 is most favourable and 4 is neutral and the GPTW scores are a % of respondents replying favourably.*

From this table we can see that staff agrees strongly with a statement that talks about the sense of family in the firm supporting the primary data finding. Furthermore, in the GPTW survey, the free-format answers to the question “Is there anything unique or unusual about this company that makes it a great place to work?” saw 20 unprompted mentions of “family” in the 2011 employee responses and 30 in 2012 so it is a key aspect of the culture in this firm which is expounded upon in the next sub-section.

**5.5.14.3 Summarising evidence for the ‘stability of management’ theme**

The importance and influence of the founders to the firm emerged strongly from the primary data and their ability to create a work environment where ‘people matter’ has meant that there is stability in the management levels of the company providing continuity. However the fact that there is a group of people who have been working together for so long has meant that trust has developed and this has been a key to enabling many of the other themes to act as success factors so the stability of the team is a factor in this firms success. .

**5.5.15 Development of ‘culture enables’ theme**

This theme is the largest to emerge by far: with 178 contributions that were directly coded to this theme. Having read the previous sections in this chapter, the reader should be aware of the number of references to culture that were not directly coded to this theme such as the culture that enables change (Section 5.5.2) and creates a learning environment (Section 5.5.3) or the culture that must exist in a company where people matter (Section 5.5.4). One

could argue that the behaviours to pay attention to detail and to use numbers also has its roots in the culture as it is part of the way this firm does business. So it appears from the data thus far that the culture of this firm has enabled its success. Deal and Kennedy (1982: 4) co-opted an informal definition of organizational culture as *‘the way we do things round here’*. This definition has since been adopted into the literature studying organizational culture. Offering his views on organizational culture, the CEO told me in his interview that *‘it’s got to be something the managers and then the people within the organization do live as opposed to sit there and have to read about and write it down (HE 22/06/10)’*. The data thus far suggests that his ambition has been met.

5.5.15.1 Evidence from the primary data

A ‘culture’ proto-theme emerged early from the email data-set and strongly featured in the interviews. Once the open coding was complete, the axial coding suggested that four proto-themes: that of culture, pride and passion, lack of ego and customer focus could all be incorporated into one theme ‘culture enables’ describing many of the ideas emerging from the primary data (see Figure 5-2, Figure 5-3 and Figure 5-4 on pages 5-111 to 5-113).

Being the largest theme, it comprised 69 separate codes. This was not a conversation about the culture of this firm but many aspects of the company’s culture emerged. The codes are summarised in the next table.

INITIAL CODING SCHEMA FROM EMAIL/INTERVIEW DATA
Culture/ Traits/ Customer focus/ Active management/ Monitoring culture/ Cultural mechanisms/ Elements of culture/ Equality/ The way we do things/ Values/Communication/4 Pillars/ Origins: learning, openness etc/ Lack of politics/Action orientation/Culture described/ Fun/ Friendly/ Open/ Tribalism/ Communication processes/ Founder belief translates to fundamentals of culture/ Not perfect keep working at it/ Culture is not tacit’ it is articulated/ Proselyting!/ Reward/ Elements of culture/ Danger of group think/ Non-fit managed out/ Founder traits/ Enables success/ Source/ Listening/ Democratic spirit/ Propogating values/ Rationale for fun at work/ Culture of change/ Example of values in action/ Cultural champions/ Rationalising culture as a success factor/ Founder traits of parsimony and inclusiveness and avoiding politics/ Personal descriptions of culture/ Casual dress as a symbol/ Culture shock/ Culture turns toxic/ Realigning culture/ Tribalism at work/ Common threads of culture: embrace change, openness, pride/ FOunder belief in equality/ Excitability/ Pride and passion/ Lack of ego/ Willingness to share/ Mechanism for breaking down barriers b/w mgmt and staff/ Customer service/ Customer orientation

Table 5-35: Codes from the email and interview data that encompass the ‘culture enables’ theme. See Appendix A.16 for details

There is a sense from the primary data that here is a company who believes *‘we actually do culture rather than talk about culture (CA 11/11/10)’* and the data is full of examples of mechanisms that the company uses to actively manage its culture such as the 7 principles *‘it’s a good way to maintain the culture (LS 15/06/10)’* and *‘just everything is about communication (LS 12/11/10)’* and the Ministry of Fun *‘to make sure these things are happening all the time (CA11/11/10)’* and the role of the managers is to make sure *‘we’re checking on all those things, constantly, and reminding people, and we’re leading by example (LS 12/11/10)’*.

Much of the coding describes aspects of the culture summarised by the CFO as: *‘OK, I’m in the pub talking to a mate, what’s it like at Admiral? It’s quirky, it’s friendly, it’s casual, it’s detailed, it’s testing, it’s challenging, it’s creative, it’s striving to improve all the time, it’s very team based, it’s passionate, it’s got a strong sense of identity, successful, there’s no egos, it cares about people, it’s very equal, it’s fun. It’s a lot of fun (KC 03/02/11)’*.

There is a belief in the data that these values and traits lie in the founders philosophies – particularly that of the CEO. The COO states that the CEO is *‘very sensitive to the cultural issues and created something in terms of openness and warmth and recognition and stuff like that which is an extension of his personality (DS 24/06/10)’* whilst accepting that *‘I would be intellectually very keen to maintain it and renew it but quite anxious that I’m not necessarily that well equipped to know how ... so I’m sort of thinking the importance is you need people in the organization that can fight for the culture (DS 24/06/10)’*. However, the COO’s beliefs in equality and the value of numbers and having *‘a set of values around openness, around a reasonable life work balance, around not knifing each other in the back as a way of getting forward, around tolerance, around trying to make, caring about whether it’s a good place to work (DS 24/06/10)’* indicate that he too has had an influence on the culture. As the ex-People Services manager explained: on joining the company (she too is a founder but started in the call centre): *‘one of the first things I noticed when I arrived there was only five or six senior managers here at the time ... and they were all very ordinary and they were all very open and that friendliness set the tone for the rest of the company (JM 22/06/10)’*.

The idea that a *‘lack of egos in management across the business (KC 08/06/10)’* is part of this culture first emerged as a requisite for the learning environment in this firm (see

Section 5.5.3) and it is a fundamental aspect of the culture. The CEO told me *'I tried to make sure that our foundation was built on openness and discussion and truthfulness as opposed to a lot of deception and hypocrisy ... all of these were founding values (HE 22/06/10)'*. And it translates into the culture in a way that enables change and learning and the management style. *'It's ego isn't it, say "I'm the marketing guy, I understand all this, you don't understand that" that's not an answer here. The answer is "lets talk about this campaign and what it is doing"'*. But although *'ego is not valued for its own sake here, it doesn't mean to say there aren't egos about. It's also a tradition of pulling egos down to make sure they keep grounded. What is egg roulette all about? It's about pulling managers' ego down, you know, you sit in front of a lot of staff and you play egg roulette and it doesn't matter who you are you may well end up with a broken egg all over your hair. (both quotes AP 23/06/10)'*.

A *'culture where the customer is central to all activity (SC 08/06/10)'* is espoused by many firms and, although was not mentioned by many participants, is evident in the culture and was a founding value as the CEO explained *'I was trying to set up a company that ... did care for its customers'*. The company has always sought customer feedback with the CEO responding personally in the early days to many complaints about poor service and he feels that great service is a factor in Admiral's success: *'It certainly helps because it helps a lot on renewals, this is a very price sensitive business, people will shop routinely and it's something they have to buy, not that they necessarily want to buy and therefore they will move, very often, if the price is much lower elsewhere. So, service does a lot in terms of keeping people from shopping; changing the threshold at which they will move (HE 22/06/10)'*. Positive affirmation of service can be seen in team awards and circulation of comment forms where customers have thanked staff members by name. The training department and Team Managers concentrate on rapport building and doing extra for the customer in the service departments. As the CEO states: *'We ask our people to make sure that the customer is satisfied and he is. Have we done everything we could for that particular customer? And we do it in a friendly way (HE 22/06/10)'*.

The foundations of the culture are described internally as the "4 Pillars: communication, equality, reward and fun" and this is mentioned directly in the primary data. Where culture is discussed explicitly in the primary data, there is widespread agreement about these four elements with various interpretations of what they mean to the participating manager.

There are a number of mentions of what is coded as “tribalism” defined as *‘how they do interpret those values we are quite happy for them to do it their own way (CA 11/11/10)’*. This is a tacit element of how the culture works in this firm. Outsiders will understand the element of “fun” but *‘various departments have their own idea of fun (JM 22/06/10)’* and even at team level *‘if they want to do something different from the team next door that’s fine, whatever suits (CA 11/11/10)’*. So although the culture has the same foundational attributes it is interpreted differently throughout the company and there is a belief that for the culture to work it must contain points of difference in order to appeal to all.

There are examples of where “tribalism” has been unhelpful to the firm for example in Gladiator Motor or in Confused.com during 2009-2011 but, as it is measured in surveys and from staff feedback, action to realign the core principles is undertaken, again evident from the primary data. For example the CFO told me in our interview: *‘Confused has created a culture of being too spendthrift and not being focused enough on the detail and not working together well enough as a team, being too siloed, there’s too much blame, and fear of doing things because you will be blamed (KC 03/02/11)’*. The Board<sup>83</sup> had noted the poor survey results in 2009 and the CFO had been charged with working with the then Head of Confused to see if results could be improved. When it was clear in 2010 that the problems were still there and that the “culture had turned toxic”, the Head of Confused.com was managed out of the business and the CFO took direct control and saw his job as *‘bringing that empowerment back into the organisation, very important and making people realise that they can do these things. ... Giving them back the confidence to recognise that they can do it and actually their answer is as good if not better than the so called professional expensive answer. So, that’s a large part of what I’m doing (KC 03/02/11)’*. Confused’s result have steadily improved since 2011 reaffirming that the CFO’s job to realign the culture back to the Admiral basics has been successful.

In the ‘recruitment and indoctrination’ theme (see Section 5.5.1) the data suggested that this is a firm that *‘brings people into the organization that share the basic values (HE 22/06/10)’* and, although they are not written down, there is a sense from the participants that *‘its part of your psyche ... its there, in the DNA (AP 23/06/10)’*. The data suggests that this has translated into a vibrant corporate culture that is recognised by many externally as

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<sup>83</sup> *Of which I am a member. These discussions took place informally and were not minuted.*

unique to Admiral (see secondary data evidence) and as the CFO, who joined in 2005, told me: *‘once you get used to it you realise that’s just the way life is and people are passionate about stuff (KC 03/02/11)’*.

5.5.15.2 *Drawing out elements of the culture from the primary data to demonstrate how culture ‘enables’ success at Admiral.*

Talking about success with the participating senior managers across the Group has elicited a number of themes presented here in this chapter. The last theme was named ‘culture enables’ and if frequency of contributions to this theme is anything to go by, culture is an important part of Admiral’s success story. But how does it ‘enable’ that success?

To answer this question, all the data excerpts from which the themes emerged in this chapter, were recoded with specific regard to what they told me about the elements of Admiral’s culture in the opinion of the participants. From this exercise new “themes” emerged: those elements of the culture. The primary data’s ‘4 Pillars’ was a starting point for the coding but this exercise revealed not just these four cornerstones but the building-blocks of the foundation on which the culture has developed.

The 26 attributes that emerged are summarised in the following table. An example of one of the 25 data tables created can be found in Appendix A.17 for the element ‘no blame’.

Cultural element	Count	Meaning from data	Encompasses
<b>Ambiguous</b>	3	<i>'it was all a bit vague'</i> KC 03/02/11	Ambiguity
<b>Balance</b>	13	<i>'I think there is a bit of a paradox about us ... and yet we’re anything but relaxed about the actual business – results, details, the method of how we do things'</i> CB 23/06/10	Paradox, balance
<b>Be the Best</b>	10	<i>'A real drive to do things better and achieve great results'</i> SL 23/06/10	Both in business and in personal development
<b>Challenge</b>	17	<i>'the ability to answer back and challenge'</i> AP 23/06/10	Robust and gentle challenge of ideas and individuals and challenge as a motivator
<b>Colour outside the lines</b>	35	<i>'it thinks out of the box and doesn’t follow the herd'</i> LS 07/06/10	Innovation, creative, doing things differently
<b>Communicate, communicate, communicate</b>	33	<i>'the powerful and continuous communication'</i> KC 03/02/11	Communication, listening , feedback
<b>Customer orientation</b>	17	<i>' the customer is central to all activity'</i> SC 08/06/10	Customer focus
<b>Democratic spirit</b>	23	<i>'when I had a problem I needed to solve I asked Henry for his thoughts and he responded 'have you asked the staff? The will come up with some good solutions for you''</i> BM 15/06/10	Empowerment, involvement, participation, ideas from everywhere
<b>Equality</b>	42	<i>'people are treated equally here, there isn’t a status thing'</i> KC 03/02/10 and <i>'So, the painful, obvious things that divide people we try and get rid of'</i> HE 22/06/10	Equality, lack of ego, lack of hypocrisy, managers pitching in

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Equality	42	'people are treated equally here, there isn't a status thing' KC 03/02/10 and 'So, the painful, obvious things that divide people we try and get rid of' HE 22/06/10	Equality, lack of ego, lack of hypocrisy, managers pitching in
Everything is a learning opportunity	24	'Also I think admitting to your mistakes and that no-one's perfect, but you can learn from things, is important' CB 14/06/10	Learning from others, learning from mistakes
Flexible	35	'We don't get attached to a particular way of doing things and so are quick to adapt to a new way' CH 10/06/10	Adaptable, flexible in thought and deed, flexible in structure, personal flexibility
Friendly	6	it's a friendly open place where people do what they can, do as much as they can, but do it with the sort of attitude you would have with friends or with neighbours' JM 22/06/10	Friendly
Fun	33	'it's fun. It's a lot of fun' KC 0302011	Fun, sense of humour, vibrant
If it moves measure it	54	'we measure virtually everything' HE 22/06/10	Numerate, leasures both hard and soft, rational, analytical
No blame	19	'a wonderful lack of blame throughout the organisation - leading to people being much more open about their problems and more willing to listen and take advice' KC 03/02/11	No blame, no data is power, sharing, learning from mistakes, 'not knifing each other in the back' DS 24/06/10
Open	31	'I tried to make sure that our foundation was built on openness and discussion and truthfulness' HE 22/06/10	Open, fair, transparent
Passion	30	'management still in place that make feel every single people in the company part of an adventure' DL 03/06/10	Passion, loyalty, ehthusiasm, attitude, focus, commitment
Pay attention	69	'we're checking on all those things, constantly, and reminding people, and we're leading by example' LS 12/11/10	patterns, notocing detail, paying attention to numbers and people, empathy
People matter	62	'The genuine belief that "people who enjoy what they do, do it better."' CA 08/06/10	Empowerment, work environment, development, management style
Pride	18	'You can go into any department and ask to talk to people when they explain things and they are very proud of what they do' NWK 02/03/11	Pride
Recognition	23	' Reward, shares are very important. We want people to feel like they own part of the company; the best way to do that is to give them part of the company to own. So we do, we give away shares in the company, very important. But, we also put plaques up with people's names... Star lunches... Again, there is no money in it but you get singled out ... So, we do things that honour people' HE 22/06/10	Shares, recognition, reward, sharing success
Risk adverse	5	'we are measured in our approach to risk and I believe fear failure at all levels. That tends to focus the mind' SL 10/06/10	Risk
Self-deprecation	3	' I think Admiral should always maintain a degree of modesty, were we competing against bankers or lawyers or management consultants or stuff like that, whether we are actually as functional as we think we are or whether we're made to look better by virtue of competing in an industry which is really low on talent, that helps' DS 24/06/10	Humbleness about performance, Modesty
Spend every penny wisely	25	'We are very cost conscious, always have been from Day One. I think that's part of the psyche' AP 11/11/10	Cost focus, expense control
The perfect is the enemy of the good	22	'if you don't do anything because you're waiting it to become perfect first then you are just not going to move forward' CA 11/11/10 and 'once we identify an opportunity, instead of wait to pursue the perfectness, we response immediately to put into practice' XZ 03/06/10	Test and control, action orientation, champion V challenger, speed, learning, control loops
Trust	45	'it is almost like a family, you feel part of a family, especially the longer you've been here' LS 12/11/10	Trust, family, takes time, close

Table 5-36: The elements of Admiral culture that emerged from recoding the primary data with a specific cultural lens. The meanings ascribed to each attribute come directly from the data and are used throughout the rest of this thesis.

As can be seen, the ‘4 Pillars’ appear here: reward, communicate, equality and fun but other elements emerged also and the frequency of coding is represented in the graph in Figure 5-14. All of the elements in this graph emerged from the data but with the exception of ‘equality’, none of the ‘4 Pillars’ got over 40 mentions. In the minds of the participants the true foundation of the culture lies in the belief that everyone has a claim to equality; that if it moves, you measure it; that everyone must pay attention to the business and the people they manage and that people matter. Fundamental to this is the trust these people have in each other and believe the company as a whole is built on trust.

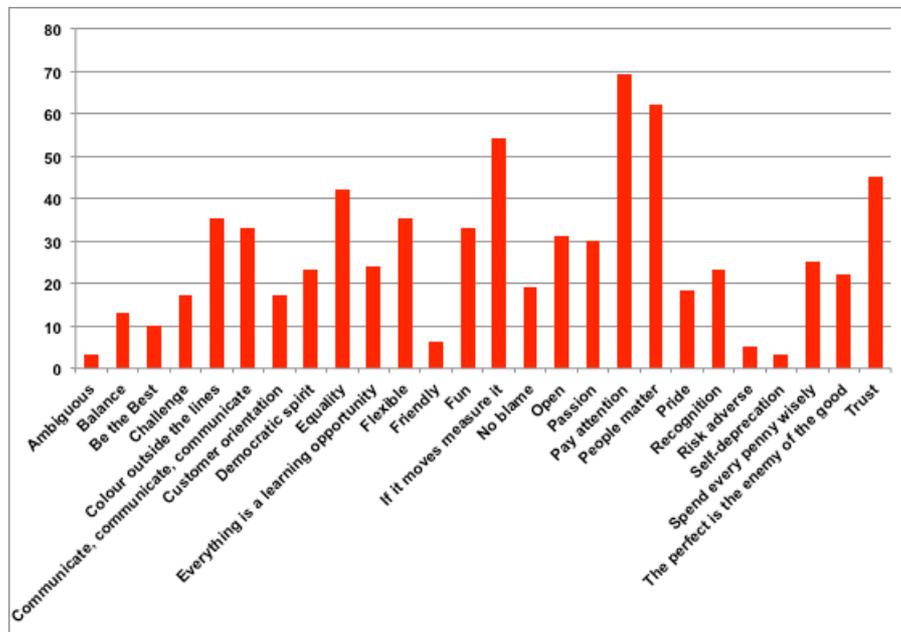


Figure 5-14: Mapping frequency of coding contributing to the emergent elements of Admiral's culture after recoding the primary data excerpts.

The other elements of the culture are also in the mix when it comes to ‘enabling’ success in this firm. An analysis of the mix of these attributes as they apply to each theme lends insights to this ‘enabling’ role. An example is shown in the next table for how the cultural attributes ‘enable’ the learning environment theme and a further example can be seen in Appendix A.18 for the ‘embrace change’ theme.

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XZ 3/6/10	<i>Always encouraged testing different ideas, new initiatives.</i>	Be the best
FG 4/6/10	<i>Indeed, it is not the type of decision that drives the set-up of a gentle questioning time, but rather the fact that regularly the context for scrutiny is (naturally) created (call it Steering Committee calls, Management Board meetings,...) and, whatever the decision that needs to be taken at that moment, the decision is questioned with the support of data (when possible), with the suggestion of alternative processes or in the light of alternative views (from all levels of hierarchy).</i>	Challenge
AP 23/6/10	<i>I think experimentation has always been at the heart.</i>	Colour outside the lines
CA 11/11/10	<i>Lots of them [ideas for improvements in department] come from outside the department by going along to ops managers' meetings, going along to the sales team managers' meetings, or the sales ops managers' meetings, listening to what the business needs are, and then throwing them around, ideas, between us. So, some will come from me, some will come from other members, not necessarily managers in people services but people actually doing the work as well.</i>	Communicate, communicate, communicate
BM 15/6/10	<i>when I had a problem I needed to solve I asked Henry for his thoughts and he responded 'have you asked the staff? The will come up with some good solutions for you'.</i>	Democratic spirit
NWK 2/2/11	<i>I try to share what I do with them and say ok I'm looking at this what do you think is happening here? When I point it out, it's like, oh yeah, yeah, yeah, we've got it. I'm like, yeah, but you should be picking this one up without me telling you that it's happening.</i>	Democratic spirit
SLg 10/6/10	<i>Everyone is encouraged to make a difference, we really listen to everyone working here and act on their suggestions.</i>	Democratic spirit
CA 11/11/10	<i>I think what's important for us is we go out and we're not afraid to learn from other companies as well. We haven't got an arrogance about us to think that everything we do is perfect and the best way, you know, we're prepared to go to British Gas and Lloyd's TSB, see what they're doing, pick up different things from them.</i>	Everything is a learning opportunity
CA 11/11/10	<i>Well, we review the first one, we interviewed people at the start and finish; we listened to what the feedback on the plan was; we adapted it ... because we intended it to be an evolving thing.</i>	Everything is a learning opportunity
CA 11/11/10	<i>we had a plan, we knew what we wanted to do with the plan, we knew what we wanted to achieve, we had all the contents of the programme in place, then we wanted 12 – 15 people to go on this plan and we put it out to the operation ... we went for a soft launch ... But, on the other hand, these people 10 of the 15 who we thought "oh, my God, we were expecting much better calibre than this coming through" at least give them some sort of training plan or they will... it may not have been designed for these people when we put the plan but if we're waiting for it to be perfect and said "no, we need 15 experts to go on this plan" we would never got off the ground. So, you bite the bullet, you stick them all through there, you explain why they've all gone through "you are guinea pigs" and all this business. So, if we waited for perfection there we would have still been on the drawing board but now we're into the second stage of the plan; we've had those people go through there.</i>	Everything is a learning opportunity
CA 8/6/10	<i>Empowerment of staff to try new ideas and not criticise if mistakes are made, but rather learn from them</i>	Everything is a learning opportunity
DS 24/6/10	<i>Confused in the last two or three years is therefore very interesting as a sort of shining light, I think also failures and successes of the international venture so far shines a bit of a light.</i>	Everything is a learning opportunity
HE 22/06/10	<i>I would like to think we don't repeat many, that you make your mistakes. I mean, the evolution of the places outside the UK, the Italian operation is better in some ways than the Spanish and German operations because it had the knowledge of what we learned from Spain and Germany when it set up and so we did things a bit differently. We hired more senior people earlier and they were more senior. In the US we went a step further and hired much more experienced people earlier because we value that experience. We are going a step further in France and we're outsourcing part of the business so that we don't have the fixed costs that come with setting up from scratch. So, we are constantly learning and improving what we do but it's evolutionary not revolutionary.</i>	Everything is a learning opportunity
JM 22/06/10	<i>we learned as we went along and we carried on learning and because we were learning, I think, right from the beginning and still learning, we came to it with very few preconceptions. Everything was on the hoof almost... and what we learned was that you can change very quickly. You can make mistakes and learn from them and put it right and actually benefit from those things.</i>	Everything is a learning opportunity
JM 22/06/10	<i>So, although we made mistakes and put them right</i>	Everything is a learning opportunity
KC 8/6/10	<i>a strong culture of test and learn</i>	Everything is a learning opportunity
LS 12/11/10	<i>I think we do have lots of failure but I think you don't really see it because we don't stick it up there and go "that was a complete failure, completely useless at what you do, I'm going to tell everybody how useless you are" it's "oh you failed at that, what did you learn, can you make sure you sort it out?" And if it is a really big failure – I think I've had one or two – and Henry takes you in and you don't do it again. He beats you around the head and you learn from that but we are not, we don't blame people. If something happens and it goes wrong, well, let's find out why it went wrong and then let's make it right instead of spending all your energy on the enquiry, let's just move forward and find out what we can do right.</i>	Everything is a learning opportunity
NWK 2/2/11	<i>I would say up to a certain level there is a lot of freedom to try and learn from their own mistakes. So, you can try something, make a mistake, fine. Learn from it, don't do it again</i>	Everything is a learning opportunity
NWK 3/2/1	<i>people keep on saying that we are a mature company, we are a FTSE 100 company, I still think of us as a teenager. We haven't finished our learning and we are more than willing to change if the right numbers are put in front of people, we'll change.</i>	Everything is a learning opportunity
AP 23/6/10	<i>we haven't got a set idea this is exactly the way to do it, a willingness to adapt. We've now been through a number of different cycles in the insurance business and all businesses go through cycles and in every part of that cycle we do better than everybody else. I think it's down to our willingness to adapt ... We will adapt to it.</i>	Flexible
CB 14/6/10 (i)	<i>we know that our own people have no prejudices about how things "should" be done, they learn the flexible, cheap, reactive "Admiral way"</i>	Flexible
CH 10/6/10	<i>We don't get attached to a particular way of doing things and so are quick to adapt to a new way</i>	Flexible

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AR 4/6/10 (i)	<i>METRICS - With all the measures always visible, no one spends time trying to hide their performance. Instead they focus on fixing or improving. Knowing the senior leadership has access and looks at the numbers constantly means you must as well.</i>	If it moves measure it
AR 4/6/10 (ii)	<i>People don't take discussion of ideas or issues personally and they know we will discuss the minutiae and the macro.</i>	No blame
CA 11/11/10	<i>people here are not afraid to trial something and make a few mistakes</i>	No blame
CA 8/6/10	<i>Empowerment of staff to try new ideas and not criticise if mistakes are made, but rather learn from them</i>	No blame
CB 14/6/10 (ii)	<i>Feedback is useful rather than critical. Also I think admitting to your mistakes and that no-one's perfect, but you can learn from things, is important.</i>	No blame
CH 10/6/10	<i>We are incredibly transparent and non blaming about sharing data in all ways across the business - there is no 'data is power' or 'blame' culture which truly expedites success</i>	No blame
NWK 2/2/11	<i>the point was to say we're a pretty open and ready to test company, test new things, test how people respond to certain things</i>	Open
AP 23/6/10	<i>if you need a new pattern because the existing pattern's not working use another pattern; and keep on learning at it; just don't take it for granted but your top management should keep very, very close to the business</i>	Pay attention
AP 23/6/10	<i>I still think there is a lot of knowledge, detailed knowledge, the people who run the business at the top they still can knit.</i>	Pay attention
LS 12/11/10	<i>I guess it varies from department to department because clearly we're trying to measure what we want to achieve and why we aren't achieving it and analysing where did that go wrong, why, if we did that instead of that would we get a better result?</i>	Pay attention
LS 12/11/10	<i>any major issues that came up or anything we should be aware of, and we do pick up on those and then are able to go back to those departments and say "look, this has come up and maybe you might want to address is."</i>	Pay attention
NWK 2/2/11	<i>It was configured differently and it took some time to come up with the solution because when they generate five reports on calls for sales and I say no, actually, I want two reports but they have to be an aggregate of everything. At the same time, what worried me was in aggregate it looks good but we might have been killing Bell, slowly, without even noticing it because it was too small. So, I was also insisting on having the two sets of data running side by side, very quickly realised that it didn't matter because if Bell has a call answering rate of 70%, so be it, because the other ones were just so massive in terms of comparison that it was just worth it. So, we very quickly let go of the call answering rate by brand and just moved into a function. So, I think two or three months down the line we ditched everything we had on the brands and we started new functions.</i>	Pay attention
XZ 3/6/10	<i>And we manage to fix our errors by closely monitoring the results</i>	Pay attention
AP 11/11/10	<i>we won't step into a bloody big black hole, we'll step into a puddle, twiddle our toes around in it, measure how big the waves are, or not, if it doesn't produce what we want we will stop it, we will kill it and say, "right, good hunch, didn't work, move on to the next one" or "hunch seems to be ok, now let's invest much bigger in it".</i>	The perfect is the enemy of the good
AP 23/6/10	<i>preparing to do it as an experiment and then perhaps does it work?</i>	The perfect is the enemy of the good
AP 23/6/10	<i>Great let's get on with it. Or, does it partly work? Does it need a little bit of change? Yes. Bang! It's changed. Or, no, it doesn't work; right throw it away, on to the next idea.</i>	The perfect is the enemy of the good
CA 11/11/10	<i>I interpret that [HE's saying "the perfect is the enemy of the good"] as if you don't do anything because you're waiting it to become perfect first then you are just not going to move forward. You won't even get something that's good to operate because you're frightened with running with something just in case there are flaws in it and you are waiting for everything to be perfect and so it stifles progress</i>	The perfect is the enemy of the good
DS 24/6/10	<i>one of the best maxims of Henry's is "the perfect is the enemy of the good". And that means that you can do half arsed changes which either turn out to be a waste of time or turn out to be the germ of something valuable that you then push forward.</i>	The perfect is the enemy of the good
KC 03/02/11	<i>we do it in a small way, as small a way as we think we can get away with, basically, to do enough to see if it's going to work but not gamble too much</i>	The perfect is the enemy of the good

*Table 5-37: Showing how the theme 'learning environment' was recoded for the cultural elements that constitute Admiral's culture. The rows shaded in pale green represent data excerpts that contribute to other themes in addition to this theme.*

In Section 5.5.3 where the theme 'learning environment' was developed, I noted 'the idea that there is a learning culture within this firm' (p. 5-143). This exercise in recoding allowed greater insight into that learning culture which by definition 'enables' learning within this firm. Table 5-37 shows that the cultural elements that make up the subset 'learning culture' are primarily the belief that 'everything is a learning opportunity' particularly when it takes place in a 'no blame' environment. Learning can only happen when one 'pays attention' and 'communicating' with everyone as would be expected

where there is ‘democratic spirit’ and an expectation of transparency in such an ‘open’ environment. The vehicle for learning is often experimental with the test and control change process in place in this firm, an aspect of the mantra that ‘the perfect is the enemy of the good’. The expectation is that change is initiated and with the ethos of ‘if it moves measure it’ in place, numbers are produced which may cause ‘challenge’ to the initial thinking and learning to occur but even where results are expected that is still learning. Given that this is a firm whose culture encourages its staff to ‘colour outside the lines’ it is essential that learning from the very initial stage of any change is fostered.

A similar analysis of each of the themes in this chapter reveals that the Admiral culture does ‘enable’ its success. These findings are based solely on the primary data and for the purposes of rigour should be triangulated from secondary data sources.

#### 5.5.15.3 *Supporting evidence from the secondary data*

In 2011, Alex Edmans writing in the Journal of Financial Economics argued that a value weighted portfolio of the “100 Best Companies to Work For in America”, a list produced by the GPTW Institute in the US, earned an ‘*annual four-factor alpha of 3.5% from 1984 to 2009, and 2.1% above industry benchmarks*’ (p. 621). Study of this firm’s performance and regular ranking in the “100 Best Companies to Work For in the UK” and indeed the “Great Places to Work” both in the UK and in Europe has been used already throughout the sections of this chapter and provides some support for Edman’s assertions in the UK context. Edman’s work further suggests that in the US employee satisfaction is a factor in value creation and chimes with Admiral’s mantra ‘*people who like what they do, do it better*’ (see Section 5.5.4) or as explained on the front page of the 2013 Annual Report<sup>84</sup> ‘*happy staff ... happy customers, happy customers ... increased profits, increased profits ... happy shareholders*’.

Relevant to this case, the GPTW Institute produce UK and European lists of the best companies. Their website<sup>85</sup> tells us that ‘*the primary criteria for list inclusion is whether a company's employees themselves say their organization is a great workplace. Two-thirds*

<sup>84</sup> *Admiral Group Plc Annual Report and Accounts 2013: Accessed from <http://www.admiralgroup.co.uk/pdf/annualreports/2013.pdf>, 19/04/14: 20:17.*

<sup>85</sup> *<http://www.greatplacetowork.net/our-approach/faq>. Accessed 04/05/14: 14:17.*

of the scoring of each company is based on employees' responses to a randomly distributed employee survey, which is taken anonymously and is a representative sample of each company's population. The remaining third is based on our analysis of the company's programs and practices compared with other applicants'. This thesis has used the GPTW Trust Index data gathered from the employee survey extensively. We know from this data that Admiral scores higher than the average benchmark in the various dimensions. A great work place is one where the employees have trust in the people they work for, pride in what they do, and enjoy the people they work with<sup>86</sup>. Admiral has featured in their UK lists every year since the lists were first published in 2001. The GPTW dimensions reflect the attributes emerging from the primary data and Admiral appearing in their lists provides evidence that not only do the participating managers believe their culture is key and have an implicit understanding of its attributes but that employees views also reflect a culture that makes Admiral “a great place to work”.

The results of the Cultural Audit are not available separately from GPTW but their website articulates the framework they use for examining company culture<sup>87</sup>. They talk about ‘*the key to this framework lies within the interaction between managers, supervisors and their employees: frontline management sets the tone and disseminates cultural values throughout the organizational ranks*’ and this supports the coding of this theme from the primary data. Additionally the areas the GPTW framework covers supports some of the attributes of Admiral’s culture that emerged as shown in the following table:

GPTW Practice Area	Admiral attribute
Inspiring	Passion
Speaking	Communicate, communicate, communicate, open, no blame, challenge
Listening	Communicate, communicate, communicate democratic spirit
Thinking	Pay attention, everything is a learning opportunity
Developing	People matter
Caring	People matter
Hiring	-
Celebrating	Recognition, friendly, fun

Table 5-38: The GPTW framework 9 practice areas mapped against the 26 attributes that emerged in the primary data.

<sup>86</sup> Taken from <http://www.greatplacetowork.net/our-approach/what-is-a-great-workplace>. Accessed 04/05/14: 14:20.

<sup>87</sup> See <http://www.greatplacetowork.net/publications-and-events/blogs-and-news/1626-a-framework-for-examining-workplace-culture-area-1-inspiring>. Accessed 04/05/14: 14:39.

However the other attributes that are not necessarily essential to making ‘a great place to work’ are essential for Admiral to operate in its challenging and competitive markets (see Chapter 1).

This is a company that claims to have a superior customer service. It gets its fair share of complaints but in 2013 it won two awards voted for by consumers: Direct Insurer of the Year at the Insurance Times Awards and Best Motor Insurance Provider at the Personal Finance Awards, awards that lend credence to its claims.

One gets a sense of many of the elements that make up the culture from the primary data from reading interviews with the CEO, from press releases around the annual or half-year results or from the company’s Annual Reports. For example, in announcing 2013’s results, the CEO described it as *‘the year of the baked potato. It was a good solid year, something on the plate that is appreciated but doesn’t really grab the spotlight’* (p.10). It’s fairly unusual for a set of results for a FTSE-100 company to be described in this way. But there is a precedent. In the first Annual Report after the IPO, the CEO statement (p. 5)<sup>88</sup> posed the question *‘Have you ever had one of those days where everything seems to go right? You know, a day where there’s hardly any traffic getting to the office and all the lights are green, a day where someone comes to your office for a meeting and brings you a really nice coffee, a day where the rain stops just when you come out of the building, a day where you tell the kids dinner’s ready and they immediately turn off the telly and go to the table, a day where ... well, you get the picture: a day where everything seems to go spot on right?’*. In the 2010 Annual Report, the CEO described the results (p. 7) as *‘a snowball going like a freight train. Downhill. Wow’*. Similar exuberant language and ‘off-the-wall’ metaphors dominate his statements in the Annual Reports 2004 through to 2013. This is evidence that the CEO is living the culture: he is breaking down status barriers, being creative, displaying a sense of humour: all elements of the culture identified from the primary data. It helps to reinforce the idea that this company is different (and proud of it) to the external stakeholders. The interview with a member of the Merrill Lynch team that helped with the IPO told me *‘I know this because I’ve been to some of these presentations [to the analysts]. You do sense that there is something slightly... I mean, it’s the proprietorial nature of that sense of achievement that comes through (JG 10/11/10)’*.

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<sup>88</sup> All the Admiral Group Plc Annual Report and Accounts documents used in this section were accessed from <http://www.admiralgroup.co.uk>, 02/05/14.

The Chairman of the Board when giving a speech to a gathering of the international managers in Cardiff in 2013 told them: *‘That is why when I walk into an Admiral office, whether it be Cardiff, Paris, or Rome I know I am in Admiral because of the general atmosphere – the buzz about the place; what’s on the walls and the desks; what people are wearing (or not!); the way people behave; the way they interact with each other and their customers’* (see Footnote 59) shows that he recognises that the Admiral culture is a point of difference between the companies he is involved with.

It is difficult to find external data to triangulate the attributes of the culture but one can map many of the attributes identified in the primary data to how the employees view the culture in their own words. Every year a Top 10 Departments competition is run and in 2010 all the departments had to make a presentation answering the question ‘What does the Admiral Group culture mean to you and how does your department ensure that the culture is embraced by all members of staff?’ The presentations are filmed and the films were made available to me as secondary data. A summary of five departments appears in Table 5-39 on page 5-214 where key elements of the presentation are identified and mapped to a subset of the primary data attributes. Regarding the concept of ‘tribalism’ that emerged as a code, despite the fact that each film focused on different elements of the culture and central departments were a little less exuberant than the service, customer-facing departments, a quote from the Cardiff Sales presentation (10:43) sums up the concept as *‘there is constant emphasis on the Admiral culture, we just fit it to what we do as a department’*.

The data presented thus far has not supported all of the attributes, by their nature only implicitly understood by the company. However every person who joins the company completes a form in their first few days entitled ‘I Want to Work For a Company that ....’. The forms for the founders and the senior managers employed since the IPO have been made available for this thesis and reading them is illuminating as to the source of the attributes being in the founders motivations for starting the company and in the psyche of the subsequent joiners. Pertinent quotes can be found above in Table 5-40 on page 5-215.

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Department	Presentation Observations	Quote	Attribute (from visual or auditory cues)	DVD ref
Cardiff Claims Service 1	Set up a 70's disco dance floor - think Saturday Night Fever	<i>Main aim is for management to keep everyone happy'</i>	People matter	02:41
	Members of staff holding up placards showing key metrics	<i>How does everyone know whats going on?</i>	Communicate, If it moves measure it	03:27
	Smiling faces, lots of non-verbal support, and pride shining through	<i>the key to fun is themed days, competitions, mixing it up'</i>	Fun, Flexible, Friendly, Pride	05:28
Swansea Outbound	Used the Willie Wonka Golden Ticket tour theme. Area vibrant.	<i>how the outbound operation embraces the Admiral culture and has fun while making money</i>	Spend every penny wisely, Fun	00:18
	They are all dressed as Oompa Loompas	<i>What do we look for in our guys? One word - attitude. We can teach the rest. The right attitude: wanting to be the best and having fun</i>	Passion, Be the Best. Fun	02:10
Cardiff Sales	A straight presentation to the judges, lots of supporters for the speakers who are full of enthusiasm and pride in their achievements	<i>You can't always get the sale but you can always deliver the best customer service and promote the brand</i>	Customer orientation	03:59
		<i>Team managers have a great relationship with their teams, they know these guys inside out</i>	People matter, Open, Pay attention	09:19
		<i>We are, as stupid as it sounds, like a big family, We and support each other</i>	Fun, Friendly, People matter	09:31
		<i>This is a sales floor right? And the units matter, the numbers matter, fun is driven around it</i>	Pay attention, If it moves measure it, Fun	09:44
Swansea Gladiator	Another straight presentation in a Gladiator meeting room but presenters are very confident and full of pride in their achievements and interview selected members of staff	<i>Got the balance between work and play right and its got a great atmosphere</i>	Balance, Fun	00:40
		<i>It is such a happy friendly environment</i>	Friendly	01:13
		<i>We like to keep our reporting structures flat and transparent as is the Admiral way</i>	Open, Equality	10:38
Newport Liability (only established in 2009)	Red carpet theme with an 'E! News' type presenter interviewing people as they walk down the red carpet	<i>Massive culture for treating customers fairly and delivering an excellent level of customer service</i>	Customer orientation	00:51
		<i>Masisve part of the Admiral culture is making sure staff are happy andthey get rewarded for the work they do</i>	People matter, Recognition	03:38
		<i>We all know that openness and communicayion is a massive part of the Admiral culture</i>	Open, Communicate, communicate, communicate	06:12
		<i>Not one person is too superior to speak to anyone else</i>	Equality	06:15

Table 5-39: Summary of presentations filmed for the 2010 Top 10 Departments competition mapping salient excerpts back to the attributes of the culture identified from the primary data.

Cultural element	Support from 'I Want o Work For a Company ...'
Ambiguous	-
Balance	-
Be the Best	To give "my best" to my work. which will contribute to making Admiral "the Best". LW 2002
Challenge	where I am constantly challenged DS 2002
Colour outside the lines	where an "entrepreneurial spirit" is encouraged and maintained HS 2002
Communicate, communicate, communicate	that communicates openly and regularly with employees, prospects and customers, resulting in long term, mutually profitable relationships JWJ 2002
Customer orientation	which, as a customer led company, puts the customer first and exceeds customer expectations, providing quality service, first time, every time JWJ 2002
Democratic spirit	that encourages feedback from staff and cares enough to ask for, and consider, their ideas TO 2002
Equality	which is a meritocracy and is flexible; allowing freedom for employees to move up the hierarchy and across functions DS 2002
Everything is a learning opportunity	learns from its past successes and mistakes, but at the same time is intelligent as to not be anchored by that past experiences CS 2005
Flexible	is flexible and open so that new ideas can flow and have a chance to help the company better itself NWK 2005
Friendly	in a friendly and helpful environment MH 2003
Fun	helps to ensure that work is fun KC 2005
If it moves measure it	-
No blame	that is fun to work for and free from internal strife and politics AP 2002
Open	that is open with its staff and customers AP 2002
Passion	that is very enthusiastic about its success and generates that enthusiasm throughout all its staff JB 2002
Pay attention	-
People matter	that cares about the social welfare of staff, and the working environment for all employees TO 2002
Pride	that gives me job satisfaction and pride in my work. the pride to share the company name PB 2002
Recognition	recognises and rewards the effort of all staff SM 2003
Risk adverse	-
Self-deprecation	-
Spend every penny wisely	-
The perfect is the enemy of the good	that is innovative and willing to change AP 2002
Trust	fosters trust, proud, joy and fun CS 2005

Table 5-40: Maps excerpts from the 'I want to Work for a Company that...' forms completed by founders still associated with the company and recently recruited senior managers against the cultural attributes identified from the primary data.

Above all this is a company 'that is not ashamed to promote a company ethos; a corporate culture; a shared goal (DS 'I want to Work For').

In conclusion, the secondary data has supported the notions on culture that have emerged from the primary data.

#### 5.5.15.4 Summarising evidence for the 'culture enables' theme

Perhaps it is not surprising that culture has emerged as a contributory factor to this firm's success as the literature talks about it being the vehicle for channeling human behaviour (Trice & Beyer, 1993). It is mooted in the literature that internal social contexts shape strategic renewal and the development of capabilities (Capron & Mitchell, 2009) and this

is a company where culture is not “tacit” and there has been deliberate action on the part of the founders to create the culture that emerges from the primary data. The fact that it ‘enables’ the other themes presented here whilst not presented in the secondary data can be supported in the literature on organizational culture. *‘Corporate culture provides the glue that reflects the norms and ideals of the firm and guides employees behaviours. It is the corporation’s “personality”. Once shared values become part of the rubric of the firm’s culture, they serve as psychological rudders that guide employees’ behaviours’* (Joyce & Slocum, 2012: 186).

### 5.6 Data Analysis: Examining how capabilities in this company have evolved over time from the primary data

Part of the research question involves looking at how this firm’s capabilities have evolved over time as the company has emerged from its start-up phase in 1993 through its SME stage to being a large UK company through to its nascent MNE status today with over 6000 employees worldwide. Size is not just a key factor but ownership too can elicit change in an organization and this company has moved from being part of a Lloyds of London syndicate, through to an MBO in 1999 followed by public ownership after an IPO in 2004.

The interview data was recoded to look specifically at references to changes over time. Sometimes I specifically asked a participant about how things had evolved especially where they were “founder” employees. But a picture emerged from the data of a company whose essentials have remained unchanged, although it is clear that as the structures, size and ownership have changed, one can see routines and processes changing and operational capabilities evolving or new operational capabilities being developed.

The codes that emerged to tell this story were:

INITIAL CODING SCHEMA FROM EMAIL/INTERVIEW DATA
Growth/ Enabling growth in culture/ Measures filter down/ Success generates pride/ Different mix of people but same core traits/ Non UK set ups with similar culture (tribal)/ Dilution of culture\ Fighting against being more corporate/ Increasing formality/ ID talent\ More robust procedures over time/ Formalised process for internal development/ Rebuilding & expanding management team/ Changes at top/ Relative speed\ Adaptable team dynamics \ Darwinism is a slow process\ Work harder to maintain culture \ Newer more like original\ Focus on costs over time\ Top team attention to detail\ Disadvantages to top team dynamics\ Strategic decision making over time

*Table 5-41: Codes from interview data that encompass the ‘differences over time’ theme. See Appendix A.19 for details.*

This is a company that has been concerned at a senior level with the problems of growth: ‘I worry that as we grow it becomes so diluted that we don’t focus on it as much (LS 12/1/10)’ and yet ‘I think we’ve done surprisingly well at maintaining the humanity and the culture of the company as it has grown (DS 24/06/10)’ despite the fact that ‘I think one of the things that we have found with the new people we took on is that, yes they fitted, yes they were nice people who could interact well on a personal level with people, but they had different experiences, they had different skills, different ideas, so took things on (JM 22/06/10)’. But this achievement has been in the context where ‘having more than 20% of the original starting staff means a history and legacy that is held onto. Having the same, effective leadership eliminates a lot of unneeded effort during transitions (AR 04/06/10)’.

Examples are given in the interviews of how recruitment and induction processes have changed over time. The business has had a number of structural changes and individuals have moved around the business. In Section 5.5.12, the interviews revealed how decision-making has evolved with the caveat that ‘even today, it’s quite odd for a FTSE 100 company to have such quick management decision making. Probably a little slower because of the governance today requires a lot more documentation but it’s still pretty quick and certainly implementation, once decisions are made, yes, it’s still pretty quick (AP 23/06/10)’. There is evidence that the senior members resist bureaucracy and formalization for the sake of it, incorporating elements needed to satisfy regulatory requirements or if they are useful in running the business ‘“oh, we’re so big now, we’re a FTSE 100 we must become more corporate.” Why? That’s what made us different, that’s what made us successful (LS 12/10/11)’.

The test and control method of implementing change has remained the same from launch where it was frequently used in the first year to test marketing creative to today where changes to the website are tested on 10% of the volume initially as are changes to the rating algorithm or improvements to the claims process.

However this is a company that has learned and implemented changes to improve its business. This can be seen in looking at how the operational capabilities of the firm have evolved. For example: in pricing, in Section 5.5.8.2, the process on Day One involved 25

rating tables whereas today 50-70 are used although the pricing strategy remains the same. In marketing, the detailed metrics used to track efficiency have changed as the internet has shifted to being the dominant distribution channel. In 2000 the marketing mix was primarily broadcast media and response rates and cost per quote generated (CPQ) were key measurements<sup>89</sup>. Today the marketing mix is both broadcast (for brand equity) and online media and although response rates are still tracked and CPQ is still a key measure, performance across paid search and natural search plus funnel rates through the web-site are key<sup>90</sup> as are measures generated from brand research and share of voice measures. Operationally, Admiral has moved from a largely off-line media mix to one that is primarily on-line and this shift represents learning and application there-of to the marketing operational capability. However the foundational tenets of risk-aversion and ‘the perfect is the enemy of the good’ and learning remain the same. As the Head of Marketing in 2010 told me<sup>91</sup> ‘*its not that we do thing’s differently – its just all a matter of scale. With more people we get a lot more testing and learning done in all the areas of the business*’.

Managing people is also an operational capability and although the principles remain the same i.e. a foundational commitment to the idea that people matter in the business, the routines and processes change as regulation requires, as size requires, as new approaches to recruitment and training and coaching are tried and tested. Similarly one might consider Admiral to have an operational capability in team building. See Section 5.5.10 for details.

The following table overleaf lists all the themes from this Chapter and marks the 1993 and 2013 positions from primary and secondary data and expounded in the text.

Table 5-42 demonstrates that the general consensus about the important elements/themes: the approach to change, risk, learning, people, the culture – ‘*I don’t think there’s been a huge evolution (DS 24/06/10)*’. Success has bred a commitment to do doing things the way they have always been done. Culturally, looking at the statements of the founders and the senior team when they joined the company (see Table 5-40) these traits and desires are still apparent in the culture today (see Section 5.5.15).

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<sup>89</sup> Taken from marketing reports in my files. I was Marketing Director from 1998 to 2002.

<sup>90</sup> In my new role as International Marketing Director I am responsible for the KPI’s and these measures feature on the 2014 reporting packs.

<sup>91</sup> Personal communication.

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Looking at data from the Best Companies and GPTW Institute surveys that have been used extensively as secondary data, the ethos of managing people has been the same from 2000 to today and the internal Admiral staff survey results from 1999 to today tell a similar story. The company is a very different entity today than it was at launch but the fundamental elements of the culture and the success factors emerged from the primary data remain the same.

Theme	1993	2013	Comments
Recruitment and Induction	Hire for fit	Hire for fit	But processes have evolved. See text.
Embrace change	Constant	Constant	Still test and control or start small and measure and learn
Learning environment	At all levels	At all levels	Still no blame, empowered learning environment
People matter	Yes they do!	They still do!	A fun place to work where all the staff feel as equal and valued as possible ' from <a href="http://www.bbc.co.uk/news/business-26873125">http://www.bbc.co.uk/news/business-26873125</a>
Management style	measured by internal and external surveys	same as measured by internal and external surveys	The GPTW Institute have developed a model which defines 'a great workplace as one where employees trust the people they work for, have pride in the work they do, and enjoy the people they work with'
A balancing act	CEO set example of work-life balance from launch	CEO still sets example of work-life balance	
Attention to detail	From Day 1 managers were expected to have an interest in the business as a whole: their department and their people	Remains true today (see data)	
Numbers matter	If it moves measure it	If it moves measure it	This is still a business where senior managers are highly numerate and have been recruited on that basis
Structure helps	8 Departmental managers in UK report to MD	International MD's reports to CEO, UK operations to COO, CFO currently is CFO and runs US insurance operation. International Pricing, marketing and IT report to country heads and to international directors who report to CEO.	Structure is fluid and rearranges frequently to match the needs of the business (COO)
Team building	Part of change control process	Still part of change control process	For most part teams volunteer but culture enables effective working
External market intelligence	Became members of ABI, subscribe to industry journals and conferences	Still as in 1993 but network of contacts has grown over time	Admiral launched because there was a gap in the market, the wider industry is still of interest (see text)
Strategic decision making	HE, DS, AP (others as necessary)	HE, DS, KC, (others as necessary)	As ownership changed the regulatory requirements for decision making became formalized (see text)
Mission	To be the most profitable insurer in the UK	To be the most profitable insurer in the UK	Remains the same. In the most recent annual results this message was reiterated to analysts.
Stability of management	57 starters	16 of 57 still with company (in positions of management)	
Culture enables	"I want to work for a company.." stated the type of company the founding members wanted to work for.	At the 20 year reunion in 2013, these documents were perused by all the founding members and they agreed - this was the company they created!	Culture measures externally by GPTW Institute have not really changed from 2000 to 2014 as have measures in internal staff survey.

Table 5-42: Changes in the themes generated by the data from 1993 to 2013

### 5.7 Have we found dynamic capability?

In the Introduction to this chapter, the foundational definitions for dynamic capability were reviewed in Table 5-1. That summary is reproduced here:

Study	Definition	DC Focus
Teece, Pisano & Shuen, 1997: 516	<i>the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments.</i>	Managerial & organizational processes
Eisenhardt and Martin, 2000: 1107	<i>the firm's processes that use resources - specifically the processes to integrate, reconfigure, gain and release resources - to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die.</i>	Processes
Zollo and Winter, 2002: 340	<i>a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness'</i>	Routines
Winter, 2003: 991	<i>those [capabilities] that operate to extend, modify, or create ordinary capabilities.</i>	Routines
Zahra, Sapienza & Davidsson, 2006: 918	<i>the abilities to reconfigure a firm's resources and routines in the manner envisioned and deemed appropriate by the principal decision maker(s).</i>	Abilities
Helfat et al., 2007: 4	<i>the capacity of an organization to purposefully create, extend, or modify its resource base.</i>	Patterned & practiced activities
Teece, 2007: 1319	<i>the capacity (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets.</i>	Managerial processes

As was noted in Chapter 2, the dynamic capabilities view has been criticised (Ambrosini & Bowman, 2009; Barreto, 2010; Di Stefano et al., 2010 amongst others) as ‘*rather vague and elusive*’ (Kraatz & Zajac, 2001: 653). Looking at the summary of the primary influential studies in the field above shows that the different focus taken varies from paper to paper. This research requires that Admiral demonstrates dynamic capability and as explained earlier in this chapter, with “dynamic capability” not in the lexicon of the business it was hoped that the discussions around the Admiral’s success would yield themes that met the definitions for dynamic capability.

The next table takes each theme as it emerged from the data and maps it against the definitions in Table 5-1.

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Themes ▼	Teece, Pisano & Shuen, 1997: 516	Eisenhardt and Martin, 2000: 1107	Zollo and Winter, 2002: 340	Winter, 2003: 991	Zahra, Sapienza & Davidsson, 2006: 918	Helfat et al., 2007: 4	Teece, 2007: 1319
Focus of definition ►	Managerial & organizational processes	Processes	Routines	Routines	Abilities	Patterned & practiced activities	Managerial skills
Recruitment and indoctrination	✓	✓			✓	✓	
Embrace change	✓	✓	✓	✓	✓	✓	✓
Learning environment	✓	✓	✓	✓	✓	✓	✓
People matter					✓		✓
Management style	✓		✓	✓	✓	✓	✓
A balancing act					✓		✓
Attention to detail					✓		✓
Numbers matter					✓		✓
Structure helps	×	×	×	×	×	×	×
Team building			✓		✓	✓	✓
External market intelligence			✓		✓	✓	✓
Strategic decision making			✓		✓	✓	✓
Mission					✓		✓
Stability of management	×	×	×	×	×	×	×
Culture enables			✓	✓	✓	✓	✓

Table 5-43: Maps the themes that emerged around Admiral’s success to the main influential writers on dynamic capabilities.

This mapping reveals only two themes: ‘structure helps’ and ‘stability of management’ to not meet any of the criteria for dynamic capability in the influential literature in this field. However the remaining 13 themes satisfy at least two of the criteria and for the purposes of answering the research question will be considered as dynamic capability.

## CHAPTER 6: REVIEWING THE EXTANT LITERATURE ON THE THEMES TO EMERGE IN THIS CASE-STUDY ON ADMIRAL PLC

### 6.1 Introduction

This chapter deals with a key element of grounded theory: exploring the contrast between the emergent concepts from the data with the extant literature (Charmaz, 2006; Corbin & Strauss, 2008). Eisenhardt (1989a) also lists this step in her exposition of case study methodology. She argues that this stage helps to focus answering the research question and in this particular instance, help sharpen the definition of where a contribution can be made to the dynamic capability literature.

From Chapter 5, a number of themes emerged from the data collected that when compared to the foundational elements of dynamic capability as defined by the literature (and summarised in Table 5.1 on page 5-108 revealed Admiral to have dynamic capability as it is currently envisaged in existing theory. Removing those themes that displayed no attributes of dynamic capability as it is currently defined, the dynamic capability at Admiral Plc can be summarised in a modified version of Table 5-43 as per Table 6.1.

Focus of definition ►	Seminal definitions of dynamic capability						
	Teece, Pisano & Shuen, 1997: 516	Eisenhardt and Martin, 2000: 1107	Zollo and Winter, 2002: 340	Winter, 2003: 991	Zahra, Sapienza & Davidsson, 2006: 918	Helfat et al., 2007: 4	Teece, 2007: 1319
Themes ▼	Managerial & organizational processes	Processes	Routines	Routines	Abilities	Patterned & practiced activities	Managerial skills
Recruitment and indoctrination	✓	✓			✓	✓	
Embrace change	✓	✓	✓	✓	✓	✓	✓
Learning environment	✓	✓	✓	✓	✓	✓	✓
People matter					✓		✓
Management style	✓		✓	✓	✓	✓	✓
A balancing act					✓		✓
Attention to detail					✓		✓
Numbers matter					✓		✓
Team building			✓		✓	✓	✓
External market intelligence			✓		✓	✓	✓
Strategic decision making			✓		✓	✓	✓
Mission					✓		✓
Culture enables			✓	✓	✓	✓	✓

*Table 6-1: Dynamic capability at Admiral Plc mapped against the definitions provided by the main influential writers on dynamic capabilities.*

The dynamic capability identified can be categorised as being an ability (Zahra et al., 2006), a routine (Winter, 2003; Zollo & Winter, 2002), a process (Eisenhardt & Martin, 2000; Helfat et al., 2007; Teece et al., 1997), specifically practiced as a managerial skill (Teece, 2007), or some combination thereof. This vagueness may not have been a deficiency since Winter (1995: 149) observed it leaves '*ample room for pragmatic adjustment as new problems are met*' and yet there are calls for the construct to be better developed in the worry that empirical work may be misdirected (Barreto, 2010; Easterby-Smith et al., 2009).

The rest of this chapter examines how each of the capabilities identified in Table 6.1 are dealt with in the extant literature but specifically as they have been described in the data hence grounding the emergent themes in the wider literature. For each theme, links are made, where possible, to the dynamic capability literature. However, without exception, each theme also finds resonance, often more resonance, in other literature domains whether that be: organizational behaviour, psychology, human relations, knowledge management or the wider strategic management literatures. Those literatures are also reviewed here but only as they pertain directly to data collected for this case-study. This has developed into a major exercise and has played a significant role in the retroductive reasoning presented in Chapter 7 hence warrants a separate chapter in this thesis.

## **6.2 Support in the literature for the dynamic capability 'recruitment and indoctrination'**

As a dynamic capability, there is little study thus far of either recruitment or indoctrination. The literature that does talk about recruitment is mainly in the knowledge management arena following the idea that an organization can reconstitute its knowledge base through recruiting new workers, first expressed by Kogut and Zander (1992) in their influential work on the knowledge of a firm (see Table 2-1 on page 2-33). The notion that intellectual human capital can give rise to firm-level heterogeneity is well established (Rothaermel & Hess, 2007) and certainly recruitment is posited as a way of building new dynamic capability in a firm and proficiency in recruiting can be an operational capability (Rothaermel & Hess, 2007). However the evidence in this case is of a firm who is not recruiting radically different skills or knowledge but of a company whose recruitment policies revolve around person-organization fit (P-O or P-E). On the whole this is not a firm seeking recruitment of specialists: resources from strategic factor markets (Barney,

1986b). There are exceptions of course, for example Admiral's recent employment of trained lawyers to support a new initiative in the business anticipating the changes to selling legal ancillaries recommended by the private members bill introduced by Jack Straw in 2011<sup>92</sup> but for the most part people are recruited for a cultural fit rather than a skill set.

We see in Feldman and Pentland (2003) examples of a firm's recruitment process and additionally Ambrosini et al. (2009) argue that the patterned elements of the process can be candidates for dynamic capability in a firm.

However in the wider literature, specifically that of human resources, the notion that organizations should devote substantial attention to attracting and selecting the best talent is prevalent as is the idea that ideally firm's should match recruits to their organization (Chatman, 1991) and achieve a P-O fit for best results. This idea of "fit" with the organizational climate was advanced in the early 80's (for example Richard E Boyatzis, 1982; Joyce & Slocum, 1984), with Boyatzis stating that the best performance would occur when the person's capability or talent is consistent with the needs of the job and the organizational environment. More recently it has been argued that such "fit" is a way of '*building competitive advantage*' (Joyce & Slocum, 2012: 184). This notion of "fit" was well represented in the interview data and clearly this is a company that sets store recruiting for person-organization (P-O) fit and supports Chatman's thesis that "fit" gives rise to '*pervasive influences on individual behaviours and attitudes*' (1991, p. 459).

"Fit" is also a well-theorised construct in the psychology literature (see Lievens, Decaestecker, Coetsier, & Geirnaert, 2001 for a review) and is a central concept in the organizational behaviour literature (Edwards, 2008). Edward's review of the extensive person-environment (P-E) fit literature (over 13,000 citations p. 217) concludes that most of the theories invite the same conclusion: that P-E fit leads to positive outcomes and any misfit is detrimental.

There is also literature that points to a relationship between poor P-E fit and turnover and this loss of intellectual capital (Vandenberghe, 1999).

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<sup>92</sup> See <http://www.insuranceage.co.uk/insurance-age/news-analysis/2141547/straw-vows-continue-pushing-on-motor-insurance-premiums>. Accessed 19/05/14: 12:23.

The evidence from this case suggests that “fit” encompasses elements of intelligence, emotional intelligence and personality traits that have become embedded in the culture itself. These traits serve to reinforce the underlying culture that enables so much of the business

For example, in a conversation with Chris Argyris (Argyris & Crossan, 2003: 45), he says *‘in a world where minds are hired, learning becomes central’* but bemoaned in 1998 (R. M. Fulmer & Keys, 1998: 22) that *‘people do not know how to learn’*. The practice in Admiral of hiring people who are curious and willing to learn is symptomatic of a learning organization and may represent an attempt to overcome Argyris’s complaint. Combining this with hiring numerically able people who “fit” supports Gardner’s contention (1983) that although IQ is important it doesn’t mean you can learn and so you need the right environment and possess the necessary social, personal and emotional skills all of which are reflected in the concept of “fit” emerging from the data.

The dynamic capability perspective highlights *‘that coordination is a central economic problem’* (Augier & Teece, 2009: 415) and coordinating and adapting to changing markets (R. M. Cyert & March, 1963) is a fundamental element of a firm’s dynamic capabilities (Augier & Teece, 2009). “Indoctrination” is one way of achieving coordination. Studies in the military note how leadership implicitly emphasizes cultural indoctrination (Hutchinson, 2013) but there is no direct link in the literature between “indoctrination” and dynamic capability.

In the early 70’s it was postulated that the behaviour of individuals could be influenced by cultural indoctrination (Alchian & Demsetz, 1973) and Mintzberg (1980: 325) talked about training and indoctrination as *‘a design parameter by which skills and knowledge are standardized’*. Furthermore, he postulated that coordination in firms is to a large part successful by its degree of indoctrination *‘representing a pull towards a sense of mission’* (p. 339).

However, the more recent theoretical concept of “sensegiving” has pertinence here. It is a term first coined by Gioia and Chittipedi (1991: 442) as *‘a process of attempting to influence the sensemaking and meaning construction of others towards a preferred redefinition of organizational reality’*. Gioia and Chittipedi’s study revealed the key role

that leader sensegiving plays in effecting major change and one gets a sense of this from the interview data in this case study. So sensegiving is not only important in firms but is also a prevalent activity not just amongst leaders but also middle managers and other stakeholders (Maitlis & Lawrence, 2007). Its function is to shape meaning (Pratt, 2000) along with the sensemaking processes to lead to *'a collective interpretation of decisions and then to action'* (Narayanan, Zane, & Kemmerer, 2011: 307). Narayanan et al. (2011: 340) also talk about sensegiving as one of the processes of strategic cognition and argue that they help to explain the heterogeneity of decisions made in organizations *'consistent with the dynamic capability view'*. However sensegiving whilst well developed as a theoretical construct awaits empirical research (Narayanan et al., 2011). There is evidence that sensegiving is vital in entrepreneurial contexts (Cornelissen, Clarke, & Cienki, 2012), in improving team performance (Randall, Resick, & DeChurch, 2011) and in change implementation (Fiss & Zajac, 2006). It has been suggested that it allows ambiguity and "vagueness" around a central vision which empowers thinking and action (Gioia, Nag, & Corley, 2012; Rouleau, 2005). There is no doubt that much of the interview data finds resonance in this literature albeit not directly connected to dynamic capability.

### **6.3 Support in the literature for the dynamic capability 'embrace change'**

Change as a success factor has been a common theme in a very rich literature spanning decades. Successful change management is widely accepted as vital for success in today's highly competitive and dynamic markets (Burnes, 2004; Burnes & Jackson, 2011; By, 2005; Luecke, 2003; Pettigrew & Whipp, 1993 amongst others). Firms that *'engage in radical innovation enjoy supranormal returns'* (O'Connor, 2008: 314). However Balogun and Hope Hailey (2004) report that 70% of all change initiatives fail. Admiral has been remarkably successful at change but it's process, it's approach to change must differ from the companies Balogun and Hope Hailey report. As the COO explains, it *'relates to the testing thing. If you're running a number of horses you've got... some of them stick and you push them forward, so in other organizations if they bet their bank on something that doesn't happen, where do you go? Well you're back to status quo until you think of your next big one, so that's relevant (DS 24/06/10)'*.

An early version of this proto-theme was named 'change is constant' and this is reflected in more recent literature on change. Burnes (2004) comments that change is constant in organizations both at the operational and strategic levels and goes on to argue that

organizational change cannot be separated from organizational strategy. The relevant literature on change from previous decades (see Tsoukas & Chia, 2002 for a review of this literature) was engaged in a discourse dominated by questions of stability punctuated by episodes of change and yet as early as 1946, Bergson (1946: 131) noted that:

*'We say change exists, that everything changes, that change is the very law of things: Yes, we say it and we repeat it; but those are only words, and we reason and philosophise as though change did not exist.'*

Even earlier in 1909, in his Hibbert lectures, William James expressed dissatisfaction with the ruling paradigm in philosophy that was rooted in the Platonic and Aristotelian belief that *'fixity is a nobler and worthier thing than change'* (James, 1996: 237). So the evidence from these interviews that change in this organization is continuous is more in line with Tsoukas and Chia's perspective where *'change is always potentially there if we only care to look for it'* (Tsoukas & Chia, 2002: 568) that starts from the premise that change is inherent and pervasive within organizations and built on work from Orlikowski (1993), Weick (1998) and Feldman (2000).

Although culture emerged as a theme from the data in its own right there were specific references to a culture of change at Admiral that enables successful innovation and continuous change (see Chapter 5 and Appendix A). Organizational culture has been cited as a fundamental variable in determining the success of change initiatives (Bate, Khan, & Pye, 2000; Curry, 1992; Latta, 2009; Wilkins & Dyer Jr., 1988) and Bate, Khan and Pye (2000: 209) note that culture is both a catalyst and a product of change. The academic literature is rich in the latter area but little has been written about culture as an enabler of change (see for example Armenakis, Harris, & Feild, 1999; Burke & Litwin, 1992; Galpin, 1996; Isabella, 1990) although the fact that culture can inhibit change and is key to change resistance is much more widely researched (for example Armenakis et al., 1999; Burnes & Jackson, 2011; Galpin, 1996; Kotter, 1995). Put simply, Burnes and Jackson (2011) argue that lack of alignment between the value system of the change and of the staff involved is the main contributing factor to why change initiatives fail. The previous sub-section talks about sensegiving (indoctrination) and intimates why change may be more successful at Admiral. See Armenakis and Bedeian (1999) for a fuller review of literature in this area and Section 6.14 where the 'culture enables' dynamic capability is explored further in the literature.

A number of the initial codes for this theme revolved around innovation. From the data presented in Chapter 5, the participants clearly believe they are innovative company and studying the innovative initiatives within their market, as discussed in Chapter 1.3.4, shows this belief is not misplaced. As the former CFO expresses it: *'What off the wall thing might we try to move it on to the next level (AP 23/06/10)'*?

That innovative activity is vital for success was an idea first expressed by Schumpeter (1943: 84): *'it is not [price] comparison which counts but the competition from the new commodity, the new source of supply, the new type of organization'*. It is widely accepted that innovation is key to the economic performance of firms (van der Panne, van Beers, & Kleinknecht, 2003) and a considerable literature has emerged in the last thirty years around innovation within firms. Van der Panne et al's 2003 literature review on the factors for success or failure of innovation noted *'firm culture, experience with innovation, the multidisciplinary character of the R&D team and explicit recognition of the collective character of the innovation process'* (van der Panne et al., 2003: 309) were consistently identified in the literature as having a positive impact on the success of an innovation. The enabling character of Admiral's culture was revealed at length in Chapter 5 and discussed further in Section 6.14 starting on page 6-260

The history of Admiral innovating within the UK insurance market since launch in 1993 was evidenced earlier and shows the firm has experience with successful innovation but the other factors mentioned in van der Panne et al's review are less relevant here:

1. Admiral has no R&D function. The former CFO makes the observation that the next hunch is from *'a small number who have some trust amongst each other that they can throw out odd ideas (AP 11/11/10)'* and the COO enumerates the success of Admiral's innovation as *'the closeness to the business of the senior managers so that they are reasonably able to make good calls on what might be a successful innovation. Then the second is the willingness to run a number of different innovations, some of which inevitably fail ..., and then the third one is the ability to just get the organization sort of collectively pointed in a direction. That's a lot about continuity of management; it's a lot about simplicity of business model; and ... if you are going to point in a direction you can move reasonably effectively and reasonably quickly (DS 24/06/10)'*.

2. The innovation change process at Admiral is often (but not exclusively) about putting together a cross-functional team who have matrix reporting lines to the head of the team and their usual departmental reporting which seems to satisfy the collective aspect referred to by van der Panne et al. (2003).

Lastly, concerning relevant literature, from the interview text there are references to ‘hunches’ and an action orientation: *‘It was always “right, what can we do now then” (AP 23/06/10)’*? In the literature these activities seem to be described as sensing and seizing. Augier and Teece (2009: 412) state that when *‘firms are dynamically competitive, management will be active at sensing and seizing opportunities.’* Teece in his later writing on dynamic capability (Augier & Teece, 2008, 2009; Katkalo et al., 2010; Teece, 2007) argues that sensing and seizing and transforming are attributes that firms possess that enable them to evolve and these activities became a cornerstone for his later evolution of the dynamic capability construct.

Change lies at the heart of the development of the dynamic capability construct in that they were hypothesized to *‘enable companies to adapt to change by the modification of its operational capabilities’* (Arend & Bromiley, 2009: 75) and yet there are very few references to the organizational capacity for change itself being a dynamic capability. Judge and Blocker (2008) contend that this capacity for change is an antecedent to strategic ambidexterity and as such a dynamic capability. This development was preceded by Worley and Lawler III (2006: 19) who argued that in today’s environment, firms need to *‘transform themselves into organizations that are “built to change”*’ but this hasn’t been explored as a dynamic capability in the strategic management literature. However this case study has revealed the capacity to change as a dynamic capability.

#### **6.4 Support in the literature for the dynamic capability ‘learning environment’**

Senge coined the phrase “learning organization” which he defines (1990: 14) as an organization that is continually expanding its capacity to create its future. Garratt (1999: 203) echoes this by stating that *‘it is crucial that the capability of both individuals and organisations to learn regularly and rigorously from their work is encouraged so that they may adapt rapidly and continuously to their changing environments’*.

Drew and Smith (1995) comment that ‘the learning organization’ should be viewed as a metaphor which Wang and Ahmed (2003) say involves practices such as the establishment of a learning culture, collaborative team working, empowerment and involvement. This case presented both primary and secondary data throughout Chapter 5 that would indicate that such practices and ethos exist within Admiral supporting the assertion that organizational learning occurs.

In organizations, it is the learning context: its structure, processes, culture etc. that affect the ability for learning (Catherine L. Wang & Ahmed, 2003). Fiol and Lyles (1985: 803) define organizational learning as ‘*the process of improving actions through better knowledge and understanding*’ and they point to 4 contextual factors for learning to occur: the corporate culture, strategy that allows for flexibility, organizational structure and the external environment. Wang & Ahmed’s review of the literature lists factors for learning to occur as flat, cross-functional teams, open communication environments, flexibility, employee commitment and absorptive capacity. Again, the data supports the contention that Admiral has the right environment for organizational learning to occur.

Argyris and Schon (1978) were influential in moving the research domain from the more rational, systems view of organizational learning (as exemplified by R. M. Cyert & March, 1963; Levitt & March, 1988) to the idea of individuals as agents of organizational learning. Today, the idea that a learning organization evolves as its people learn is the dominant paradigm in the literature (Honey & Mumford, 1992; Marquardt & Reynolds, 1994; Moffett, McAdam, & Parkinson, 2003; Ryan & Prybutok, 2001; Scarbrough, Swan, & Preston, 1999; Senge, 1990; Swan et al., 2010; Tannenbaum, 1997). It follows then that a learning organization should enable opportunities for personal development for its staff (Scarbrough et al., 1999) but more than that, the organization needs the ability to synthesize this individual and project learning at an organizational level (Matlay, 2000; Swan et al., 2010). In surveys run by the GPTW Institute<sup>93</sup> in 2011, 2012, and 2013, 88% , 89% and 88% respectively of respondents agreed with the statement ‘*I am offered training or development to further myself professionally*’. This chimes with the number of people formally trained each year in both their own departments and the Admiral Academy.

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<sup>93</sup> See Chapter 5 for details of the GPTW survey and its methodology.

Informal development through coaching and initiatives such as the Port of Call<sup>94</sup> also provides personal development opportunities. In response to the open-ended question ‘is there anything unique or unusual about this company that makes it a great place to work?’ the following anonymous employee comments were made:

<i>It is a learning organization which encourages people to develop their skills and to seek promotion. The CEO has a unique scheme of paying for any self-improvement books purchased by staff.</i>
<i>Everyone is encouraged to develop their own career and can always ask for assistance or extra training which is always readily available.</i>
<i>Always recognised for things you have done/improvements you have made to yourself and others. Rewarded for personal improvement by being given extra responsibilities.</i>
<i>The management are very approachable/flexible and take a genuine interest in me personally, not just how much work I am producing.</i>
<i>They listen to your ideas, a lot of the positive outcomes at this company have come from staff suggestions.</i>

*Table 6-2: Response to the open-ended question ‘Is there anything unique or unusual about this company that makes it a great place to work?’ from survey conducted in October 2011 by The Great Place To Work Institute.*

This commitment to personal development stems from the idea that ‘people matter’ in this company as discussed in Chapter 5.5.4 and in the next sub-section representing another example of how the data findings are inter-related.

One of the prevalent codes: “test and control” is just a control loop and from the interview data you can see that results are looked at, debated, next actions decided. As AP (23/06/2010) explains ‘Great let’s get on with it. Or, does it partly work? Does it need a little bit of change? Yes. Bang! It’s changed. Or, no, it doesn’t work; right throw it away, on to the next idea.’ And AP’s point ‘Does it need a little bit of change’ questions not just the change itself but sometimes the very foundations of the firm’s business. As other participants told me: ‘We don’t get attached to a particular way of doing things (CH 03/06/10)’ and ‘we know that our own people have no prejudices about how things “should” be done (CB 14/06/10)’. This is an example of double loop learning, a term first coined by Argyris and Schon (1974) and related to Bateson’s concepts (1974) of first and second-order learning. Argyris (1958, 1972) and Argyris and Schon (1976, 1977) argued that double-loop learning was the more effective path to decision making within an organization. It can be summarised in Figure 6-1.

<sup>94</sup> *Port of Call is a program where by a member of staff can ask to spend some time in another department. For example in 2012 788 people availed themselves of the opportunity to visit another department. Figures provided by RH in email to me dated 21/05/13: 13:41/*

Argyris defined organizational learning very simply in his 1976 (p. 365) paper as

*'Learning here is defined as the detection and correction of errors, and error as any feature of knowledge or of knowing that makes action ineffective'.*

In summary, Argyris (p.372) talks about an ideal collegial environment in the absence of negative behaviours and where there is no unequal distribution of power or influence or information in an environment. He also talks about the benefit of having adequate time for debate.

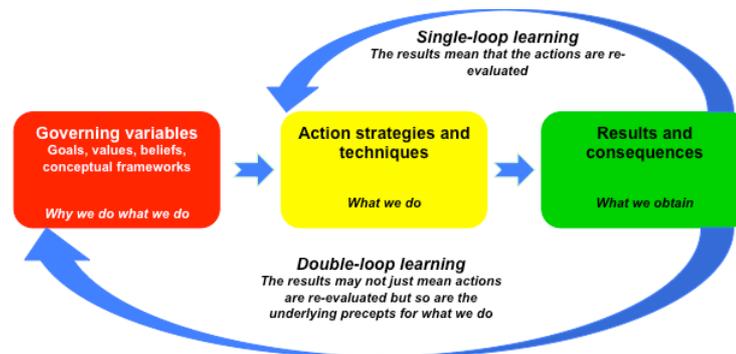


Figure 6-1: An illustration of how single and double loop learning occur within an organization (adapted from Argyris and Schon, 1974)

There is evidence from Admiral to support Argyris' ideal. The participants believe that they do not operate in a 'data is power' or 'blame' culture (CH 10/06/10)' and that over time 'the culture, became the culture of no blame, that people were learning, everybody was in the same boat (JM 22/06/10)'. The idea that there is a "democratic spirit" emerged (see Chapter 5.5.12 and 5.5.15.2) as part of the culture and also in the decision making delegated below the executive directors.

Having time for debate is less well supported in the data although the sheer volume of numbers this company produces and uses in its senior meetings implies that numbers can short-circuit some of the time needed for debate amongst a group that is highly numerically able for as one participant puts it: 'we do what the numbers are pointing to (NWK 10/06/10)'.

Another idea that emerged from the data was that of a learning or "no blame" culture. There is a wealth of literature of the elements needed in an organizational culture that is conducive to both organizational learning and knowledge management: two fields that

have pretty well merged in the literature (Scarbrough, Robertson, Swan, & Nicolini, 2007) although others recognize organizational learning as a foundation for the KBV (Eisenhardt & Santos, 2002: 141). The KBV whose antecedents were discussed in Chapter 2 (particularly Table 2-1 on page 2-33) has formed a fruitful field within the wider RBV. Like organisational learning, influential writers in the 1990's (Grant, 1996; Nonaka & Takeuchi, 1995; Pettigrew, 1990a; Winter, 1998) came to agree that knowledge management is also people based. Newell et al (2002) and Moffett et al (2003) stressed the importance of employee participation in change to contribute their knowledge and experience to a project whilst learning from the implementation. Chong and Choi (2005) go further and claim in their review of the literature that knowledge management is essentially a cultural phenomenon.

According to Chase (1997) in a comparative survey of 500 companies, 80% of respondents reported that culture hindered knowledge management within their organizations. Chase went onto conclude that culture '*must be nurtured in order for knowledge management implementation success*' (p. 46). Table 6-3 shows the descriptions some writers have used to describe the necessary elements of a learning culture:

Author (s)	Description of important aspects of a 'learning' culture
Argyris (1976)	Collegial, no blame, equality, access to information
Senge (1990)	Reflective, consensus building, collegiate, team building, balance work and family
Kofman and Senge (2003)	culture based on love, wonder, humility and compassion
Davenport et al (1998)	a knowledge-friendly culture
Scarbrough, Swan and Preston (1999)	a culture of confidence and trust
Choi (2000)	organizational members feel free to openly communicate, share, experiment and learn without fear of criticism or punishment
Ryan and Prybutok (2001)	a knowledge-friendly culture
Moffett, McAdam and Parkinson (2003)	friendly
Hung et al (2005)	employee participation/involvement

Table 6-3: *Descriptions of the organizational culture necessary for successful organizational learning and knowledge management from the literature*

The evidence from Admiral data presented throughout Chapter 5 strongly supports an assertion that Admiral's culture not only enables change but also learning, meeting all the criteria listed in Table 6-3.

Another strand of this expansive literature having relevance to the Admiral case concerns the concepts of exploitation and exploration first introduced by James March (1991). In essence, March opened up the relationship between the exploration of new possibilities with the exploitation of old certainties in organizational learning (p. 71). This has been the basis for an expansive literature in the last decade, focusing on the ambidexterity of organizational strategies in these areas (see Lavie, Stettner, & Tushman, 2010 for a review of this literature). Ambidexterity is another way of talking about a ‘balancing act’ between the two types of strategy, another link between the themes from the data. Specifically in relation to this case study, Miller’s (1996) typology of organizational learning where he associates learning modes to an organizational contexts is of interest given the evidence of how change and learning occur within the business. Admiral exhibits a number of these typologies: for example (1) synthetic learning i.e. Marketing taking what they know about drivers of response in mass media to the internet and generating new distribution capabilities and (2) institutional learning which is about Senge’s (1990) ‘vision building’ and indoctrination which were evidenced in Chapter 5.5.13 and 5.5.2. However it is the idea of testing new and radical innovations in a small way to mitigate risk and the process of ‘test and control’ associated with more adaptive changes emerging from the interviews that are most commonly deployed in the business. Miller associates ‘exploration’ with his ‘experimental’ typology coded from the data as ‘testing’ and ‘exploitation’ with his ‘structural’ typology, coded as ‘test and control’.

The findings from this case-study appear consistent with many of the theoretical constructs in the organizational learning and knowledge management literature but how is learning and knowledge portrayed in the dynamic capability literature? Eisenhardt and Santos (2002: 142) argued that dynamic capabilities can be considered foundational to knowledge-based thinking and many writers have looked at knowledge management as a dynamic capability (Cepeda & Vera, 2007; Easterby-Smith & Prieto, 2008; Helfat et al., 2007; Jansen, Vera, & Crossan, 2009; McKelvie & Davidsson, 2009; Pandza & Thorpe, 2009; Romme et al., 2010; Zollo & Winter, 2002 amongst others). See Chapter 2.4.3.1 for a fuller literature review but most theorists agree that learning underpins and enables dynamic capability. Teece et al.’s seminal paper (1997) viewed dynamic capability as path dependent and most authors agree that this dependency is grounded in knowledge (Ambrosini et al., 2009). However, there are few empirical examples of how the specifics work. This may be due in large part to the essentially “tacit” nature of knowledge. The

distinction between explicit and tacit knowledge was first articulated by Polanyi (1962, 1966) and recognized early as a potential strategic resource in firms (Grant, 1996; Kogut & Zander, 1992). Grant (1996: 111) noted that *‘explicit knowledge is revealed by its communication. This ease of communication is its fundamental property. Indeed information has traditionally been viewed by economists as being a public good—once created it can be consumed by additional users at close to zero marginal cost. Tacit knowledge is revealed through its application’*.

Tacit knowledge is not amenable to quantitative modeling and it is likely that only qualitative study can reveal it in action. This study shows how the “test and control” mechanism employed in this business creates explicit knowledge in the firm. The data explores at length this aspect forming part of the ‘learning environment’ but also reveals the traits and behaviours making up the tacit dimension of this environment. These traits have created a culture of “no-blame” and one that is conducive to learning at an individual and collective level. The learning that takes place can be deemed dynamic capability as it informs the firm’s strategic decision making and the subsequent mobilization of resources to create new capabilities and new strategic positions.

Lastly, the dynamic capabilities literature views absorptive capacity as a dynamic capability (Kor & Mesko, 2013; Pacheco-de-Almeida & Zemsky, 2007; Roberts, Galluch, Dinger, & Grover, 2012; Sun & Anderson, 2012; Volberda, Foss, & Lyles, 2010; Zahra & George, 2002). Absorptive capacity is a construct first introduced in Cohen and Levinthal’s influential papers (1989, 1990, 1994) defining it as *‘the ability of a firm to recognize the value of new, external information, assimilate it and apply it to commercial ends is critical to its innovative capabilities* (W. M. Cohen & Levinthal, 1990: 128) in turn dependent upon the individual absorptive capacities of individuals within the organization – see Figure 6-2. An example from the data can be found in the development of Confused.com, where seeing the way the internet was changing the way people researched purchases and buying behaviours was translated into the launch of a price comparison business that was instrumental in a paradigmatic change for the distribution of insurance in the UK. Cohen and Levinthal (1994: 244) also argue that absorptive capacity *‘not only permits firms to exploit new, valuable developments, but also to envision better their emergence’* and thus *‘fortune favours the prepared firm’*. So a firm’s absorptive capacity

can help it compete by helping with the timing of resource development for exploiting new opportunities (Pacheco-de-Almeida & Zemsky, 2007).

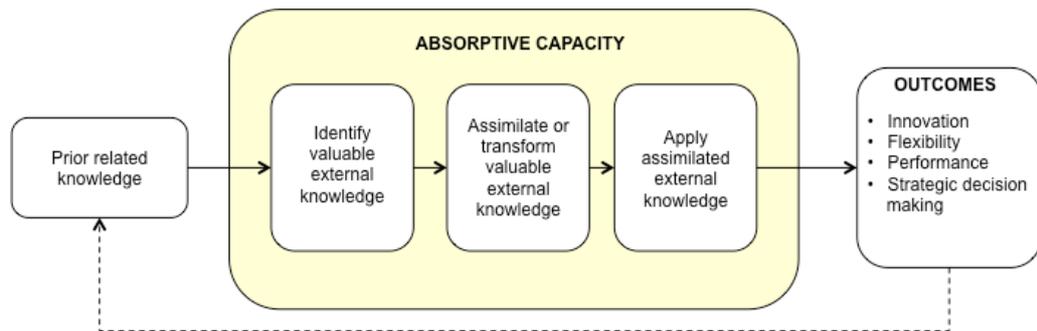


Figure 6-2: Demonstrating the components of absorptive capacity in context of building on prior knowledge and organizational outcomes (adapted from Roberts et al. (2012: 628)

This construct became the core of an intensive research endeavour and a review in 2006 (Lane, Koka, & Pathak, 2006) showed 40.1% of the 289 papers reviewed viewed the construct as a capability, 14.5% as a resource and 3.8% as both (p. 840). The review also noted that the construct was largely identified with the knowledge base within the firm and has a largely recursive relationship in that *‘increased learning ... enhances the organization’s knowledge base ... which further increases its absorptive capacity and, thus, facilitates more learning in that domain’* (p. 848). More recent reviews of the area (Roberts et al., 2012; Volberda et al., 2010) point to the problem that *‘confusion surrounds how absorptive capacity should be conceptualised’* (Roberts et al., 2012: 625) as *‘scholars have leveraged Cohen and Levinthal’s original work ... in several ways’* (p. 627) and although Cohen and Levinthal’s 1990 definition explicitly refers to knowledge through external sources there is wide recognition of the need for creating knowledge internally (Volberda et al., 2010) and the process whereby external knowledge is assimilated and feeds into strategic internal decision-making. Just using Cohen and Levinthal’s original conception of the construct we can see how it applies to the data in this case.

Zahra and George’s work (2002; 2006) argued that the “potential capacity” element of absorptive comprising knowledge acquisition and assimilation capabilities (2002: 185) was dynamic capability as it *‘provides firms with the strategic flexibility ad the degrees of freedom to adapt and evolve in high-velocity environments’* (2002:185) and formed a key

plank of their influential paper contributing to the dynamic capability literature (Zahra et al., 2006) emphasizing the role of learning as dynamic capability in organizations.

Admiral's absorptive capacity is thematically linked to both the 'attention to details, 'external market intelligence' and 'strategic decision making' themes that emerged from the data as it is created by the former two and its outcomes appear as the latter. This is discussed later in this chapter.

For fuller reviews of the absorptive capacity literature see Lane et al. (2006), Volberda et al. (2010) and Roberts et al. (2012).

### 6.5 Support in the literature for the dynamic capability 'people matter'

*'Despite managers' claims that their organization's human capital is their "most important asset," few can confidently state the financial value of that resource or quantify in financial terms how changes in management practices, culture, or workforce composition affect the value of that resource' (I. S. Fulmer & Ployhart, 2014: 161).*

Admiral, in common with many of the firms referred to in this quote, claims that *'what is the principle reason for our success: the answer is a simple one – our people'*<sup>95</sup> but it works very hard to keep that resource and the external benchmarking by Best Companies and the GPTW Institute since 2001 has revealed the company place in the Top 50 published lists of the best places to work by both surveys and in the last 8 years consistently in the Top 10. The current Head of People Services revealed<sup>96</sup> that he believes *'good people are our finest asset and so if there's a possibility that we could lose someone we should really do all we can to keep them'* and in further demonstration that Admiral does actually believe the cliché, the CEO's mantra quoted in Chapter 5 *'people who like what they do, do it better'* is also delivered to other audiences as *'happy people give you a better result on the bottom line'*<sup>97</sup>.

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<sup>95</sup> Quote taken from the Chairman's Statement: Annual Report 2010 p. 6. Accessed from <http://www.admiralgroup.co.uk/pdf/annualreports/2010/sources/index.htm>, 20/05/14: 17:11.

<sup>96</sup> See Footnote 98.

<sup>97</sup> Taken from CEO speech to the Friday Club (a meeting of operations managers) in Sep 2005.

Although there is a large research tradition around the importance of human resources to a firm, there is a view that strategic management research ‘*overlooks dynamic capabilities generated from the “humanistic side” of organizational life*’ (Wooten & Crane, 2004: 848). The link between dynamic capability and this humanistic aspect to organizational life is still sparse in the literature. There are very broad references recognizing the importance of human resources in the dynamic capability literature such as ‘*dynamic capabilities such as human resource capabilities*’ (Singh, Oberoi, & Ahuja, 2013: 1442) or using dynamic capabilities to look at balancing capabilities between the tensions of global and local adaptation of HRM systems (Festing & Eidems, 2011) but very little exploration of how the humanistic side can add value to an enterprise using the dynamic capability framework.

Scholarly thought regarding the importance of human capital has a long tradition (Ployhart & Moliterno, 2011: 127) and the most recent theory suggests that competitive advantage ‘*has less to do with whether human capital resources are generic or specific but instead occurs because nearly all human capital resources combinations are complex, firm-specific, and lack strategic (or efficient) factor markets*’ (Ployhart, Nyberg, Reilly, & Maltarich, 2014: 371) There is a convergence of the human resource capital (HCR) literature and that of strategic human resource management (SHRM) as this more complex multilevel theory of human capital resource combination emerges (Nyberg, Moliterno, Hale Jr, & Lepak, 2014). The view of HCR as a valuable resource (Barney & Wright, 1998; Kraaijenbrink, 2011) is firmly rooted in the RBV and indeed formed a key part of Penrose’s work (1959). Whilst SHRM is heavily influenced by the RBV it focused more on the organizational practices that leverage human resources (for example Wright et al., 2001; Wright, McMahan, & McWilliams, 1994). In their review of the RBV, Kraaijenbrink et al. (2010) argue that a weakness of the RBV is that it underemphasizes human involvement in assessing and creating value (p. 359) and Helfat et al. (2007: 23) further state that organizations ‘*create great value by assembling particular constellations of assets inside an enterprise*’. That those assets include people is generally accepted in the literature, for example Ployhart and Moliterno (2011: 131) contend that the emergence of human capital is just such an “assembling”. Their paper postulates that development of individual human capital, defined as ‘*created from the emergence of individuals’ knowledge, skills, abilities and other characteristics*’ (p. 128) may well be a dynamic capability.

Similarly, writing in 2001, Wright et al. (p. 713) noted the ‘*centrality of HR issues to the understanding and development of dynamic capabilities*’ but much of this literature is focused on this human, social and intellectual capital developing within the firm (for example de Biazzi, 2012; Kraaijenbrink, 2011; Nyberg et al., 2014; Ployhart et al., 2014; Subramaniam & Youndt, 2005; Tzabbar & Kehoe, 2014; C. Y.-P. Wang, Jaw, & Tsai, 2012). There is also a strand of research linking people specifically to organizational learning capabilities (for example Kang, Snell, & Swart, 2012; Minbaeva, 2013; Subramaniam & Youndt, 2005).

The ‘I Want to Work for a Company’ forms, that contributed to the secondary data in Chapter 5, reveal a moral imperative amongst the founding staff members to treat people well and the current Head of People Services told me recently in an email ‘*we want to make a positive impact on people’s wellbeing and lives*’<sup>98</sup>. Additionally, there is little doubt from the data on the recognition that the concomitant intellectual capital arising within Admiral contributes to the bottom line and there are efforts made to keep people happy and employed within the firm even when they don’t prove suitable for the original job they were trained for but “fit” the company otherwise (see Footnote 3 for numbers of Port of Call which are generated by staff either interested in other areas of the company or looking for another job internally). The former Head of People Services explained it as: *call centre work makes up the majority of roles at Admiral. Call centre roles are widely available in South Wales and are, not to put too fine a point on it, boring. Attrition is traditionally extremely high in this field and recruitment can be difficult. It’s therefore important that we attract and retain staff. Making the company a great place to work helps create our reputation as a good employer and attracts staff. Keeping the staff happy once they have joined us dissuades them from changing companies and allows us to retain experienced skilled people. It is important that we stay ahead of the competition, who have quickly learned that they need to do more for their staff* and later on she told me ‘*we work hard to keep good people because we don’t just lose a number off the headcount, we lose experience and we lose potential ... years of investment*’<sup>99</sup>. There is some support in the literature for the idea that “*happy people contribute more to the bottom line*” in Santora

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<sup>98</sup> CA responded to a follow up query I had on the way Admiral views its human capital. This quote is taken from CA’s email response dated 30/05/14 09:06:08 GMT +01.00.

<sup>99</sup> Both quotes taken from JM’s email response dated 06/06/14 13:12:42 GMT +01.00 to a follow up query I had on the way Admiral views its human capital.

and Esposito (2011) who found that positive moods in leaders had a strong correlation to improved team performance and there is evidence that having a people orientation influences employee attitudes, their attachment to the firm and job satisfaction (Beatty, 1988).

Another strand of interest in the wider literature related to ‘people matter’ although it has not yet featured in the dynamic capabilities literature might be that of (Ferris, Perrewé, & Douglas, 2002) “emotional intelligence” (EI). First claimed as the ‘*sine qua non of leadership*’ (Goleman, 1998: 93), academic perspectives remain ‘*more qualified and controversial*’ (Walter et al., 2011: 45). There are a number of definitions but using ‘*an array of dispositions, competencies, and perceptions related to the effective management of emotions*’ (Walter et al., 2011: 46) which is grounded in Goleman’s original conception and is very broad capturing ‘*almost everything except cognitive ability*’ (Ferris et al., 2002: 56). Although empirical evidence doesn’t support all the claims of EI, it does suggest that EI plays a role in effective job performance and successful leadership (Walter, Humphrey, & Cole, 2012) and proponents of EI believe that teaching leaders “emotional competencies” can raise their performance levels (Richard E Boyatzis, 2011).

See Walter et al. (2011) for a review of the EI literature but the implication from the data is that this is a firm who probably has a degree of emotional intelligence given that this was such an important theme to emerge from the data because Admiral takes care to promote/hire people who are ‘*the type of person that can be good with people (JM 22/06/10)*’.

This idea that “people matter” has emerged as dynamic capability within Admiral and whilst the literature recognizes the importance of both ‘*the relationships by individuals to effectively perform knowledge generating activities*’ and the importance for a firm to ‘*identify actors who can positively influence their organization’s knowledge outcomes*’ (both quotes from Grigoriou & Rothaermel, 2014: 586), the literature is more occupied with how firms leverage their human capital for competitive advantage, recently cast within the dynamic capability framework. The Admiral case provides an empirical example of a firm “leveraging it’s human capital” (C. Y.-P. Wang et al., 2012) by creating a “great place to work” for its staff thus reducing turnover and thus reducing the costs associated with recruitment and training at the same time preserving the social capital that

is embodied by the culture and the intellectual capital that represents the organization's learning and preserving levels of experience in handling customer service and claims so that customers talk to knowledgeable case handlers who can solve problems without recourse to having to speak to several different members of staff<sup>100</sup>.

## 6.6 Support in the literature for the dynamic capability 'management style'

There is reference in the literature of a relationship between a leadership style encouraging trust enabling dynamic capabilities in firms (Chakravarthy & Gargiulo, 1998; Salvato, 2003) as part of a wider literature around trust as an essential dimension of management (see for example Adler, 2001; Ashleigh, Higgs, & Dulewicz, 2012; Ghoshal & Bartlett, 1994; Heisig & Littek, 1995; Hunt, 2005). That trust can deliver the enabling conditions in which problem-solving, engagement, innovation and knowledge-sharing will thrive (Dietz & Hartog, 2006) has been accepted into the professional literature for HR professionals (for example CIPD, 2012; CIPD, 2014) and forms the basis for the GPTW Institute's measuring instruments of a "Great Place to Work".

This aspect of Admiral's management style is well supported both from the primary data and the secondary data (sourced from the GPTW Institute). It's emergence from the data as dynamic capability provides empirical support for those earlier links in the dynamic capability literature. However there is a separate branch of literature developed around the dynamic managerial capability construct first postulated by Adner and Helfat (2003) to underpin the finding of heterogeneity in managerial decisions and firm performance. Helfat et al. (2007) feel that this is an area lacking in research output but since 2007 there have been efforts in this area and, other than trust, the other specific aspects of management (or leadership) style present in the dynamic managerial capability literature are summarised below.

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<sup>100</sup> *This latter point is raised in conversations amongst the UK-CMG when turnover or recruitment is a topic under discussion.*

Authors	Aspect of Management Style as Dynamic Capability	Supported by Admiral data?	Evidence (see Chapter 5)
Shimizu & Hitt (2004)	The strategic flexibility to respond fast	✓	Fast response (speed) emerged from data and was absorbed into 'embrace change' dynamic capability
Pablo, Reay, Dewald & Casebeer (2007)	Leadership skills to enable dynamic capability of learning by experimentation in public sector are trust and to create a secure environment for people to take initiative	✓	Test and Control processes and methodology entrenched culturally as is overall culture of change (discussed in Section 6.4.1)
Zhang (2007)	Dynamic capabilities of fast response and mental model building	✓	Fast response (speed) emerged from data and was absorbed into 'embrace change' dynamic capability
Escriba-Esteve, Sánchez-Peinado, L. & Sánchez-Peinado, M. (2009)	Find in intensely competitive environments firms combining entrepreneurial attitudes with analytic orientations achieve higher performance levels	✓	Admiral as entrepreneurial and analytic both emerge as dynamic capabilities
Pandza & Thorpe (2009)	Look at the managerial agency involved in creating and shaping dynamic capability in creative search and strategic sense making	✓	Matches ideas of external market intelligence and decision making dynamic capabilities
Chopra & Kanji (2010)	Emotional intelligence	✓	That 'people matter' infers a degree of emotional intelligence supported by the MBTI data for managers (with 67.8% of all Admiral managers registering a preference for 'F' in the T-F dichotomous pair - see Table 5.5 and discussion)
Nonaka & Takeuchi (2011)	Practical wisdom enables people to make morally sound judgements	×	Not covered per se although "morality" does emerge from secondary data "I Want to Work for a Company"
Nickerson & Mahoney (2012)	Approach to problem finding and solving as a dynamic capability	✓	Discussed in 'decision making' as a dynamic capability
von Krogh, Nonaka & Rechsteiner (2012)	Leadership role in knowledge creation	✓	See the 'learning environment' dynamic capability specifically with reference to setting up a learning culture

Table 6-4: Matching the literature on specific aspects of managerial style as dynamic capability to the evidence of the Admiral data.

This table demonstrates that for the most part the data from this case study supports findings or tenor of the dynamic capability literature in this area of management style.

Dynamic capability apart, management style is a comprehensive literature in its own right (see Cogliser & Brigham, 2004 for a review) although the management style is more akin to what the literature describes as “participative management” (Kanter, 1982). So how is the data from this case study relevant to that literature?

Well firstly, like Adner and Helfat, Priem, Lyon, and Dess (1999: 935) also concluded that ‘top managers do indeed “matter” to firm outcomes’. In high velocity market environments, such as the one in which Admiral operates, Hmieleski and Ensley (2007) found that start-ups with homogenous teams performed best with empowering leaders. The homogeneity of the Admiral top management team was noted in Chapter 5.5.1.2 and the elements of the culture that contribute to empowerment such as (1) power sharing: Admiral’s “democratic spirit” and it’s culture of communicating and listening); (2) motivation support encompassing Admiral’s culture around “people matter”; and (3) development support: in both encouraging personal learning and the coaching and mentoring roles of managers (see Amundsen & Martinson, 2014 for a review) emerge strongly from both the primary and secondary data. Empowerment emerged as a research interest in the 1980’s initially as a tool to promote productivity (Bartunek & Spreitzer, 2006) and now encompasses ideas around managing highly skilled “knowledge” workers in today’s volatile market conditions (Amundsen & Martinson, 2014). At its core,

empowering leadership enables employees by ‘*motivating through enhancing personal efficacy*’ (Conger & Kanungo, 1988: 473) and is generally defined as ‘*behaviours that share power with subordinates*’ (Vecchio, Justin, & Pearce, 2010: 531). At its heart, Admiral’s management style, as evinced by both interviewees and employees in the GPTW benchmark studies, is empowering leadership despite the fact that strategic decisions are directed from the top, the detail of the implementation is left to empowered teams to deliver. For a review of the empowerment literature see Amundsen and Martinson (2014) and also Maynard, Gilson, and Mathieu (2012).

Internally, the management style is often referred to as “servant leadership”<sup>101</sup> and this too has links to a wealth of literature. After Robert Greenleaf’s (1977/2002) notable philosophical essays on servant leadership, Kofman and Senge (1993:17) first noted that learning organizations are ‘*built by communities of servant leaders*’ and here we see another link between the themes that emerged from the Admiral data-set: learning environment and management style supported by the literature. More recently it has been proposed that servant leadership promotes increased collaboration and creativity amongst employees (Neubert, Kacmar, Carlson, Chonko, & Roberts, 2008): both are codes that appear in the ‘team building’ and ‘embrace change’ themes in the case study. Greenleaf’s concept of “servant leadership” (Greenleaf, 1977/2002) has four dimensions of moral authority: (1) subordination of ego, a concept that is strongly represented in the data as ‘lack of ego’; (2) to find meaning, again represented in the data-set through ‘mission’; (3) ends and means are inseparable reflecting the Kantian position (Bhaskar, 1998b) that the means used to accomplish the ends are as important as the means. This is interpreted by Greenleaf as understanding and respecting consequences and could be interpreted with Admiral data as being respectful and being honest with people who ultimately are the means by which a business accomplishes its goals; (4) caring for others which features strongly in the ‘people matters’ and ‘management style’ themes to emerge from the data. So, servant leadership is ‘*demonstrated by empowering and developing people; by expressing humility, authenticity, interpersonal acceptance, and stewardship; and by providing direction*’ (van Dierendonck, 2011: 1228). Management friendliness also features as being correlated with servant leadership in a recent study (Hunter et al., 2013) that again matches findings from both the primary and secondary data and features as a

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<sup>101</sup> Title of an address given by CEO to all senior managers in 2005 and now part of the teaching programme for all new managers in the Admiral Academy.

code in a number of the themes (see Appendix A). It is a relatively recent but buoyant interest within the research community as a leadership style that contributes to heterogeneity within markets (see for example Jones, 2012a, 2012b; McCuddy & Cavin, 2009; Rai & Prakash, 2012; Sun, 2013).

Admiral's management style is very much a reflection of a belief that 'people matter' and how that has translated to the Admiral culture. The style is an aspect of how 'culture enables' entrepreneurial action within this company. The concept of managerial entrepreneurship is defined as the '*process of entrepreneurial knowledge management ... and encompasses the firms ability to implement and renew the resource configuration*' (Chadwick & Dabu, 2009: 264). This chimes with the construct of dynamic managerial capability as envisaged by Teece (2007) and others (Adner & Helfat, 2003; Augier & Teece, 2009; Helfat et al., 2007).

### **6.7 Support in the literature for the dynamic capability 'a balancing act'**

'*Organizational life contains paradoxical situations*' (Beech, Burns, de Caestecker, MacIntosh, & MacLean, 2004: 1313) and one can argue that a capability of management must entail managing '*the simultaneous presence of contradictory, even mutually exclusive elements*' (Cameron & Quinn, 1988:2). Furthermore, there is a school of thought that argues that such contradictions are inherent and can enable high performance if harnessed (W. K. Smith & Lewis, 2011) and can inspire creative insights (Beech et al., 2004; Poole & Van de Ven, 1989).

However, the emergence of "paradox" from the data was an interpretation on my part after listening to interviewees talking about what seemed to be contradictions. For example: decision-making using an ultra-rationality and also using intuition; of autonomy yet tight-control; of having fun yet being very results-driven. Poole and Van de Ven (1989: 566) suggest that managers have '*to accept the paradox and learn to live with it*' and yet in this case, when confronted with these tensions juxtaposed, the participants do not see them as paradoxical. It is clear from their explanations that there is implicit recognition that balance is required between two opposing tensions from which one might infer there is a management capability in maintaining the 'balancing act' between two opposing positions. This acceptance encourages Admiral to "live with" paradox (Clegg, da Cunha, & Cunha, 2002; Lewis, 2000).

See W. K. Smith and Lewis (2011) for a full review of this literature but they suggest that dynamic capabilities themselves (p. 383) have tension as routines seek stability and clarity whilst enabling dynamic flexible outcomes. Paradox per se is not a feature of the dynamic capability literature but recently the idea of balance: particularly balancing capabilities has been of interest (Festing & Eidems, 2011; Fourné, Jansen, & Mom, 2014) with Fourné et al. postulating that strategic ability may be a meta capability to deploy and balance other dynamic capabilities.

The capability to balance opposing tensions does feature in more recent dynamic capability literature over and above this ability to balance between capabilities and Corbett et al. (2011) argue that a balanced mind-set for senior managers is required to develop dynamic capabilities within a firm and thus must be a dynamic managerial capability. However the bulk of the research interest has been concerned with the ambidexterity of firms. Ambidexterity was suggested as a dynamic capability by O'Reilly and Tushman (2008) who advise that it '*is a specific capability embodied in senior leadership's learning and expressed through their ability to reconfigure existing organizational assets and competencies in a repeatable way to adapt to changing circumstances*' (p. 200). This suggests that it may be a dynamic managerial capability and is supported by the evidence in this case.

Eisenhardt et al. (2010) also focused on leaders balancing the '*fundamental tension between efficiency and flexibility*' through '*cognitively sophisticated, single solutions rather than by simply holding contradictions*' (both quotes p. 1263). The concept of "simple rules" (Eisenhardt, 2013; Eisenhardt & Sull, 2001) as heuristics for management teams has been theorized as a way for firms to manage the complexities of strategy and Eisenhardt et al. (2010) propose them as a way to balance opposing tensions. If we take one dichotomous pair to emerge from the data such as "have fun" V. "results orientation" as a tension between two rules that also seemed to have emerged from the data albeit identified as dynamic capability: 'people matter' and 'numbers matter'. One might argue that the balance between the two is achieved through emphasising one rule or the other if the balance is broken. For example when Confused results were suffering, there was a tightening of the fun elements of the workplace but it went too far and the staff survey results worsened. It became clear that the then Head of Confused was unable to maintain

that balance and he left the company and the resultant structural and management changes brought the “fun V results” dichotomy back into equilibrium.

There is direct reference made that Admiral ‘*is all a bit vague (KC 03/02/11)*’. This ambiguity is one way in the ‘culture enables’ the flexibility required to maintain balance between the dichotomies that exist in the business. Addallah and Langley (2014) recognize this flexibility as also playing an enabling role as ‘*participants engage in their respective interpretations of strategy*’ (p.235) and Gioia et al. (2012) argue that vagueness can improve strategic change initiatives.

There is an extensive literature in the human resources field on the work life balance (Brough & Kalliath, 2009), that ‘*was a founding value (HE 22/06/10)*’ of this firm. After first being advocated by Kanter (1977/1993) through to an empirical study that appears to demonstrate that a culture support of work live balance leads to positive organizational outcomes (Cegarra-Leiva, Sánchez-Vidal, & Cegarra-Navarro, 2012), the topic has being of interest not just to academics (see Chang, McDonald, & Butrton, 2010 for a review) but to practitioners, with a recent European study concluding that work life balance is one of the top three challenges facing HR (BostonConsultingGroup & EAPM, 2007). There is even interest in the correlation between work-life practices and ethical behaviour in the workplace (Verschoor, 2007). However other than it being a human resource management practice, it doesn’t feature in the dynamic capability literature.

Another dichotomy that emerged from the data concerns the feeling of autonomy balanced by a tight control culture and yet the data describes an “empowered” or “participative” culture that enables change to be initiated at middle management levels driven by managers or employees. However, it is this tight control ‘*all based on metrics and no manager in this organisation knows how to live any other way so that is fundamental (AP 11/11/10)*’ that facilitates this empowerment. There is nothing in the dynamic capability literature specifically about balancing between these two aspects of an organization however in his diatribe against the interpretation of empowerment by organizations, Elliott Jaques argued strongly that empowerment is impossible without trust, accountability, support and knowledge (Jaques, 1994) with Kanter (1982) noting that the failure of participative management often lies in the emphasis given to the word “participation”

rather than “management”. The data reflects that Admiral has implemented an empowering culture that reflects Jaques’ caveats.

In summary, the dynamic capability literature has only recently started to explore ‘balancing acts’ as dynamic capability but one can see how it has emerged from the data in this case and how integral it is both as a management capability and as part of the culture to enable change in this firm.

### **6.8 Support in the literature for the dynamic capability ‘attention to detail’**

The name of this dynamic capability came from in vivo coding as a number of participants talked about ‘attention to detail’ as key to Admiral’s success. However in the literature, “attention to detail” (ATD) is a construct defined as ‘*systematic, precise, reliable, and carefully attentive*’ (Goldsmith, 1989: 37). It is generally presented in the literature as one of the cognitive styles associated with innovation (Miron-Spektor, Erez, & Naveh, 2011). The balance between ATD and creativity is either presented as a trade-off (Naveh & Erez, 2004) with the implication that adherence to rules (ATD) increases as innovation decreases (M. J. Benner & Tushman, 2002) or that they co-exist and there is a need (capability) to manage the balance (Adler, Goldoftas, & Levine, 1999; Brown & Eisenhardt, 1998; Miron, Erez, & Naveh, 2004). However the attention to detail construct emerging from the data has more in common with the “sensing” construct (Jung, 1923) in the psychology literature specifically as used in the MBTI indicator described in Section 5.5.1.2 on page 5-134. From the data presented there, senior management homogeneity was pronounced with the Sensing-intuitive dichotomous pair at 15.6% to 84.3%. With all the interviewees falling into this “N” group it is unlikely that they mean ‘attention to detail’ as defined by the ATD construct in the literature.

The nearest theoretical construct to match the meaning that emerged from the data is that of “managerial cognition”. The role of managers in the organizational capabilities conversation in the 1990’s is conspicuously absent (for example reviewed in Chapter 2 the work of Barney, 1991a; Collis, 1994; N. J. Foss, 2003). This began to change as researchers turned to managerial agency in understanding how capabilities are wielded (for example Gary & Wood, 2011; Gavetti, 2005; Kaplan & Tripsas, 2008; Porac, Thomas, Wilson, Paton, & Kanfer, 1989; Tripsas & Gavetti, 2000). Even the seminal work of Teece et al. (1997) on dynamic capability was cast in the prevailing economic conversation and

yet has become decidedly more weighted towards the role of managers in the dynamic capability framework (Augier & Teece, 2009; Teece, 2007). This has led to a rise in research concerned with *'the cognition of managers and the interpretative processes in which they engage'* (Eggers & Kaplan, 2013: 296): more particularly in light of the development and deployment of capabilities. See Eggers and Kaplan (2013) for a review of the intellectual history of cognition and capabilities as management cognition concepts have been diffused into many different managerial fields of research (Kaplan, 2011).

Managerial cognition refers to *'managerial beliefs and mental models that serve as a basis for decision making'* (Adner & Helfat, 2003: 1021). The Carnegie writers argued that the cognitive base for decisions encompasses knowledge and assumptions (R. M. Cyert & March, 1963; March & Simon, 1958). This cognitive base, in the context of a firm's value systems, forms the basis for decision-making (Hambrick & Mason, 1984) and has also been described as the "dominant logic" within a firm (Prahalad & Bettis, 1986, 1995). Gavetti's work (Gavetti, 2005; Gavetti & Rivkin, 2007; Tripsas & Gavetti, 2000) has been instrumental in thinking about the relationship between managerial cognition and the routines that make up dynamic capability in a firm arguing that cognition plays a major role in the sensing, interpreting, encoding, and use of previous experience to create new routines. That some firm's fail to evolve is down to rigidity (Leonard-Barton, 1992) or inertia (Kogut & Zander, 1992) and *'the roots of this inertia lie in the wiring of human cognition to acquire tacit procedural knowledge as the basis of interaction with other individuals'* (Kogut & Zander, 1996: 515). The case data reflects a management team who have been recruited with curiosity as a desirable trait and thus arguably don't suffer from this inertia, actively seeking out new opportunities, knowledge and learning bolstered by paying attention to the business.

The emergence of 'attention to detail' describing management cognition from this case as a dynamic capability reflects earlier work from Eggers and Kaplan (2009) where they argued that managerial cognition should be considered a dynamic managerial capability, as indeed theorised by Adner and Helfat (2003).

Mindfulness is also a construct developed in the psychological literature that seems to be related to this theme of 'attention to detail' that emerged from the data conceived, as it is, as *'involving attentiveness and the ability to respond flexibly to contextual cues'* (Argote,

2006: 501) along with the element of reflection (Weick & Sutcliffe, 2006). Weick and Sutcliffe (2006) argue that it is the quality of the attention that affects outcomes and it has been articulated as a micro-foundation for dynamic capability (also see this paper for a review of the mindfulness literature Gärtner, 2011) and specifically as an element of a learning dynamic capability (Romme et al., 2010).

As with much of the discussion thus far, the literature supports relationships that have emerged from the data. In this case (see Figure 5.2 on page 5-111), ‘attention to detail’ enables the ‘learning environment’ and there are multiple references in the data to learning from this attention to detail. Most of these references talk about the ‘test and control’ feedback loop that underlies much of the innovation and change in this firm. Paying attention to the patterns that emerge from these loops allows managers to determine what is working or failing or where adaptation is required and thus the organization “learns” about the initiative.

Recently, Kor and Mesko (2013) developed theory around how dynamic managerial capabilities, including cognition, create and develop a firm’s absorptive capacity. A brief review of this literature appears earlier in this chapter, in Section 6.4 and again demonstrates a link that exists in the data between the themes ‘learning environment’ and ‘attention to detail’ with links made in the literature.

In this case, the data shows that attention is paid to numbers and patterns within the firm and externally but also to people: how they feel and how they respond within a very empathetic management style. And it is this attention to detail that allows organizational plans to be built and implemented that enable the “evolutionary fitness” of this firm as defined by Helfat et al. (2007: 7) and the conceptual construct that they propose to measure the performance of dynamic capabilities. This aspect is further discussed later in this chapter.

### **6.9 Support in the literature for the dynamic capability ‘numbers matter’**

The rational perspective in strategic management literature dominated much of the field in the 70’s and 80’s (see Chapter 2 for the literature review) where firms were perceived to pursue economic advantage through decision-making and analytic actions guided by logical preferences and bounded rationality. The language of this perspective did emerge

as codes within this theme: logical, analytical, rational and numerate. All of these were perceived as desirable traits of individuals that “fit” the organization and so ties in with the ‘recruitment and indoctrination’ theme. There can be no doubt from the evidence presented in Chapter 5 that this is an organization that balances these traits with more creative behaviours and thinking often a balance present in individuals with an NT in their MBTI (Hirsh & Kummerow, 1990). Certainly, creativity these days is posited as a helpful trait for decision making in today’s ambiguous and high velocity environments (Ogilvie, 1998).

The dynamic capabilities literature is silent on rationality or using numbers or an affinity for numbers as a dynamic capability.

In the wider literature, numbers have are shown to have a role in mediating the paradoxes of governance (Michaud, 2014) and there is an acceptance that they are necessary to craft rationality in organizations (Cabantous, Gond, & Johnson-Cramer, 2010). There is an area in the literature termed “calculative practices” referring to management accounting and performance orientated measures. With regards to management accounting, which forms the basis for the bulk of management reporting used by all Admiral managers<sup>102</sup> that formed part of the secondary data, Miller (2001: 379) wrote that it enabled ‘*new ways of acting upon and influencing the actions of individuals*’ and the data from this case has demonstrated the extent to which the management accounts and other measures are used to direct decision-making at all levels within this firm.

However, there is also a small but growing literature in the area of human resource practices where “calculative practices” are aimed at an efficient use of human resources (Gooderham, Nordhaug, & Ringdal, 1999) and often contrasted and presented as a dichotomy with “collaborative practices” that are aimed at promoting mutual goals (Gooderham et al., 1999). This dichotomy is not illustrative of the Admiral case where both exist and are used extensively. The “collaborative practices” in this organization are embodied in the culture and the sense of mission in the business, both of which emerged as themes. The calculative practices exist because ‘numbers matter’ and managers pay ‘attention to detail’. Much of the learning in this business, particularly around change comes from reviewing measures in the test and control feedback loops put in place to

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<sup>102</sup> In addition, each departmental manager will then see their own specific accounting and performance measures.

control that change. So ‘numbers matter’ links to many of the other themes and was identified as a foundational relationship to the other themes during the axial and selective stages of the grounded theory method that was followed (Corbin & Strauss, 2008) – see Figure 5-2 on page 5-111. The literature suggests that firm size has an impact on calculative practices (Gooderham et al., 1999) but the Admiral experience is that increased regulation and the requirements of being a company listed on the Stock Exchange have driven additional reporting to the substantial management reporting and culture of ‘numbers’ that has always existed within Admiral. Experience has been the main driver to changes in this reporting rather than size. Additionally the literature suggests that in the European context, at least, calculative practices contribute positively to performance and statistically that relationship doesn’t exist with collaborative practices (Gooderham, Parry, & Ringdal, 2008) although, as discussed earlier, this is a firm that believes it’s collaborative practices contribute to it’s superior performance.

#### **6.10 Support in the literature for the dynamic capability ‘team building’**

The dynamic capability and dynamic management capability literature speak to the influence of top management teams as a source of capability and in developing capability in firms (for example Eisenhardt, 2013; Helfat et al., 2007; Kor & Mesko, 2013; J. A. Martin, 2011) and this literature is discussed later in this chapter in the section on ‘strategic decision making’. However a number of recent studies have identified ‘team building’ as a dynamic capability in the software industry (Li, Chang, Chen, & Jiang, 2010), in product innovation (Im, Montoya, & Workman, 2013) and in a case study at Nissan (Vinh & Witcher, 2008): all empirical studies supporting the emergence of ‘team building’ from the data in this case.

The wider literature on teams is extensive as teams have been widely ‘*accepted as the basic building blocks of modern-day organizations*’ (Mathieu, Tannenbaum, Donsbach, & Alliger, 2014). Research has shown that our social brains are hardwired to recognise when a situation requires team effort and this triggers motivational and cognitive abilities that aid team participation (Sebanz, Bekkering, & Knoblich, 2006).

By the 1990’s there was a myriad of articles on designing teams, cross-functional teams, executive teams and team based organizations, on conflict and collaboration, on cohesiveness, cognition and norms and how to control and motivate teams. The literature

came with a myriad of foci: from an economic organizational design viewpoint and as a human resource strategy to stimulate employee commitment to a way to facilitate creativity and innovation. For a review of this literature 1990-1996 see S. G. Cohen and Bailey (1997). The psychology literature too has been interested in the psychological facets of teamwork: behavioural, attitudinal and emotional variables. See Rasmussen and Jeppesen (2006) for a review of this literature.

Cohen and Bailey's influential review of the area recommended five key areas for future research namely: (1) group cognition, affect and mood; (2) group potency and collective self-efficacy; (3) virtual and global teams; (4) environmental and institutional factors; and (5) time. A review of the team literature from 1997 to 2007 by Mathieu, Maynard, Rapp & Gilson mapped progress of the field to Cohen and Bailey's (1997) agenda and noted substantial progress in all areas. They also noted that modern organizational designs are far more complex than their predecessors (Mathieu et al., 2008: 462) and recommend future research efforts embrace this complexity. From the psychological perspective a more recent review notes that team construction and management are a prerequisite for performance (S. J. Armstrong, Cools, & Sadler-Smith, 2012) and also note that there is a paucity of studies on how social interaction and cooperation/collaboration influence team building.

N. J. Foss and Lindenberg (2012) argue that teams should again be central to understanding the emerging nature of firms and note that such a study should incorporate the human dimension.

That 'team building' emerges as a dynamic capability supports other findings from empirical studies in the field and most of the data found that Admiral teams '*feel comfortable in each other's company (SC 08/06/10)*' and collectively Admiral believe that it's teams reflect that the '*sum is much bigger than the individual parts (DS 22/06/10)*'. The underlying attributes of the Admiral culture such as "challenge", "communication", "democratic spirit", "friendly" "no blame" and "trust" must enable team performance as these are attributes identified in the literature as key to team effectiveness (Rasmussen & Jeppesen, 2006). The theme of 'a balancing act' may also be related to this theme in the literature as it has been recently argued that team spirit is built around paradoxes of egoism

and conflict, results and relationships and that a healthy balance between these contributes to effectiveness of team spirit (Silva et al., 2014).

### **6.11 Support in the literature for the dynamic capability ‘external market intelligence’**

In Chapter 2 we discussed how the introduction of IO economics in the 80’s swung the focus of strategic management research from Chandler’s (1962) contingency perspective which emphasized the fit between strategy and structure and the internal perspective of Learned et al. (1965) which focused on matching internal strengths and weaknesses to external threats and opportunities. The 70’s had seen a shift to a more analytical and economics-based perspective and the move to an ‘external’ orientation was complete by the 1980’s and remained predominant until the rise of the resource-based view in the 90’s (Barney, 1991a; Hoskisson et al., 1999). However even the RBV was centred around finding how firm’s deployed their resources for competitive advantage in their markets so understanding a firm’s position in that market remained fundamental to this stream of literature.

External market intelligence lies at the heart of the definition of dynamic capability from two of the seminal papers: Teece et al. (1997: 510) developed the “*dynamic capabilities’ approach in order to stress exploiting existing internal and external firm-specific competences to address changing environments*” and Eisenhardt and Martin (2000: 1112) theorise that “*dynamic capabilities also rely more on real-time information, cross-functional relationships and intensive communication among those involved in the process and with the external market*”. Helfat et al. (2007: 7) stress, in their measurement of the effectiveness of dynamic capability, its “evolutionary fitness” which “*depends on how well the dynamic capabilities of an organization match the context in which the operation operates*”.

External knowledge also lies at the core of the “absorptive capacity” construct discussed in Section 6.4 and that literature has identified absorptive capacity as a dynamic capability (see the previous discussion for references here). Absorptive capacity logic suggests that a firm needs some level of related internal knowledge to recognize and build on external market intelligence but Menon and Pfeffer (2003) found that external knowledge is often favoured over internal knowledge when the target information poses status threats

internally. However there is no evidence to suggest this holds true in the data collected in this firm.

The exploration/exploitation literature also briefly discussed in Section 6.4 is another facet of the dynamic capability literature that has at its core external knowledge gathering in the exploration stages. Like absorptive capacity, exploration and exploitation are also at the heart of the theme ‘learning environment’ and it makes sense that part of the learning in this firm is around ‘external market intelligence’.

Organizational research on the processes whereby firms recognise opportunities is relatively light, although more is known about the factors that influence a manager’s perception of environmental signals (Dalton, 2005: 369). It was Baron (2006) that first proposed a cognitive framework of pattern recognition may explain why some individuals see opportunities and ‘*connect the dots*’ (p. 104) but not others. These cognitive processes which make mental connections may be facilitated by prior knowledge (Gregoire, Barr, & Shepherd, 2010) but the data suggests that in this firm, it is all about the ‘learning environment’ having that ‘attention to detail’ to the numbers, the people and the ‘external intelligence’.

Thus the literature on ‘external market intelligence’ whether it be a dynamic capability as and of itself (for example Capron & Mitchell, 2009; Kor & Mesko, 2013; Pacheco-de-Almeida & Zemsky, 2007; Sun & Anderson, 2012; Zahra & George, 2002) or feeds into the development of dynamic capability (for example Adner & Helfat, 2003; Ambrosini et al., 2009; Barrales-Molina, Beitez-Amado, & Perez-Arostegui, 2010; Eriksson, 2014; Schilke, 2014) is extensive.

### **6.12 Support in the literature for the dynamic capability ‘strategic decision-making’**

Not surprisingly, the process of strategic decision-making (SDM), is a vast literature and the rational perspective is ‘*the cornerstone of much of the thinking about strategy process*’ (Chakravarthy & White, 2002: 187). Much of this rational decision-making literature is grounded in Simon’s (1945/1976) notion of bounded rational behaviour, although Kay (2010: 1207) argues strongly that Simon’s original conception painted a picture ‘*of “decision” as both “process” and “complex system” sat uncomfortably with the*

*traditional economics perspective*’ who emphasized the rational choice behaviour. A review of this rational decision-making literature can be found in Chakravarthy and White (2002: 187-190) and Schwenk (1995) or Schoemaker (1993) provide reviews of other theoretical perspectives in SDM.

The object of this review is to link the literature specifically with the data and in the data the executive directors are presented as a “top management team” (TMT) who are able to have ‘*robust discussions AP (23/06/10)*’ that are ‘*helped by a degree of trust (AP 11/11/10)*’ which reflects Eisenhardt’s (2013: 805) recent work that found ‘*teams are effective in making strategic decisions when they are fast*’ *highly conflictual, and still get along*’. If we accept that SDM is a dynamic capability, as first identified by Eisenhardt and Martin (2000), and indeed is a dynamic managerial capability, as suggested by Helfat et al. (2007) and Augier and Teece (2009), then the literature suggests that ‘*dynamic managerial capabilities are driven by managerial cognition, which consists of the belief systems and mental models that managers use for decision making*’ (Kor & Mesko, 2013: 234). This is described in the literature as the managers’ dominant logic: ‘*the way in which managers conceptualize the business and make critical resource allocation decisions*’ (Prahalad & Bettis, 1986: 490) and the managers’ dominant logic is created ‘*as founders and managers, more specifically their cognitive models, interact with a particular business and firm environment*’ (Kor & Mesko, 2013: 235).

The data suggests that this is a firm whose dominant logic has developed in such a manner. The literature also suggests that the development of a dominant logic facilitates the mobilization of capabilities (Sirmon, Hitt, & Ireland, 2007) but warns that the inevitable path-dependency can create rigidities (Leonard-Barton, 1992). Managerial entrepreneurship can mitigate these rigidities through a process called “continuous morphing” (Rindova & Kotha, 2001) of organizational form and the data demonstrates that this is a company that has fluid structures: ‘*I explain that to people when they come here. “Your job will not be so prescribed that you will know exactly what you’re doing because the next week you may be given something completely different so you have to be flexible, be able to change, be able to think on your feet” LS(12/11/10)*’.

In this conceptualization, dominant logic acts as a filter for managers to cope with a environment that is ‘*information-rich but interpretation-poor*’ (Prahalad & Bettis, 1995: 6)

and as such is a *'fundamental aspect of organizational intelligence'* (p. 7). Prahalad and Bettis use the analogy of the dominant logic as a "genetic factor" which chimes with the way this firm talks about its "DNA" and the data suggests that this "DNA" is articulated through the culture. They also argue that this dominant logic is an emergent property, one that in this case has its origins in the founders and perpetuated through the culture, and through this argument we see links to the complexity literature which is discussed later in this Chapter.

Kunc and Morecroft (2010: 1164) argue that the absorption of SDM processes into the dynamic capability framework makes it difficult to pinpoint the origins of heterogeneity in firm performance. This case, however, suggests that heterogeneity can be found in this firm in the way decision-making is related to the other dynamic capabilities but particularly in *'the degree of detailed knowledge that the senior managers know about their business (KC 03/02/11)'*, the speed and the test and control mechanisms that nuance the SDM capability. Argyris (1976) proposed his double-loops model as the basis for more effective decision-making and in their test and control methodology, this firm illustrates a link between this double loop learning and decision making in practice.

Creativity and intuition also plays their part in this heterogeneity as the data reveals. The management team believe they are "creative" and the track record of innovation in the firm would indicate this to be so (see Chapter 1). See Reiter-Palmon and Illies (2004) for a review of creative problem-solving. The literature also explores creativity in SDM with Ogilvie (1998: 49 both quotes) explaining that *'confronted with rapidly changing, ambiguous environments, senior managers report that creative problem solving and the generation of new ideas are among the most important and valued traits in their workers'*. He also notes that *'creativity is important because taking creative action provides decision makers information that is different, and perhaps more helpful, than that educed from typical analytical methods'*.

A related construct: that of intuition in decision-making also emerged from the data. Dane and Pratt (2007: 33) define intuition as *'affectively charged judgments that arise through rapid, non-conscious, and holistic associations'* and postulate that its roots lie in not only domain knowledge but also in both implicit and explicit learning. Use of intuition appears to be greater in unstable environments and this thesis has made the argument that Admiral

operates in a highly unstable environment (Khatri & Ng, 2000) and requires personality traits of being vigilant: ‘*abundantly alert and deeply curious*’ (Day & Schoemaker, 2008: 43), again supported in the data.

Interviewees talk about decision-making on a ‘*hunch*’ although in the business there is ‘*a strange juxtaposition of very detail orientated data analysis and ... a process of decision-making which is actually free of data and information, it is based on a conversation and a bit of a debate (KC 03/02/11)*’. Dane and Pratt (2007) certainly use the terminology of “hunch” when describing intuitive action. Both C. C. Miller and Ireland (2005) and Akinci and Sadler-Smith (2012) provide reviews of this literature but part of the secondary data collected were the MBTI for all the senior managers and it was noted in Chapter 5.5.1.2 that there is a bias towards the iNtuitive type in this senior management group: to the extent that all the senior managers exhibit an iNtuitive preference. There is a balance in the group between Thinking and Feeling and this is reflected in the executive team. Hough and Ogilvie (2005) found that NT executives, such as found in Admiral, use intuition to make cognitive leaps based on detailed information. They also noted that decisions made by NT’s crafted higher quality decisions. However the positivity bias observed in NT individuals (stressing the opportunity coupled with low attention to threat) (Stumpf & Dunbar, 1991) appears to be balanced in this firm by the ‘attention to detail’, normally listed as a Sensing characteristic but iNtuitives are equally capable. As it forms part of the dominant logic in the firm, iNtuitives are happy to use the detail – particularly for the pattern recognition iNtuitives prefer. S. J. Armstrong et al. (2012) in their review of the role of cognitive styles in strategic management review some of this MBTI data as it applies to decision-making and comment that iNtuitives take a more ‘*gestalt approach*’ (p. 246) which fits the data rather than the “*procedural rationality*” described by Dean and Sharfman (1996) which is the extent to which a decision relies on the collection and analysis of information.

Another link between themes and literature can be found in the idea that leadership practices that enable strategic agility: fast-paced adaptable decision making such as we see in this case can be linked to the ability to manage paradoxes and achieve a balance between contradictions (Lewis, Andriopoulos, & Smith, 2014). The literature also talks about homogenous and heterogeneous TMT with the observation that start ups with heterogeneous TMT perform best with directive leaders and those with homogeneous

teams perform best under empowering leaders (Hmieleski & Ensley, 2007) with Admiral falling into the latter category.

Empirical studies have shown that entrepreneurial individuals tend to be more positive generally and tied to their emotions creating a more positive work climate (Baron et al., 2012; Hmieleski & Baron, 2009). Listening to the interviews and the positivity that exudes from the recordings and in the language may explain some of the positive aspects of Admiral's culture. The literature reveals that in positive work climates there is evidence of biased recall of information and a greater impulsiveness (Baron et al., 2012) but Baron and Hmieleski's work suggests there are limits and that successful entrepreneurs regulate their "*dispositional positive effect*" (DPE). In this firm, a proclivity for 'attention to detail' and 'numbers matter' may be tools by which the negative effects of DPE are mitigated in decision-making at all levels.

With all the theory and discussion around decision-making in the literature it would appear from the data that Admiral's process is more akin to the portrayal of strategy formulation in the strategic cognition literature as a complex activity consisting of scanning, sensemaking and strategic decision-making (see a review by Narayanan et al., 2011: 309-310). With regards to the data: scanning relates to paying attention in 'attention to detail' theme as it is characterized by having an internal and external focus (Garg, Walters, & Priem, 2003), the sensemaking discussion that takes place involves '*building consensus in interpretation*' (Narayanan et al., 2011: 316) and of course the decision-making process is described in earlier discussion.

The last point that materializes from the data that can be found in the literature is this concept of vagueness and ambiguity that is referred to by several of the participants. Addallah and Langley (2014) tell us that ambiguity can help build consensus and commitment to a decision and enables the implementation. They also point out that the downsides can be contradiction and overextension but in this firm the communication at all levels and the clarity of the mission (discussed next section) can bottom out problems when they occur. Similarly, Gioia et al. (2012) claim that vagueness can help alignment during strategic change and additionally lead to deeper exploration of a problem and Plambeck and Weber (2010) argue that it is the conceptualization of new configurations that arise from such ambiguity that creates heterogeneity of resources in an industry.

Plambeck and Weber's paper specifically looks at CEO ambivalency and the senior managers all accept that the CEO plays "devil's advocate". The current CFO told me: *'I have lots of lovely chats with Henry now where I'll go "I think it should be white" and he'll go "I think black, actually, we should be doing black here". And I think "I thought we said white" and then I explain all the 60 reasons why white is the right answer and he goes for 58 reasons why black is the right answer and then the next day he'll go "you know what, white's good, we'll go with white" (KC 03/02/11)'*. From a personal standpoint this practice encourages you to really think out why you're recommending something and challenges that thinking so better decision-making ensues.

So, is SDM a dynamic capability or do other dynamic capabilities enable SDM (Kay, 2010: 1205). The data seems to indicate that it is both and that there is a more complex relationship in that *'the nature and content of strategic decisions are likely to influence (and in turn be influenced by) the dynamic capabilities that support them'* (Kay, 2010: 1214).

### **6.13 Support in the literature for the dynamic capability 'mission'**

Campbell and Yeung (1991: 13) define a mission in terms of a framework that consists of four elements: (1) purpose tells us why the company exists; (2) strategy telling us about the company's competitive positioning and distinctive competencies; (3) behaviour standards are the policies and behaviours that underpin the distinctive competence and value system; and (4) values which tell us what the company believes in and where there is a match with employee value a "sense of mission" can be created. In the late 80's and early 90's companies were exhorted to write effective mission statements as a tool to cope with increasing environmental complexity largely as a result of Drucker's influential writing (1973). By 1989 59% of CEO's<sup>103</sup> surveyed reported they had not developed a mission statement (David, 1989). This was lamented by proponents of the mission statement (Campbell & Yeung, 1991; David, 1989; Ireland & Hitt, 1992 amongst others) and yet in many firms, mission statements were felt to be meaningless: divorced from strategy and performance (Bartman & Baetz, 1998). The founders of Admiral in 1993<sup>104</sup> ascribed to this

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<sup>103</sup> Survey was of Business Weeks 1000 firms.

<sup>104</sup> I pushed the idea of developing a statement in 1994 but the general feeling around the group then was as described here.

view and it was felt that alignment and passion and commitment, in fact what Campbell and Yeung (1991) describe as the emotional bond that constitutes their “sense of mission”, could be achieved through the development of the organizational culture. This view is reflected in the data as is the belief that hiring people with the same values would create this commitment and that ‘*every new person is brain washed into what we do (NWK 22/06/10)*’ reinforcing this passion for making the business a success.

A similar argument was given against developing a formalized vision that ‘*articulates a view of a realistic, credible, attractive future for the organization*’ (Bennis & Nanus, 1985). The feeling from the founders was that mission and vision statements quickly go out of date and a foundational commitment to sensing and seizing opportunities in line with a commitment to being the best company we could, would be enough.

Culture is discussed next but at it’s core is the commitment to creating an open communications climate that enables the alignment and focus and indoctrination that are key to this firm’s sense of mission. Although not formally articulated, the data showed that the staff strongly agreed with statements about understanding and being motivated by the “mission”. Alignment is achieved through the culture and also by the wide share ownership in the company: shares that create real value for the staff each year that the company meets its profit targets ‘*it binds in this sense of “we’re all in this together and we all get a share” (AP 23/06/10)*’. “Brainwashing” or indoctrination literature was discussed in Section 6.2 of this chapter but it too formed part of the coding for this theme.

## **6.14 Support in the literature for the dynamic capability ‘culture enables’**

### **6.14.1 Looking at culture as a whole in the literature**

Culture, like many of the themes to emerge from this case-study, has many different theoretical conceptualizations and no single definition. As quoted in Chapter 5, Deal and Kennedy (1982) used the informal definition ‘*the way we do things around here*’. Barney (1986a: 657), summarising the literature, tells us that culture is ‘*typically defined as a complex set of values, beliefs, assumptions and symbols*’. It defines the informal, behavioural aspect of organizational context (Denison, 1996) and is developed as the firm learns to cope with the twin problems of direction and flexibility (Schein, 1996).

Organizations reflect the values of their members (O’Reilly, Chatman, & Caldwell, 1991) and can explain action in and around organizations (Gehman, Treviño, & Garud, 2013). In

fact Schein describes culture as *'both a "here and now" dynamic phenomenon and a coercive background structure that influences us in multiple ways'* (2010: 3).

Firms with strong cultures became of interest to researchers in the 80's and many of these firms were exemplified as examples of excellence (Collins & Porras, 1994; Peters & Waterman, 1982) and this idea of a relationship between strong culture and success (Denison, 1984) was adopted into the practitioner mind-set. As a practitioner, a few books crossed over from the academic audience to that of managers such as Alvesson (2001), Cameron and Quinn (2006), Handy (1993) and Schein (2010).

The link between culture and firm performance has been touched on by researchers (for example Denison, 1984; Gordon & DiTomaso, 1992; Wilkins & Ouchi, 1983) but whether that performance is due to a culture that encourages customer satisfaction (Gillespie, Denison, Haaland, Smerek, & Neale, 2008), a culture of innovation (Caldwell & O'Reilly, 2003), a learning culture (Catherine L. Wang & Ahmed, 2003) or down to a culture of change (Bate et al., 2000) it seems clear that there is a theoretical link between culture and performance, a link expressed by the management team of this firm. The literature also talks about culture as a form of social control with O'Reilly and Chatman (1996) suggesting that normative order can act as a social control system and as a means by which tacit knowledge can be explicated enhancing the socialization of a team (Brockmann & Anthony, 2002).

In their influential work on upper echelons, Hambrick and Mason (1984) note that a TMT influences the ways these individuals view their business, and the data from this firm suggests that both the TMT and the senior managers are very involved day-to-day in "living the culture" and communicating those values on a daily basis. In a further link between culture and management style: a consensus style of management is seen as a good predictor of success (Baruch & Gebbie, 1998) and furthermore a "culture of success" is proactive, supportive, and group oriented (Baruch & Gebbie, 1998). This assertion is supported by the data in this case. Additionally the data talks to the creation of a learning culture seen as key to knowledge management for competitive advantage. In fact, Kofman and Senge (1993: 7) described firms as needing to build "communities of commitment": *'Communities committed to creating learning environments rather than follow recipes for success. Communities that embrace pragmatism and idealism, that address themselves to*

*critical problems while sharing a vision as generators of rich lives rather than as ends in themselves’.*

The literature on organizational culture from both the management and psychology perspective is huge with over 4,600 articles published between 1980 and 2011 (Hartnell, Ou, & Kinicki, 2011). For a brief history see Ehrhart, Schneider, and Macey (2014: 117-144) and for a fuller review of the field see K. Weber and Dacin (2011).

However, the theme that emerged from the data was about how culture enables activity within this firm. And certainly in the last decade the study of culture has shifted to how it enables other areas of academic interest, many of which have also been theorised as dynamic capability. For example: learning (see S. D. N. Cook & Yanow, 1993 for a review), innovation (see Büschgens, Bausch, & Balkin, 2013 for a review), ambidexterity (see Catherine L Wang & Rafiq, 2014 for a review), change (see Latta, 2009 for a review) and entrepreneurship (see Hayton & Cacciotti, 2013 for a review) are all areas in the literature also reflected in this case study. Recent research has confirmed that open communication, collective rewards and a culture of cooperation encourages and nurtures an organization’s absorptive capacity (Khoja & Maranville, 2010). These are just examples of a substantial literature. In reading this expansive literature on organizational culture, it is not surprising that culture emerged firstly as a resource and later as a dynamic capability, although in this latter guise mostly in the area of change cultures and learning cultures (Vogel & Guttel, 2013).

Barney, writing in 1986 on reviewing the relationship between culture and performance argued that *‘a firms culture can be a source of sustainable competitive advantage if that culture is valuable, rare and imperfectly imitable’* (Barney, 1986a: 663). This precedes his seminal work on the RBV but uses the same lexicon and so organizational culture can be considered a resource from the RBV perspective. However a view of culture as a “toolkit” from which resources such as symbols, rituals, stories etc. can be used *‘in varying configurations to solve different kinds of problems’* (Swidler, 1986: 273) became influential in the sociology of culture (DiMaggio, 1997) and again spawned a large body of work (Rindova, Dalpiaz, & Ravasi, 2011) exploring how individuals use cultural resources (Harrison & Corley, 2011). A culturally informed RBV can help explain how *‘cultural elements in the firm’s institutional context may create or destroy value’* (Maurer, Bansal,

& Crossan, 2011: 432). In this case study, the data clearly demonstrates that the management team believe that their organizational culture enables their approach to change and learning and creates a “happy” environment contributing directly to the bottom line (supporting claims made by Avolio, Howell, & Sosik, 1999). The impact of a positive emotional environment has been shown to affect exploitation of market opportunities positively (A. L. George, 1972) and as happy people stay with a company longer there is a reduction in the loss of the human capital that constitutes *‘the central resource in knowledge intensive companies’* (Dess & Sauerwald, 2014: 1) and this reduction contributes directly to Admiral’s bottom line.

Fiol (1991), writing in the same issue that Barney’s 1991 seminal work on the RBV appeared, reframed the discussion of culture as a resource by focusing on the *‘critical beliefs and behaviours that are at the very core of managing cognitive processes for sustained advantage’* (p. 191) and moved the thinking about resources as a source of competitive advantage to that of organizational identity which essentially answers the questions “who are we” (Albert & Whetten, 1985), that of itself is a productive stream of research. Fiol (2001) argues that an organization has a relatively homogenous organizational identity and focused on its cognitive core. The data presented in this case reveals cognitive elements to this firm’s culture and demonstrates homogeneity at the top team level and thus, one could argue, as externally represented and yet there is evidence that sub-cultures or *“tribalism”* exists at departmental and site level. This is picked up later in this section.

There is an overlap in the organizational culture and identity literatures (Ashforth, Rogers, & Corley, 2011; Whetten, 2006) and culture is identified as a source of identity (Ravasi & Schultz, 2006). Corley (2004) observed that higher levels of the hierarchy tend to see identity in light of the organization's strategy whereas lower aspects of the hierarchy see it in relation to the organization's culture.

Despite the academic interest in measuring and diagnosing organizational culture (see Denison, Nieminen, & Kotrba, 2014 for a review) a definitive theory on how organizational culture can contribute to sustained competitive advantage has not been advanced and perhaps this is in part due to the tools used for diagnosis. Writing in 1996, Schein bemoans the fact that *‘our failure to take culture seriously enough stems from our*

*methods of inquiry, which puts a greater premium on abstractions*' (p. 229). This is equally an issue for practitioners with Alvesson (2001: 1) noting that *'even in those cases where top managers have a strong awareness of the significance of culture, there is often a lack of deeper understanding of how people and organizations function in terms of culture'*. However, this case reveals a management team that is both fully aware of the significance of the culture it has created and takes steps, both formally and informally, to manage the culture. Kor & Mesko (2013) identify management of the culture as a dynamic managerial capability (although identified by Ghoshal & Bartlett, 1994 as a key task of management).

Hofstede's empirical body of work on national cultures (1980, 1983, 1991) is often used in the literature looking at organizational culture. However, Hofstede himself has warned that his framework should not be applied at an individual level (Hofstede, 1980) and accepted his conceptualization of cultural dimensions at the organizational level is *'far too limited'* (Brookes, Croucher, Fenton-O'Creevy, & Gooderham, 2011:70) to claim universality but it has been argued that *'one might reasonably infer'* (Kirkman, Lowe, & Gibson, 2006: 298) his framework applies to organizations and teams and as such occupies much of the literature on organizational culture – this despite numerous criticisms that his dimensions over-simplify culture (Gooderham & Nordhaug, 2003; McSweeney, 2002). However this case study has found much richer descriptions of culture than Hofstede's framework that is essentially quantitative in origin.

The last theme to emerge from the data that has relevance to the literature is that of sub-cultures or *'tribalism'*. This concept has been identified in the literature (namely Denison & Mishra, 1995; Hofstede, 1998b; Schein, 1993) with Schein (p. 40) explaining that *'subunits of organizations are more and more likely to develop their own sub-cultures ... because of their shared core technologies and their different learning experiences'* and essentially talks about the key issue for organizational effectiveness being the ability to develop techniques for integration of these sub-cultures. Denison and Mishra (1995: 214) hypothesize that "organizational culture" may exist only in this integration of sub-parts into the whole and this assumption that organizational culture is compositional has been largely absorbed into the literature (Hartnell et al., 2011) and yet the two concepts are considered theoretically isomorphic because of their shared, normative cues (O'Reilly & Chatman, 1996). Subsequent research has not explored these ideas further, other than

noting instances where such integration of sub-cultures is ineffective (for example Denison et al., 2014; Fey & Denison, 2003; Palthe & Kossek, 2003). The data here reveals that although sub-cultures exist and are tolerated, the overall culture acts as a normative control on behaviour, influencing the sub-cultures in their core values whilst the peripheral values and behaviours can vary. This empirical observation seems to run counter to the literature in this aspect.

### **6.14.2 Looking at theoretical support for the cultural attributes that emerged from the data**

Various attributes of the culture emerged from the data. The next table outlines how the literature maps to those cultural attributes individually.

*Table 6-5: Mapping examples of literature, where available, to attributes of Admiral's culture (table split over pages XX to XX).*

<b>Cultural Attribute</b>	<b>Examples from literature</b>
Ambiguous	Ambiguity has already being discussed earlier in this chapter see Section 6.7 but specifically as it relates to culture is seen as being a key part of successful change culture (Addallah & Langley, 2014; Corley & Gioia, 2004; Gioia et al., 2012) and also in learning cultures (Robertson & Swan, 2003).
Balance	Again discussed earlier (see Section 6.7) but there is a wide literature particularly focussed on work-life balance and it's cultural antecedents and benefits to the firm (Brough & Kalliath, 2009; Cegarra-Leiva et al., 2012; McCarthy, Darcy, & Grady, 2010) and there is a smaller literature around the benefits of a balanced mindset (Corbett et al., 2011; Eisenhardt et al., 2010; Fourné et al., 2014) and the data has elements of both making up this attribute.
Be the best	This has an element of "mission". Also has a cognitive element as people who pursue this goal are often "adaptor" problem solving types (Kirton, 1976) and this implies learning.
Challenge	The literature talks about opportunity seekers (Baron, 1998; Hayek, 2012; Keh, Foo, & Lim, 2002) and a need for achievement (Rauch & Frese, 2007) but the data refers to people who enjoy challenge and the organizational psychology literature links this aspect of culture to the MBTI: specifically being a trait of iNtuitives (S. J. Armstrong et al., 2012; Hirsh & Kummerow, 1990).
Colour outside the	Innovation is a another huge area of research but related specifically to culture, see Büschgens et al. (2013) for a review.

## lines

Communicate,  
communicate,  
communicate

Mintzberg (1991) noted managers can spend 78% of their time communicating and, as long ago as 1961, Jack Gibb suggested that people feel better about themselves and can speak freely in an open supportive environment. Benefits of an open communications climate were highly influential in the decades that followed in change literature (for example Kanter, 1983), knowledge management (for example Patil & Kant, 2012), successful teams (for example A. Pentland, 2012), motivation (for example Burton, Pathak, & Zigli, 1976) etc. Communication skills are considered fundamental to organizational life (Beech & MacIntosh, 2012b: 7) and communication in turn enables many other aspects of this culture.

Customer  
orientation

Whilst the cultural influences on customer orientation is of interest to marketing and relationship management research, there is some interest in the link between customer orientation and successful businesses (Tyler & Gnyawali, 2009) and it is generally accepted that any strategy to deliver a customer orientation must involve the organizations cultural dynamics (Halliday, 2002).

Democratic  
spirit

This firm does not offer organizational democracy as articulated in the literature (Kerr, 2004) but it is more akin to concepts of participative management culture and empowering culture: both strands of strategic management research. It was postulated in the 80's that firms with participative cultures performed better (Denison, 1984) and empowerment literature is related to innovation and creativity (for example Pieterse, van Knippenberg, Schippers, & Stam, 2010), to TQM (for example Sigler & Pearson, 2000), team performance (for example Lorinova, Pearsall, & Sims Jr, 2012) and change (for example Cattermole, Johnson, & Roberts, 2013), all foci for research. Empowerment is '*all about attitude and persuasion*' (Takata, 1991: 271) linking it to communication and equality in the idea that employees feel that their voices are heard (Burriss, Detert, & Romney, 2013).

Equality

In defining a cultural framework for analysis, Hofstede (1980) defined "power distance" differentiating between the degree to which inequalities are accepted. The point is made that power is fundamental to all relationships and is inherent in all organizations (Daniels & Greguras, 2014) and there is a wealth of research around it, see Daniels and Greguras (2014) for a review of this substantial literature. But this is a firm that seeks to minimise that power distance whilst accepting that inequalities do exist: managers making the strategic decisions, are paid more. Yet the feeling of "equality" underlies other elements of the culture such as democratic spirit and it is enabled through '*freedom of speech*' (Haskins, 1996) and '*having a voice*' (Burriss et al., 2013) as well as through symbolism such as car-parking and furniture and dress policy and the fact the managers create

	social interaction with the staff.
Everything is a learning opportunity	See Section 6.4 for a review of learning culture but this trait is also about the psychological aptitude of individual's openness to experience encompassing curiosity, flexibility, willingness to learn and creativity (Mussel, Winter, Gelléri, & Schuler, 2011) translating into an organizational commitment to learning where most of the research focus appears to be. There is also a link between this attribute of the culture and 'attention to detail' or "mindfulness" literature described in Section 6.8
Flexible	Flexibility and ambidexterity seem related concepts in the literature and it is recognized that they are rooted in organizational culture (Catherine L Wang & Rafiq, 2014). Ambidexterity is certainly postulated as a dynamic capability (O'Reilly & Tushman, 2008) or as an antecedent to dynamic capability (Judge & Blocker, 2008) but from a cultural angle: research streams are apparent in both the organizational and psychology literatures. Adaptability was identified as a cultural trait that predicted performance (Denison & Mishra, 1995; Patil & Kant, 2012) and innovation (Catherine L Wang & Rafiq, 2014; Yilmaz & Ergun, 2008).
Friendly	Using Goffee and Jones' (1996) framework to analyse culture, Admiral's falls into the "Communal" category. Goffee and Jones use sociability, ' <i>a measure of sincere friendliness among members of a community</i> ' (p. 134) and solidarity as dimensions to measure culture and note that ' <i>friends tend to share certain ideas, attitudes, interests, and values and usually associate on equal terms</i> ' (p. 134). In their categorisation, communal cultures are where ' <i>everything feels in sync</i> ' (p. 143). There isn't very much literature expanding on this area other than the contribution sociability within a culture can contribute to the development of social capital (for example Melé, 2003; Pastoriza, Ariño, & Ricart, 2009). There is little literature to support the ideas that emerged from the data where friendliness is seen to break down barriers and minimise "power distance".
Fun	Fluegge (2008: 5) has defined "fun" as ' <i>any social, interpersonal or job-related activity of either a humorous or playful nature that a person finds enjoyable an interesting</i> ' and Deal and Kennedy (1999: 234) suggest that if the "fun quotient" is high, staff will ' <i>pour their hearts and souls into what they do</i> '. Evidence suggests that employee morale, creativity, performance and commitment may improve when work is a fun place to be (Mesmer-Magnus, Glew, & Viswesvaran, 2012) and there is a wealth of practitioner orientated literature devoted to having fun in the workplace <sup>105</sup> (for example Frieberg & Frieberg, 1996; Hudson, 2001). A stream of research by Karl (Karl, Harland, Peluchette, & Rodie, 2010; Karl & Peluchette,

<sup>105</sup> Its worth noting that Friebergs' book *NUTS about South West Airlines culture* is part of the management library at Admiral and the CEO actively encourages senior managers to read it by presenting them with a copy.

2006b; Karl, Peluchette, Hall, & Harland, 2005; Karl, Peluchette, & Harland, 2007; Peluchette & Karl, 2005) shows fun at work is positively related to job satisfaction and for fuller review of literature around “fun” see Fluegge-Woolf (2014). The differences between departments observed at Admiral are also covered in the literature as “fun” is most successful when there is a match to different personalities (Aldag & Sherony, 2001; Karl et al., 2007). Use of humour to create more creative environments is well covered in the literature (for example Ekvall, 1991; Isaksen & Ekvall, 2010; Isaksen, Lauer, & Ekvall, 2000; Lang & Lee, 2010; Moon, Quigley, & Marr, 2012) as it’s ability to relieve workplace stress (Hudson, 2001; Karl & Peluchette, 2006a; Lang & Lee, 2010; R. A. Martin & Lefcourt, 1983). There is also a suggestion that “fun” might be a means of normative control of staff (Fleming & Sturdy, 2011).

If it moves -  
measure it

There is little literature in the organizational culture field around calculative practices and use of numbers and yet this is a firm who would agree with the statement ‘*calculative practices contribute to the maintenance of social order*’ (Vollmer, 2003: 353). Vollmer exhorted his fellow accountants to explore quantification and how calculative practices proliferate and to explore ‘*what kinds of culture breed numeracy*’ (p. 366) and notes from a review of the literature that numbers can solve problems as well as cause problems. It is not a call that has generated much research interest. A paper looking at how cultural factors may affect adoption of calculative HR practices (Brookes et al., 2011) has recommended this as a focus for future research.

No blame

A culture of blame has been a fruitful source of interest for researchers with its focus on outcomes rather than accountability and responsibility (Dalton, 2005) having negative connotations for performance. It has also interested practitioners (for example Conlin, 2004; Dalton, 2005; Papp, 2013; Sandberg, 2007). It is a particularly rich literature with “blame” identified as an impediment to organizational learning, see Table 6-3 for a sample of writers on this, and as a barrier to organizational change (Armenakis & Harris, 2009; Bate et al., 2000; Burnes & Jackson, 2011). A culture of blame focuses on outcomes at the expense of process (Grichnik et al., 2010) leading to short termism.

Open

In early 90’s studies of creativity at work (for example Ekvall, 1991; Jelinek & Schoonhoven, 1990) emphasized that open climates were more conducive to encourage creative problem solving. Ekvall talked about openness being trusting and accepting of failure. Necessary for successful change (Gärtner, 2013), and implicit for an effective absorptive capacity (Khoja & Maranville, 2010) and for knowledge management generally (Ciganek, Mao, & Srite, 2008), open communication has been linked with improved performance over the last two decades (Berkowitz & Wren, 2013; Goffee & Jones, 1996; Hofstede, 1998a; Patil & Kant, 2012 amongst others). There is also a link to

empowerment which requires a virtuous circle of trust and communication (Martins, Donald, & Martins, 2013).

Passion	<p>The concept of passion as a desirable trait appears in both the entrepreneurial and human relations spheres of management research and in the psychology literature. Passion goes beyond the employee engagement of the motivation literature where engagement is described as ‘<i>a heightened emotional connection to a job and organization that goes beyond satisfaction</i>’ (Gubman, 2004: 43) but ‘<i>passion is more like love</i>’ (p. 44). Increasing engagement creates stability, reduces retention and increases profitability (Attridge, 2009 and see this paper for a review of the engagement literature). Passion is a topic of interest in the business literature where it is seen as an essential element of great leadership (Buckingham &amp; Coffman, 1999; Gubman, 2003) and in academia as an important aspect of an organizations “affective” culture (Smollan &amp; Sayers, 2009) particularly in the entrepreneurial sphere (for example Cardon, Wincent, Singh, &amp; Drnovsek, 2009; Chen, Yao, &amp; Kotha, 2009; De Clercq, Honig, &amp; Martin, 2013). However the idea that not all passion is good passion exists (Fisher, Maritz, &amp; Lobo, 2013; Ho &amp; Pollack, 2014). The literature concentrates more on the entrepreneur rather than looking at passion as a function of the organization (Cardon, 2008) and how it relates to other aspects of organizational culture has not been researched widely.</p>
Pay attention	<p>In Section 6.8 of this chapter, this element of the culture expressed as a dynamic capability in the data fell more into the purview of the literature on managerial cognition and mindfulness and there is literature relating these two constructs to organizational culture. Culture and cognition affect each other and ultimately employee attitudes and behaviours (Peterson &amp; Wood, 2009) and it is recognised that culture influences cognitive processes such as the acquisition, retention and analysis of information and learning (Steers, Sacher-Runde, &amp; Nardon, 2012). Gavetti (2012) offers a view of superior performance that ‘<i>some firms are endowed with better ways of representing the world around them than others</i>’ (Brandenburger &amp; Vinokurova, 2012: 286). With regards to mindfulness, there is research to show that it enhances a readiness to change (Gärtner, 2013) and at a collective level is the result of cultures, like Admiral, characterised by learning, open communication, supportive management and participatory decision making (also Gärtner, 2013).</p>
People matter	<p>Ahlstrom (2010) argues that if organizations provide a good working environment, employees will generate innovations that can lead to growth. As long ago as 1980, Ouchi postulated that organizations that build attachment with their employees see reinforced ties and alignment of purpose. But questions are raised as to whether caring organizations profit more or profitable organizations care more (Delios, 2010). Scholars have started to</p>

look at ‘*what organizing might be like if care and compassion were to move to the forefront*’ (Rynes, Bartunek, Dutton, & Margolis, 2012: 518) and how to create climates and cultures that embody an ethic of care (Lawrence & Maitlis, 2012) and the facilitating concept of authentic leadership (Walumbwa, Avolio, Gardner, Wernsing, & Peterson, 2008) which has related literature in leadership and cultural ethics and morals (Pastoriza et al., 2009; Peus, 2011). These related ideas of caring, humanizing, ethical and moral obligations of organizations translate into a practitioner literature around creating a “great workplace” (Goffee & Jones, 2013 amongst others).

Pride	Pride has been recognised as vital to success (Bruch & Ghoshal, 2003; Peters & Waterman, 1982) but is mostly unexplored in the literature (Gouthier & Rhein, 2011). Pride in ones work is considered a positive emotion and contributes to organizational energy pushing a firm into the “passion zone” where companies ‘ <i>display an urgency that makes them more productive</i> ’ (Bruch & Ghoshal, 2003:47) and there is a link made between transformational leadership styles being more energetic (Schipper & Hogenes, 2011).
Recognition	The human relations school that developed in reaction to the scientific management movement (for example F. Taylor, 1947) emphasized the subjective dimensions in managing people based around Mayo’s assertion (1933) that people are activated by a “ <i>logic of sentiment</i> ”. Key to this school was the development of the “motivation-hygiene theory” that stated recognition as being one of the intrinsic factors that strongly determined job satisfaction (Herzberg, 1966). Buchanan (1974) found that recognition was associated with greater commitment in firms and it has become a factor explored extensively in the motivation literature of human relations, of management and of psychology and most recently in the POS and social exchange literature where recognition along with trust and inclusion are found to be antecedents of perceived organizational support (POS) (Bagger & Li, 2014; Eisenberger et al., 2014; Wayne, Shore, Bommer, & Tetrick, 2002).
Risk adverse	In the literature (for example Frijns, Gilbert, Lehnert, & Tourani-Radi, 2013) the meaning of being risk adverse is often associated with Hofstede’s uncertainty avoidance (1980) but this is not the same construct that emerged from the Admiral data where clearly the organization takes risk but management control or mitigate that risk. The literature suggests that regarding risk ‘ <i>leaders must perform a delicate balancing act</i> ’ (Schoemaker & Tetlock, 2012: 5) but the literature often equates an enhanced risk perception with less propensity to take risk (Sitkin & Weingart, 1995) and linking entrepreneurs (Pines, Dvir, & Sadeh, 2012) and innovators (Jassawalla & Sashittal, 2002; Soken & Barnes, 2014) to a greater propensity to take risk. The link between a propensity for risk with a propensity for controlling that risk is not covered

in the literature.

Self-deprecation	Being modest, argues Vlachoutsicos (2011) allows you to create a sense of mutual dependence which underlies open communication, empowerment, a democratic spirit etc. Lack of ego is a key trait in hiring policies in this firm. In the psychology literature, ego is one of the three constructs in Sigmund Freud's structural model of the psyche (Freud, 1923/2010) and separates out what is real. The individual managers demonstrate ego, in the Freudian sense, as it includes defensive, perceptual, intellectual-cognitive and executive functions. They also display ambition which can create ' <i>innovation, efficiency, and opportunity for oneself and others</i> ' (Bruhn & Lowrey, 2012: 137) and the trait expressed in the data is a control mechanism for untrammelled ambition particularly in redirecting energy for the more negative aspects of ambition i.e. more power, status and money (L. Wang & Murnighan, 2011) into more collective ambitions for the firm by which personal ambitions can be satisfied.
Spend every penny wisely	"Corporate frugality" is defined ' <i>an enduring corporate trait of consistent, disciplined management of spending to achieve long term strategic objectives and sustainable profits</i> ' (Anderson & Lillis, 2011: 1352) but as a cultural phenomenon it is not further theorised in the literature nor is its possible contribution to organizational success highlighted in the literature in the way that the management in this case-study believe it to be.
The perfect is the enemy of the good	As the call to create cultures of continuous improvement and innovation in firms resonated from the theoretical to practice, the emphasis on continuous experimentation grew (Barrett, 1995) and it became a fundamental concern in the exploration/exploitation strand of the learning literature (for example Lavie et al., 2010). The other aspect of this attribute as it emerged from the data is the "action-orientation" of the organizational behaviour literature accepted as the "readiness to take action" often contrasted with state-orientation the "propensity to stagnate" (Weinzimmer, Michel, & Franczak, 2011). O'Reilly et al. (1991) in their influential paper created a variable called "outcome orientations" as a cultural attribute and suggest that individuals with high needs for achievement prefer cultures that demonstrate an outcome orientation (p. 1990).
Trust	Trust has already been touched in this review particularly in the benefits of engendering trust in the management style (see Section 6.6) but also in the delivery of several attributes of the culture such as open communication and lack of blame. In the literature: trust is essential in enabling organizational learning (Swift & Hwang, 2013), creating psychological empowerment (Chan, Taylor, & Markham, 2008) and generally in enhancing a firm's performance (Heavey, Halliday, Gilbert, & Murphy, 2011; Salamon & Robinson, 2008).

### **6.14.3 Summarizing the culture literature and introducing the notion of “sensemaking”**

This is a very wide literature centred both in the Organizational Behaviour and Psychology fields. The concepts that arose from the data are widely supported in this wider literature on culture although not as a dynamic capability. The idea that culture enables resources to be developed, manipulated and deployed for performance gain is supported in the literature and has strong links to the knowledge management, change, leadership and human relations literatures. The “second wave” of cultural research over the last 10 years means that culture is ‘*more often treated as constitutive of a wide range of social processes*’ (K. Weber & Dacin, 2011: 287) and the research often “*endogenizes*” *these other forces as themselves culturally constructed*’ (also p. 287): a view that came out of this case data, the idea that culture enables many of the activities within this firm. This second wave looks at culture ‘*in a more agentic way*’ (K. Weber & Dacin, 2011: 288) removing the notion of culture as a constraint and explore more how cultural materials as a pragmatic resource. See K. Weber and Dacin (2011) for a review of how the conceptual frames have changed.

Sensegiving, defined as the deliberate attempt to shape the interpretations of others (Gioia & Chittipedi, 1991), was discussed in Section 6.2 as a theoretical lens in which to view the indoctrination processes that emerged from the data. Weick (1995: 4/5) described sensemaking as a way of constructing meaning from ambiguous, uncertain stimuli by placing them into a mental framework. Ravasi and Schultz (2006: 433) suggested that culture plays a role ‘*in informing and supporting sensemaking and sensegiving processes*’ in other words providing the framework by which meaning can be constructed although earlier thinking suggested that culture is a manifestation of an individual’s sensemaking structures and processes (Harris, 1994). The data illustrates that after initial ‘indoctrination’ where new recruits are introduced to the shared values and meanings embedded in the culture, the culture itself through its widespread influence then acts as the filter for staff to search for meaning and acting as the lens i.e. the dominant logic by which information is received and parsed in the business.

## 6.15 How does the extant literature inform this case-study?

Themes ▼	Research Area							
	Dynamic Capability	Strategic Management	Knowledge Management	Decision making	Human relations	Organizational Psychology	Organizational Behaviour	Entrepreneurship
Sub-fields included ►	<i>incl. Managerial capability</i>	<i>incl. RBV, innovation, performance</i>	<i>incl. organizational learning, absorptive capacity, exploration and exploitation</i>	<i>incl dominant logic</i>	<i>incl Organizational design</i>		<i>incl. ambidexterity, change, leadership, culture, teams, sensemaking and giving</i>	
Recruitment and indoctrination	✓		✓		✓	✓	✓	
Embrace change	✓	✓				✓	✓	✓
Learning environment	✓	✓	✓	✓	✓	✓	✓	✓
People matter	✓	✓			✓	✓	✓	
Management style	✓	✓		✓	✓	✓	✓	
A balancing act	✓			✓	✓	✓	✓	
Attention to detail					✓	✓	✓	
Numbers matter		✓			✓	✓		
Team building	✓				✓	✓	✓	
External market intelligence	✓	✓	✓					
Strategic decision making	✓	✓	✓	✓		✓	✓	
Mission							✓	
Culture enables	✓	✓	✓	✓	✓	✓	✓	✓

*Table 6-6: Maps each “dynamic capability” to emerge from the data against categories of extant literature. Where there is more than one sub-field within a category and where the literature is pertinent to that “dynamic capability”, the cell is shaded darker than where the extant literature is only in one sub-field. Cells shaded lightest are where there is some but not a whole body of extant literature.*

Table 6-6 indicates that many of the dynamic capabilities identified from the data are supported in the dynamic capabilities literature albeit, with the exception of ‘Learning environment’ and ‘Management style’, relatively lightly in that literature. However this summary of the extant literature does reveal that all of the themes that emerged are present in the wider literature to a much greater extent.

Is this because the dynamic capabilities framework is posited as something new in the field of strategic management so there is an unwillingness to make these links to the wider literature and contribute to the debate in strategic management research? Using very broad definitions of dynamic capability garnered from the most influential writers on dynamic capability, this case appears to demonstrate dynamic capability but it would appear from this review that using a different analytical lens may have generated other explanations of superior competitive advantage forming the basis of other literatures. This idea will be explored in the next chapter as we attempt to answer the research question and think about how this case-study may contribute to the literature.

**CHAPTER 7: ANSWERING THE RESEARCH QUESTION****7.1 Restating the research question**

Can a study of Admiral Plc further open the “black box” and help evaluate dynamic capability theory? Specifically:

1. Are dynamic capabilities, as defined in the literature, observable in this firm?
2. What are the sources of dynamic capability in this firm?
3. Can this case shed light on how dynamic capability is operationalized and how that contributes to the firm’s success?
4. How has dynamic capability evolved as the company moved from an entrepreneurial start-up to an MNE?
5. What can be learned about managerial dynamic capability and its contribution to “entrepreneurial fit”?
6. Can this case-study contribute to some of the debates in the literature such as the existence of a capability hierarchy, the nature of dynamic capability, its heterogeneity or otherwise?

The research objectives are:

1. Using the definitions in the literature identify the elements of dynamic capability within this firm.
2. Use historical data and interviews with the founders to examine the sources of dynamic capability within this firm and evidence it’s evolution from 1992 through to 2013.
3. Use the data to investigate some of the debates in the literature around dynamic capability.
4. Expand existing dynamic capability theory to explain the findings.

## 7.2 Introduction

The aim of this study in essence is to explore how the dynamic capabilities identified from the data can contribute to the existing theory around dynamic capabilities. Specifically in this chapter we use the data to explore the research questions as this case study thematic development revealed examples of resource configurations and routines that can be considered dynamic capability. On the basis of that discussion we can identify where this research can contribute to knowledge of dynamic capabilities.

In the last chapter, an extensive range of literature was reviewed and summarized as it related to the themes that emerged from the data in Chapter 5. This literature review covered both the themes as dynamic capability and in the wider context of management research. Table 6-6 on page 6-273 reveals that all the themes are part of a continuing conversation in the wider literature: often in an extensive wider literature and that most of them have been touched on in the dynamic capabilities literature. Earlier in the literature we identified several calls for more empirical development of dynamic capabilities (for example Ambrosini & Bowman, 2009; Barreto, 2010; Di Stefano et al., 2010) the dynamic capabilities literature has now a grounding of empirical findings but most of this work is cast as “how dynamic capabilities contribute to some aspect of a firm’s success”. None of it explains how dynamic capabilities actually work (Arend & Bromiley, 2009; Barrales-Molina, Bustinza, & Gutiérrez-Gutiérrez, 2013; Williamson, 1999) and there is a substantial criticism of the construct (see Arend & Bromiley, 2009 for details) to the point where Winter (2003: 991) comments that ‘*while some see dynamic capabilities as the key to competitive advantage ... others seem to doubt that there actually are such things*’. There is a recognition amongst scholars in the field that empirical dynamic capabilities research is needed to answer these fundamental theoretical questions of formation, operationalization, evolution (Arend & Bromiley, 2009) and it is hoped that this research will contribute to this understanding by opening up the “elusive black-box” that is a description of the dynamic capability construct (Pavlou & El Sawy, 2011). This in-depth qualitative case-study was designed to elicit understanding of a construct that the literature views as invisible (Itami, 1987), tacit (Dierickx & Cool, 1989a), difficult to observe (Simonin, 1999) and causally ambiguous (Williamson, 1999).

After considering some definitions, this chapter considers the research questions in Section 7.1, in turn looking at how the data fits the extant literature on dynamic capabilities and

discussing that fit and its relation to some of the debates in the literature. The last research objective is analysing dynamic capability as an explanatory framework in light of the findings and hypothesising how these results could be generalized and the implications thereof.

### 7.3 Definitions

Given that the dynamic capability view is still young in its conceptualization (Barreto, 2010) and this thesis has utilized successive and distinct definitions from the seminal writers in the field (see Table 5.1 on page 5-108) it is important to specify definitions of the relevant terms in this chapter.

**Organizational capacity:** The Oxford Dictionary defines capacity as ‘*the ability or power to do or understand something*’. There is a cognitive aspect to this definition and the use of the word “capacity” in organizational literature is used interchangeably with “ability”. Having the capacity to do or understand something at organizational level does not imply that it is routinized or repeatable although it can become so (see Arend, 2014).

**Organizational capabilities:** Using Winter’s (2003: 991) definition as ‘*an organizational capability is a high-level routine (or collection of routines) that, together with its implementing input flows, confers upon an organization’s management a set of decision options for producing significant outputs of a particular type*’. This definition does include the concept of repeatable and reliable performance of an activity in contrast to “ad hoc” activity that is neither practiced nor patterned (Dosi, Nelson, & Winter, 2000; Winter, 2003).

**Operational capabilities (OCs):** Most writers use Winter’s definition where OC’s are those capabilities that enable a firm to make a living in the present (Winter, 2003: 992). It is important too to note Winter’s admonishment that operational capability is ‘*locally defined*’ (p. 992) to a particular firm’s context although others recommend analysis of DCs with a systems-wide perspective (Pitelis & Teece, 2010). In this study, we follow Kay’s (2010: 1211) recommendation that ‘*both operating and dynamic capabilities are best defined not in terms of what they are, but in terms of what they do, and what they do depends on context*’.

**Dynamic capabilities** (DCs): At their simplest, dynamic capabilities enable ‘*a firm to alter how it currently makes a living*’ (Helfat & Winter, 2011: 1244) a capability important in dynamic environments whether they be highly dynamic (Teece et al., 1997) or moderately so (Eisenhardt & Martin, 2000). This definition includes the ability to alter OCs and/or resources. It encompasses both the routinized ‘path dependent’ view of DCs (Eisenhardt & Martin, 2000; Helfat et al., 2007; Teece et al., 1997; Winter, 2003; Zollo & Winter, 2002) as well as the view that DCs can be abilities (Zahra et al., 2006) or managerial skills (Teece, 2007). Recent work from Arend (2014) uses the assumption that dynamic capability can be both routinized and “less routinized” an assumption borne out in this case-study.

#### **7.4 Are dynamic capabilities, as defined in the literature, observable in this firm?**

Galunic and Eisenhardt (2001) argue that the existence of dynamic capabilities is often assumed without specifying their exact components, a feature of much of the dynamic capability literature reviewed in this study. However, using the definitions of dynamic capability from the literature and comparing them to the themes that emerged from the data it would appear that that the firm studied here does employ dynamic capability.

The dynamic capability that emerged from the data emerged as traits (a propensity for empathy for example), intellectual abilities (numerical ability is GMAT tested at senior management level for example), routines/processes (for example the test and control process or the routines at the induction of new staff), managerial skills (for example the ability to motivate employees). Hence, to discuss the nature of dynamic capability in this firm we need to make sense of this data. This has been done by re-analysing the themes that emerged, categorising them and looking at the relationships between them.

Organizational capability, as a concept, is in the practitioner lexicon using the interpretation that it is ‘*our ability to*’ perform (using terminology from MacIntosh & MacLean, 2014). Thus, drawing from a number of discussions around Admiral’s capabilities and re-examining the primary and data sources the firm’s capabilities can be described as in the next table.

Capability Identified	Illustrated from capability discussion as...	Supporting illustration from primary/secondary data set
Ability to work as a team	<i>It's our ability to create functional teams by stimulating trust among the employees, supporting team building activities and events, stimulating horizontal communication across departments MM 01/03/11</i>	<i>being part of a really strong team and leading a really strong team. That's what we're trying to achieve GR 24/06/11</i>
Ability to work flexibly	<i>It's our ability to avoid unessential overhead ... It's our ability to avoid that bureaucracy slow down our business as usual. It's our ability to prevent managers to use decision power as status in the company MM 01/03/11</i>	<i>I explain that to people when they come here. "Your job will not be so prescribed that you will know exactly what you're doing because the next week you may be given something completely different so you have to be flexible, be able to change, be able to think on your feet" LS 12/11/10</i>
Ability to flex business model	<i>An unusual business model for the industry (reinsurance of risk, financing) – it is our willingness give away potentially higher return for the certainty of limited to negligible downside AR 18/02/11</i>	<i>The way it has, from time to time, taken more risk and then at other times taken less risk by working more or less closely with the re-insurance companies JG 10/11/10</i>
Ability to be analytical	<i>Analytical ability throughout the business: It's our ability to use numbers to support decisions MM 09/2012 and also most importantly our ability to change a past decision if data shows it was a bad idea; no shame, no hook, just rational undoing when trying and erring FG 16/02/11</i>	<i>we measure virtually everything and we watch how it all falls together and we're able to see when problems crop up very early because the numbers all have their own patterns and the minute a number deviates from the pattern we're all over it like an old suit HE 22/06/10</i>
Ability to innovate	<i>it is our ability to try things differently just to see what happens, because failure is not as penalized as in other organizations FG 16/02/11</i>	<i>I realise how people set limits to themselves that don't exist .... At Admiral, those limits don't exist in people's mind. It is politically incorrect to think that things don't work without having been tried CC 03/06/10</i>
Ability for modesty	<i>Let me give you an example, our investors meetings are modest. We are confident but not arrogant, we express our doubts and concerns if necessary and never overpromise or create "huge expectation". International investment is not even include on valuation given by investors. We try to simplify exposition to make our ideas understood, instead of complex to look more intelligent. My perception, we look like nice guys doing their homework and delivering what they have said. It looks simple. EB 24/02/11</i>	<i>I think Admiral should always maintain a degree of modesty DS 24/06/10</i>
Ability to manage the culture	<i>It's our ability to convey strong values that make employees, partners and third parties passionate and supportive about our business. It's our ability to stimulate respect and trust and avoid politics MM 01/03/11</i>	<i>we try and monitor that our culture is being maintained, through various surveys, so we can identify the areas that need some help and support LS 15/06/10</i>
Pricing capability	<i>No 1 (in a list of our competitive advantages) MM 09/2012</i>	<i>our business gives immediate feedback of our pricing structures through just the simple quote conversion but we concentrate on quote conversion, we don't concentrate just on the internal metrics of the operation, we concentrate on that, we look at prices, we look at price surveys, we look at external customer surveys, we keep in tune with the market, we read. To me that's fundamental AP 11/11/10</i>
Marketing capability	<i>No 2 (in a list of our competitive advantages) MM 09/2012</i>	<i>It's like, ok, you are managing your cost per sale in an optimal way in a fixed environment but what happens if your environment is changing? He was completely oblivious to the fact that aggregators were kicking him out of his market and yes, cost per sale was still good but the next two years were probably going to destroy him and he didn't see that. He had missed it completely. I think that is something we don't miss. We have, we listen to the market, we have antennae everywhere and we can react pretty well NWK 03/02/11</i>
Ability to be fast	<i>it is our active assessment of every dimension of the business, by all levels of management, at all times, at any level of detail that means we react sooner and more accurately to changes in our business AR 18/02/11</i>	<i>I think speed is one of the things that makes Admiral really, really nimble and very reactive to the market NWK 03/02/11</i>
Ability to test	<i>It's our ability to test ideas and prove them MM 01/03/11</i>	<i>If you're running a number of horses you've got... some of them stick and you push them forward, so in other organizations if they bet their bank on something that doesn't happen, where do you go? DS 24/06/11</i>
Staying close to customers	<i>No 3 (in a list of our competitive advantages) MM 09/2012</i>	<i>I was trying to set up a company that .... did care for its customers ... HE 22/06/10</i>
Ability to find people who "fit"	<i>it is our ability to get the right person to the right job and it our ability to find people who embrace "The Admiral Way". We give them the opportunity to do more earlier in their career than they would most anywhere else AR 18/02/11</i>	<i>it's bright people, enthusiastic, committed, attention to detail, people who will try new things, be flexible, will change and that's a lot to ask of people, a lot to ask of people LS 12/11/10</i>
Distribution capability	<i>No 4 (in a list of our competitive advantages) MM 09/2012</i>	<i>Admiral's direct distribution model, combining telesales and the internet channel, allows it to control the sales and distribution process ... the model is cost effective, keeping acquisition costs low Taken from the Global Offer Listing Particulars 2004 p. 1</i>
Ability to work lean	<i>it is our ability to spend frugally (being good cost avoiders not managers), challenging perceived necessity while investing wisely that makes us different and leaner AR 18/02/11</i>	<i>We are very cost conscious, always have been from Day One AP 11/11/10</i>
Effective claims management	<i>A key element of the ability for Admiral to maintain its expense ratio in the market as identified in Annual Report 2012</i>	<i>Admiral's remarkable competitive advantage is misunderstood. Claims management rather than risk selection lies at the heart of the business. This controversial insight argues that Admiral's advantage is more scalable and sustainable than the market realises View of a City Analyst Jan 2011</i>

Table 7-1: Identification of organizational capability<sup>106</sup> from primary and secondary data sources using the definition given in Section 7.3

Looking at this list we can now categorise the list of capabilities as to whether they are operational or dynamic capabilities using the definitions in Section 7.3 and comparing that against the themes that emerged as dynamic capability.

<sup>106</sup> Additional data drawn from an email conversation 15/01/11 to 01/03/11 with the UK and international managers as part of their mentoring program which I facilitated and a conversation driven by MM, the MD for Conte, the Italian offshoot of Admiral at the 2012 International MAD. Participants gave permission to use data for this study.

Relationship to themes emerging from data and identified as dynamic capability															
Capability identified	Operational or dynamic?	Recruitment and Induction	Embrace change	Learning environment	People matter	Management Style	A balancing act	Attention to detail	Numbers matter	Team building	External market intelligence	Strategic decision making SDM	Mission	Culture enables	Relationship to themes
Ability to work as a team	First-order DC				Underlies ability	Enables ability		Underlies ability	Yields data to improve performance	Is this the same?			Gives team purpose	Enables ability	Identified as 'Team building'
Ability to work flexibly	First-order DC	Recruit for this trait					Balance flexibility & structure	Underlies ability						Part of culture	Flexibility one of attributes in the 'Culture enables' theme
Ability to flex business model	Operational		Underlies ability	Underlies ability				Underlies ability	Yields data to improve performance		Feeds into SDM	Flexing is a SDM			
Ability to be analytical	Second-order DC	Recruit for this trait		Underlies ability				Underlies ability	Underlies ability		Underlies ability	Ability feeds into SDM		Part of culture	Coded within 'Attention to detail' and 'Numbers matter' theme
Ability to innovate	First-order DC	Recruit for this trait		Underlies ability				Underlies ability	Underlies ability (test)		Underlies ability	Ability feeds into SDM		Part of culture	Coded within 'Embrace change' theme
Ability for modesty	First-order DC	Recruit for this trait					Balance pride and modesty							Part of culture	Trait driving aspects of culture (= Value)
Ability to manage the culture	Second-order DC			Underlies ability	Underlies ability			Underlies ability	Underlies ability						Coded within 'Culture enables' theme
Pricing capability	Operational							Underlies ability	Underlies ability		Underlies ability				
Marketing capability	Operational							Underlies ability	Underlies ability		Underlies ability				
Ability to be fast	First-order DC	Recruit for this trait	Speed of change		Underlies ability	Enables ability		Underlies ability	Underlies ability					Enables ability	Coded within 'Embrace change' theme
Ability to test	First-order DC		Change is reliant on testing	Learn from tests			Balance go/no go	Underlies ability	Underlies ability			Quick SDM relies on this ability		Part of culture	Coded within 'Learning environment' theme
Slaying close to customers	Operational			Underlies ability	Underlies ability			Underlies ability	Underlies ability					Part of culture	Customer orientation one of attributes in the 'Culture enables' theme
Ability to find people who "fit"	First-order DC	Is this the same?												Fit into the culture	Coded within 'Recruitment and induction' theme
Distribution capability	Operational		Improved by adaptive change & new innovations					Underlies ability	Underlies ability		Underlies ability				
Ability to work lean	First-order DC	Recruit for this trait						Underlies ability	Underlies ability		Underlies ability			Part of culture	Spend every penny wisely an attribute in the 'Culture enables' theme
Effective claims management	Operational				Underlies ability	Enables ability		Underlies ability	Underlies ability		Underlies ability			Enables ability	

Table 7-2: Classifying organizational capability as operational or dynamic in the local context of this firm (Kay, 2010) and matching that capability to the themes that emerged from the data as elements of this firm's success. The OC's are highlighted.

This analysis used the capability hierarchy concept of Winter (2003) who based his argument for the existence of a hierarchy on the work of Collis (1994). Collis used the logic of differential calculus to distinguish between levels of capability and proposed a hierarchy with a hypothetically infinite number of levels of capability distinguishing between zero-level, first- and second-order capabilities. This framework has not been widely adopted (Prieto & Easterby-Smith, 2006) and it is Winter's conception of operational capabilities as "*how you earn your living*" and the relationship to dynamic capabilities "*how you change your operational capabilities*" that is more common (for example Cepeda & Vera, 2007).

Using this conceptual framework the data has been categorized using the following interpretation of that hierarchy.

Hierarchy position	Interpreted as:
Zero-order / Operational	"How we earn a living"
First-order DC	Employed in changing OC
Second-order DC	Enables first-order DC

This categorization and analysis of the relationships with the existing themes identified the operational capabilities. In the context of this firm, the OCs are: a pricing capability, a marketing capability, the ability to flex the business model, staying close to the customers, the distribution capability and effective claims management. This analysis also started the process of understanding the nature of dynamic capability within this firm as some of the themes to emerge from the data can be categorized as first-order or second-order DCs.

Before testing whether the hierarchy framework applies across all the themes, it is worth considering how the different constituent elements from the dynamic capability definitions apply to the data. This analysis can be seen in Table 7-3 overleaf. Essentially it summarises any relationship between the themes. A version of this, using the data, was the basis for Figure 5.2 on page 5-111. Each relationship is categorized as to whether it is a trait or skill (as featured in the definitions of Teece, 2007; Zahra et al., 2006), a driver or initiator of action, a process or routine that represents a '*patterned activity*' (Winter, 2003: 992) enabling '*repeated and reliable performance of an activity*' (Helfat & Winter, 2011: 1244) or an ad hoc activity that is '*not highly patterned or not repetitious*' (Winter, 2003: 993). The driver category (or mantra or initiator) emerged from the data analysis but doesn't pre-exist in the dynamic capabilities literature.



Processes or routines feature in the majority of definitions for dynamic capability (Eisenhardt & Martin, 2000; Helfat et al., 2007; Teece et al., 1997; Winter, 2003; Zollo & Winter, 2002) and are distinguished from Winter's ad hoc behaviour under the assumption that '*a capability enables repeated and reliable performance*' (Helfat & Winter, 2011: 1244). However organizations possess capacity for behaviour that may not have been routinized and this is particularly true of entrepreneurial companies in their early stages (Arend, 2014) and thus was included as a category in this analysis.

Table 7-3 reveals that each theme has one or more elements of a trait, driver and/or process in their relationships with other themes. For example whilst Recruitment and indoctrination is a process, its function is to find and 'brainwash' people with desirable traits such as sense of curiosity, numeric ability, ability to pay attention, have the same values etc. Similarly 'Management style' is articulated as a process but the relationship with people is driven by the mantra '*people who like what they do, do it better*' which requires managers with the ability to handle balancing acts, can pay attention and can "live" the cultural values.

Categorising those themes that are essentially processes using Winter's capability hierarchy reveals that not all the themes can be comfortably accommodated by his framework. One could class 'Recruitment and indoctrination' as a first-order DC that works directly on the people resource of the firm through hiring for "fit". What Admiral appears to have developed is a set of practices that seek to indoctrinate new staff with desired traits, behaviours and desired cognitive orientation(s) or mindset. There are clear indications through, for example, explicit training in values or in intelligence tests or in the promotion process, that efforts are being made to take founder traits and embed these in (a) a wider community of organizational members and (b) in all new staff to ensure cultural cohesion over time as well as during expansion of staff headcount. However, other process-orientated themes don't sit well in this hierarchy.

For example 'Learning environment' has first order elements such as the test and control process that directly influence operational capabilities but generally through the medium of the change process. This is itself can be classified as a first-order DC as it is responsible for actually implementing ideas or decisions which can affect the resource i.e. the IPO fundamentally changed the capital resource, or affect the operational capability for

example the change to price comparison as the main marketing channels refreshed the marketing capability. However the ‘Learning environment’ also has elements that connect to other first-order DC (such as ‘Embrace change’) or to second-order DC such as ‘Strategic decision making’. Based on the analysis presented above, Winter’s visualisation of a capability hierarchy doesn’t hold true in the case of Admiral. The literature offers an alternative relationship between OCs and DCs. For example operating capabilities can affect dynamic capabilities by *‘influencing the knowledge that is available for the latter to undertake future reconfigurations of the former’* (Newey & Zahra, 2009: 97). Their study was limited to the pharmaceutical industry but appears to be at work in this firm also. For example, Admiral’s pricing operational capability involves a process of statistical analysis the results of which fuel test and control processes, identified in Table 7.2 as first order DC. Part of the test and control process in this instance is to test changes in pricing against a control group that ultimately improves the pricing capability.

If Winter’s hierarchy does not appear to hold true in this case, it is nonetheless possible to account for a different sort of hierarchy. For example the traits and abilities of the managers are expressed as mantras and cultural attributes which influence ad hoc behaviour and ultimately underlie the creation of routines to achieve activity that reflects the values of this company. The term “mantra” comes from the data but seems to have the qualities of a “rule” from the literature. Let’s develop this argument.

One could argue that *‘the common understanding of dynamic capabilities as producers of strategic and organizational change’* (Helfat et al., 2007: 37) and in some of the definitions an explicit linking between dynamic capabilities and organizational routines (Eisenhardt & Martin, 2000; Winter, 2003; Zahra et al., 2006; Zollo & Winter, 2002) are two ideas imported, largely unchallenged, into the burgeoning secondary literature on dynamic capability.

Organizational routines in the literature have been widely acknowledged as the means by which firms organize and act (R. M. Cyert & March, 1963; March & Simon, 1958; Miner, 2006; Nelson & Winter, 1982; Thompson, 1967) and have also been envisioned as instruments of change (Feldman & Pentland, 2003). The notion of routines has become a central plank in much of the dynamic capabilities research and yet it is another example of

a construct itself subject to contested definition or partial interpretation (Felin & Foss, 2009; Salvato & Rerup, 2011).

One of the key questions that arose during this study was “what are the origins of the dynamic capability in this firm”? That question applies equally to the processes/routines we see identified in Table 7-3. It is a question that has been largely side-stepped in the literature: *‘at present the origin of routines and capabilities is as vague as their existence’* (Felin & Foss, 2005: 445). It would appear from this study that many of the processes that make up the dynamic capability in this firm have their origins in the operation of a very small set of very simple, deep seated rules initially labelled as mantras in this analysis.

As early as 2000, Eisenhardt and Martin suggested that in high-velocity environments dynamic capabilities were more likely to be effective through the wielding of simple strategic rules. Eisenhardt and Sull (2001) talked about successful companies succeeding through the operation of *‘a few straightforward, hard-and-fast rules that define direction without confining it’* (p. 107). Later in the same article they speculate that these rules develop and grow out of experience and in start-ups the repository of that experience is often senior managers. This view of rules has a sense of the “deep structure” from the complexity literature (see MacIntosh & MacLean, 1999 and further discussion in Section 7.5). Attempting to bring the divergent views of dynamic capabilities based on the work of Teece et al (1997) and Eisenhardt and Martin (2000), Peteraf et al. (2013) conclude that in high-velocity markets dynamic capabilities are simple rules and processes. The data in this study appears to support this conjecture empirically.

The concept of simple rules has progressed to heuristics (Bingham & Eisenhardt, 2014) and Bingham and Eisenhardt (in press) are careful to articulate their views of simple rules as focusing on strategic processes rather than strategy itself clarifying an interpretation made by Vuori and Vuori (2014). Bingham and Eisenhardt (2011) proposed a theoretical framework that indicated that firms learn heuristics and postulate that over time as a firms gains in experience, it will develop an *‘increasingly strategic portfolio of heuristics’* (p. 1438). As they note: this contrasts with the literature on routines in the strategy literature essentially arguing that routines are learned from process experience and represents a repository of learning within a firm (see Nelson and Winter, 1982 for the origins of this literature and Felin and Foss, 2009 for a review of the literature). Heuristics

are a cognitive bypass emerging when information, time and processing capability are at a premium (A. Newell & Simon, 1972). The Bingham and Eisenhardt work links the learning and knowledge literatures briefly reviewed in Chapter 6 with the cognition literature on heuristics. Typically this literature frames heuristics as *'biased, poor substitutions for computations that are too challenging to perform ... and emphasizes errors'* (Bingham & Eisenhardt, 2011: 1458): a view adopted by the strategy literature using heuristics as the explanation for irrational behaviour and failure (Bingham & Eisenhardt, 2014). Bingham and Eisenhardt's insight that *'heuristics may be a more 'rational' strategy than analytically complex and information-intensive approaches in unpredictable markets'* (p. 1461) is not without challenge (Vuori & Vuori, 2014) but certainly fits the data from this case-study.

Empirical evidence from Bingham, Eisenhardt, and Furr (2007) suggests that heuristics relate to the evolution of a high performing process and hence firm capability and that firms with more opportunity-capture heuristics have higher performing processes. They conceptualize performance as "opportunity capture" (Bingham & Eisenhardt, 2014). *'In sum, simple rules positively influence performance by enabling effective opportunity capture—i.e., they (1) balance efficiency and flexibility via improvisation; (2) are easy to remember, communicate, and update; and (3) can be surprisingly effective when experience is limited and information is correlated'* (in press). This body of work from Bingham and Eisenhardt and others (Bingham & Eisenhardt, 2011, 2014; Bingham et al., 2007; Eisenhardt et al., 2010; Eisenhardt & Sull, 2001; Sull & Eisenhardt, 2012) talks about categories of organizational heuristics which form a portfolio summarized in the next table. This portfolio is learned over time as experience accumulates and this perspective focuses on the content of the knowledge gained and argues that this knowledge does not require codified form, a different view from the received wisdom of the knowledge management literature (Zollo & Winter, 2002).

Categorisation	Definition	Developed
<b>Selection heuristics</b>	rules to guide which geographies, markets, products to pursue	first as executives articulate declarative knowledge
<b>Procedural heuristics</b>	rules to guide execution of selected opportunity	next as firms learn to execute this knowledge
<b>Temporal heuristics</b>	rules for opportunity capture related to time/pace/sequence	developed as experience in synchronising activities
<b>Priority heuristics</b>	rules that rank opportunities	developed when experience of aligning resources to most critical activities

*Table 7-4: Categorizing heuristics and noting specific developmental order. Based on Bingham and Eisenhardt (2011)*

The rules that have emerged from the data would all seem to fall into the procedural category. Reading data excerpts throughout Chapter 5 and in Appendix B provides illustrations for these rules. From Table 7-3 one could summarize the procedural heuristics in this firm that drive execution and action are:

- **People who like what they do, do it better.** This rule drives the management style, aspects of the culture which both enable innovation, speed, change and learning within the firm.
- **If it moves measure it.** This rule encompasses the idea that numbers matter to this firm and form the basis for learning through the test and control process, through the staff surveys etc.
- **Pay attention.** This rule captures the idea that managers are close to the business so influence the management style, learning is achieved by analysis and interpretation of measurements gathered and understanding the external markets in which the firm operates.
- **Be the best.** This rule drives the adaptive innovation of process and service that is present throughout the business. People take pride in the firm and are constantly striving to improve their performance and the service that is offered to the customer.
- **Look for what's next.** This rule captures the dissatisfaction the participants expressed with the status quo. The data revealed the firm is always on a quest to find ways to use new technology to improve their offering or to improve their competitive position. There is a risk that this rule might drive change for changes sake but there is little evidence of this.
- **Communicate communicate communicate.** This rule sums up the approach to be open and establishes the trust the staff have in each other and in the company.
- **Embrace change.** This rule expresses the expectation that every person in the company will embrace change and challenge themselves to move beyond their comfort zones.

- **Admiral is different and lets keep it that way.** This rule, the wording of which features as a heading in every presentation of half-yearly and yearly results<sup>107</sup>, reveals that innovation is core to the business.
- **Have fun making money.** This rule is explicitly used throughout the company and cropped up in a number of the Top 10 Departments videos used as secondary data in Chapter 5 and demonstrates the ethos of the culture in a nutshell.
- **Learn from everything.** This rule mandates that learning is everyone's responsibility and to look for opportunities to learn.
- **Balance in all things.** This rule can be summed up from the CEO's response to an audience question at the staff general meeting when he was asked what his secret for success was. He replied '*make sure you get out for lunch every day*'.
- **Spend every dollar as if it's your own.** This rule expresses the frugality that runs through this business.

According to Bingham and Eisenhardt's proposed heuristic framework, the firm should have selection heuristics but these did not emerge initially from the data set. However on reviewing these rules with some of the participants and discussing this, they suggested that there were two very important "mantras" used in the early days of the firm and they are still used but have become part of the tacit fabric of the firm. The first can be found in the original business plan (p. 6) produced in December 1991 and is '**We do not believe that there are bad risks, only bad premiums**'. This rule drove the initial strategy that remains today of underwriting in market segments traditionally ignored by most insurers. It is a rule that is still in place in the newer offshoots of the insurance company with the original Head of Elephant in the USA telling me '*we are aiming to underwrite the same non standard markets in the US that you do here in the UK (AR personal communication 26/04/12)*'. The second rule suggested by the participants, as a driver of their decision-making is '**Go where the others aren't**'. Talking about this, there was some discussion as to whether this was just a restatement of the first selection rule evolved from a purely underwriting perspective to a wider perspective to encompass other activities such as marketing or

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<sup>107</sup> See the PDF presentations from 2008 to 2014 on the Admiral Group website: <http://www.admiralgroup.co.uk/investor/presentations/index.php>.

development of new products and services. No consensus was reached but it is presented here as a second rule and one could argue it has morphed into the rule ‘Admiral is different and let’s keep it that way’.

Another “mantra” that came from the data that might be considered a temporal heuristic was ‘**The perfect is the enemy of the good**’. The data suggests that this idea underlies the speed of change in this firm: *‘we do it in a small way, as small a way as we think we can get away with, basically, to do enough to see if it’s going to work but not gamble too much KC 03/02/11’*. This allows the firm to start many small initiatives quickly and the learning that is achieved allows successful initiatives to grow very fast.

Lastly in a discussion about prioritisation in this follow up meeting there was definitely a feeling that this is still largely an ad hoc process although pressures on IT resource have resulted in some formalization. The participants were unanimous in agreeing that this nascent formalization is not yet meeting the requirement of the business. During the interviews, a number of them had inferred that ‘**Start small, think big**’ influenced both by the cost frugality inherent to the firm and the temporal heuristic ‘**The perfect is the enemy of the good**’. This thinking means that often priorities aren’t an issue as *‘you’re running a number of horses you’ve got... some of them stick and you push them forward DS 24/06/10’*.

So while the literature points to simple rules being essential for success in high-velocity markets and develop from exposure to experience, the data suggests that these rules codify traits, behaviours and cognitive styles of the founders and senior managers of this firm. In addition to creating the context for strategic action, these rules are reflected in cultural practices which are subject to managerial sensemaking and sensegiving in turn imbedding the founder traits in the wider population of the firm. Additionally, in this firm, it appears that the rules are functionalized through the organizational culture and that they drive action by creating the context for processes to be developed and executed. Over time these processes can become routinized.

This view of the data contrasts with mainstream dynamic capability research despite the direction Eisenhardt (with Bingham) has moved but it is early days. However in this case-study, Eisenhardt’s work has enabled an opening up of the “black-box” whereas just using

the more typical frameworks to understand dynamic capability as per Table 6.1 on page 6-222 resulted in a list of dynamic capabilities that were not heterogeneous per se, although one could argue that the detail constituting these capabilities is unique to this firm and thus conferring heterogeneity. The concepts of traits and processes and skills are present in the data and although subsequent categorisation using Winter’s capability hierarchy identified relationships between OCs and DC’s, it was of no use in organizing the remaining data. But by using the notion of using rules and heuristics we get a better organizing framework for this study.

The rules retroactively deduced from thinking about the data in context of the literature are summarised in the next table:

Themes from the data		A balancing act	Attention to detail	Culture enables	Embrace change	External market intelligence	Learning environment	Management style	Mission	Numbers matter	People matter	Recruitment and indoctrination	Strategic decision making	Team building
Rule	Categorisation*													
Admiral is different and lets keep it that way	Procedural	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Balance in all things	Procedural	✓		✓				✓			✓	✓	✓	✓
Be the best	Procedural			✓					✓			✓		
Communicate communicate communicate	Procedural			✓			✓	✓				✓		✓
Embrace change	Procedural			✓	✓							✓		
Go where the others aren't	Selection			✓		✓	✓						✓	
Have fun making money	Procedural	✓		✓					✓			✓		
If it moves, measure it	Procedural		✓	✓						✓		✓		
Learn from everything	Procedural		✓	✓		✓	✓	✓				✓	✓	✓
Look for whats next	Procedural			✓	✓	✓	✓					✓		
Pay attention	Procedural		✓	✓		✓	✓	✓		✓	✓	✓		
People who like what they do, do it better	Procedural	✓	✓	✓				✓	✓	✓	✓	✓		✓
Spend every dollar as if it's your own	Procedural	✓	✓	✓								✓	✓	
The perfect is the enemy of the good	Temporal	✓		✓	✓		✓		✓			✓	✓	
We do not believe that there are bad risks, only bad premiums	Selection		✓	✓			✓			✓		✓		

Table 7-5: Summarising the simple rules of this firm. Each rule is categorised \*using Bingham and Eisenhardt’s (2011) heuristic framework and then matched to the emergent themes from the data that matched the literature definitions of dynamic capability.

In tabulating the analysis in this way we can see how all the rules are present in the culture and thus can be viewed as being functionalized through the culture of the firm. Similarly we can see the importance of recruiting people who have the underlying traits to fit comfortably within this organizational culture and the on-going indoctrination processes to ensure there is no deviation from these rules. If, as the RBV tells us, firms must develop

heterogeneity on the path to sustained competitive advantage then the first rule demonstrates why Admiral is different in its market.

Having established an analysis of data from the Admiral case-study where aspects of the firm have been mapped against extant definitions of dynamic capability, the next stage in the process is to look at the sources of these rules and how they are operationalized. Before concluding, this study will cycle back to the dynamic capability concept after the rules framework has been expanded to understand its origins and actions.

### **7.5 What are the antecedents to rule generation in this firm?**

Scholars seeking to understand the origin of dynamic capabilities have struggled to articulate specific capabilities and locate their source within the firm (Morris, Hammond, & Snell, 2014). However using a rules perspective we can look at the origin of rules within the firm.

In this case-study, the rules governing the routines and processes in the business are deep seated: for the most part implicitly understood rather than explicitly articulated, although there are exceptions. One finds in the literature on complexity theory the concept of deep structure: specifically a dissipative structures interpretation in which *'order can emerge from chaos through the interaction of rules, deep structures, and organizational processes'* (MacIntosh & MacLean, 1999: 302). Drazin and Sandelands (1992) argued that the generative rules in a firm constitute a deep structure (p. 235) explicitly linking deep structure to rules in the literature.

In Drazin and Sandeland's paper, the authors contend deep structure consists of 'the rules that govern the actions and interactions of individuals' and that these rules are important because they *'generate the observable patterns of interaction over time that make up the organizing process.'* (1992: p. 237). Such rules in organizations effectively *'comprise the organizing principles and the business logic'* (MacIntosh & MacLean, 1999: 303). In their most recent book, MacIntosh and MacLean (2014) detail more about how they see these 'rules of thumb' for business and organization woven together using the metaphor of organizational DNA: a metaphor that captures ideas of rules as templates for action and forming the deep structure of the firm. Key to the concept is that because these generational rules implicitly underlie individual action there can be difficulty in diagnosing

them and Drazin and Sandeland point out that organizational actors ‘*are typically unaware of the rules governing their actions*’ (1992, p.238). Many authors have argued that reductionism is not a viable approach to studying a complex system such as an organization (for example Kay, 2010; Pitelis & Teece, 2010; Prahalad & Bettis, 1995). Epistemologically, ‘*knowledge of the constituents is not a knowledge of the whole or major parts*’ (Prahalad & Bettis, 1995: 11). I do not propose to look at rules as emergent properties of complex systems in this thesis although it does link the two literatures on rules for further research. It is interesting that Prahalad and Bettis consider their construct of “dominant logic” to be an emergent property of a complex adaptive systems (Prahalad & Bettis, 1995).

The rules that comprise deep structure produce observable actions (Drazin & Sandelands, 1992) and recurrent patterns in these actions are ‘*the way things are done in the firm, or what might be referred to as its routines*’ (Teece et al., 1997: 518). Now we can start to see a link from the complexity literature using a rules perspective to the simple rules and heuristics work of Bingham and Eisenhardt. The rules that comprise deep structure produce observable actions (Drazin & Sandelands, 1992) and recurrent patterns in these actions are ‘*the way things are done in the firm, or what might be referred to as its routines*’ (Teece et al., 1997: 518). Now we can start to see a link from the complexity literature using a rules perspective to the simple rules and heuristics work of Bingham and Eisenhardt. It also represents an alternative solution to Peteraf et al.’s (2013) “elephant in the room” where the contradictory conceptualizations of dynamic capabilities from Teece et al. (1997) and Eisenhardt & Martin (2000) are examined. Peteraf et al. conclude that rules are “lower-order dynamic capabilities” in highly volatile environments. But I am arguing here that since Teece et al.’s conceptualization of dynamic capabilities is built upon the premise of processes (equated to routines on p. 518), and thus implicitly with enacted rules and Eisenhardt & Martin explicitly relate dynamic capabilities to rules, then the concept of rules transcends distinctions between evolutionary economics and complexity theory so the difference between the two conceptualizations evaporates.

The idea that decision making uses a satisficing strategy or cognitive heuristic was introduced by Simon (1956). His later work (Simon, 1979) influenced Prahalad and Bettis (1986) in their original conceptualization of the dominant logic construct. Research linking dynamic capabilities to the dominant logic literature has recently been published (de

Waard, Volberda, & Soeters, 2012; Kor & Mesko, 2013). Kor and Mesko argue that dynamic managerial capabilities shape a firm's dominant logic to achieve evolutionary fit (Helfat et al., 2007) whilst de Waard, Volberda and Soeters find that a dominant logic invested in Teece's managerial capabilities (2007) offer firms the ability to innovate and compete in volatile environments. Prahalad and Bettis envisioned dominant logic as the cultural norms and beliefs that the company espouses initiated by the cognitive orientation of the senior management team. These ideas resonate with the data in this case-study but Bingham and Eisenhardt don't articulate a link with their work on heuristics and yet if dominant logic is an articulation of the fundamental strategic beliefs, assumptions and intentions of senior management (Lampel & Shamsie, 2000) used to enable managers '*to see their way through a bewildering flow of information to make decisions*' (Kor & Mesko, 2013) how is this different from Bingham and Eisenhardt's articulation as '*cognitive shortcuts that enable individuals to simplify cognitive processing, conserve attention and decide more quickly*' (Bingham & Eisenhardt, 2014: in press).

Bingham and Eisenhardt's empirical work (2011) suggests that heuristics develop as firms explicitly learn from their process experience, an observation made also by Laamanen and Wallin (2009). Kor and Mesko's work suggests that the dominant logic for a firm is '*created as founders and managers, more specifically their cognitive models **interact with** a particular business and firm environment*' (2013: 235).

The data from this study suggests that it is the traits and predispositions of the founders and senior managers to certain behaviours that have given rise to these rules. Going back to the data one can draw out a list of the traits that the participants felt are important in recruiting for "fit" in Admiral. Comparing this list of traits to the rules in the firm gives us a basis for this assertion that these traits are the genesis for the rules in this firm. This comparison is illustrated in the next table.

Traits: coded in data Rule	adaptable	analytical	attentive	caring	creative	curious	customer orientation	dissatisfaction with status quo	emotionally intelligent	experimental	intuitive	modest	numerate	open	parsimonious	passionate	resilient	sense of fun	sincere	tolerant
Admiral is different and lets keep it that way	✓				✓	✓	✓		✓											
Balance in all things	✓		✓									✓								
Be the best			✓		✓	✓	✓		✓							✓				
Communicate communicate communicate				✓				✓						✓		✓		✓	✓	✓
Embrace change	✓	✓	✓		✓	✓	✓		✓				✓				✓			
Go where the others aren't			✓		✓	✓	✓				✓	✓								
Have fun making money															✓			✓		
If it moves, measure it	✓	✓	✓							✓			✓							
Learn from everything	✓	✓	✓		✓	✓	✓		✓	✓			✓							
Look for whats next	✓	✓	✓		✓	✓	✓			✓			✓							
Pay attention	✓	✓	✓			✓		✓		✓			✓	✓						
People who like what they do, do it better			✓	✓				✓		✓			✓			✓		✓	✓	✓
Spend every dollar as if it's your own	✓	✓	✓		✓										✓		✓			
The perfect is the enemy of the good	✓	✓	✓							✓	✓		✓				✓			
We do not believe that there are bad risks, only bad premiums		✓	✓		✓					✓	✓		✓							

Table 7-6: Analysing if individual traits mentioned in the data underlie the articulation of rules in this firm.

Let’s take two examples of how this analysis leads to the observation that traits underlie rules in this firm.

Firstly, Admiral’s focus on an individual’s intelligence (IQ) in managerial ranks emerged as part of the ‘Recruitment and indoctrination’ theme. Intelligence is highly valued in the organization and recruitment actively seeks candidates for management positions who satisfy rigorous intelligence testing (GMAT for senior managers, internal testing for lower positions). This intelligence is expressed in the culture through the attributes of being analytical, and numerate. These traits are the backbone of a number of the rules: they allow change to be measured and modified and for that change to be started quickly and perfected over time; they are a means whereby individuals and thus the organization learns; allow external influences to be evaluated; premiums to reflect the risk they pose and underlie the cost frugality throughout the business.

Secondly, all managers must demonstrate a high degree of social and emotional intelligence. Psychologist Daniel Gorman in his 1998 article for Harvard Business Review first identified ‘emotional intelligence’ as a driver of business performance. He writes when discussing his findings:

*‘To be sure, intellect was a driver of outstanding performance. Cognitive skills such as big-picture thinking and long-term vision were particularly important.*

*But when I calculated the ratio of technical skills, IQ and emotional intelligence as ingredients of excellent performance, emotional intelligence proved to be twice as important as the others for jobs at all levels. Moreover my analysis showed that emotional intelligence played an increasingly important role at the highest levels of the company...’ (p. 94).*

Mayer (2004), who was co-credited with originally defining the term ‘emotional intelligence’ in the early 1990’s, later warned: ‘*of course, emotional intelligence isn't the only way to attain success as a leader: A brilliant strategist who can maximize profits may be able to hire and keep talented employees even if he or she doesn't have strong personal connections with them*’ (p. 28).

Goleman (1998) includes the characteristics of self-awareness, self-regulation, motivation, empathy and social skill in his definition of emotional intelligence. Its relevance to business has continued to spark debate with many researchers (Richard E Boyatzis, 2004; Richard E Boyatzis, Smith, Van Oosten, & Woolford, 2013; Goffee, 2004; Goffee & Jones, 2013; Goleman & Boyatzis, 2008 amongst others) believing that emotional intelligence can be learned but only by people with an aptitude for it. This idea has been taken further by Goleman and Boyatzis (2008) who suggest that individuals (with aptitude) can improve their social circuitry (p. 78) in their most recent work in defining social intelligence with a biological underpinning. This work suggests that ‘*effective leadership is about having powerful social circuits in the brain*’ (p. 76) but the emphasis in their work is on reinforcement rather than learning new skills. In the theme ‘Recruitment and indoctrination’ we saw this is a firm that actively promotes people or seeks external candidates who demonstrate these interpersonal skills at a high level.

This attribute of emotional intelligence is at the root of the rules specifically about people: about communicating with them as a means of developing and maintaining trust, motivating and empowering people; paying attention to people and the way they feel, need recognition and development; and is at the core of the rule ‘People who like what they do, do it better’. Similarly the attributes of being caring, sincere and tolerant are at play in this rule.

The literature suggests that prior experience forms the basis of organizational capability (Helfat & Lieberman, 2002) and that even start-ups possess historical roots through the experiences that founders and early members of staff bring to the firm (Eggers & Kaplan,

2013). But, it has been argued that the founders' past experience can constrain choices and that diversity of experience can lessen these constraints (Fern, Cardinal, & O'Neill, 2012). In this case-study, many of the founders knew and had worked with each other previously in the insurance industry or were specifically employed for that experience. I argued, from the MBTI data, that the group (and subsequent senior management team) are more homogenous than diverse (see Section 5.5.1.2). However, the team do by and large possess traits such as curiosity and a preference for innovative thinking (as measured by the MBTI indicator – see Section 5.5.1.2) which one could argue overcomes the constraints of their experience and the propensity to mitigate risk with new strategies is a helpful constraint for ultimate success.

In entrepreneurial firms, if the rules that drive action within the business have their genesis in founder traits and cognitive style then one obvious consequence is that there are implications for firms at the point where they take on a successor CEO. Studies have shown that founder CEO firms *'differ systematically from successor-CEO firms with respect to firm valuation, investment behavior, and stock market performance'* (Fahlenbrach, 2009: 439). This case has revealed that if the rules and subsequent culture are largely part of the tacit knowledge of the firm then there is a risk that it is diluted as founders depart the company.

In the absence of other profiling data for this case, the MBTI data tells us, that given the individuals who founded the company and the senior managers they have recruited, that the organization will reflect their characteristics and be: (1) more extroverted and thus action orientated; (2) more innovative and more accepting of change; (3) equally focused on people and logical rationality; (4) although very committed in decision making enough risk mitigation occurs so that decisions are rarely set in stone (using MBTI literature Bradley-Geist & Landis, 2012; Y. Cohen, Ornoy, & Keren, 2013; Hirsh & Kummerow, 1990; Kendall, 1998; Myers, 1976; Myers & McCaulley, 1985; Roush & Atwater, 1992; Stumpf & Dunbar, 1991). These observations from an MBTI analysis support the interview data and underpin the retroductive reasoning in this thesis that the rules represent a codification of the underlying personality traits of the founders.

In their comprehensive review of the role of cognitive styles in management research, S. J. Armstrong et al. (2012: 239) note that a *'number of industrial and organizational*

*psychologists consider cognitive styles to be a fundamental factor determining individual and organizational behaviour*' and although they note that newer theories differentiate cognitive styles from abilities and personality traits, there are connections made to the mainstream psychology literature (for example Hodgkinson & Healey, 2008; Hodgkinson et al., 2009; Hodgkinson & Sparrow, 2002). It is also worth noting that S. J. Armstrong et al. (2012) observe that MBTI was used in 25% of the studies they reviewed so it is an established instrument for studies in this area. Furthermore Hodgkinson and Healey (2011) explore the psychological foundations of dynamic capabilities and argue that Teece's (2007) framework of managerial capability requires that firms harness the cognitive and emotional capacities of individuals and groups (p. 1510) where affect and emotion are integral to reasoning, learning, decision making and action (LeDoux, 2000). S. J. Armstrong et al. (2012) also reported that differences in cognitive style have been reported in the cognition literature between entrepreneurs and the general population of managers: a fact supported by the observation in Chapter 5 where the Admiral MBTI data was compared to the wider UK population of managers in Section 5.5.1.2.

In addition to the research in cognition from a psychological perspective, researchers have become interested in the cognitive drivers of dynamic capabilities (Barr, Stimpert, & Huff, 1992; Gavetti, 2005; Laamanen & Wallin, 2009; Prahalad & Bettis, 1995; Tripsas & Gavetti, 2000) with Gavetti (2005) underlining the importance of this cognitive direction stating that *'research on capabilities needs microfoundations that capture more fully what we know about cognition and action in organizations'* (p. 599).

The microfoundations project began in the economics literature of the 1970's (Debreu, 1974; Sconnesschein, 1972) where there were calls for macroeconomic models to have proper microeconomics foundations so models could be consistent with how individuals act (Farmer, 2008 amongst others). It is a flawed area of research not least because of difficulties in formalising the "representative agent" (Meeusen, 2011) and that the assumptions made at the micro-level give no guidance to macro-level analysis (Rizvi, 1994).

Within strategic management, microfoundations were seen as an attempt to move the resource based and dynamic capabilities research forward by opening up the "black box" of the organization (Abell et al., 2008; Barney et al., 2011; Felin & Foss, 2006; Felin et al.,

2012; N. J. Foss, 2011; Teece, 2007 amongst others). Criticizing this work, Hodgson (2012) noted that current efforts (1) ignore the failure of the project in the economics sphere; (2) retains ambiguities in that the language of the key proponents in the strategic management literature: Nicolai Foss, Teppo Felin and Peter Abell, revolves around individuals but does not explicitly talk about interactions between those individuals where the sum is more than its parts and ‘*order and pattern matter*’ (Kay, 2010: 1214); (3) rhetoric is unclear and inconsistent. So whilst the microfoundations project is ‘*largely an unfulfilled promise*’ (N. J. Foss, 2011:1413) it proceeds ‘*to grapple with important questions of theory development, operationalization, aggregation, empirical measurement, data collections, and statistical implementation*’ (N. J. Foss & Pedersen, 2014) from a positivistic ontology.

However the language of microfoundations and the idea that individuals and their interactions underlie strategic issues has become increasingly influential in strategic management research. For example the “microfoundations of performance” (Eisenhardt et al., 2010), the “microfoundations of routines and capabilities” (Felin et al., 2012; Winter, 2013), the “microfoundations of knowledge” (Felin & Hesterly, 2007; Heimeriks et al., 2012; Turvani, 2001) and of particular interest to this thesis: the “microfoundations of dynamic capabilities” (Augier & Teece, 2009; Gavetti, 2005; Hodgkinson & Healey, 2009; Teece, 2007). Whilst Augier and Teece argue the importance of managerial dynamic capabilities as the microfoundation for dynamic capability, Gavetti’s (2005) influential call to understand cognition as a microfoundation for capability development has influenced the research streams using routines as the ultimate mechanism for learning as a dynamic capability (for example Felin et al., 2012; Friesl & Larty, 2013; Heimeriks et al., 2012; Laamanen & Wallin, 2009; Nag & Gioia, 2012).

The findings here that it is the underlying personality of the founding individuals and senior managers that is the source of the rules that drive action in this firm fits within this literature.

But in this firm how are these rules operationalized? And how does that contribute to successful performance?

## 7.6 How are the rules operationalized and how does that contribute to the firm's success?

On the basis of the analysis presented in Table 7.5 it appears that within this firm, the rules have been functionalized within the organizational culture providing the context for action and decision-making. K. Weber (2005: 228) described culture as supplying '*actors with the means – the tools- for solving practical problems and for navigating their environment*' and that is what we see in this firm. Interestingly Weber also talks about a form of rule within the culture arguing that: '*if there is logical coherence in culture, it pertains to the level of grammar-like semiotic codes that constitute elements of a toolkit, but not to the more pragmatic assemblage of resources in the toolkit itself*' (p. 228). Weber's account of toolkit analysis is interesting but it is his notion of '*embedded agency*' (p. 250) where culture is treated as a resource for individuals that is of relevance here: the idea of "cultural capital" (K. Weber & Dacin, 2011: 290).

K. Weber and Dacin (2011: 287) make the point that '*many core processes in organizations and markets, from the competitive rivalry in markets to the practice of strategy making and individuals' role behavior, can be understood from a cultural perspective*'. This analysis put organizational culture at the heart of this firm's success. It indicates that a set of simple rules guide action in this firm: processes from idea generation through to implementation. Weber and Dacin also point out that the literature talks about culture, not just as a resource, but also as a constraint. This cycles back to the idea that core capabilities can become "core rigidities" (Leonard-Barton, 1992) if they no longer ensure environmental "fit" (Helfat et al., 2007). However this case-study has found no evidence for culture as a constraint. Furthermore the strategic capability seems to be more about embedded behaviours and practices rather than tangible resources. This is congruous with the four dimensions of core capability that were identified by Leonard-Barton (1992) i.e.

*'(1) employee knowledge and skills and embedded in (2) technical systems. The processes of knowledge creation and control are guided by (3) managerial systems. The fourth dimension is (4) the values and norms associated with the various types of embodied and embedded knowledge and with the processes of knowledge creation and control'* (p. 113).

In Chapter 6, Section 6.14, the extant literature on culture was reviewed. Writers have proposed a number of frameworks with varying dimensions and attributes reviewed in detail by Trice and Beyer (1993 amongst others). Weber and Dacin (2011) characterize this first wave of interest in the cultural phenomenon as an interest in ‘*collective meaning systems*’ (p. 287) drawing on approaches in anthropology and sociology but attempting to systematically understand the contribution culture makes to organizational life through ‘*analysis of cultural systems (deep logical structure of culture)*’ (K. Weber, 2005: 231). More recent research, the “second wave”, is less interested in culture as a constraint and as an imposition by the organization upon constituent members and more focused on ‘*how individuals and organizations access and deploy diverse cultural materials*’ (K. Weber & Dacin, 2011: 289).

This case study is not an exploration of organizational culture per se and cannot retrospectively use many of the prescriptive frameworks from the literature such as Cameron and Quinn’s “Competing Values Framework” (Cameron & Quinn, 2006) or Weber’s “toolkit” (K. Weber, 2005), although the data could be retro-fitted to look at Schein’s cultural elements’ framework, comprising artefacts, espoused beliefs/values and underlying assumptions (Schein, 2010). However the data has revealed the deep structure of this firm’s organizational culture in the form of attributes that represent the traits and values looked for in recruitment that have, over time, been expressed through a number of simple rules but may contribute to the “second wave” of cultural research in that its is an empirical example of organizational culture being used as a resource to drive innovation: both adaptive and radical, change, strategic decision-making, leadership style and operational routines throughout the business.

An analysis of the traits of the individuals within the business expressed as attributes of the organizational culture can be found in the next table. The extant literature for each attribute was briefly reviewed in Chapter 6: see Section 6.14.2 but this analysis relates those attributes to the traits considered important in this business from the interviews.

Cultural element	Traits: coded in data																			
	adaptable	analytical	attentive	caring	creative	curious	customer orientation	dissatisfaction with status quo	emotionally intelligent	experimental	intuitive	modest	numerate	open	parsimonious	passionate	resilient	sense of fun	sincere	tolerant
Ambiguous	✓																			
Balance	✓		✓											✓						
Be the Best								✓								✓				
Challenge	✓							✓						✓			✓			
Colour outside the lines					✓	✓				✓								✓		
Communicate, communicate, communicate			✓				✓	✓						✓						
Customer orientation				✓			✓													
Democratic spirit			✓	✓										✓						
Equality												✓		✓						✓
Everything is a learning opportunity	✓	✓	✓			✓				✓	✓		✓	✓		✓				
Flexible	✓		✓					✓									✓			
Friendly														✓					✓	✓
Fun																		✓		
If it moves measure it		✓	✓										✓							
No blame														✓		✓				✓
Open														✓					✓	✓
Passion																✓				
Pay attention			✓					✓					✓							
People matter	✓		✓	✓				✓						✓					✓	✓
Pride																✓				
Recognition			✓	✓				✓						✓						✓
Risk adverse		✓	✓							✓	✓		✓							
Self-deprecation												✓								✓
Spend every penny wisely			✓										✓		✓					
The perfect is the enemy of the good					✓	✓		✓		✓	✓									
Trust				✓				✓						✓					✓	✓

Table 7-7: Mapping the traits identified in Table 7.6 against the defining attributes of the culture that emerged from the data in Table 5.34 on page 5-200.

This table shows that each cultural element has a reliance on individuals possessing one or more of the traits that constitute “fit” in this firm. We also see that the articulation of the attributes from the data includes some of the rules that have been hypothesized within Admiral and those that don’t explicitly match can be matched using a similar analysis in Table 7.8. In this next table, any exact match between rule and attribute is highlighted with a triple tick. The single tick represents that there is an association between the cultural element and the rule and we can see that each rule is reliant on a number of attributes to function as a source of action and learning within the business.

Rules	Admiral is different and lets keep it that way	Balance in all things	Be the best	Communicate, communicate, communicate	Embrace change	Go where the others aren't	Have fun making money	If it moves, measure it	Learn from everything	Look for what's next	Pay attention	People who like what they do, do it better	Spend every dollar as if it's your own	The perfect is the enemy of the good	We do not believe that there are bad risks, only bad premiums
Ambiguous	✓				✓						✓				
Balance	✓	✓✓✓									✓	✓	✓	✓	
Be the Best	✓		✓✓✓			✓			✓	✓	✓				✓
Challenge	✓		✓		✓	✓		✓	✓	✓					
Colour outside the lines	✓		✓		✓	✓			✓	✓	✓				
Communicate, communicate, communicate	✓			✓✓✓	✓				✓			✓	✓	✓	✓
Customer orientation	✓		✓			✓			✓		✓				✓
Democratic spirit	✓			✓								✓			
Equality	✓			✓								✓			
Everything is a learning opportunity	✓			✓	✓	✓		✓	✓✓✓	✓	✓	✓		✓	✓
Flexible	✓		✓		✓	✓			✓						✓
Friendly	✓						✓					✓			
Fun	✓						✓✓✓					✓			
If it moves measure it	✓		✓		✓	✓		✓✓✓	✓	✓	✓	✓	✓	✓	✓
No blame	✓			✓	✓			✓	✓						✓
Open	✓			✓	✓				✓			✓			✓
Passion	✓		✓		✓		✓		✓			✓			
Pay attention	✓	✓	✓		✓	✓		✓	✓	✓	✓✓✓	✓	✓	✓	✓
People matter	✓			✓	✓			✓	✓		✓	✓✓✓			
Pride	✓		✓									✓			
Recognition	✓			✓				✓			✓	✓			
Risk adverse	✓				✓	✓		✓		✓			✓	✓	✓
Self-deprecation	✓	✓							✓			✓			
Spend every penny wisely	✓		✓			✓	✓	✓		✓			✓✓✓		✓
The perfect is the enemy of the good	✓				✓	✓		✓	✓	✓	✓			✓✓✓	
Trust	✓			✓								✓			

Table 7-8: Matching each rule to the organizational culture attributes required to create context for that rule. The highlighted triple tick represents that the attribute is a match – is fundamental – to the rule. Single ticks represent a lesser but still important association of attribute to rule.

This table demonstrates that overall the culture is a contributory factor to making Admiral different – an observation supported by the Great Places to Work benchmarking described in Chapter 5. The table also gives a clue as to how each rule is operationalized.

For example, take the rule ‘The perfect is the enemy of the good’. This is a call to action sooner rather than later. It implies that there can be ambiguity around the implementation provided that measurements are set up and attended to so that early piloting and learning from an initial idea can provide a springboard for refining. It says that there must be a balance between action and planning/reviewing but that the measurements and small changes can help mitigate risk and to be successful all such actions and learning should be openly communicated in a no blame environment. Table 7-8 summarizes how the rules are operationalized.

Another way in which the rules are operationalized is through the process of indoctrination, a theme that emerged from the data. When described as “sensegiving”, it creates and reinforces the culture and the culture in turn provides the context for “sensemaking”. This literature was touched on in Chapter 6.2 where it was observed that the data found resonance in this literature.

Sensegiving has been found to be both a prevalent and important leadership activity in organizations in times of both change and stability (Maitlis & Lawrence, 2007) and Maitlis and Lawrence found that it is both in rhetoric used and the existing routines and processes that enable sensegiving. Repetition in story-telling is a key form of sensegiving (Dailey & Browning, 2014) and certainly reading the transcripts one can see that certain narratives about launch, about key changes, about Admiral’s place in the market have similarities between the different participants. Similarly past research on collective sensemaking emphasizes conversational practices (Stigliani & Ravasi, 2012) which is consistent with the prevailing view of sensemaking as ‘*an issue of language, talk, and communication*’ (Weick, Sutcliffe, & Obstfeld, 2005: 409). Communication is one of the simple rules in this company and it stands to reason that it plays an important role in the way the other rules are propagated throughout the organization and drive action through the routines and processes.

In the organizational routines literature, with its roots in evolutionary economics, routines are seen as patterns of action (Becker, 2004) and despite the widespread use of the construct, proponents have admitted definitional difficulties (M. D. Cohen et al., 1996; M. D. Cohen, Levinthal, & Warglien, 2014; Feldman & Pentland, 2003; Reynaud, 2005) although most definitions focus on order, repetition, interdependence and patterns (Felin & Foss, 2009). Routines are often used as the building blocks in the dynamic capabilities literature (Teece et al., 1997; Winter, 2003; Zollo & Winter, 2002) and yet Bingham and Eisenhardt’s heuristic approach makes the following distinction: ‘*routines provide a very detailed, often quasi-automatic response to particular problems ... whereas heuristics provide a common structure for a range of similar problems, but supply few details regarding specific solutions to address them*’ (2011: 1439). In this case, routines do not represent the operationalization of the rules. They represent patterns of activity that have been built in the context of the rules but the rules as heuristics are not prescriptive and if a problem cannot be dealt with by a specific routine then the rule provides the context for

new or different actions. This articulation is different from Becker's assertion that routines can also be understood as cognitive patterns in which case '*routines would then be understood as rules*' (2004: 645) and overcomes the problem that the rules construct being articulated here is vulnerable to the rigidities that can arise with routines (Schreyögg & Kliesch-Eberl, 2007). This case-study seems to imply that, in this firm at least, the constructs are quite different.

But are there any links to the firm's success – other than the participants believe that such a link exists?

The relationship between organizational culture and performance is widely postulated in the literature (see Chapter 6.14.1) with many companies attributing their success to effective culture management (Flamholtz, 2001) but the relationship '*remains elusive even though researchers have studied it for some time*' (Chatman, Caldwell, O'Reilly, & Doerr, 2014: 785). The starting point for this thesis was dynamic capability and Barney (1986) suggested that there was a relationship between culture and sustained competitive advantage. Underlying this view in the literature is the idea that strong-culture firms promote greater alignment and thus attainment (for example Bezrukova, Thatcher, Jehn, & Spell, 2012; Flamholtz, 2001; Kotter & Heskett, 1992; Tushman & O'Reilly, 2002) whilst others, Sørensen (2002), for example, hypothesize that stronger cultures can yield advantage in more stable environments but such social conformity can degrade performance in volatile environments. If anything, this thesis gives us empirical evidence to refute Sørensen's argument as it is in the strength of culture that this firm believes it's success in it's volatile market lies. However one of the key attributes/trait in this firm is flexibility/adaptability and this finding correlates with recent work by Chatman et al. (2014) who suggest a conceptual advance from Sørensen's work in that strong cultures where the norm content intensely emphasizes adaptability contributes to better performance, even in highly dynamic environments.

What evidence exists in this firm for a relationship with improved performance? Table 7.9 lists all the rules at play in Admiral and looks for evidence that the rule has affected performance. In Chapter 1, the case was made for the claim that Admiral is a highly successful firm operating in a near perfect market. The market also operates in a well-defined cycle of profitability that transcends the wider economic climate. Admiral

consistently outperforms its competitors measured as the market average so whilst this analysis is not intended as direct causal proof the financial performance data against this market background clearly shows positive contributions to the profit and loss accounts for the examples shown in Table 7.9. Examples are shown for a number of the rules and these examples also show how the rules have influenced the firm’s operational capabilities, for example the marketing, distribution or pricing capabilities identified in Table 7.2.

RULE	EXAMPLE OF DIRECT EFFECT ON BOTTOM LINE
<b>Admiral is different and lets keep it that way</b>	Launch of Confused.com in 2002 had first mover advantage and it's performance has contributed positively to the Group's bottom line since 2004. Overall this means in 2013 since the IPO in 2004 the return to shareholders has been > 700%
<b>Balance in all things</b>	Work-life balance contributes to employee satisfaction and thus keeps turnover lower and thus adds to the bottom line in saving recruitment costs
<b>Be the best</b>	<i>Driver of action</i>
<b>Communicate communicate communicate</b>	<i>Driver of coordination</i>
<b>Embrace change</b>	<i>Driver for change</i>
<b>Go where the others aren't</b>	The launch of Confused.com in 2002 was not an obvious choice for an insurer as it effectively commoditizes insurance. However launching early allowed Admiral to learn how to compete in a market place where in 2014 so far 66% of insurance is bought through price comparison sites and this learning kept Admiral's marketing capability (measured in the expense ratio) at the forefront of the industry where in 2013 Admiral's expense ratio was 14.5% against 26% market average and in 2014 so far Admiral continues to hold top position for sales from price comparison against its peers.
<b>Have fun making money</b>	<i>Driver of coordination</i>
<b>If it moves, measure it</b>	<i>Driver of action</i>
<b>Learn from everything</b>	<i>Driver of action, Driver of reflection:</i> Telematics is a good example of how the firm learns over time. From small tests in 2012 with different technologies and pricing strategies the conclusion in early 2013 was that telematics products could now be rolled out as there was enough data to profitably price. In 2013 Telematic sales were 3.8% of total sales in the UK Group.
<b>Look for whats next</b>	<i>Driver of action</i>
<b>Pay attention</b>	<i>Driver of action</i>
<b>People who like what they do, do it better</b>	The Best Place to Work and Great Places to Work annual benchmarking exercises support the assertion that people are happy working for the Group (worldwide). This positively effects the bottom line through increased productivity, greater staff retention, less spent on recruitment.
<b>Spend every dollar as if it's your own</b>	Almost by definition, this rule must make a positive contribution to profits.
<b>The perfect is the enemy of the good</b>	<i>Driver of action</i>
<b>We do not believe that there are bad risks, only bad premiums</b>	Ability to price commensurate to risk means that Admiral has a market leading combined ratio so in 2013 for every £1 taken in premium, 17.5p contributes to profits with the market in the same year losing 5p for every £1 collected in premium.

*Table 7-9: Lists the underlying rules at Admiral and where appropriate gives examples of how that rule has contributed positively to Admiral’s profit and loss accounts or to other key indicators of performance.*

However a number of rules operate as drivers of action or coordination and affect performance indirectly. For example the drive ‘To be the best’ initiates many adaptive changes to routines and processes within the business in a drive for continuous improvement in service or efficiency. Similarly ‘If it moves, measure it’ is a rule that creates the context for every action taken: it is the means by which risk is mitigated, by which learning occurs, by providing a rational basis for decision making whether that be to drive a decision or to support an intuition. The rules that increase coordination can be argued to enhance performance indirectly for example by enabling teams to implement change effectively or create an environment conducive to innovative thought and this

observation is supported in the literature for firms with strong cultures (Murphy, Cooke, & Lopez, 2013).

### **7.7 How have the rules and organizational culture evolved over time as the company has grown from an entrepreneurial start-up to an MNE?**

As explained in Section 7.4, Bingham and Eisenhardt' (2011) work on rational heuristics found that firms learn specific types of unique heuristics '*in a developmental order of increasing cognitive sophistication*' (p. 1438) and the data reveals this firm did develop its repertoire of rules over a reasonably short time frame – certainly over the first five years<sup>108</sup>. It began with the selection rules (identified in Table 7.5) and the other rules developed as experience and the founders traits and behaviours became codified.

The expectation from the literature (reviewed in Chapter 2) was that we would see evidence of how dynamic capability in Admiral has evolved over time. Teece et al. (1997) in their seminal work assumed that the creation and evolution of dynamic capabilities are embedded in organizational processes in an assumption consistent with an evolutionary economics perspective. Evolutionary economics underpinned both Barney's articulation of the RBV (Barney, 1991a) and Teece et al.'s assertion that the heterogeneity of dynamic capabilities is conferred, in part, by their path dependencies. In their influential paper, Mahoney and Pandian (1992: 369) concluded that '*sustainable advantage is thus a history (path) dependent process*'.

Evolution has been a major theme of many of the dynamic capability studies reviewed by Wang and Ahmed (2007) and Di Stefano et al. (2010). Additionally, key theorists in the field (Eisenhardt & Martin, 2000; Zollo & Winter, 2002) theorised that to work in rapidly changing environments, dynamic capability itself must evolve to meet the challenges posed by maximising what Helfat et. al. (2007) call 'evolutionary fitness': acting upon resources and operational capabilities to better reconfigure the organization for the current context of its operating environment. Teece (2007) called to the dynamic capabilities community to embrace the microfoundations project from the RBV so that scholars can better understand the management task needed '*to sustain the evolutionary and*

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<sup>108</sup> Reading accounts of the strategic decision making behind the launch of the brands in 1997 one can see all the rules at work. These accounts were collected in interviews with the executive directors and used as secondary data in Chapter 5.5.12.2.

*entrepreneurial fitness of the business enterprise*' (p. 1322). In her introduction to the SMJ Special Issue on The Evolution of Firm's Capabilities Helfat (2000) stated that all the articles '*examine the ways in which firm capabilities emerge, develop, and change over time, and the resulting effects on firm performance*' (p.955). So "evolution" has been a theme of the dynamic capabilities literature.

However, this view hasn't been unchallenged. Research suggests that dynamic capabilities are actually "*stable phenomena*" (Ambrosini & Bowman, 2009: 34) interacting upon another stable phenomenon – the resource base of the firm so that "*dynamism*" relates to "*how the resource base is changed in a dynamic environment by the use of dynamic capabilities*" (Ambrosini & Bowman, 2009: 34).

Ignoring the dynamic capability construct but thinking about the organizational capabilities that have been identified by the participants in this firm, this case-study reveals that the capabilities have evolved over time: pricing has improved; distribution has moved from primarily call-centre based to internet based; marketing has moved from a mix of broadcast media to primarily price-comparison; the claims process has changed fundamentally. All this evolution has been driven by adaptive or innovative change as the firm gains in experience, moving from a novice to a more expert practitioner all under the aegis of a set of simple rules enabled by the cultural context.

'Differences over time' emerged as a theme from the data and was summarized in Table 5-42 on page 5-219. The data suggests that the rules and culture form part of the deep structure of this organization. What is telling is that, other than the initial development of these simple rules and the concomitant culture, the deep structure of this firm has remained remarkably stable. One might argue that 20 years is not a long enough time-frame to see the change that would drive evolution. However when you consider that in this time-frame the company has grown from an entrepreneurial start-up to an MNE, the market has moved from a primarily broker distribution model to a direct model: moving from the phones to the internet and now through price-comparison, change has been a feature of the past 20 years with a stable set of rules and yet the firm remains "evolutionary fit" as the evolution has occurred at the routine and capability level.

## 7.8 What can be learned about managerial agency in this firm?

Broadly speaking, the leadership within a company is a critical component for financial success (Davis & Useem, 2002). Within the primarily economics-based strategic management literature, managerial agency falls within the “black-box” although agency theory, as articulated originally by Jensen and Meckling (1976) where firms are viewed as a nexus of contracts, has contributed to analysis of managerial behaviour through analysis of incentives determining the relationships of agents (managers) to principals (shareholders) (Grant, 2002: 86) in an extensive literature on corporate governance and control. See Hoskisson et al. (1999) for a review of the place of agency theory in strategic management. But in general, ‘*economic theory lacks a role for management*’ (Augier & Teece, 2009: 417) and even the economic luminary Coase (1988: 38) has noted that ‘*economists have tended to neglect the main activity of the firm, running a business*’.

However in this thesis the term “agency” is used more in line with Giddens (1984) who argued that the possibility of agency lies in the human potential to choose actions deliberately and to implement them effectively even despite the established rules and prevailing powers. Giddens noted that organizations are effective instruments of collective agency expressing his view that ‘*the concept of agency should be regarded as more fundamental than that of the “individual”*’ (Giddens, 1985: 168). In synthesizing Giddens’s arguments, Whittington (1992: 705) draws out two senses of agency: (1) in the recognition of the complexity of social structural rules and resources and (2) the firm’s shared assumptions and behaviours create context and act as a resource in organizational activities. It is in this sense that I use the term “managerial agency” as in this thesis I have moved away from the language of dynamic capabilities.

The dynamic capabilities literature acknowledges that managers are at the centre of dynamic capability generation (Adner & Helfat, 2003; Augier & Teece, 2009; Barrales-Molina et al., 2013; Zahra et al., 2006) with Augier and Teece acknowledging that dynamic capability has a broader behavioural foundation than many other theories of the firm (Augier & Teece, 2009: 417).

In this thesis, the case has been made for the role of managers being the source of the rules and the culture of this firm but the descriptions of dynamic managerial capability are very close to new terminology of “managerial agency” used here. Dynamic managerial

capabilities (DMC) are those ‘with which managers build, integrate, and reconfigure organizational resources and competences’ (Adner & Helfat, 2003: 1012). In Adner and Helfat’s articulation of the construct, DMC are rooted in three underlying factors: (1) managerial human capital; (2) managerial social capital; and (3) managerial cognition.

With respect to the data and applying it to these three underpinnings we see: (1) the skills both in people management and in intellectual capacity; (2) power and influence exerted through a commitment to cultural attributes of “democratic spirit” and “equality” through the rule ‘Communicate, communicate, communicate’ with an emphasis on building high functioning teams; and (3) the cognitive basis has been discussed earlier in this chapter. Thus do I argue that the statement that “managerial agency” is analogous to DMC.

Teece’s influential work on DMC began when he published a call (Teece, 2007) to look at the microfoundations of dynamic capabilities in an attempt to move the field forward. In that paper he re-envisioned dynamic capability as the capacity (1) to sense and shape opportunities and threats, (2) to seize opportunities and (3) to maintain competitiveness (p. 1319). Firms, he argued, with these strong underpinnings were “intensely entrepreneurial” and by 2009 he was arguing for a more robust role for management (Augier & Teece, 2009), advocating that the entrepreneur/manager function in the dynamic capabilities framework introduces novelty and seeks new combinations and endeavours to promote and shape learning (Teece, 2009). Furthermore, he stated that the leadership function senses new opportunities and leads the organization forward to seize them. These roles are the essence of what has been termed “entrepreneurial fitness” (Teece, 2009) and most recently he draws together the economic underpinnings of his dynamic capability framework with entrepreneurial management and transformational leadership into a capabilities theory for MNE (Teece, 2014).

Again, with regard to the data in this case-study, there is evidence that managerial agency within Admiral involves: (1) sensing in the external market intelligence and intuitive cognitive traits possessed by the senior management team; (2) seizing in the capacity for swift change in the organization driven by the rule ‘The perfect is the enemy of the good’ and mitigating risk through a ‘test and control’ routine; and (3) maintaining competitiveness through both adaptive and radical innovation. This analysis supplies a further argument to support the contention that the DMC construct is a subset of the notion of “managerial

agency” introduced here. Managerial agency and the importance of leaders and managers within the firm also encompasses a large literature on leadership which was reviewed in Chapter 6.6 on page 6-241. This wider literature enriches the idea of DMC although one could argue that both the Adner and Helfat and the Augier and Teece constructs use language sufficiently overarching that might be considered to encompass this wider literature but these links are not explicit in the dynamic capabilities literature. The data in this case is not adequately understood using the DMC framework as there is evidence to support findings in the broader literature but it is clear empirically that managerial agency is key to the success of this firm.

## 7.9 Summarizing the discussion

From this case-study discussion, I struggle to find the benefit in using dynamic capability as an explanatory framework for successful change, for competing in dynamic environments with *‘logical consistency, conceptual clarity and empirical rigour’* (Arend & Bromiley, 2009: 75). In fact Arend and Bromiley criticise the dynamic capabilities approach for underutilizing existing organizational theory by the focus on direct associations between change and performance (p. 81) particularly in regard to concepts such as absorptive capacity, learning and change management. The extant literature review in Chapter 6 reflected this view.

One can find evidence of dynamic capabilities if one looks for them using the theoretical definitions but the mechanisms by which dynamic capabilities lead to performance outcomes are still an unresolved issue in empirical research (most recently Eriksson, 2014). Could this be because to find such outcomes one needs a different ontological perspective, needing high-quality qualitative research to open up the “black-box”? Could this be due to the fact that the concept of dynamic capability is, under the surface, an insufficient explanatory device?

Initially, I was interested in finding out why Admiral remains a consistent high-performer in a highly volatile market. It seemed as if the answer might lie in the firm’s dynamic capabilities and hence the research question was formulated to explore dynamic capability in this firm. However the discussion in this chapter argues it to be an insufficient explanatory framework to answer the initial problem, and the extant literature on the rules

perspective and managerial agency has provided a more sufficient scaffold to answer the question.

Essentially, in this firm, a group of entrepreneurs have come together with a simple idea to market insurance direct to a group previously ignored by traditional insurers thus addressing a gap in the market. These individuals have common values and attitudes that over time have become codified into a set of simple rules and a strong concomitant culture providing for a context for the recursive activities of action and learning as the company seeks to compete in a highly volatile market. These rules and cultural attributes form the basis of the firm's deep structure that has remained stable despite the growth of the firm from a start-up in 1993 to its current MNE status. This stability is due possibly to the continuing presence of so many of the original start-up team and/or to the process of recruiting new managers and employees for "fit" and the constant indoctrination of the core values throughout the business. Through managerial agency, these rules and culture provide the framework for the development of routines and where those routines become a rigidity, there is still the context for problem solving which may, or may not, become the basis for new or improved routines. The company remains competitive through a series of adaptive and radical innovations that once again are enabled by the deep structure of the firm.

This research has needed to look outwith the dynamic capabilities framework in order to organize and explain the data findings but it can contribute to the dynamic capability stream of literature by providing empirical support for Teece's under developed concept of "entrepreneurial fitness" with the implication that firms where the founders and senior managers possess a match of traits to their environment and business purpose then entrepreneurial fitness is achieved through managerial agency and the creation of rules and a culture that enable a firm to act entrepreneurially. Additionally, the data was organized hierarchically with operational capabilities at zero level but differing from Winter's hierarchy in that the evolution of those capabilities is through routines and ad hoc action in the context of rules that embody founders/senior management traits and behaviours. The dynamic capability observed in this firm has not evolved, contrary to the expectation from the literature, but that may be due to the twenty year time frame and/or the fact that the founders are still influential in this firm and evolution might be triggered when the founding team departs but that requires further study to investigate.

Lastly, we see in Peteraf et al. (2013) an attempt to bring the diverging conversation between Teece et al.'s articulation of the dynamic capabilities construct and Eisenhardt and Martin's explication of dynamic capabilities together, two highly influential but, in parts, contradictory conceptualizations. Peteraf et al. conclude that one approach to reconciliation is looking at dynamic capabilities as best practices in moderately dynamic markets and as simple rules and processes in high velocity markets. This thesis offers a different means of drawing together Peteraf et al.'s "elephant in the room" problem by arguing that the concept of rules transcends distinctions between evolutionary economics and complexity theory so the difference between the two conceptualizations evaporates. So by using a rules perspective where routines are the enactments of rules, then since Teece et al.'s conceptualization of dynamic capabilities is built upon the premise of processes (equated to routines on p. 518), and thus implicitly with enacted rules, and Eisenhardt & Martin explicitly relate dynamic capabilities to rules then this perspective has bridged the gap between the two conceptualizations.

## CHAPTER 8: THESIS CONTRIBUTIONS AND CONCLUSIONS

### 8.1 Introduction

The initial purpose of this study was to evaluate dynamic capability theory through an in-depth empirical case, opening up the “black box” within a highly successful FTSE 100 company operating in a volatile market. In this final chapter, we review the success in meeting the original aims and look at how the research contributes to theory. The quality of the research is critically assessed and the implications of some of the inevitable limitations associated with the methodological choices and practical considerations are examined.

### 8.2 Findings of this study

One of the last steps in ensuring validity in qualitative research conducted from a critical realist perspective is looking at the generalizability of the findings to make *‘sense of the particular persons or situations studied, but also shows how the same process, in different situations, can lead to different results’* (Maxwell, 1992: 293).

At the end of Chapter 7, I summarised the findings from this research in a manner consistent with the first part of Maxwell’s definition of generalizability. To generalize the findings outwith the situation studied we can say: Dynamic capabilities theory postulates that firms habituate ways of reconfiguring and deploying their so-called zero-order or operational capabilities. This is particularly pertinent in high velocity markets where the pace and scale of change are exaggerated. This study examines an entrepreneurial firm from start-up through several stages of significant change. This firm retained high levels of founder involvement and, over time, behavioural traits from these founders become embedded as a set of rules that create structure and enable the firm to compete by creating the context for action. These embedded rules appear to enable the transition from founder behaviours to both routinized and ad-hoc organisational practices that represent the firm’s capacity to improvise, respond and seize opportunities as market conditions alter. The rules embody a codification of the cognitive aspects, such as traits and behaviours, of the founders and are operationalized in the organizational culture of the firm. Whilst this study works retroductively to generate insight, one can hypothesize that in circumstances where founders do not possess traits which relate to the sensing and seizing themes within dynamic capabilities then the transition from traits to routinized practices are more likely

to produce rigidities and ultimately liabilities if significant organisational change is encountered.

The research raised questions about how well the dynamic capability theory works as an explanatory framework. This study seems to indicate that potentially it is a superfluous construct as currently envisaged, as the capability in this firm can be equally as well explained by the substantial literatures in change management, organizational learning, culture, strategic decision making etc. Much of the existing empirical research has embraced the construct and found evidence of “dynamic capability”. But the aim of grounded theory is to ensure that any explanation fits all the findings and in the research reported here, it was apparent that existing dynamic capability theory was inadequate to encompass all the findings. The critical realist perspective adopted suggests that generative mechanisms and causal powers drive the analytical process and the case examined here suggests that the dynamic capability construct is synonymous with that of the dynamic managerial construct. Therefore, dynamic capability, if it exists, is more akin to an umbrella term for the processes and routines that come into play through managerial agency in order to create, extend, or modify its resource base (Helfat et al., 2007) and one must question its value in explaining competitive advantage.

However the dynamic capability conversation has moved on recently. Peteraf et al. (2013), in a paper trying to reconcile the contradictory elements between Teece et al.’s influential 1997 paper with Eisenhardt and Martins equally influential 2000 paper, conclude that in high velocity environments there may be a hierarchy of dynamic capabilities at work, using the phrase ‘*a higher order capability – one that continuously manages to create lower order simple rules and processes*’ (Peteraf et al., 2013: 1406) where rules are seen as lower-order dynamic capabilities in the high velocity context. This is interesting in that it is the first attempt other than from Eisenhardt to marry the concept of dynamic capability and rules. But Eisenhardt has also moved the conversation on rules forward (Bingham & Eisenhardt, 2011, 2014; Bingham et al., 2007) and links it to dynamic capabilities (Bingham & Eisenhardt, 2011) by arguing that “simplification cycling” defined as ‘*honing a small, yet high quality, portfolio of heuristics*’ (p. 1459) is likely to be a dynamic capability.

Bingham and Eisenhardt's theorising on heuristics is empirically based on six entrepreneurial firms in the IT industry. The Admiral case-study produced slightly different results, although their heuristic framework formed the scaffold for understanding how the data explained success in this firm. There is no evidence in this firm of "simplification cycling". In fact the rules are remarkably stable but that may be due to the stability of the management team or the fact it is a different industry. However there is strong evidence that rules have formed over time and that they guide "opportunity-capture" within the firm as Bingham and Eisenhardt describe. Given this perspective, I am not sure that dynamic capability forms a useful construct in this high velocity environment. Bingham and Eisenhardt's statement that simplification cycling must be a dynamic capability is made on the basis of Eisenhardt and Martin's earlier theorising and is "presented" rather than argued in the later paper.

What if dynamic capability is a superfluous construct? What if it's rules/heuristics that are the driver of the routines and processes by *'which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die'* (Eisenhardt & Martin, 2000: 1107)? Furthermore in this case-study, Winter's (2003) capability hierarchy was found to be an inadequate explanatory framework for this data. Additionally, it is rules that lie at the root of action within this firm so, they are not, as Peteraf et al. conjecture "lower-order dynamic capabilities". The rules perspective itself is not without problems: do they really drive action or are they just a way of accounting linguistically for observed action? And yet of the two mechanisms: dynamic capabilities and rules, rules appear to be more straightforward theoretically in this case and perhaps should be preferred as the mechanism for understanding strategic action in firms in high velocity environments.

The RBV and organizational behaviour literatures are rich in constructs and theorising that explain or contribute to superior performance and perhaps the rules/heuristics theorizing fits better here than it does with the dynamic capabilities construct which can almost be seen as an overarching, umbrella term to describe the contributory paths to superior performance described in the wider literature.

Dynamic managerial capability can also be described in terms of expansive literatures on the role of cognition, leadership and top teams as reviewed in Chapter 6. This case-study revealed how that managerial agency is key to the rules perspective. This study shows that

the concept of agency is more encompassing than that of dynamic managerial capabilities and Teece's (2007) vision of sensing, seizing and reconfiguring. Managerial agency is a term that encompasses the theorising of the dynamic managerial construct but incorporates how the cognitive basis is operationalized. There is a cognitive aspect reflected in the rules and culture which create the context for leadership actions and the roles of sense-making and sense-giving to sustain the organizational culture and create the framework for innovation, learning and change. It is through managerial agency that rules are created, the culture sustained and that "entrepreneurial fitness" is achieved.

Rules based upon the cognitive functions of the founding leadership of a firm by definition satisfy the VRIN characteristics of the RBV upon which SCA rests (Barney, 1991a). Building on Bingham and Eisenhardt's theorising, in high velocity environments it appears the ability to compete and to create and renew the capabilities of the firm in which competitive advantage is based, relies on a set of simple rules that allow the firm to capture opportunities for advantage. These findings are in direct contradiction to the dynamic capability literature so rather than "advancing" theory this thesis has demonstrated that rules and their underlying traits are a mechanism where by the creation, sustenance and adaptation of operational capabilities can be traced directly to the actions taken in response to or in anticipation of environmental changes, actions taken in the context of the organizational culture that reflects these rules and underlying traits. As such it contributes to the resource based theory of the firm without recourse to the dynamic capabilities construct.

### **8.3 Philosophical challenges**

In Chapter 3, a case was made for the ontological and epistemological positioning of this research situating it in a post positivist paradigm using the critical realism ontology as espoused by Andrew Sayer (Sayer, 2000), that in turn is based on Roy Bhaskar's philosophy (Bhaskar, 1978/2008, 1998b). It was to be a retroductive, longitudinal, exploratory case study using grounded theory principles for coding and generating analytic theory. The principles were derived primarily from Glaser and Strauss (1967) but allowing a priori identification of constructs associated with dynamic capabilities as recommended by Eisenhardt (1989a). The methodology drew from Corbin and Strauss (2008). See Chapter 4 for details on the research design and methods used. One of the challenges that this introduces to the research presented here is that I am adopting a different

epistemological and ontological position than many of the key contributors to the dynamic capabilities literature who approach the topic from a more rationalist and realist orientation via a disciplinary bias toward economics. Optimistically, this generates the possibility of a constructively critical dialogue across paradigms that might enrich the theorising of an important concept. It does however introduce the possibility that two discourses are in fact talking past each other due to paradigm incommensurability (Pfeffer & Fong, 2005).

Chapter 5 represents the thematic analysis of the data using both primary sourced interview data and a wealth of supporting secondary data. The themes and subsequent retrodution of rules, cultural attributes and traits in Chapter 7 were discussed with the participants who agreed that the nascent theoretical elements were a good articulation of tacitly understood aspects of the firm.

In terms of theory advancement, this qualitative research study sought to critically evaluate dynamic capability theory (Bluhm et al., 2011; Pratt, 2008) but it is the lack of standardization in qualitative research that *'trouble'* the mainstream positivists in the strategic management arena (Bluhm et al., 2011: 1871) and Chapter 4 reviewed the recommendations for best practice for qualitative design along with Suddaby's (2006) elucidation on the importance of reflexivity in grounded theory, echoing Eisenhardt's (1989a) view that validity comes from having the theory-building process tied to the evidence explicitly.

The research design was tightly linked to considerations for rigour and the challenge for this qualitative study was how to maintain epistemological rigour and validity but at the same time recognizing the critical realist arguments that the deepest level of influence may be unobservable per se and rely on the researcher's interpretation of the data. The parameters for rigour came from a framework proposed by Venkatesh et al. (2013) and were reproduced in Table 4.2 on page 4-83. The next table here presents the evidence of adherence to the validity criteria suggested by Venkatesh et al. to demonstrate the rigour of this research.

Tests	Components	Description	Actions taken in this research
Design validity	▪ <i>Descriptive validity</i>	The accuracy of what is reported by researchers	Interviews were recorded and transcribed. Coding reproduced in Appendix A and summarized in Chapter 5
	▪ <i>Credibility</i>	Establishing results are credible to participants to rule out alternative explanations	Themes emerging from interview data were validated against secondary sources and confirmed with participants in a meeting in Sept 2012
	▪ <i>Transferability</i>	The extent to which the results can be generalized or transferred to other contexts	The findings reflect the data but are based in extant literature which confers the possibility of wider generalization from this case-study
Analytical validity	▪ <i>Theoretical validity</i>	Extent to which theoretical explanation fits the data and is thus credible and defensible	Theoretical explanation emerged and thus is grounded in the data
	▪ <i>Dependability</i>	Needs researcher to describe any changes that occur in the setting and how that affected the study	The context as set out in Chapter 1
	▪ <i>Consistency</i>	Needs research to explicitly follow method for collection and analysis	Primary data collection was via unstructured interviews: Leading questions (6.8%) were analysed and answers to the inadvertant questions ignored. Analysis followed Corbin and Strauss (2008) stages augmented by Saldana (2013) and Miles and Huberman (1994) recommendations for coding. Emergent themes continually reviewed against data and although ultimately an 'interpretation' were triangulated by evidence in secondary data
	▪ <i>Plausibility</i>	Concerned with whether the findings fit the data from which they are derived	Triangulation of primary findings with secondary data - where possible externally sourced or produced under Stock Exchange guidelines
Inferential validity	▪ <i>Interpretive validity</i>	Accuracy of interpreting data to construct the meaning of the participant	Triangulation of primary findings with secondary data - where possible externally sourced or produced under Stock Exchange guidelines
	▪ <i>Confirmability</i>	Degree to which results can be confirmed or corroborated by others	Themes were agreed by participants (and wider management group) in Sept 2012. Rules and cultural attributes and traits were confirmed by the same group at a Coffee Morning Group Meeting in May 2014.

Table 8-1: *Actions against the validity criteria presented in Table 4.2 (Adapted from Venkatesh et al. (2013: 33)).*

In summary, there is a chain of evidence both from the primary and secondary sources of data and linked to the extant literature to support the findings. Additionally, the participants and wider management team at Admiral have validated the findings and so this research meets these validity criteria.

Eisenhardt (1989a), although not writing from a critical realist perspective, talks of the importance of the “enfolding” literature. This is a piece of research that, in attempting to use existing dynamic capability frameworks and definitions, found contradictions and inconsistencies when applied to the data from this case-study. I have argued above that this is a piece of research that has construct and internal validity (to use Yin’s more positivist version of validity) and Yin (2003) suggests that single-case studies such as this should draw on existing theory to claim external validity and, indeed, make the generalizations made in Section 8.2. Part of the challenge in presenting qualitative research lies ‘*in writing it up to communicate its insights in a credible way*’ (Langley & Abdallah, 2011: 203) part

of which is building arguments to support or challenge findings from the extant literature. Eisenhardt's assertion (p. 544) that without a grounding in theory, as well as in data, conflicting findings may indicate problems with internal validity or are '*idiosyncratic to the specific case*' and thus a challenge to generalizability. She also comments that grounding a study in theory, where there is conflict, can be an opportunity, as I have found: '*the juxtaposition of conflicting results forces researchers into a more creative framebreaking mode of thinking*' as well as sharpening '*the limits to generalizability of the focal research*' (both quotes Eisenhardt, 1989: 544).

#### **8.4 Limitations to this study**

Whilst this study seeks to contribute to the wider literature on dynamic capabilities and to the rules literature it must be recognized that this is a single case-study in a very specific context: a high performing firm during the period where it has grown from a start-up to MNE status in a highly volatile market in the UK. However it is also a firm where many of the founders and original team are still in positions of influence, so whilst the findings meet the conditions for a piece of qualitative research, they are also very contextualized. Critical realism accepts this and there is no reason why these findings can't contribute to the literature with caveats around the specificity of the context but hopefully they raise the question about whether the findings might hold true in other contexts. At the very least, the case has provided an empirical challenge to dynamic capabilities theory as it is currently articulated. The author believes that the Bingham and Eisenhardt work similarly challenges the current view of dynamic capabilities, although it hasn't been framed as explicitly as the findings from this study.

Another limitation for this research is in the relationship the author has with the firm, as one of the founders. Whilst there are undoubted opportunities in having an insider perspective on opening up the "black box" there must be a potential criticism that the interpretation is biased. In Chapter 4, this potential was recognized and the hope was the rigour built into the research design would counter any bias. Another important justification for taking a rigorous approach is my ambition that this research contributes to a body of work largely written with a positivistic ontology. There is a danger that a conversational style of interviewing can be less about accessing the participants reality and more about offering a way of constructing a shared sense of experience (Cunliffe, 2002: 136) albeit that shared experience is a source of analytical insight. Triangulation was an

important tool to avoid bias using, where possible, external sources of secondary data or data produced under Stock Exchange guidelines such as annual reports and the IPO prospectus which should be less open to bias in interpretation and where leading questions have been asked or personal diary notes used they are explicitly recognized in the thesis. Additionally, checking findings with the participants and wider management team and gaining agreement and in some cases nuancing the findings with further discussion, for example discussing the selection rules, mitigates personal bias although given the strength of cultural alignment in this firm it does not rule out firm-wide bias from everyone including the researcher. However the findings do find resonance in the recent literature on rules/heuristics helping the arguments for validity.

From a personal perspective, I feel that I have been as independent as I can be in the use of primary and secondary sources, subsequent data analysis and retroductive thinking. Reflecting throughout the process, as recorded in memos, there were insights that took the research in a very different direction than the objectives of the original piece exploring dynamic capability. I felt I maintained a capacity to ‘*make the familiar strange*’ (Spindler & Spindler, 1982 quoted in Suddaby (2006): 635). The fact that my findings challenged the dynamic capability view (DCV), as documented here, bears testament to the independence of the analysis and that is why the original research question was left as is for the thesis and not retro-fitted to the findings as it supports the argument that the potential limitations of bias have been attenuated.

## 8.5 Contributions and future directions

There are two categories of finding from this thesis that are dependent on whether a dynamic capability perspective or a rules perspective is utilised. The initial objective for this research was to make a contribution to the dynamic capability literature. However, it departs from that initial intention in that it challenges how the literature is currently articulated. This in itself is a contribution to the theory. The post-positivist ontological position is a critical tradition where ‘*the objectivity of science is not a matter of the individual scientists but rather the social result of their mutual criticism*’ (Popper quoted in Guba (1990: 231)). As noted in Chapter 3, the thrust of Popper’s argument is that scientific law goes beyond what can be experienced so it can never be absolutely true and can only be accepted on a provisional basis until such time as it can be falsified (Bhaskar, 1978/2008). This is a very specific case but it has shown shortcomings in the theorising

around dynamic capabilities for an entrepreneurial firm that has grown to be a successful MNE in a highly dynamic environment.

Using the theoretical lens of dynamic capability, this thesis does make a positive contribution to that literature. Employing definitions from the seminal theorists in the field, dynamic capability can be mapped retroductively from accounts of success given by the participants and thus contributes as an empirical study, in a different context, of a firm where dynamic capability can be found. Some of the debates in the literature can also be addressed with this perspective on the data.

Firstly, using Winter's (2003) hierarchy of capability is too simplistic to aid understanding the relationship between operational and dynamic capabilities. The idea that operating capabilities can affect dynamic capabilities by '*influencing the knowledge that is available for the latter to undertake future reconfigurations of the former*' (Newey & Zahra, 2009: 97) suggests levels of complexity to Winter's hierarchical visualization. However an alternative hierarchical view did emerge from the findings. A hierarchy for strategic action does exist in this firm whereby Winter's conceptualization of operational capabilities holds. However changes in the capability base of an organization arise as the result of routines and/or ad hoc processes that have arisen in context of a set of rules acting upon those capabilities. In turn, these rules codify traits, behaviours and cognitive styles of the founders and senior managers of this firm. In addition to creating the context for strategic action, these rules are reflected in cultural practices subject to managerial sensemaking and sensegiving in turn imbedding the founder traits in the wider population of the firm.

Secondly, this thesis contributes to the dynamic managerial capability (DMC) construct and to the concept of "entrepreneurial fitness". DMC were defined by Adner and Helfat (2003: 1012) as the capabilities by which '*managers build, integrate, and reconfigure organizational resources and competences*' and subsequently by Teece (2007, 2009) and Augier and Teece (2009) as the capabilities that are the main factor in influencing change. The literature is unclear as to how dynamic managerial capability is deployed and operationalized in order for firms to achieve what Teece (2009, 2012, 2014) calls "entrepreneurial fitness" where '*management must be entrepreneurial, sensing if not creating new opportunities before others do, and executing swiftly and expertly and collaboratively where the situation allows and requires it*' (Teece, 2009: 59). In addition to

these roles of sensing, seizing and reconfiguring, this thesis found the existing literature on leadership, cognition and top teams was needed to help clarify the role of managerial agency at work in this firm. There is a cognitive aspect reflected in the rules and culture which create the context for leadership actions and roles of sense-making and sense-giving to sustain the organizational culture and create the framework for innovation, learning and change. It is through managerial agency that rules are created, the culture sustained and “entrepreneurial fitness” is achieved.

Thirdly, although there is a widely accepted view, imported from the RBV, that dynamic capabilities must be heterogeneous, Eisenhardt and Martin (2000: 1106) challenged this claiming that dynamic capabilities ‘*exhibit commonalities across effective firms or what can be termed “best practice”*’. This thesis contributes to this debate by finding dynamic capabilities are that are quite generic and often documented by other others in the empirical research stream for example learning, strategic decision making, leadership, etc. However the heterogeneity is only apparent in the detail of the data and in this firm lies in the traits and behaviours of the founders and senior managers that by definition are firm dependent. The paths of dependency that flow from this heterogeneity, paths that formed part of the original articulation of the dynamic capability construct (Teece et al., 1997) have been embodied first as a “dominant logic” (Prahalad and Bettis, 1986, 1995) then over time embedded as a set of simple rules or heuristics that form the context of strategic action within the firm.

However, using a rules perspective, this thesis makes a key contribution in the utility of the rules perspective in understanding strategic action within this firm and its potential in a wider context. In this, it contributes to the recent literature (Bingham & Eisenhardt, 2011, 2014; Bingham et al., 2007; Eisenhardt & Sull, 2001) developing a role for simple rules in competitive strategy. This theorising is relatively new and currently based on IT companies working in highly volatile environments but this thesis presents another empirical example of a firm deploying rules in a different context competing in a similarly highly dynamic market and as such contributes to this conversation. Using a rules perspective there are clear opportunities for collaborative work across discrete management research domains for example by explicating a link between the cognitive underpinnings of leaders with organizational behaviour and from there to strategic decision making and organizational change or how a cognitive propensity for curiosity links to absorptive capacity. These are

all questions that arose during data analysis of this study but parked for future study as the focus for this research was specifically a critical examination of the dynamic capability framework.

One question that did fall under the aegis of that focus was “is one of the reasons that research in dynamic capability has not progressed because, like the RBV, it clings to ‘*an inappropriately narrow neoclassical economic rationality and has thereby diminished its opportunities for making further progress*’ (Kraaijenbrink et al., 2010: 350)”? The RBV ‘*is explicitly reductionist*’ (Kraaijenbrink et al., 2010: 351) and as such stands against emergent theories that liken a firm to an organism with complex feed-back mechanisms at work. The literature on order-generating rules in the concept of conditioned emergence (MacIntosh & MacLean, 1999) isn’t clear on where those rules come from in the first place nor what is their relationship to the initial conditions described in the complexity literature. This research might form a springboard for further refinement of how a complexity perspective can contribute to understanding the role of leadership in competitive strategy or indeed look at the deeper structure of leadership within organizations (as called for by Kempster & Parry, 2011).

Recently Peteraf et al. (2013) have proposed understanding rules as “lower-order dynamic capabilities” in highly volatile environments in an attempt to draw together the contradictory conceptualizations of dynamic capabilities of Teece et al. (1997) and Eisenhardt & Martin (2000). This thesis can contribute to that debate by offering a perspective that allows one to step outside dynamic capability theory and using my argument that routines are enactments of rules, then since Teece et al.’s conceptualization of dynamic capabilities is built upon the premise of processes (equated to routines on p. 518), ‘*shaped by positions and paths*’ (p. 524) and thus implicitly with enacted rules and Eisenhardt & Martin explicitly relate dynamic capabilities to rules, then one can argue that the concept of rules transcends distinctions between evolutionary economics and complexity theory so the difference between the two conceptualizations evaporates.

The DCV has become a distinctive research domain in an attempt to address a flaw in the RBV about how to compete in dynamic environments and yet Bingham and Eisenhardt’s body of work and this research are all conducted on firms competing in these dynamic environments and neither appears to need the concept of dynamic capabilities in order to

explain strategic action. Does a rules perspective have to be shoe-horned into the dynamic capability debate or does it supersede that debate? Is dynamic capability simply the organizational capability for change as suggested by Nickerson et al. (2012: 55)? Arend and Bromiley (2009: 76) observed that '*many established concepts, including absorptive capacity, architectural innovation, intrapreneurship, strategic fit, first-mover advantage, organizational learning and change management address issues similar to the DCV*'. This research has indicated how rules can create the context for these concepts but this potential contribution must be the basis for further research.

## APPENDIX A: PRIMARY DATA CODING TABLES

### A.1 Introduction

For the purposes of clarity within the main document, the coding tables were moved to this Appendix. The email discussion forum data and the interview data were all coded and those codes grouped into themes. This Appendix shows the coding tables that underlie each emergent theme.

### A.2 'Recruitment and Indoctrination' Theme

The coding table for this theme is reproduced in the main text in Chapter 5.5.1.1 on page 5-130.

### A.3 'Embrace Change' Theme

Respondant/ Date	Verbatim statement from interview	Initial Code
CC 03/06/10	<i>I realise how people set limits to themselves that don't exist .... At Admiral, those limits don't exist in people's mind. It is politically incorrect to think that things don't work without having been tried.</i>	Innovation
CC 03/06/10	<i>Documentation team still look at ways of doing thing differently.</i>	Constant change
FG 03/06/10	<i>Doing things differently</i>	Innovation
XZ 03/06/10	<i>Always encouraged testing different ideas, new initiatives.</i>	Test & Control
AR 04/06/10	<i>DIFFERENT APPROACH - Looking at the business as more than insurance, not being bound by what could be sold in an insurance setting. I remember reading the original business plan and seeing the catalog of other items that would be sold. While that business did not fully materialize, I have to believe it aided in the inclusion of ancillaries in the sales process.</i>	Innovation
FG 04/06/10	<i>It helps focus not only on the results, but also on the 'how' (ultimately, improving the how should improve the results, or at least we hope!)</i>	Constant change
LS 07/06/10	<i>Its not based in London - so it thinks out of the box and doesn't follow the herd</i>	Innovation
LS 07/06/10	<i>we measure and test everything first if we can</i>	Test & Control
CA 08/06/10	<i>A non dogmatic approach to solving challenges</i>	Innovation
KC 08/06/10	<i>a strong culture of test and learn</i>	Test & Control
KC 08/06/10	<i>always seeking out change and improvement rather than just the status quo</i>	Constant change
SC 08/06/10	<i>The constant drive to make Admiral a great workplace is real and in a vast majority of cases actually occurs</i>	Constant change
CH 10/06/10	<i>We do things differently from the rest of the industry</i>	Innovation
NWK 10/06/10	<i>We are not afraid of change as long as we understand why (going back to the numbers)</i>	Constant change
SL 10/06/10	<i>...strive at all levels to be the best</i>	Motivation for change
SLg 10/06/10	<i>Everyone is encouraged to make a difference, we really listen to everyone working here and act on their suggestions. This is powerful in ensuring everyone feels part of our success and generally more comfortable with change.</i>	Constant change
HE 22/06/10	<i>Innovative, we have consistently come up with new ways of doing old things from really the very, very beginning.</i>	Innovative
HE 22/06/10	<i>Necessity, I find, is the mother of most inventions and innovations but it can come from anywhere. A lot of it has come from senior management, which is fine; some of it comes from more junior management;</i>	Innovation
JM 22/06/10	<i>we also came up with ideas. And I'm sure you made your ideas, and so did many others and it was put together like that,</i>	Innovation

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JM 22/06/10	<i>they would be more than happy to try different ideas because good ideas were coming from all over the place and I guess they still do. I don't have a lot of contact now with the call centres but I'm guessing that the same thing happens there. And we weren't afraid to pick up those ideas.</i>	Innovation
JM 22/06/10	<i>new ideas, things like the new brands and Confused and all the bits and pieces were again examples of going with what was happening.</i>	Seizing opportunities
JM 22/06/10	<i>I don't know how we've done them but there were things like the move towards, from the telephones to the internet. We were, I think Elephant was probably the first internet brand yes? So we were obviously in front of that one. We saw it coming and we were there. How? I don't know but somebody must have seen it coming and known! It was like the Diamond thing, there must have been a move towards women drivers, maybe the number of women drivers increasing, maybe it was just because of the loss ratio with women, but whatever reason they were clearly looking, somebody somewhere was clearly looking at the market, keeping in touch with developments.</i>	Seizing opportunities
AP 23/06/10	<i>The way we've moved from one brand to multi-brands, from phone operation to internet operation, to aggregation, we adapt. In many ways we lead and other people follow.</i>	Example of change
AP 23/06/10	<i>it's this willingness to not accept that the business is like this, has always been like this and therefore the only way to compete is to be the same as everybody else and that we've always had this view that we will do something differently. We'll look at it, come up with some ideas, try it, I think experimentation has always been at the heart.</i>	Trait (Dissatisfaction with status quo)
AP 23/06/10	<i>I can never remember a time where we sat round doing nothing and were complacent. If things were going really well and perhaps the core business didn't need much tinkering with I don't ever remember sitting round thinking "well, we'll sit back for a while now and take the rest." It was always "right, what can we do now then?"</i>	Trait (Dissatisfaction with status quo)
AP 23/06/10	<i>What off the wall thing might we try to move it on to the next level?</i>	Innovative
CB 23/06/10	<i>we are relentless in pushing better ways of doing things and better results</i>	Constant change
DS 24/06/10	<i>I am a big believer in the power of people sharing the success and I think that it's been really helpful in making us, everyone, open to change that people believe will take us in a positive direction, willing to embrace change.</i>	Founder belief translates to fundamentals of culture
DS 24/06/10	<i>I mean, astonishing, the success of moving from brand to function [change in structure of company in [2006/7], I was amazed by how well people took to that despite really strong affinity to brands and stuff like that. They are willing to make the change.</i>	Example of change
DS 24/06/10	<i>For example, embracing change is partly because the staff generally have faith in the course that management is setting and partly because typically no-one has ever been threatened by change in terms of job security</i>	Rationale for why staff 'embrace change'
DS 24/06/10	<i>certainly since the late 90s we've got a situation where we outperform and where we actually delivered a decent outcome, we are always looking to change, we're always looking for another story which I think is good.</i>	Trait (Dissatisfaction with status quo)
DS 24/06/10	<i>I think our success innovation is a combination of two things. one is that sort of closeness to the business; well, three things actually; the closeness to the business of the senior managers so that they are reasonably able to make good calls on what might be a successful innovation.</i>	Rationale innovation success (1) Attention to detail
DS 24/06/10	<i>Then the second is the willingness to run a number of different innovations, some of which inevitably fail</i>	Rationale innovation success (2) Test and Control/Learning environment
DS 24/06/10	<i>the third one is the ability to just get the organization sort of collectively pointed in a direction. That's a lot about continuity of management; it's a lot about simplicity of business model; and that's one product, essentially one location, I mean ... essentially the actual decision making body is all in this building</i>	Rationale innovation success (3) Management stability/Alignment/Culture etc
DS 24/06/10	<i>relates to the testing thing. If you're running a number of horses you've got... some of them stick and you push them forward, so in other organizations if they bet their bank on something that doesn't happen, where do you go? Well you're back to status quo until you think of your next big one, so that's relevant.</i>	Stop punctuated change V continuous change
DS 24/06/10	<i>but she [Head of Customer Accounts] is unbelievable in terms of just a dogged commitment to getting her area better and better on certain measures, certain areas she's not so keen, but there are a number of people around like that, around the organization. [Head of Gladiator], astonishing in terms of constant reinvention of an area ... Claims is another great area where people are trying new things all the time. That's evidence rather than why but I think it's because people... it must be lower down the organization people have a desire to improve and feel able to try and come up with the improvements.</i>	Constant reinvention of an area
GR 24/06/10	<i>I think for us to throw into that group of people somebody who has had different experience, and a different experience of the business, has got to be useful.</i>	Rationale for hiring outsiders to enable change
JG 10/11/10	<i>it's also been an innovator</i>	Innovation
AP 11/11/10	<i>I think we're able to innovate, go with a hunch</i>	Innovative
AP 11/11/10	<i>Confused is an example of that. we did that on a shoestring, bit by bit, we didn't throw in huge amounts of money, every man and his dog in the world thought we'd spent five or six million to get that up and running. We didn't. We spent, in my mind 750,000.</i>	Innovative

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AP 11/11/10	<i>how do we know if that works? These are the criteria, now let's spend a certain amount. It may be a crazy idea, we don't really know, we haven't got the data of whether it works but let's do it in a smaller way in a controlled investment but measure it to see if it works. If it doesn't work then we throw a great hunch but it didn't work, throw it away and move on.</i>	Innovation process
AP 11/11/10	<i>Where is the next hunch from? ... It's from a very small group of people, again, it goes back to a small number who have some trust amongst each other that they can throw out odd ideas.</i>	Innovation source
AP 11/11/10	<i>Where do the hunches come from; where do the leaps come from? They come from egos saying "oh, I think we should do this, this is a good idea, this is my idea – bang – we'll do this and this will address..." whatever the issue is. And that's in many ways an ego driven thing which both of you and I are guilty of. ... Isn't it those egos that to a degree drive that innovation; where somebody has a strong view, but they are tempered because they know we're going to measure whether it works or not. It goes back to that first paradox we were talking about.</i>	Innovation source
AP 11/11/10	<i>We don't look for the 100% solution because it takes too long to get there. ... speed of response... the wait to get it perfect and you'll never implement it</i>	Innovation process
CA 11/11/10	<i>Change is going on all the time</i>	Culture of change
CA 11/11/10	<i>Small changes they happen all the time</i>	Culture of change
CA 11/11/10	<i>it's all about explaining the need for change, asking them for their ideas, how we can meet the business needs, getting them involved in formulating the new structure. So, it's all about involvement, really, getting them involved</i>	Process for change
LS 12/11/10	<i>I do worry that it comes too much from Henry and David and there were, and I would have said you when you were here, I would see the three of you in meetings and think "oh, my gosh, where do all these ideas come from?" because we are clearly not all generating them at the same time.</i>	Innovation from top
LS 12/11/10	<i>I think that Henry and David want us all to come up with ideas and I think people have started slowly doing that and I worry that we won't do it enough because when I see these meetings, even though we've had these ones over the last week, they're not coming up with innovative ideas and that worries me.</i>	Disadvantage of innovation from top
LS 12/11/10	<i>So, I don't know if we have a strategy because we say we have a five year plan and then three months into that five year plan we change everything, so isn't our goal, basically, to be the most profitable insurer in the world?</i>	Seizing opportunities
LS 12/11/10	<i>We change so much it's hard... every day it... we just change daily</i>	Culture of change
LS 12/11/10	<i>people just do it. They don't really think a lot about it or they don't worry about it because it always works out in the end. We try to do everything so people are treated fairly and they get a good result from it.</i>	Culture of change
NWK 02/02/11	<i>the change part is if you ask questions and then they say yes, actually you've got a good point, then they start thinking about things, also.</i>	A culture of change
NWK 02/02/11	<i>at the same time, also, I tried to get the people at the beginning of the year to say what are we going to focus on this year and all come up with different plans and I said, ok, I want drastic improvement. You pick your topic but I want drastic improvement in one area that you choose. So, I'm not forcing it down on you, you choose something that you believe you can improve, drastically.</i>	Driving improvement
KC 03/02/11	<b><i>there is this tremendous knowledge of the detail of the business which is very unusual and so there is a way that management think and work which is a very practical and very hands on, very testing - testing as in trying new things, I mean – and thinking about ways in which you can improve what you've got at a very micro level which just doesn't exist in other companies</i></b>	Adaptive change driven by detail and desire to improve
NWK 03/02/11	<i>We are very adaptable.</i>	Adaptability
CC 03/06/10	<i>It contributes to enforcing numerous and quick changes. I think Admiral employees don't have benchmarks in mind so they don't have preconceived ideas about projects. New = Opportunity. In other companies, projects are compared to things done before, seen elsewhere and projects move slower.</i>	Innovation/Speed /Constant change

This theme includes coding for two proto-themes: 'embrace change' and 'speed'.

## A.4 'Learning Environment' Theme

Respondant/ Date	Verbatim statement from interview	Initial Code
XZ 3/6/10	<i>Always encouraged testing different ideas, new initiatives.</i>	Test & Control
XZ 3/6/10	<i>And we manage to fix our errors by closely monitoring the results</i>	Learning culture
AR 4/6/10 (i)	<i>METRICS - With all the measures always visible, no one spends time trying to hide their performance. Instead they focus on fixing or improving. Knowing the senior leadership has access and looks at the numbers constantly means you must as well.</i>	Learning mechanism
AR 4/6/10 (ii)	<i>People don't take discussion of ideas or issues personally and they know we will discuss the minutiae and the macro.</i>	Learning culture
FG 4/6/10	<i>Indeed, it is not the type of decision that drives the set-up of a <b>gentle questioning time</b>, but rather the fact that regularly the context for scrutiny is (naturally) created (call it Steering Committee calls, Management Board meetings,...) and, whatever the decision that needs to be taken at that moment, the decision is questioned with the support of data (when possible), with the suggestion of alternative processes or in the light of alternative views (from all levels of hierarchy).</i>	Learning mechanism
CA 8/6/10	<i>Empowerment of staff to try new ideas and not criticise if mistakes are made, but rather learn from them</i>	Learning culture
GJ 8/6/10	<i>Many years of keen focus (largely) on one (compulsory) product</i>	Implied learning
KC 8/6/10	<i>a strong culture of test and learn</i>	Test & Control
CH 10/6/10	<i>We don't get attached to a particular way of doing things and so are quick to adapt to a new way</i>	Learning culture
CH 10/6/10	<i>We are incredibly transparent and non blaming about sharing data in all ways across the business - there is no 'data is power' or 'blame' culture which truly expedites success</i>	Learning culture
SLg 10/6/10	<i>Everyone is encouraged to make a difference, we really listen to everyone working here and act on their suggestions.</i>	Learning culture
CB 14/6/10 (i)	<i>we know that our own people have no prejudices about how things "should" be done, they learn the flexible, cheap, reactive "Admiral way"</i>	Learning culture
CB 14/6/10 (ii)	<i>Feedback is useful rather than critical. Also I think admitting to your mistakes and that no-one's perfect, but you can learn from things, is important.</i>	Learning culture
BM 15/6/10	<i>when I had a problem I needed to solve I asked Henry for his thoughts and he responded 'have you asked the staff? The will come up with some good solutions for you'.</i>	Learning culture
HE 22/06/10	<i>I would like to think we don't repeat many, that you make your mistakes. I mean, the evolution of the places outside the UK, the Italian operation is better in some ways than the Spanish and German operations because it had the knowledge of what we learned from Spain and Germany when it set up and so we did things a bit differently. We hired more senior people earlier and they were more senior. In the US we went a step further and hired much more experienced people earlier because we value that experience. We are going a step further in France and we're outsourcing part of the business so that we don't have the fixed costs that come with setting up from scratch. So, we are constantly learning and improving what we do but it's evolutionary not revolutionary.</i>	Learning culture
JM 22/06/10	<i>we learned as we went along and we carried on learning and because we were learning, I think, right from the beginning and still learning, we came to it with very few preconceptions. Everything was on the hoof almost... and what we learned was that you can change very quickly. You can make mistakes and learn from them and put it right and actually benefit from those things.</i>	Learning culture
JM 22/06/10	<i>So, although we made mistakes and put them right</i>	Learn from mistakes
AP 23/6/10	<i>I still think there is a lot of knowledge, detailed knowledge, the people who run the business at the top they still can knit.</i>	Knowledge from experience
AP 23/6/10	<i>we haven't got a set idea this is exactly the way to do it, a willingness to adapt. We've now been through a number of different cycles in the insurance business and all businesses go through cycles and in every part of that cycle we do better than everybody else. I think it's down to our willingness to adapt ... We will adapt to it.</i>	Trait (Experimentation)
AP 23/6/10	<i>I think experimentation has always been at the heart.</i>	Trait (Experimentation)
AP 23/6/10	<i>preparing to do it as an experiment and then perhaps does it work?</i>	Test and control
AP 23/6/10	<i>Great let's get on with it. Or, does it partly work? Does it need a little bit of change? Yes. Bang! It's changed. Or, no, it doesn't work; right throw it away, on to the next idea.</i>	Test and control
DS 24/6/10	<i>one of the best maxims of Henry's is "the perfect is the enemy of the good". And that means that you can do half arsed changes which either turn out to be a waste of time or turn out to be the germ of something valuable that you then push forward.</i>	Test and control
DS 24/6/10	<i>Confused in the last two or three years is therefore very interesting as a sort of shining light, I think also failures and successes of the international venture so far shines a bit of a light.</i>	Learning lessons
AP 11/11/10	<i>we won't step into a bloody big black hole, we'll step into a puddle, twiddle our toes around in it, measure how big the waves are, or not, if it doesn't produce what we want we will stop it, we will kill it and say, "right, good hunch, didn't work, move on to the next one" or "hunch seems to be ok, now let's invest much bigger in it".</i>	Start small and learn

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CA 11/11/10	<i>I think what's important for us is we go out and we're not afraid to learn from other companies as well. We haven't got an arrogance about us to think that everything we do is perfect and the best way, you know, we're prepared to go to British Gas and Lloyd's TSB, see what they're doing, pick up different things from them.</i>	Benchmarking externally
CA 11/11/10	<i>people here are not afraid to trial something and make a few mistakes</i>	No blame culture
CA 11/11/10	<i>I interpret that [HE's saying "the perfect is the enemy of the good"] as if you don't do anything because you're waiting it to become perfect first then you are just not going to move forward. You won't even get something that's good to operate because you're frightened with running with something just in case there are flaws in it and you are waiting for everything to be perfect and so it stifles progress</i>	Test and control
CA 11/11/10	<i>Well, we review the first one, we interviewed people at the start and finish; we listened to what the feedback on the plan was; we adapted it ... because we intended it to be an evolving thing.</i>	Example of double loop learning
CA 11/11/10	<i>we had a plan, we knew what we wanted to do with the plan, we knew what we wanted to achieve, we had all the contents of the programme in place, then we wanted 12 – 15 people to go on this plan and we put it out to the operation ... we went for a soft launch ... But, on the other hand, these people 10 of the 15 who we thought "oh, my God, we were expecting much better calibre than this coming through" at least give them some sort of training plan or they will... it may not have been designed for these people when we put the plan but if we're waiting for it to be perfect and said "no, we need 15 experts to go on this plan" we would never get off the ground. So, you bite the bullet, you stick them all through there, you explain why they've all gone through "you are guinea pigs" and all this business. So, if we waited for perfection there we would have still been on the drawing board but now we're into the second stage of the plan; we've had those people go through there.</i>	Example of double loop learning
CA 11/11/10	<i>Lots of them [ideas for improvements in department] come from outside the department by going along to ops managers' meetings, going along to the sales team managers' meetings, or the sales ops managers' meetings, listening to what the business needs are, and then throwing them around, ideas, between us. So, some will come from me, some will come from other members, not necessarily managers in people services but people actually doing the work as well.</i>	Ideas from everywhere
LS 12/11/10	<i>I think we do have lots of failure but I think you don't really see it because we don't stick it up there and go "that was a complete failure, completely useless at what you do, I'm going to tell everybody how useless you are" it's "oh you failed at that, what did you learn, can you make sure you sort it out?" And if it is a really big failure – I think I've had one or two – and Henry takes you in and you don't do it again. He beats you around the head and you learn from that but we are not, we don't blame people. If something happens and it goes wrong, well, let's find out why it went wrong and then let's make it right instead of spending all your energy on the enquiry, let's just move forward and find out what we can do right.</i>	No blame culture
LS 12/11/10	<i>I guess it varies from department to department because clearly we're trying to measure what we want to achieve and why we aren't achieving it and analysing where did that go wrong, why, if we did that instead of that would we get a better result?</i>	Measures reviewed
LS 12/11/10	<i>any major issues that came up or anything we should be aware of, and we do pick up on those and then are able to go back to those departments and say "look, this has come up and maybe you might want to address is."</i>	Learning process
NWK 2/2/11	<i>I would say up to a certain level there is a lot of freedom to try and learn from their own mistakes. So, you can try something, make a mistake, fine. Learn from it, don't do it again</i>	Learning lessons
NWK 2/2/11	<i>the point was to say we're a pretty open and ready to test company, test new things, test how people respond to certain things</i>	Test and control
NWK 2/2/11	<i>It was configured differently and it took some time to come up with the solution because when they generate five reports on calls for sales and I say no, actually, I want two reports but they have to be an aggregate of everything. At the same time, what worried me was in aggregate it looks good but we might have been killing Bell, slowly, without even noticing it because it was too small. So, I was also insisting on having the two sets of data running side by side, very quickly realised that it didn't matter because if Bell has a call answering rate of 70%, so be it, because the other ones were just so massive in terms of comparison that it was just worth it. So, we very quickly let go of the call answering rate by brand and just moved into a function. So, I think two or three months down the line we ditched everything we had on the brands and we started new functions.</i>	Example of how measures are tinkered with
NWK 2/2/11	<i>I try to share what I do with them and say ok I'm looking at this what do you think is happening here? When I point it out, it's like, oh yeah, yeah, yeah, we've got it. I'm like, yeah, but you should be picking this one up without me telling you that it's happening.</i>	Learning process
KC 03/02/11	<i>we do it in a small way, as small a way as we think we can get away with, basically, to do enough to see if it's going to work but not gamble too much</i>	Test and control
NWK 03/02/11	<i>people keep on saying that we are a mature company, we are a FTSE 100 company, I still think of us as a teenager. We haven't finished our learning and we are more than willing to change if the right numbers are put in front of people, we'll change.</i>	Frame of mind
AP 23/6/10	<i>if you need a new pattern because the existing pattern's not working use another pattern; and keep on learning at it; just don't take it for granted but your top management should keep very, very close to the business</i>	Learning as a fundamental element of success

## A.5 'People Matter' Theme

Respondant/ Date	Verbatim statement from interview	Initial Code
FG 3/6/10	<i>Letting employees shape their work and their workplace? (e.g. listen to radio in the call center)</i>	Listening
FG 3/6/10	<i>Respect that enhances employee commitment? e.g., accepting/embracing diversity,...people feel proud of working</i>	Respect/Fairness
DL 3/6/10	<i>Upper management still in place that make feel every single people in the company part of an adventure</i>	Inclusiveness
CN 3/6/10	<i>Profit sharing culture</i>	Alignment mechanism
EB 3/6/10	<i>Leaders with more motivation than short term profits or share price</i>	Alignment mechanism
EB 3/6/10	<i>Ownership developed by independence to decide locally, profit sharing</i>	Alignment mechanism
EB 3/6/10	<i>Reduce politics, at the end all can be measure and numbers discussions are easier</i>	Lack of 'politics'
AR 4/6/10 (i)	<i>People that are happy smile, smiles go through phones and make customers happy</i>	Happiness
AR 4/6/10 (i)	<i>Having the senior leadership motivated not by the next quarter but by the ultimate long-term success of the business means people make better decisions</i>	Alignment mechanism
AR 4/6/10 (ii)	<i>People don't take discussion of ideas or issues personally</i>	Lack of 'politics'
LS 7/6/10	<i>we try to avoid and us and them culture</i>	Lack of 'politics'
LS 7/6/10	<i>we believe work should be fun</i>	Fun
LS 7/6/10	<i>we try to be open, honest and try to have two-way communication</i>	Communication
KC 8/6/10	<i>a wonderful lack of blame throughout the organisation - leading to people being much more open about their problems and more willing to listen and take advice</i>	Communication
CA 8/6/10	<i>A strong sense of fair play and respect for all</i>	Respect/Fairness
CA 8/6/10	<i>Empowerment of staff</i>	Empowerment
CA 8/6/10	<i>A strong sense of working towards a common goal</i>	Alignment
CA 8/6/10	<i>The staff share scheme making all our staff stakeholders and a the overall high levels of engagement of our staff</i>	Alignment mechanism
CA 8/6/10	<i>The genuine belief that "people who enjoy what they do, do it better."</i>	Happiness
CA 8/6/10	<i>a willingness to listen to others</i>	Listening
SC 8/6/10	<i>listening to staff</i>	Listening
SC 8/6/10	<i>The constant drive to make Admiral a great workplace is real</i>	Work environment
NWK 10/6/10	<i>Implementing change we take the time to explain what we ae doing and why are doing it.</i>	Communication
NWK 10/6/10	<i>Accessible management at every level. Managers sit amongst their team and and are not remote from their day to day needs and feedback.</i>	Work environment
SL 10/6/10	<i>They are proud to work for Admiral and are constantly looking for ways to be more efficient, make money and have fun. It's more than just a job to many of them as they feel they can make a difference to the bottom line and therefore to the success of our business.</i>	Alignment
CH 10/6/10	<i>We are extraordinarily aligned about a collective goal for the business, instead of individual departmental or product ones. Even at the level of bonuses. The bonus culture here with the exception to some extent of senior management, is more like the John Lewis structure of a payment of group profits / success and not around an individual's or departments performance</i>	Alignment mechanism
CH 10/6/10	<i>We really do trust people to get on with their portion of the business, and we empower people on the front line with the customer far more than comparable businesses</i>	Empowerment
CH 10/6/10	<i>We are incredibly transparent and non blaming about sharing data in all ways across the business – there is no 'data is power' or 'blame' culture</i>	Lack of 'politics'
SLg 10/6/10	<i>Everyone is encouraged to make a difference, we really listen to everyone working here and act on their suggestions. This is powerful in ensuring everyone feels part of our success and generally more comfortable with change.</i>	Listening/ Alignment mechanism
CB 14/6/10 (i)	<i>we promote from within</i>	Opportunities
CB 14/6/10 (i)	<i>we behave as if it really is our company</i>	Alignment
CB 14/6/10 (ii)	<i>the communication directly to staff is very good. Henry, David and Kevin do Admiral TV, the SGM, live webchats, and all have an open door policy so that people are encouraged to speak up.</i>	Communication
HE 22/06/10	<i>I was trying to set up a company that .... did care for ... its staff;</i>	Caring
HE 22/06/10	<i>they [visitors] see that people are quite happy here. That's the thing that most people say. They say "I'm surprised, everybody seemed to have a smile on their face".</i>	Happiness
HE 22/06/10	<i>[Happiness is important because....] it comes across to the customers, they [the staff] give a little bit more. You know when you pick up the phone and you're talking to somebody in some organization you know whether they're having a good day or a bad day ... and you think worse of organizations where they're not having good days. ... we get that [time] back by people's good attitudes and if we need people to work a little bit extra usually they will, they will give back to the company as well when the company needs it. So, that's the belief ....., you have got to use the tools but let the culture work for you.</i>	Rationale for approach to people management

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HE 22/06/10	<i>I think they enjoy the camaraderie. I think they enjoy their teams. I think they enjoy the atmosphere. I hope they enjoy the shares, eventually, it does take three years to vest but they get them pretty quick after joining, they get their first wodge. I hope they find it an interesting business. They are actually helping people.</i>	Enjoyment
HE 22/06/10	<i>... I ask them "where have you come from and why did you leave that job you were in to join us here?" and so many people say "I left that job because they treated me badly". What do you mean, treated you badly? "Didn't pay attention to me, didn't care, didn't ask my opinion..." whatever, and I want those managers sitting there to hear this. What is it that people leave jobs, what does it mean treat them badly, are you doing that as a manager, that's what I want them to ask themselves. What are you doing so that people wouldn't say "I left that company because of the management, because they were treating me badly" .....</i>	Management style reminders
JM 22/06/10	<i>"if you think you can do it, get on with it" and that applied for a lot of people so it became a place where people could, like water, find their own level.</i>	Empowerment
JM 22/06/10	<i>We've given people the room to make decisions and come up with ideas and to make a difference.</i>	Empowerment
JM 22/06/10	<i>And for every one person who moans about pay or whatever benefits, there are an extra 5 – 10 who will say, no, I made a difference today, or I didn't make a difference today, or my ideas counted for something or my input counted. So, I think there was a big and still is, a big selling point for us that people do feel they are being taken seriously.</i>	Satisfaction
JM 22/06/10	<i>Most of our marketing department, pricing, every department that we have got people who started on the phones</i>	Opportunity
JM 22/06/10	<i>even our new managers have got opportunities that will stretch them. .... But, as things change they move into different roles. ... like Nick, who started as a sort of graduate, not trainee exactly but certainly as part of the graduate group, didn't realize he would be running operations in the UK almost on his own with some input, obviously from David. But, he wouldn't have anticipated that. He thought he was going to go off to run a start up in a small European country and now he's looking after thousands of people here. The same probably applies, not to a new manager, with Stuart Morgan who now has an infinite number of people down in claims. You know, he was looking after PI when he came and what was there, 20 – 30 people. So they've been stretched in different ways because whereas someone like Stuart was initially a technical manager, knowing his claims and legal role he now has to be, has to be, a people manager of 1,000.</i>	Opportunity
JM 22/06/10	<i>I think it's the key thing. It's the one thing that gives people proper satisfaction and stretches them and makes them feel they've done something</i>	Satisfaction
JM 22/06/10	<i>So, you make people believe, feel, that everybody's job is worthwhile. It's a bit like Henry's jigsaw puzzle piece, this doesn't work without people. And people in junior roles might not be the most key to the success, but they certainly are key and showing value for those people, I think, is important and I think that's what will make the different... you can somehow convince people or be of a certain character that lets them have confidence in you and confidence that we're all in this together.</i>	Satisfaction
JM 22/06/10	<i>I think that message is being underscored, underlined for so long, that it's filtered right through to the front line. People are kept informed, they are kept informed by annual general meetings and the magazines and the facts that go out. People know where they are going</i>	Alignment
JM 22/06/10	<i>quite early on was the scheme that gave everybody some part of ownership, or sense of ownership. This was our company. This is our company and when it does well we do well</i>	Alignment mechanism
JM 22/06/10	<i>Basically if you treat people like monkeys that's what they're going to act like isn't it. you can't get people just to do as they're told. If you want people to do as they're told, fine but they are never going to do anything else then are they?</i>	Respect
JM 22/06/10	<i>Not deliberately I don't think, just accidentally came along that way, which shows, again, that we recognize people for their skills and not for their sex or their position.</i>	Respect
JM 22/06/10	<i>I am sure there are hugely successful companies that are not as friendly and pleasant and relaxed as this is. But it would change the company, I think, drastically, and I think that is the danger that people wouldn't want to work for a company like that. Again, it goes back to this people want to work for this company because there is somehow this element of almost like a personal loyalty.</i>	Work environment
JM 22/06/10	<i>sometimes somebody will go home and say "we were doing wee games or a quiz" something going on. They will say "dear me, I don't know how your company can be successful while you're doing those things." you have to explain to them, "we're not successful in spite of those things; we don't get rewarded for being successful; we are successful because of those things; because people are happy we are successful; it's not the other way around." Because you are successful you are not able to do all the fun things just as some sort of treat, it's completely on its head, we are only successful because people feel comfortable here. It's not quite the way it looks. And again, it goes back to this underestimating. It isn't that we're rewarding people for being successful. We are driving that success through these things.</i>	Rationale for approach to people management

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LS 22/6/10	<p><i>I know Henry talks about our 4 cornerstones</i></p> <p><i>Fun - we believe work should be fun, because if you like what you do you do it better - eg we allow radios, TVs etc, when other companies would say this distracts staff and would have an impact on productivity.</i></p> <p><i>Equality - we try to make everything equal - eg everyone has to go on the car park waiting lift, no hot desking (yet!), all have same desks, chairs, no executive dining rooms, company cars, benefits that benefit all</i></p> <p><i>Communication - we talk to staff in a variety of ways and we make it two way communication, eg online chats, friendly forums, tea parties, SGM, company updates, sitting with staff at their desk, intranet, Admiral TV</i></p> <p><i>Reward and recognition - shares obviously, but other incentives, managers awards, recognition in Column and navigate the SGM, live webchats, and all have an open door policy so that people are encouraged to speak up.</i></p>	4 Pillars
AP 23/6/10	<i>It's always been about people</i>	People matter
AP 23/6/10	<i>I would say probably Admiral is the place I've worked in that least needed equality laws for anything: race; colour; sexual orientation; it's all really not an issue here.</i>	Respect
AP 23/6/10	<i>X [from postroom] almost fainted when she heard she had £30,000 of shares coming to her. That clearly in a sense some people might be saying you're buying loyalty but I don't think it's that. I think it binds in this sense of "we're all in this together and we all get a share."</i>	Share scheme
AP 23/6/10	<i>Because ours has paid out and keeps on paying out... unusual. I mean, I can remember when we first did the management buyout ... We insisted that all staff be incentivized and it was widened substantially at that point, not to everybody, but to quite a lot and what we insisted on setting aside, of course, came out of management share because the VC was not going to give up their bit of it. But, you know, to a degree we had to fight for that, we want to give part of our share to a much wider base, and that is not normal.</i>	Share scheme
AP 23/6/10	<i>Most organizations I worked in there are a lot of politics, and yes, there are politics here ... but less so than anywhere else. You can have a bloody good row and then go off for a sandwich for lunch and talk about the cricket or whatever and then have another row tomorrow about something entirely different. That's something to do with speed as well, rather than pussy footing around the politics of it all and trying to get people on side and twiddling it, have the bloody row out in the open;</i>	Lack of politics
AP 23/6/10	<i>I have never seen a bad reaction to it [Admiral's work environment] actually. I mean, for many years we were sort of at the forefront of informality and things and ... Best places to work. You know. All I'm ever seeing is good reactions that people like the energy of the place. It is so different to most insurance companies even today that flippancy, that fun, that lack of standing on ceremony.</i>	Work environment
AP 23/6/10	<i>We didn't do it for cost reasons. Very clear on that, I'm not totally convinced it is less expensive. We did it because we just could not get enough people in South Wales ... Who wanted to work shifts and things. That was the only reason we did it. It was never done from a cost saving perspective. It was just another area where can we employ quite a lot of people and we needed to grow fast and there was no way we were going to be able to take that many people on certainly in South Wales</i>	Rationale for India
CB 23/6/10	<i>we are very relaxed about most things to do with the working environment and how we manage staff – dress code, flexitime in some departments, flat structure, no hierarchies, fun, etc</i>	Work environment
GR 24/6/10	<i>possibly the sense of inclusion with all staff. I think it's staff feel involved in the business; I think staff feel cared for by the business; a part of something; I think they feel – maybe not everybody but I think - most people feel valued for what they do; and I think they feel the possibility that they could do more than what they actually do; and they're not prevented from trying to do something more than what they currently do. I think that's what makes us slightly different.</i>	Inclusiveness
GR 24/6/10	<i>it's always been our culture where we promote from within and we encourage people to develop; there are lots of different development opportunities for people; and I think maybe that attention to individuals, as individuals, might sort of set us apart a little bit.</i>	Opportunities
GR 24/6/10	<i>so it's obviously fair</i>	Fairness
GR 24/6/10	<i>it [IRC] started because it seemed to be the fairest way for us to say we're not choosing people because they're our favourites, we're choosing people because they are the right people to choose. It kind of demystifies the whole process of putting a team manager into a department</i>	Fairness
GR 24/6/10	<i>They all are able to get feedback. We don't force that feedback on them. If they want it they can have it</i>	Development opportunity
GR 24/6/10	<i>Up against existing internal people for those positions</i>	Fairness
GR 24/6/10	<i>it's often about asking what are they actually able to do for us, firstly, and secondly are we then able to iron out those bumps that you're not happy with? There are positions all over the place that require a particular type of skill and a particular type of person and it's about just finding the right match and seeing through some of the things that people just don't see, is seeing that potential, and not everybody does.</i>	Matching potential
GR 24/6/10	<i>it's about paying attention to the individual again, I think, and how they fit into everything else and it's the jigsaw piece Henry gives people right at the beginning.</i>	Inclusiveness
GR 24/6/10	<i>it's almost as though the way that we use the individuals who work here in order to do something different or more or better or bigger or ... it's almost as though we do try and use the people who work here to make this thing work and we do that by respecting that person who works here and supporting that person who works here.</i>	Inclusiveness

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GR 24/6/10	<i>I just think when you talk about fun, and sense of fun and all those things, that's all well and good but the bottom line is you want to make somebody want to stay here and do something for you. I think we do that really well by providing for the individual.</i>	Rationale for approach to people management
GR 24/6/10	<i>look at things like all of our family friendly policies and all that we do to support individuals; how we try and keep that individual with us through, maybe, the difficult times they face in their lives and it's about community culture,</i>	Processes in place to help individuals
DS 24/6/10	<i>it's a good thing because there is a huge amount of learning that goes on. Obviously experience ... one of the things about entities with turnover and with the use of external advice is they're doomed to repeat the same mistakes. It is valuable, ok, I'm being very fuddy duddy about it, but to have someone comes and says "the answer is X" and we say "funny enough we tried X six years ago and the reason why it doesn't work is this..." so that sort of just knowledge that is learned is quite valuable. .... That's another thing, of course, which is very valuable, you know people and you know how it sort of works in terms of decision making.</i>	Rationale for consistency of staff ...
DS 24/6/10	<i>we have had a number of people who have been... who have ceased to perform very well or who have moved into roles that were the wrong role, but we have tolerated that which has its benefits and disadvantages</i>	...and arguing against - the disadvantages
JG 10-11-10	<i>if you look at what Admiral goes out, as a company, to sponsor and support ... The areas it seeks to support are the sort of areas its workforce, which is a very typically young group on average, where they will be interested and where they will be, probably, attending these events. So, it's in tune with its staff</i>	External community support
JG 10-11-10	<i>... if you are comfortable letting your employees wear what they want, you know, of course, being professional when they're doing the job but if you're comfortable enough to let them dress how they want it is reflected in the respect that employees will have for the employer.</i>	Respect
CA 11/11/10	<b><i>I don't like [the term] human resources. ...Well, it just sounds like resource not people. I know people are a resource but it just makes it sound so impersonal, doesn't it.</i></b>	People matter
CA 11/11/10	<i>We promote the idea of you make this a good environment for your people to work in rather than "this is what's going to make this a good environment for your people to work in"</i>	Work environment
CA 11/11/10	<i>I think we put a lot of importance on the relationship between the manager and the staff because culture is having the fun and our values and everything like that but what matters to the people working here is the climate they work in every day so it's a deeper thing than culture and values and principles</i>	Relationship b/w manager and staff
CA 11/11/10	<i>It's inevitable, I think. I think that's what a key part of my role is, talent spotting and moving these people into routes of development that they wouldn't normally have thought of.</i>	Opportunities
AP 11/11/10	<i>Certainly giving to staff, I mean, I don't think that's part of cost control, that's a fundamental belief that if staff have ownership then they work better for the business by feeling part of it and actually save you money. ... I see it on a much wider basis, I'm not talking just about the millionaires in this place, I'm talking about the people who've been here a long time and have done very well out of it.</i>	Share scheme
AP 11/11/10	<i>No, that culture is important to me. It is still important to me. To walk in here and people say "hello, how are you doing? What's going on in life?" and generally mean it is ... you know, I feel they're not saying it just for the sake of it. It's important. You know, you spend a lot of time in work.</i>	Work environment
AP 11/11/10	<i>Well, we've certainly in the past bent over backwards to place people, to use their strength even though we may have taken them on to do something else. It takes us some time to find out, "actually that's not what they should be doing" and bent over backwards to put them into something which is more suited to them. I think people get a voice.</i>	Understanding strengths and weaknesses
AP 11/11/10	<i>That's what we do, we shuffle the pack [pack being people]</i>	Understanding strengths and weaknesses
LS 12/11/10	<i>for me it's trust, belief in they believe in you, giving you the opportunity to go away and do things</i>	Empowerment
LS 12/11/10	<i>having a laugh when it goes wrong</i>	Fun
LS 12/11/10	<i>But, do we spend the same amount of time on checking that our staff are happy?</i>	People matter
LS 12/11/10	<i>And it's also important for our staff to see that when we do these we don't hide them away, we go, "here they are, everybody have a look at them" and departments are visible where they're not performing and everybody can see and I just think you've got to show people. If we're asking them you've got to show them what we're looking for and what we should be doing</i>	Transparency
LS 12/11/10	<i>I have also said to other managers "you know, if Henry asks me I tell him the truth" and that's the end of it, otherwise he wouldn't trust me. So, I tell him lots of good things but if something bad is happening I will tell him. That is my responsibility, in my role, to do that.</i>	Transparency
NWK 2/2/11	<i>So, I was very surprised and I was like "oh, that's thoughtful of this company to ask the partner to go in."</i>	Recognition that family plays a role in job selection
NWK 2/2/11	<i>how they came from a small role into bigger roles and that it was a company with a lot of opportunities.</i>	Opportunities
NWK 2/2/11	<i>I started digging and finding discrepancies and then you're like, oh, now I know what to do because there is something to do, it's not perfect and there is a real job behind.</i>	Evidence NWK needs to feel he is making a difference
NWK 2/2/11	<i>I like that role, that side of the company because people can develop themselves</i>	Opportunities

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NWK 2/2/11	<i>So, the message was we care about you. It shouldn't have too much impact on you</i>	Caring
NWK 2/2/11	<i>Giving the impression. We are very good at giving that impression. On the call centre side we are saying we are a fair company and if you have any problem you can raise with us and we'll be more than willing to look into those things ... we also insist on saying it's a fair company when we promote to people. Most of the time it's true.</i>	Fairness
NWK 2/2/11	<i>It boils down to who your manager is. I think that if you run a correlation the best team managers have just better retention and because the people feel better supported. So, it's down to that basic treating people well will save us money.</i>	Rationale for treating people well
KC 03/02/11	<i>And there is a lot of empowerment but you don't realise you're being empowered until you get used to the way it works. So, there isn't ... on the one hand it can be very strong challenge from above and on the other hand it can be very open, "let me know how you get on, I'm happy to support which call you make on this one".</i>	Empowerment
KC 03/02/11	<i>Henry's sense of being prepared to back decisions that his team make, does give you a great feeling of being able to go on and do things quickly without worrying about due process or having to evidence or support, or get support for decisions across a big wide area</i>	Empowerment
KC 03/02/11	<i>And there is a free flow of people between departments. I mean, there is a lot of people moving in different areas, which is great, there's been an awful lot of internal promotions and moves, maybe that's another important part of this whole thing as well, the fact that people have moved around so much, sideways and across the organisation means that they don't feel constrained by just being the pricing guy or the post room guy.</i>	Opportunities
KC 03/02/11	<i>That's when I did 360 feedback and gave an appraisal which was in the April and that was really very damning about the way he was manipulating the staff in the same way he was manipulating me. He was bullying me, effectively, intellectually and he was doing the same to his staff and if he could bulldozer me in that way what the hell was he doing to some of these poor guys who were just trying to come up through the system and were young managers.</i>	Breaking the rules about the way we expect people to manage
KC 03/02/11	<i>The core reason for the reorganisation was to free up the Martins of this world to be allowed to make some decisions. So, get rid of all those layers of management, make it very clear who's trying to do what and give them the authority to get on and do it.</i>	Realigning empowerment
NWK 3/2/1	<i>But, it's finding that balance all the time. It's I believe that people do not try to do a bad job. Sometimes they just don't know how to do a better job and if we teach them they will be more than happy to learn and do a good job</i>	A fundamental belief in people
NWK 3/2/1	<i>We are not aggressively kicking people out of the company. On certain aspects we might be a bit too soft on that but no, we are not actively pushing people out of the door, we try to see if there is something we can do about them first.</i>	A fundamental belief in people
NWK 3/2/1	<i>hat might be the common solution but you don't want to appear doing something that drastic to your people, you have to appear fair and do the right thing before pushing somebody through the door</i>	Fairness
NWK 3/2/1	<i>I'm not convinced, either that putting out the mediocre ones without trying anything is optimal in terms of economy sense. .... I kind of believe that I have more to gain by bringing mediocre people to an average standard than just pushing the good people to very good standard. Good to very good might be very difficult but mediocre to average might be pretty easy and they handle a big volume of calls so the effect they have might be even more than the numbers suggest.</i>	An economic rationale for working with people
NWK 3/2/1	<i>But they do feel our presence, or lack of presence and they do care about it, so we have to make an effort in maintaining it.</i>	'sharing the love'

A.6 'Management Style' Theme

Respondant/ Date	Verbatim statement from interview	Initial Code
FG 3/6/10	<i>Letting employees shape their work and their workplace?</i>	Example of style
FG 3/6/10	<i>Respect that enhances employee commitment? e.g., accepting/embracing diversity, ...people feel proud of working</i>	Example of style
DL 3/6/10	<i>A good balance between freedom (autonomy given to team managers and call centers guys, autonomy given to each department heads, freedom to cease opportunities (eg:Confused), etc.) and control (wages, analysis to each details, profitability drive....).</i>	Example of style
EB 3/6/10	<i>Reduce politics, at the end all can be measure and numbers discussions are easier</i>	Example of style
AR 4/6/10 (i)	<i>With all the measures always visible, no one spends time trying to hide their performance. Instead they focus on fixing or improving. Knowing the senior leadership has access and looks at the numbers constantly means you must as well</i>	Example of style
AR 4/6/10 (i)	<i>the freedom, flexibility, and fun in the work environment makes for a different feel</i>	Example of style
AR 4/6/10 (i)	<i>Having the senior leadership motivated not by the next quarter but by the ultimate long-term success of the business means people make better decisions</i>	Example of style

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FG 4/6/10	<i>With Admiral's hands-off micromanagement our hierarchy gives us plenty of autonomy and freedom, more that we would probably get in any other job, but at the same time stays at a prudent distance for supportplace?</i>	Example of style
FG 4/6/10	<i>Top management is involved, so inputs from the very top of the organization can arrive for all sorts of decisions</i>	Example of style
AR 4/6/10 (ii)	<i>People don't take discussion of ideas or issues personally and they know that we will discuss the minutiae and the macro</i>	Example of style
LS 7/6/10	<i>2. we try to avoid an us and them culture 3. everyone is equal (as far as possible) 4. we measure and test everything first if we can 5. we believe work should be fun 6. Henry, David and Andrew, now Kevin, don't have egos and will get involved in basic tasks 7. we try to be open, honest and try to have two-way communication</i>	Example of style
KC 8/6/10	<i>a strong culture of test and learn - always seeking out change and improvement rather than just status quo, a very strong focus on cost control and "find the cheapest or simplest way" to do something, or just do without, a wonderful lack of blame throughout the organisation - leading to people being much more open about their problems and more willing to listen and take advice, Henry. He leads by example so very well - and that still sets the tone for the whole organisation</i>	Example of style
CA 8/6/10	<i>A strong sense of fair play and respect for all Empowerment of staff to try new ideas and not criticise if mistakes are made, but rather learn from them A strong sense of working towards a common goal The staff share scheme making all our staff stakeholders and a the overall high levels of engagement of our staff The genuine belief that "people who enjoy what they do, do it better." A non dogmatic approach to solving challenges and a willingness to listen to others</i>	Example of style
SC 8/6/10	<i>listening to staff and making changes where required. The constant drive to make Admiral a great workplace is real</i>	Example of style
NWK 10/6/10	<i>Accessible management at every level. Managers sit amongst their team and are not remote from their day to day needs and feedback.</i>	Example of style
SL 10/6/10	<i>Flexibility....probably one of the keys to our success. Sometimes this is hard but there is a real "can do attitude" within our business and a real belief that we can make it happen. However, we are measured in our approach to risk and I believe fear failure at all levels. That tends to focus the mind.</i>	Example of style
CH 10/6/10	<i>2. We don't get attached to a particular way of doing things and so are quick to adapt to a new way (confused an example of this) 3. We are extraoordinarily aligned about a collective goal for the business, instead of individual departmental or product ones. Even at the level of bonuses. The bonus culture here with the exception to some extent of senior management, is more like the John Lewis structure of a payment of group profits / success and not around an individual's or departments performance 4. We really do trust people to get on with their portion of the business, and we empower people on the front line with the customer far more than comparable businesses 5. We are incredibly transparent and non blaming about sharing data in all ways across the business – there is no 'data is power' or 'blame' culture which truly expedites success</i>	Example of style
CB 14/6/10 (i)	<i>we behave as if it really is our company</i>	Example of style
CB 14/6/10 (i)	<i>there is a core of fierce loyalty to the group, which I believe is inspired by the senior management, Henry in particular; there is a subconscious feeling that if you are loyal to Admiral, Admiral will be loyal/ good to you, which I think produces disproportionate effort from people and is often described in our surveys as a real "family" feeling (others may have differing views about how healthy it is to encourage such long term commitment, but I think Admiral is one of the few places where loyalty is so explicitly valued).</i>	Example of style
CB 14/6/10 (ii)	<i>the communication directly to staff is very good. Henry, David and Kevin do Admiral TV, the SGM, live webchats, and all have an open door policy so that people are encouraged to speak up.</i>	Style mechanisms
CB 14/6/10 (ii)	<i>all the managers in the department work at being very open and accessible, and we take decisions together rather than from "on high."</i>	Example of style
CB 14/6/10 (ii)	<i>Also I think admitting to your mistakes and that no-one's perfect, but you can learn from things, is important</i>	Example of style
LS 15/6/10	<i>One of the things we also do is, is try and stay close to our staff, by visiting departments and sitting next to people, all the different forums, tea parties, online chats, etc we run.</i>	Style mechanisms
LS 15/6/10	<i>Henry and Central training run the 7 Principles of People Managment at Admiral Group and I think if everyone follows this, it's a good way maintain the culture.</i>	Style mechanisms
BM 15/6/10	<i>I've felt since joining the company that there is a certain way of managing people and situations here, primarily led by the 7 principles.</i>	Style mechanisms

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CA 21/6/10	<p>1. Put yourself in the place of the people you manage</p> <p>2. Remember your targets, but keep in mind that very few of them can be met without the effort of those you are managing</p> <p>3. Get out of your chair</p> <p>4. Never forget how important you are to the people you manage</p> <p>5. Pitch in and help. Don't do everything, but don't automatically delegate</p> <p>6. Communicate, communicate, communicate. Feedback, feedback, feedback.</p> <p>7. Leave your ego at the door when you come in each morning.</p>	Style mechanisms (7 Principles)
HE 22/06/10	... stay in touch with all the people in the organization ... all of these were the founding values..	Example of style
HE 22/06/10	And just a good word, we talk to our managers about just saying to people, "well done; good job". Just get out there and be positive.	Example of style
HE 22/06/10	[Examples of HE's style] one of the ones is chat lines. I'll open up, I'll go on line and I'll have 4 – 500 people sign in and they can ask me any question they want and I'll type the response straight back to them and I do that for an hour, hour and a half every few months...I meet every new recruit. I introduce myself to every new recruit in Halifax, Swansea, Cardiff and Newport. Now, I only do it in groups of like 35 or more now. I used to do groups of 7 – 9 and I give them all the same talk. I've got the current set of note cards is dated from 1999, and that's only my second set of note cards. It's one talk from 92 - 99 and now this one. So, the same message goes out to everybody in the organization. .... Jigsaw puzzle goes out at that time. The plaque awards we still do, very important. And we do a listening in. We get a program where one day a month we'll all sit for an hour, an hour and a half with some member of staff in some department, or a couple of members of staff in that department and learn what they're doing and why and then we get together with senior managers and discuss our experiences and we never fail to bring up a whole slew of things that we didn't know before about our own business .... I do training forums for mid level managers three or four times a year where I just get them together in small groups and just talk about management and the Admiral management way and things like that. .... I read all those ["I want to work for a company..."]. In fact I had some in the other day, very good. You can tell the quality of the people you're hiring a lot by those forms.	Examples of style/ Mechanisms
HE 22/06/10	What I don't do that I wish I could but I just have given up is walking around. In the early days it was three times a day; then it became twice a day; then once every other day; now it's just almost impossible now; every once in a while I'll do a couple of floors but that is again, was a very valuable thing as we were growing, that people could see senior management, not just in their offices, door closed, but actually walking around, talking to them, asking how things were going, showing an interest. And, it's educational for me because you learn something every time you walk around...., I passed the comment forms on, I don't do those anymore. That was recent. Up until last year I would still take home a chunk of comment forms every Friday night for the weekend.... Tea parties, other managers do them but I don't.	Examples of style/ Mechanisms [HE used to do but other managers now do]
JM 22/06/10	You survived or failed based on how you were with people and how you did your job and that was the top and bottom of it	Emotional intelligence
JM 22/06/10	We have our Ministry of Fun people and social people and first aiders and all the other people that have been dragged into something, they've found their own particular niche and done it and of course there is the opportunity for transferring around the company. I can't even begin to count the number of people who started in the call centres and have moved on to something else. It's beyond counting.	Mechanisms for managing people
JM 22/06/10	Well, that's not quite how it works here. Even senior managers need to roll up their sleeves and get something done .... obviously if you come into a senior role you are not going to do every single, small job yourself but somehow there is a presentation that says you can imagine that I would if I had to..... So, it's almost a way of interacting with people that makes them believe in you, believe that you would do it if you had to and that you value their input. It's not something... let me see if I can put this right. You can be in a senior role, you need to value people's input without being condescending.	Example of style
JM 22/06/10	[He's (NWK) not often at his desk, is he?] No, that's exactly it. He's somewhere else. He's gone off to find out from somebody and I think that's one of the key things and all of them, the people we've talked about again have put their dignity to one side.	Example of style
AP 23/6/10	we expect people to know the nitty gritty of that and if they don't then they don't get full respect and I think that tumbles down the organization at all levels. I mean, I see it in teams. If the team leader doesn't know what his business is about then I suspect his team doesn't support him.	Example of style
CB 23/6/10	we are very relaxed about most things to do with the working environment and how we manage staff – dress code, flexitime in some departments, flat structure, no hierarchies, fun, etc – and yet we're anything but relaxed about the actual business – results, details, the method of how we do things – we are relentless in pursuing better ways of doing things and better results. That's not always visible on the surface, because if you just joined and walked around, you wouldn't necessarily see it until you started talking to managers about what they do.	Example of style/ Mechanisms

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SL 23/6/10	<i>In Renewals particularly, there is a daily dose of fun and mayhem, however sitting behind this there are numerous measures and reporting. A real drive to do things better and achieve great results. It does feel very relaxed on the surface and some people do fall into the trap of believing that this is the way we manage the business. That is simply not the case and they do have a rude awakening. There is a tipping point though! I think we work hard to protect the culture of Admiral and rightly so. It is unique and a point of difference. It is something we are very proud of although I admit in the early days of working for Admiral, I was slightly embarrassed to admit that I'd spent the day dressed up and painting pictures!</i>  <i>I've never worked in a company where the CEO is so accessible and Senior Management so approachable - that makes a real difference.</i>	Example of style/ Mechanisms
GR 24/6/10	<i>The PREVUE test ... gives us a bench mark score for suitability and it basically tells us whether somebody prefers to work alone, prefers to work with others, whether they would find certain situations stressful or not, how are they likely to cope with those particular situations</i>	Emotional intelligence
GR 24/6/10	<i>What I would love to see them doing more of is actually making people better at their jobs by spending more time with them.</i>	Personal touch
GR 24/6/10	<i>I guess it's we don't test emotional intelligence but I think it's easy to establish if somebody does have a higher emotional intelligence because of the way people react to them, and they react to people in different situations</i>	Emotional intelligence
CA 11/11/10	<i>To me the managers' job is to get the best they can out of the people they manage and make them feel that they enjoy coming to work, they can work in a safe environment here, I don't want to say safe health and safety wise but a safe environment where they can express themselves, try new things, make mistakes, contribute to the company, not be afraid to speak up. So, the managers' job is to encourage an environment like that and get the best potential out of the staff they manage, help them achieve their goals, and everything, and support them.</i>	Example of style
CA 11/11/10	<i>I think I listen to them but you've got to give yourself a kick up the butt sometimes</i>	Self awareness
LS 12/11/10	<i>those are the kinds of things that make it work but it comes from the top</i>	Lead by example
LS 12/11/10	<i>so I don't understand why coming in, in the morning, and having your boss, or your peers, or your colleagues saying "good morning how was your weekend?" and having a bit of a laugh and getting on with the hard work</i>	Example of style
LS 12/11/10	<i>we're checking on all those things, constantly, and reminding people, and we're leading by example.</i>	Example of style
NWK 2/2/11	<i>I was working very hard to earn the trust of the people I was working with and not saying "you are doing a stupid job and why don't you change this, this and that". It was like, no, I'm listening and tell me what your problems are and let's see how we can solve them</i>	Example of style
KC 03/02/11	<i>So, as well as trying to free up the structure, trying to bring in much more influence of the type of people that would work in a certain way, that can then start influencing the way the rest of the people work</i>	Reestablishing management by example
KC 03/02/11	<i>So, there is this tremendous knowledge of the detail of the business which is very unusual and so there is a way that management think and work which is a very practical and very hands on, very testing</i>	Definition of management style
KC 03/02/11	<i>I guess the personality of the CEO does make a huge difference. He is very, very good at that. He is very open and he cares enough to talk about all the detail as well</i>	Leading by example
NWK 3/2/1	<i>I try to do the same, walk the floor every day and say hello to everybody. I think they were joking that when I started doing that there were emails flying "Nick is on the floor!" I think that now they couldn't care less whether I'm on the floor or not.</i>	Example of style

A.7 'A Balancing Act' Theme

Respondant/ Date	Verbatim statement from interview	Initial Code
FG 3/6/10	<i>how come most companies need people to control people to control people at their time and we don't and still people do the right thing most of the time!?</i>	Balance freedom & control
DL 3/6/10	<i>A good balance between freedom (autonomy given to team managers and call centers guys, autonomy given to each department heads, freedom to cease opportunities (eg:Confused), etc.) and control (wages, analysis to each details, profitability drive...).</i>	Balance freedom & control
XZ 3/6/10	<i>once we identify an opportunity, instead of wait to pursue the perfectness, we response immediately to put into practice.</i>	Balance action & inaction
FG 4/6/10	<i>Admiral's hands-off micromanagement our hierarchy gives us plenty of autonomy and freedom</i>	Paradox in wording (highlighted)
AR 4/6/10 (i)	<i>we will discuss the minutiae and the macro</i>	Balance micro & macro
HE 22/06/10	<i>.. have a balance between work and home" all of these were the founding values..</i>	Balance work & home

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JM 22/06/10	<i>Now, what I do think could be difficult is that by, if you like, only having people who fit with culture, the culture doesn't grow and the culture can get stunted or stunted, and that we don't actually take it anywhere. I think it's important that we embrace new ideas so that just because it's important that somebody fits they don't have to fit like a glove, they need to fit with the general culture but have something new to offer because otherwise we would be going nowhere. I think one of the things that we have found with the new people we took on is that yes they fitted, yes they were nice people who could interact well on a personal level with people but they had different experiences, they had different skills, different ideas, so took things on. They didn't just come in; we're not just recruiting clones.</i>	Is there paradox here 'fit' yet 'tolerance to diversity'?
JM 22/06/10	<i>you can totally underestimate us, you can believe that it's a lot of people on phones, most of us a tad on the scruffy side because nobody ever comes in, having a lot of fun and taking things very light heartedly but don't do it because you underestimate the company exactly. People know where they're going, they know what they have to do, they know what the budget is, they know what their target is and while they're laughing and giggling and generally begging about they still have their eye very firmly on that ball</i>	Balance fun & control
LS 22/6/10	<i>our culture is relaxed and informal, but we measure everything</i>	Balance freedom & control
AP 23/6/10	<i>And striking that balance [between detail small and large, doing and understanding is implied]</i>	Balance
CB 23/6/10	<i>I think there is a bit of a paradox about us – we are very relaxed about most things to do with the working environment and how we manage staff – dress code, flexitime in some departments, flat structure, no hierarchies, fun, etc – and yet we're anything but relaxed about the actual business – results, details, the method of how we do things – we are relentless in pursuing better ways of doing things and better results.</i>	Paradox/ Balance fun & control
SL 23/6/10	<i>It does feel very relaxed on the surface and some people do fall into the trap of believing that this is the way we manage the business. That is simply not the case and they do have a rude awakening.</i>	Balance fun & control
DS 24/6/10	<i>he [HE] doesn't give as much space for everyone but nor is he an autocrat. Interestingly he hasn't become too corrupted by success</i>	Paradox in wording
DS 24/6/10	<i>I get slightly anxious... on the recruitment that we actually maybe do try and recruit too much to a certain specification on the front line and it might be not quite the right specification ... you need a mix</i>	Balance in recruitment
CA 11/11/10	<i>there was a donut eating competition going on ..... But, we tie that nicely into the measuring things because it was happening at a quiet time of the day, how many calls are you going to lose taking the team off for 10 minutes for a donut competition, something like that? That's how you get the balance together then.</i>	Balance fun & control
CA 11/11/10	<i>So, I have got firsthand experience of people coming in and taking a look around and thinking they must be thinking "how are these people making money? You've got a group of people shoving donuts in their mouth for God's sake, is this a serious organisation or what!"</i>	Balance fun & control
CA 11/11/10	<i>Example of Admiral Choir</i>	Balance is a challenge
AP 11/11/10	<i>Why is that a paradox? I'm not sure it is because I think we're able to innovate, go with a hunch, because we are dedicated to putting measurements around it. so, we know if we go with a hunch we're not going to go down a completely dead end and keep on batting it</i>	Balance hunch and rationality
AP 11/11/10	<i>I don't see the paradox between alter rationality, measurement and innovation. And I think that's our strength because that control thing of the rationality, the measurement, if it moves measure it, it goes along with innovation. We want to achieve something, here is an idea, right, how do we know if that works? ... that to me is not a paradox. That's our success.</i>	Balance hunch and rationality
AP 11/11/10	<i>Certainly giving to staff, I mean, I don't think that's part of cost control, that's a fundamental belief that if staff have ownership then they work better for the business by feeling part of it and actually save you money. ... I see it on a much wider basis, I'm not talking just about the millionaires in this place, I'm talking about the people who've been here a long time and have done very well out of it.</i>	Balance cost control with generosity
AP 11/11/10	<i>Yeah, but you can do both. You have to know your own business inside out but you have to allocate time to understanding the market place. It's a matter or priority, isn't it? What you prioritise, don't prioritise one over the other. Just a matter of allocating your time to make sure you keep an eye on both.</i>	Balance between big picture and detail
AP 11/11/10	<i>[OK, so we haven't got paradoxes, then, what we do have, essentially, are things that..]They're balancing, aren't they?</i>	Resolution of paradox
AP 11/11/10	<i>It's what enables it to go forward in a controlled manner, yes? is that the essence of it? It's what makes it different as well.</i>	Resolution of paradox
NWK 2/2/11	<i>can I see my handwriting analysis. ...So I was like, oh, ok, you have a good balance there. So, I was like, ok, maybe that's why they want me in the job.</i>	Balance between logic/numeracy with consideration for people
NWK 2/2/11	<i>He was very good with people but he had no clue about the rest.</i>	Balance between logic/numeracy with consideration for people
NWK 2/2/11	<i>So, there is a good balance and I think that we should stretch them more but they are not overly dogmatic and pushing us into things that we shouldn't be doing.</i>	Balance between compliance and sense
KC 03/02/11	<i>But, on the other hand, he can also be very vague, you know, he can be very vague. We can have a big discussion about what to do about blah and the output from that session will be "well, maybe this one, that one, or that one".</i>	Paradox in wording

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KC 03/02/11	<i>There is, in my mind, a strange juxtaposition of very detail oriented data analysis in a lot of areas of the business at a surprisingly micro level and it's easy to forget now because I've been here so long ... but then you have got this process of decision making which actually is free of a lot of data and information, it is based on a conversation and a bit of a debate</i>	Balance between big picture and detail
KC 03/02/11	<i>we talked about the ambiguity around what exactly you're supposed to be doing but there's also an ambiguity about who makes the decision about what, not quite who makes the decision but everybody is allowed to make a contribution to the decision about what's being done in whatever, whether it's the post room or the pricing department.</i>	Paradox of the democratic spirit
NWK03/02/11	<i>Is it being people oriented, number oriented, sometimes, depending on who you speak to you have both aspects and you try to balance the two of them.</i>	Balance between logic/numeracy with consideration for people

A.8 'Attention to Detail' Theme

Respondant/ Date	Verbatim statement from interview	Initial Code
CC 3/6/10	<i>Low costs: I think it is a significant part of the profitability and the Cardiff location is a big element of this "low cost" approach.</i>	Focus on 'low cost'
XZ 3/6/10	<i>all the departments have their quantified KPIs and reviews them frequently. Let alone our excellence on the Pricing and Marketing activities</i>	Measures reviewed
XZ 3/6/10	<i>And we managed to fix our errors by closely monitoring the results and a continuous changes.</i>	Measures reviewed
AR 4/6/10 (i)	<i>LOW COST - A foundational commitment to lower cost. This is something that is nearly impossible to achieve later. Going from a 30 ER to a 15 ER would mean massive growth with no incremental expenses or eliminating half your staff, half your buildings, half your advertising, etc. This just doesn't happen. It is a longterm structural advantage if it can be maintained.</i>	Focus on 'low cost'
AR 4/6/10 (i)	<i>FOCUS - Fanatical focus on auto.</i>	Focus on car insurance
AR 4/6/10 (i)	<i>METRICS - With all the measures always visible, no one spends time trying to hide their performance. Instead they focus on fixing or improving. Knowing the senior leadership has access and looks at the numbers constantly means you must as well.</i>	Measures reviewed
FG 4/6/10	<i>Top management is involved, so inputs from the very top of the organization can arrive for all sorts of decisions</i>	Attention to detail
AR 4/6/10 (ii)	<i>we will discuss the minutiae</i>	Attention to detail
LS 7/6/10	<i>we measure and test everything first if we can</i>	Measures reviewed
LS 7/6/10	<i>Henry, David and Andrew, now Kevin, don't have egos and will get involved in basic tasks</i>	Attention to detail
KC 8/6/10	<i>a very strong focus on cost control and "find the cheapest or simplest way" to do something, or just do without</i>	Focus on 'low cost'
SC 8/6/10	<i>a very healthy fixation on management information and importantly the right management information.</i>	Attention to detail
SM 8/6/10	<i>I'd add the weakness of the opposition</i>	Attention to detail
GJ 8/6/10	<i>Many years of keen focus (largely) on one (compulsory) product</i>	Focus on car insurance
NWK 10/6/10	<i>We do what the numbers are pointing to. For example: loss ratios on non fault claims are worse so we should charge them more. It might be difficult to justify to the customer but as a team we know why we are doing it and we know it is the right thing to do so we do it.</i>	Measures reviewed/ Attention to detail
NWK 10/6/10	<i>We are not afraid of change as long we understand why (going back to numbers).</i>	Attention to detail
SL 10/6/10	<i>we are measured in our approach to risk and I believe fear failure at all levels. That tends to focus the mind.</i>	Focus/ Measures
CB 14/6/10	<i>they usually know the business inside out, including knowing our customers, from having worked in it from the ground up</i>	Attention to detail
LS 15/6/10	<i>we try and monitor that our culture is being maintained, through various surveys, so we can identify the areas that need some help and support.  I don't think it works organisation wide and that's way we constantly monitor it.</i>	Measures reviewed/ Attention to detail
HE 22/06/10	<i>Focus, I think it's been very helpful that we only really focus on car insurance and don't get distracted</i>	Focus
HE 22/06/10	<i>we're able to see when problems crop up very early because the numbers all have their own patterns</i>	Patterns
HE 22/06/10	<i>we're able to see when problems crop up very early because the numbers all have their own patterns</i>	Attention to detail
HE 22/06/10	<i>Example of interview question on flying business class implies cost awareness too is a value though this is not specifically said by HE.</i>	Focus on 'low cost'
JM 22/06/10	<i>that's how you were measured. That is, I would like to think, how you are still measured</i>	Measures reviewed

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AP 23/6/10	<i>Success .... grown organically using our own resources and sticking to a pretty simple formula. [Which is?] Which is understand your business; keep close to it; don't get carried away with your own – I'm talking about individuals as well as collectively in the company – don't carried away with your own success; you've got to keep doing it; you've got to keep close to the fundamentals of the business, no ivory towers; keep on doing the knitting</i>	Close to business
AP 23/6/10	<i>if the numbers are changing we look at it</i>	Measures reviewed
AP 23/6/10	<i>I do think it's a lot of management being involved in the detail, understanding the nitty gritty of their areas of the business, or not even just their areas, of many areas of the business. This is an organization which values people who know what they're talking about at the detailed level</i>	Attention to detail
AP 23/6/10	<i>it's detail, knowing the detail and if you don't know it going to look for it, being prepared to look for it but being able to also operate on a bigger scale.</i>	Traits in hiring (sensing)
DS 24/6/10	<i>I think our success innovation is a combination of two things. one is that sort of closeness to the business; well, three things actually; the closeness to the business of the senior managers so that they are reasonably able to make good calls on what might be a successful innovation.</i>	Attention to detail
JG 10-11-10	<i>it's a simple model but where Admiral performs better than its peers is in its ability to write the right kind of business, to manage its financial assets, quite conservatively,</i>	Cost focus/ Underwriting focus
AP 11/11/10	<i>because we are dedicated to putting measurements around it.</i>	Measure everything
AP 11/11/10	<i>We are very cost conscious, always have been from Day One.</i>	Cost focus
AP 11/11/10	<i>We did some very detailed departmental budgets all based on metrics and no manager in this organisation knows how to live any other way so that is fundamental, that's the control system.</i>	Measure everything
AP 11/11/10	<i>a big focus of it for me is about measuring resources, making sure we're not over or under resourced, as you know! I am keen on not wasting money so a lot of my focus would be on the metrics now and predicted and matching the resource to it in a reasonably efficient manner, not the most efficient,</i>	AP's process
LS 12/11/10	<i>we have our fingers and our eyes everywhere and so therefore you are able to manage when things aren't going right because somebody will say to me, from another department that is not a manager, "something has happened here" and you are able to take a look at it ... and constant attention to detail, even somebody who's not a big detail person – and I'm not – it is that constant attention to detail and so for me</i>	Paying attention
LS 12/11/10	<i>They come and join us, hopefully, at a reasonable price.</i>	Focus on 'low cost'
LS 12/11/10	<i>God, I use them nearly every day. From the staff survey result to top 10 to the top 50, I look at those figures constantly and I really, really use those and so do Henry and David and I go to them. We do monthly staff survey and that department is not looking good I go back to their results and see why maybe they behaved in a similar way in their survey</i>	Example of process she uses to pay attention
LS 12/11/10	<i>Doing those surveys is really about bench marking ourselves. We were doing annual staff surveys, they were saying one thing, were staff just answering in a particular way? So, by doing all these different ones we are getting different departments, different companies to do them but we're getting the same results and the same departments that score poorly in the annual staff survey score poorly in those results in all those other surveys as well.</i>	Benchmarking
LS 12/11/10	<i>But, you wait sometimes, you hear something, it doesn't mean you go running off straight away. When you hear it three or four times and you're thinking "oh, my goodness, there is something here" and then you survey the department and you have it in writing!</i>	Patterns
NWK 2/2/11	<i>Well, we got a lot of verbal feedback. We walked the floor, talked to the guys, "how do you think it's going?" They were all "oh, it's fine, blah, blah, blah". I think they didn't want to appear going against the grain but the reality of it was that it was a shock to them and learning the multiple brands, learning the difference in behaviour</i>	Example of control processes
NWK 2/2/11	<i>We thought people were fine, everybody was like yeah, it's the best thing that happened to us. It's only in January 09 when we looked back how much work has been done and how bad it has been for the people when we saw the staff survey. It was a big shock and we underestimated how big it was going to be to the people</i>	Measures reviewed
NWK 2/2/11	<i>It was the call listening. So, when the team manager listened to the agents, four to six times a month this is something also aligned across the board and make sure that it happened and nobody was being dropped on the side.</i>	Example of control processes
NWK 2/2/11	<i>Yes, we changed the measures. I think the first month we had difficulty because our stats were not aligned. Our stats were still very much brand oriented, call answering rate by brand while we wanted call answering rate by site and by function. That also took a few months to sort out.</i>	Measure everything
NWK 2/2/11	<i>there were mistakes being made by weaker management in the brands. For example, people seemed to think that we knew how to measure things and how to track things and I remember very clearly somebody telling me, "oh you are looking into the incentive structure, why don't you speak to Tyrone, he's the God in incentive structure" and you talk to Tyrone and like, oh yeah, how exactly do you come up with an incentive structure? And you listen and you're like actually you don't know. And you were letting people get away with things that they shouldn't be and they were thinking that they were in control of the situation because they had some type of metrics but they were not really in control of what was happening there.</i>	Example of NWK paying attention

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NWK 2/2/11	<i>so we have, at the moment myriad tests going on, on conversion, on ancillaries, and the analysis is not easy. You need people who go through the data and say "oh yeah, we're doing this but don't forget that it might be influenced by this other test that we're running". So, cleaning up the data is a big chunk of it.</i>	Data analysis
NWK 2/2/11	<i>my first proper creation is to check the previous day's data. Look at call answering rate, sales, but more than that, what I'm trying to feel is whether there is any deviation that is going to have a consequence in the future. So, we start the year with a budget that we ditch, usually, after a week, basically. So, basically what I'm trying to detect is when the deviation is going to happen and what does that mean to the rest of the call centre and call the shots before it gets too painful.</i>	Example of NWK paying attention
NWK 2/2/11	<i>What worries me with renewals is they measure a thing to death. They measure a lot of things but they don't really know what is making us money or what is profitable. ... but I think the one that I'm really questioning about what they are looking at and what should they be doing.</i>	Drawback in not having sufficient analytical capability
NWK 2/2/11	<i>On top of that we had some interference from David last year. We started the year pushing heavily on cloning, driving multicar and very successful in the first three or four months even though we were paying a hefty price because cloning calls are longer in terms of call length, destroying our evening hours, where we are understaffed anyway, and then all of that changed in May when suddenly David panicked because he was looking at F&amp;T and he said "oh, my God, oh my God, the loss ratio of multicar is overtaking the loss ratio of single car, something is drastically wrong with multicar. Is it the fact that we're cloning so heavily that is driving different type of customers to us?" he voiced his concern and after a week he came down and said "stop everything!" We were like, ooh, you know that if you stop it it's going to be very, very painful to restart, and say, yeah but the figures are adamant you have to stop it now. ... So, it was hitting the panic button. A week later he discovered his data was wrong!</i>	Driver of action
KC 03/02/11	<i>but the degree of detailed knowledge that the senior managers know about their business is extraordinary</i>	At senior level
KC 03/02/11	<i>we wrap controls around it</i>	Measure everything
KC 03/02/11	<i>The degree of frugality as Andrew would like to call it, is far higher than anywhere else I've worked</i>	Cost focus
KC 03/02/11	<i>after a while I began to realise that some of his decisions weren't such great decisions, actually, after all. Not big ones but just little ones. So, I started to think, "this man is too good at talking the game and not so good at doing it, so maybe I should dig a bit deeper here".</i>	Example of KC paying attention
KC 03/02/11	<i>I mean, Carlton was wasting money, a lot of wastage in money. You talk about the devil wasting money, Carlton was impressive. He pushed all of the marketing out to expensive London agencies and all of his IT type advice was going out to expensive IT consultants. Very little was being done internally. Decisions were no longer being made inside the organisation they were being made by Carlton and his entourage of advisers and they were expensive advisers. ... So, there are lots of examples like that where he was being extravagant and his ego was playing a big part in the whole thing as well so a lot of it was expense claims for meetings at the Ivey where he would meet with so and so media bloke or something, so it was all wastage in that regard but it was also undermining the organisation.</i>	Breaking frugality rule
NWK 2/2/11	<i>The offer was not good, the usual Admiral way</i>	Cost focus
NWK 3/2/11	<i>we are cheap</i>	Cost focus

A.9 'Numbers Matter' Theme

Respondant/ Date	Verbatim statement from interview	Initial Code
CC 3/6/10	<i>Rationale business decisions: I think the most visible impact is in pricing and probably in marketing. Being so rationale in pricing contributed to having a very segmented model and no limit to the model.</i>	Rational
XZ 3/6/10	<i>Super result-orientated and number driven</i>	Numerate
EB 3/6/10	<i>all can be measure and numbers discussions are easier</i>	Measure everything/ Numerate
CC 3/6/10	<i>Low costs: I think it is a significant part of the profitability and the Cardiff location is a big element of this "low cost" approach.</i>	Focus on 'low cost'
XZ 3/6/10	<i>all the departments have their quantified KPIs and reviews them frequently. Let alone our excellence on the Pricing and Marketing activities ☺</i>	Measures reviewed
XZ 3/6/10	<i>And we managed to fix our errors by closely monitoring the results and a continuous changes.</i>	Measures reviewed
AR 4/6/10 (i)	<i>With all the measures always visible .... looks at the numbers constantly</i>	Measure everything/ Numerate
AR 4/6/10 (i)	<i>LOW COST - A foundational commitment to lower cost. This is something that is nearly impossible to achieve later. Going from a 30 ER to a 15 ER would mean massive growth with no incremental expenses or eliminating half your staff, half your buildings, half your advertising, etc. This just doesn't happen. It is a longterm structural advantage if it can be maintained.</i>	Focus on 'low cost'
AR 4/6/10 (i)	<i>FOCUS - Fanatical focus on auto.</i>	Focus on car insurance

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AR 4/6/10 (i)	<i>METRICS – With all the measures always visible, no one spends time trying to hide their performance. Instead they focus on fixing or improving. Knowing the senior leadership has access and looks at the numbers constantly means you must as well.</i>	Measures reviewed
FG 4/6/10	<i>Top management is involved, so inputs from the very top of the organization can arrive for all sorts of decisions</i>	Attention to detail
AR 4/6/10 (ii)	<i>we will discuss the minutiae</i>	Attention to detail
LS 7/6/10	<i>we measure and test everything first if we can</i>	Measures reviewed
LS 7/6/10	<i>Henry, David and Andrew, now Kevin, don't have egos and will get involved in basic tasks</i>	Attention to detail
KC 8/6/10	<i>the measure evrything approach</i>	Measure everything/ Nurate
KC 8/6/10	<i>a very strong focus on cost control and "find the cheapest or simplest way" to do something, or just do without</i>	Focus on 'low cost'
SC 8/6/10	<i>a very healthy fixation on management information and importantly the right management information.</i>	Attention to detail
SM 8/6/10	<i>I'd add the weakness of the opposition</i>	Attention to detail
GJ 8/6/10	<i>Many years of keen focus (largely) on one (compulsory) product</i>	Focus on car insurance
NWK 10/6/10	<i>We do what the numbers are pointing to.</i>	Rational/ Analytical
CH 10/6/10	<i>the numbers create a solution</i>	Rational/ Analytical
NWK 10/6/10	<i>We do what the numbers are pointing to. For example: loss ratios on non fault claims are worse so we should charge them more. It might be difficult to justify to the customer but as a team we know why we are doing it and we know it is the right thing to do so we do it.</i>	Measures reviewed/ Attention to detail
NWK 10/6/10	<i>We are not afraid of change as long we understand why (going back to numbers).</i>	Attention to detail
SL 10/6/10	<i>we are measured in our approach to risk and I believe fear failure at all levels. That tends to focus the mind.</i>	Focus/ Measures
CB 14/6/10	<i>they usually know the business inside out, including knowing our customers, from having worked in it from the ground up</i>	Attention to detail
LS 15/6/10	<i>we try and monitor that our culture is being maintained, through various surveys, so we can identify the areas that need some help and support.  I don't think it works organisation wide and that's way we constantly monitor it.</i>	Measures reviewed/ Attention to detail
HE 22/06/10	<i>Nurate, measure, we measure virtually everything and we watch how it all falls together and we're able to see when problems crop up very early because the numbers all have their own patterns and the minute a number deviates from the pattern we're all over it like an old suit</i>	Measure everything
HE 22/06/10	<i>Nurate, measure, we measure virtually everything and we watch how it all falls together and we're able to see when problems crop up very early because the numbers all have their own patterns and the minute a number deviates from the pattern we're all over it like an old suit</i>	Nurate
HE 22/06/10	<i>Nurate, measure, we measure virtually everything and we watch how it all falls together and we're able to see when problems crop up very early because the numbers all have their own patterns and the minute a number deviates from the pattern we're all over it like an old suit</i>	Analytical
JM 22/06/10	<i>that's how you were measured. That is, I would like to think, how you are still measured</i>	Measure everything
JM 22/06/10	<i>and made sure everybody understands why the quality measures, these things are, they are given a lot of credence, I think, throughout the company, the fact that we do have to measure.</i>	Measure everything
AP 23/6/10	<i>I think we have, in some ways, a dispassion about it</i>	Rationality
AP 23/6/10	<i>if the numbers are changing we look at it</i>	Nurate
AP 23/6/10	<i>But that again is another strength of this organization. This organization is run on numbers and has always been nurate, we ran it from Day One, it goes back to this dispassion thing, it either works or it doesn't work, but if it moves you measure it. It's part and parcel of the psyche of this place so we've always had more numbers and the performance is about statistics.</i>	If it moves measure it!
GR 24/6/10	<i>The PREVUE test will look at things like your ability with numbers, shapes</i>	Measure everything
GR 24/6/10	<i>they use a lot of technology to make sure people are doing what they should be doing; things are recorded, everything is recorded, when you arrive, when you leave, when you're on a break, how long you're logged out for, how many errors you make, all these things are logged. They've got balanced score cards, they have one to ones, all these things are documented, this evidence and this proof and it's about doing the job as well as you can</i>	Examples of measures used by TMs
GR 24/6/10	<i>highly intelligent people who could number crunch</i>	Nurate
DS 24/6/10	<i>but if you look around the organization and say where are the people who are really capable of crunching numbers cleverly, doing the right measurements and things like that and then coming to the right conclusions, there are too few of them</i>	Nurate
DS 24/6/10	<i>if you said the company is much more profitable than its competitors mainly because of a small group of people who do risk selection analysis better and that explains the combined ratio difference which is the basis of the fundamental profitability thing...</i>	Rationale for success
AP 11/11/10	<i>because we are dedicated to putting measurements around it.</i>	Measure everything
LS 12/11/10	<i>the way we just constantly survey our staff</i>	Measure everything

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LS 12/11/10	<i>we spend hours on the numbers</i>	Numbers
LS 12/11/10	<i>because here it's got to be figures, everything has to have a figure attached to it. So, you know, I can't just say "having fun; doing these things works" no, here are the figures, I'm proving it to you, it does work.</i>	Measure everything
LS 12/11/10	<i>Well, you know, we measure everything. Even the stuff in my department which people say you can't measure we still find a way of measuring it</i>	Measure everything
LS 12/11/10	<i>people here read numbers like a story book and that's what I think we do is that we read them like a story book so they become a story</i>	Numerate
KC 03/02/11	<i>There is ... very detail oriented data analysis in a lot of areas of the business at a surprisingly micro level</i>	Numerate
KC 03/02/11	<i>we wrap controls around it</i>	Measure everything

**A.10 'Structure Helps' Theme**

Respondant/ Date	Verbatim statement from interview	Initial Code
FG 04/06/10	<i>In fact, even relatively small decisions can eventually be taken up the (flat) ladder for consensus in a kind of gentle questioning time</i>	Flat structure
SL 10/6/10	<i>Flexibility....probably one of the keys to our success.</i>	Flexibility
CB 14/6/10	<i>I think the values transmit from senior management well because we don't have lots of layers of managers in between. Even a CCR in Sales won't have that many levels between them and Henry (6? Is that right? It would be more in lots of organisations)</i>	Flat structure
BM 15/6/10	<i>As Charlotte mentions, there are only 6 levels in sales between the ccr and Henry.</i>	Flat structure
JM 22/06/10	<i>We just had no hierarchy, not that obviously</i>	Flat structure
AP 23/6/10	<i>I think it's controlled by a small number of people at the top who are able to make decisions quickly without a huge chain of command that requires lots of consultations.</i>	Flat structure
AP 23/6/10	<i>I think it can because I think the chain of command is still fairly small. It's a small number of people. If you take the core UK business how many people have you got to talk to, to make changes of that size?</i>	Flat structure (still)
AP 23/6/10	<i>To me that's the key advantage. It's always been a fairly small management team who makes the decision around a table and moves</i>	Small decision making team at top
DS 24/6/10	<i>because it is a relatively informal organization in as much as it still isn't reliant on lots of cost benefit analysis and formal procedures and all that sort of stuff. That's because people sort of know how things rub along.</i>	Consistency of staff enables looseness of structure
CA 11/11/10	<i>I don't think they see a ceiling in their capability of rising up. I think they see a ceiling in the numbers of opportunities coming through. Because we've got quite a flat structure we don't have lots of level after level of hierarchy and so I think they do see limited opportunities coming up. I don't see... I don't think they see themselves as "this is as far as I can go."</i>	Disadvantages of flat structure
LS 12/11/10	<i>I explain that to people when they come here. "Your job will not be so prescribed that you will know exactly what you're doing because the next week you may be given something completely different so you have to be flexible, be able to change, be able to think on your feet"</i>	Fluid structures at the top
KC 03/02/11	<i>The core reason for the reorganisation was to free up the Martins of this world to be allowed to make some decisions. So, get rid of all those layers of management, make it very clear who's trying to do what and give them the authority to get on and do it.</i>	Restablishing optimal structure
NWK 03/02/11	<i>the type of hierarchy that we have in the company. It's much softer than anywhere else</i>	Hierarchy not 'in your face'
NWK 03/02/11	<i>Distance of hierarchy is a key one also. We don't have multiple, multiple layers of hierarchy. If somebody is angry about anything he can voice his concern pretty quickly to his direct manager, to PS, to Henry, to whoever he feels can help him out. I think that it keeps everybody on their toes! The fact that somebody can go and talk to Henry and say "I don't like what Nick is doing."</i>	Can't be complaisant as manager

**A.11 'Team Building' Theme**

Respondant/ Date	Verbatim statement from interview	Initial Code
SC 8/6/10	<i>A management team that get on well together and feel comfortable in each others company.</i>	Well functioning team
JM 22/06/10	<i>we overtly see those people and the skills that they have, what they are. I have seen, and I'm sure lots of other people have seen that the dynamics of a team can make such a difference.... So, mixture of sexes in a team, a mixture of personalities in a team, if you are a brand new team they are a different dynamic than a team that have been together for two years. I think as a company we are very aware of the dynamics of teams, even the management teams are fairly well balanced, certainly for many of us we had almost 50/50 split between men and women.</i>	Team dynamics

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JM 22/06/10	<i>So, I think those things are important, is actually getting a team that works together so I would definitely look for a team, plan a team, starting with you would find key people, I think and then fill the gaps so that if you had a very brilliant financial person you would make sure they had the support of maybe the doers or the detailed people. But you do, you need all those different people</i>	Team dynamics
JM 22/06/10	<i>perhaps they're bond isn't quite the same yet because sometimes you need to go through the mill as well. Maybe they've gone through their own particular mills, I wouldn't know. I can't imagine it's all been plain sailing for them but that, I think helps and people mould together quite often. I've whizzed them off to do stuff together. I've shoved them out in the rain at 8 o'clock in the morning and let them trudge up the river bank. So, we are very conscious that it's not just CCRs in customer service that need to do team building. They need to do it too, they need to do nonsense and go out there and we take them on team building activities in exactly the same way</i>	Team building exercises (formally) rationale
JM 22/06/10	<i>I can remember losing somebody from the management group, almost as a result of a team building session. We took them off for three days and the person I'm thinking of sat on the outside of every group; was late coming to the sessions, always had to take a mobile phone call; didn't participate; went to bed early; it was clear after three days they weren't in that group and they are no longer with us. So, team building at that level I think is as important as team building, although it's slightly different.</i>	Team fit is important
AP 23/6/10	<i>And again work as a team, work to your team strengths ...Accepting you have different people who had different strengths and again don't stand on ceremony ... complementary strengths, here, I think are, have been important, well still are, must be to a degree.</i>	Team dynamics
GR 24/6/10	<i>I'm just trying to get managers to be better at being part of a really strong team and leading a really strong team. That's what we're trying to achieve</i>	Academy courses = opportunity for indoctrination
GR 24/6/10	<i>We play to our strengths, we know each other, we know each other well, and it works really well.</i>	Team dynamics
GR 24/6/10	<i>I think if people are more self aware they are more open to the feedback about the things that they've not done well because they realize that's often part of who they are and it's not about abdicating responsibility for it because "that's not my type, I'm not good at that" it's about recognizing why, perhaps, they're not particularly good at something or they find something particularly stressful. I think it is about self awareness. It's becoming just a more rounded person, isn't it, and understanding yourself better</i>	Self awareness
DS 24/6/10	<i>Well, it's [management team] got a lot of different types of people who respect, I think, each other's areas of skill and relative skills and the sum is bigger than the individual parts.</i>	Team dynamics
CA 11/11/10	<i>there's the ops group team; the main teams are my people services team, the coffee morning group, the ops group, they are the main teams, I guess. Then, there are lots of informal teams, really, people you've ... it's not a structured team but, if you like, groups of people who you've built a relationship over the years that you go to for advice and support. Maybe the thing to do with a particular aspect relating to coffee morning or my team here but you build up informal teams and little matrix, if you like, who you can go to, so there are loads of those teams about.</i>	Teams everywhere: formal and informal
CA 11/11/10	<i>it's a group of people who we put together specifically because they would probably have different viewpoints, different experience but we wanted them, this group of people to look at it from a fresh pair of eyes and not be, already, bogged down in the whole process of what some of these dilemmas were about</i>	Example of process of constructing a team
CA 11/11/10	<i>you try to change their attitude</i>	Solution for an non performing team
CA 11/11/10	<i>it forces knowledge on me, finding out what's going on, sharing ideas, things like that</i>	MAD Events
AP 11/11/10	<i>I think it's [team work] always been a strength. Being forced to be round the table with other people and pitch in. I think we've always got better ideas, or ideas have been refined because of team work. Yes, I thought we were quite good at that, I thought we always have been.</i>	Rationale for working in teams
AP 11/11/10	<i>It's this thing of nobody is too lowly to have a good idea. Nobody is the repository of all good ideas.... but we don't normally knock people down from an idea. Sitting around a table trying to get the whole jigsaw... the jigsaws come late in the day, frankly, but we've always been doing that. It just seems natural. It's a natural way for humans to work as well.</i>	Rationale for working in teams
KC 03/02/11	<i>So, I'm driving the way that decisions get made through the coffee morning group, that is much more collegiate, much more discussing and agreeing together rather than "I'll tell you what to do" or "you go and do it because it's your area; let's all talk about it and think about how we can solve it." I'm also trying to bring in more of the Chris Price's of the world who are very, very good at just getting on and doing</i>	Restablishing collegiate decision making

## A.12 'External Market Intelligence' Theme

Respondant/ Date	Verbatim statement from interview	Initial Code
SM 8/6/10	<i>I'd add the weakness of the opposition</i>	Markets
JM 22/06/10	<i>I suppose the way the country and the industry developed was such that there were a lot of mergers and things going on and so the number of players was carved down so we were able to get a foothold quite easily and get cracking on that.</i>	Awareness of wider context
JM 22/06/10	<i>I'm guessing some of it came from things like the feedback we were getting, whether it was comment forms of the surveys that said "where did you go from us when you left; where did you come from?"</i>	Intelligence gathering mechanisms
JM 22/06/10	<i>we've tried once or twice [formalised R&amp;D]... It's always been the managers that have been aware. And again I think that comes down to part of this buy in. They didn't just do what they got paid for. They were doing something else as well. they were taking it all on</i>	Traits in hiring (sensing)
AP 23/6/10	<i>if the market's changing ... [we] take somewhat a dispassionate view that whatever the market brings we don't stand on our high horse and say "this is the way to do car insurance whatever is happening out in the world".</i>	Traits in hiring (sensing)
DS 24/6/10	<i>I think one thing is actually the quality of our competitors. I think Admiral should always maintain a degree of modesty, were we competing against bankers or lawyers or management consultants or stuff like that, whether we are actually as functional as we think we are or whether we're made to look better by virtue of competing in an industry which is really low on talent, that helps.</i>	Market talent
AP 11/11/10	<i>I see that as fundamental. If you are going to grow a business, or if you're not going to grow it substantially, if you are going to keep your business with a good bottom line, you've got to understand the bigger market place. So, you've got to look outside for data. You've got to understand what your market is doing so you can place yourself advantageously within it.</i>	Rationale for EMI
AP 11/11/10	<i>You can only place your business well within the market place you are, so you have to understand that market place so you have to spend some time looking at that and being interested in it and rationalising about it, what's happening, rather than just following.</i>	Rationale for EMI
AP 11/11/10	<i>I mean, we are lucky in that our business gives immediate feedback of our pricing structures through just the simple quote conversion but we concentrate on quote conversion, we don't concentrate just on the internal metrics of the operation, we concentrate on that, we look at prices, we look at price surveys, we look at external customer surveys, we keep in tune with the market, we read. To me that's fundamental.</i>	EMI processes
AP 11/11/10	<i>driving you too because I think you've got those metrics and you can translate what's happening in the market place. I mean, we're in a position – or the group is in a position at the moment – where it has grown incredibly rapidly. That's foreseen ... i.e. prices rapidly rising and that will be a time of extreme growth for us because of the way we're positioned. So, you're looking at the outside market, it's got to move, it's got to move, prices have got to move and when they do start it will be rapid and we will follow with rapid growth.</i>	Source of decision making
LS 12/11/10	<i>I certainly think that Henry is a worry for them if he left because he is an Admiral. I think he's tried very hard to not let that happen but just because of the way he is that's the way it's come through, and David as well</i>	HE/DS are Admiral to analysts
LS 12/11/10	<i>I do think they value the culture because they can clearly see our culture works, otherwise we wouldn't be making the profits we do and therefore we should be sharing it with our staff because that has a constant circle that brings in more profits for them, but for them I think they struggle with "why don't other insurers work like us; why don't they do the things that we do?" That's what they value, the ability to be able to perhaps do things a little bit differently.</i>	Analysts can value culture in Admiral context
NWK 03/02/11	<i>We were interviewing ... one of the marketing managers from Direct Line and he was going about what he was doing and booking and optimising his cost per sale by booking his direct mail two years in advance. It's like, ok, you are managing your cost per sale in an optimal way in a fixed environment but what happens if your environment is changing? He was completely oblivious to the fact that aggregators were kicking him out of his market and yes, cost per sale was still good but the next two years were probably going to destroy him and he didn't see that. He had missed it completely. I think that is something we don't miss. We have, <b>we listen to the market, we have antennae everywhere and we can react pretty well.</b></i>	Antennae

## A.13 'Strategic Decision Making' Theme

Respondant/ Date	Verbatim statement from interview	Initial Code
FG 04/06/10	<i>Top management is involved, so inputs from the very top of the organization can arrive for all sorts of decisions</i>	Decision making process
AP 23/6/10	<i>I think it's controlled by a small number of people at the top who are able to make decisions quickly without a huge chain of command that requires lots of consultations.</i>	Top down direction

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AP 23/6/10	<i>and, yes, a small number of people making some of the big strategic decisions seems in some ways less empowering to others but I think the empowerment comes through having set the direction, prepared to let the rest of the management get on with it. To be very quick with "this is the way we want to go" because, "why?"; bang, "this is roughly what you've got to do, get on with it, guys." It's the best of both worlds.</i>	Empowerment defined at strategic level
AP 23/6/10	<i>the downside of it is the main strategy is run by a small group.</i>	Drawbacks
AP 23/6/10	<i>But I do think, also, that the organization actually likes a strong direction. With the answer to, the ability to answer back and challenge it but likes that strong general direction that's coming from the top</i>	Top down direction
AP 23/6/10	<i>One of the downsides of this small number of management and decision making is we haven't widened enough people below the top level and that's always a problem. I think it's always been a problem for us to bring people in at a very high level, externally, now and something of a restriction. It works with the overseas people to a degree because you're setting up something brand new and they're autonomous. Not so easy in the UK.</i>	Drawbacks
AP 23/6/10	<i>Yes, it's like minds but it's also.. different personalities and different embedded views of things but we always come to a consensus pretty quickly because the passion comes out on the table ... it was quite instructive. You take fairly robust views. Sometimes you agree to disagree. I think that's important as well, that you can have a robust argument and it doesn't affect your relationship or your ability to get on and do the business.</i>	Loud discussions!
DS 24/6/10	<i>I would sort of say the model we had three or four years ago was Henry's optimism was offset by my pessimism and complemented by Andrew's pragmatism ... And in a sense it's very hard for Kevin to play the role that Andrew played. And so, it's not as strong a combination as it was. The challenge of growth is very substantial.</i>	Top team dynamics
JG 10-11-10	<i>The way it has, from time to time, taken more risk and then at other times taken less risk by working more or less closely with the re-insurance companies.</i>	Risk aversion
CA 11/11/10	<i>I guess the strategy is really defined by Henry, Kevin and David running through the board for agreement and then getting the coffee morning, then, to sort of implement that strategy</i>	Top down direction
AP 11/11/10	<i>That blends and it tempers [DS view of their dynamics]. Yes, absolutely. Helped by a degree of trust between a small group of people ... That comes over time, yes, that you've been through a number of rocky patches and come out of it and you trust each other in that blend, or you are prepared.</i>	Top team dynamics
AP 11/11/10	<i>For implementation. I can remember the coffee morning group, I remember trying to define what it was for. Do you remember, we all came out with "well, it's a way of passing information, it's not a decision making group." And it's not. It's passing information both ways. ... [how the big idea will be] implemented. But, essentially, they are there to implement. I mean, I have seen it still like that today. I don't see any other evidence.</i>	Implementation of strategic change
AP 11/11/10	<i>Yes, we will, absolutely [give HE an alternative view or disagree]. And I know he won't accept it on the day ... and although the ego doesn't accept it on the day it actually dribbles through his mind over the next couple of days until he's absorbed it as his own idea. ... Or the way he was thinking anyway!</i>	Loud discussions!
LS 12/11/10	<i>I would probably say they [managers] do have autonomy because you have to have it to get on with doing your job but if one of those guys [top team] comes to you and says "I want it done this way" you do it that way because, unfortunately, 99% of the time they are right, so why would you argue with somebody that is right? ... They are not afraid for you... we're not afraid to say "no, I don't agree" but I do feel that they are ultimately right and that's a hard thing to fight against and that is something that will probably change as we get that senior three change because I think, probably, Kevin gets questioned more than Henry and David does</i>	Top down direction
NWK 2/2/11	<i>Was warned pretty directly by Stuart Morgan and Stuart Clark that the way things were done in the company is that Henry and David decides</i>	Decision making process
NWK 2/2/11	<i>they make the decision, sometimes they involve us, sometimes they don't. I think it works as long as we all see the sense in it</i>	Decision making process
NWK 2/2/11	<b>We always have lots of ideas. The problem is IT and EIS cannot always follow and I'm like, let's be realistic, what can be measured and what cannot be measured and we have to live with that.</b>	Risk aversion
NWK 2/2/11	<i>They are looking at different things and they are not getting a bigger picture point of view. ... I would love them to have a bigger picture because then I can do something else.</i>	Bigger picture more a senior role
KC 03/02/11	<i>that particular relationship [once KC joined Board and became FD in 2006] between myself David and Henry was a difficult one because they are both so strong and they both have such a rich history together.</i>	Top team dynamics
KC 03/02/11	<i>I was trying to build a different but hopefully a strong relationship and that's probably taken the whole five years, to be honest and still building but that was quite difficult in the early days</i>	Top team dynamics
KC 03/02/11	<i>there are a lot of decisions that get made in terms of big decisions about direction in a very surprisingly casual way.</i>	Decision making process
KC 03/02/11	<i>in the sense that they are based on intuition, judgment and robust debate but often robust debate without detail reports or business cases or presentations being prepared.</i>	Loud discussions!

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KC 03/02/11	<i>They are just based on a few facts and some judgments about where the direction ought to be</i>	Intuition as basis for decision
KC 03/02/11	<i>I think, very powerful and tremendously simplistic in the sense of cutting out a lot of process that other companies would get themselves engaged into. So, decisions can be made really quickly</i>	Fast process
KC 03/02/11	<i>I have lots of lovely chats with Henry now where I'll go "I think it should be white" and he'll go "I think black, actually, we should be doing black here". And I think "I thought we said white" and then I explain all the 60 reasons why white is the right answer and he goes for 58 reasons why black is the right answer and then the next day he'll go "you know what, white's good, we'll go with white" and that's fine.</i>	Debate at heart of decision making process
KC 03/02/11	<i>it's not obvious and it does rely very heavily on the personal chemistry which other companies probably aren't, I don't think it's quite the same because they rely more on the processes and the "this is the corporate way".</i>	Decision making process
KC 03/02/11	<i>the management team make a decision and the board ratify that decision ... the board might be surprised about is just how casually – that's maybe the wrong word – management make those decisions. ... they might expect a bit more rigour in the evaluation process than, actually, truly exists ... We are living on our track record, to be honest. You know, business has done so very well for the board and the shareholders in the UK that there's a lot of credibility given to management to be able to do something else. ... I think if I have a worry ever it's about our natural checks and balances and our very strong attention to the detail means that we end up in a world which is quite low risk and quite small steps</i>	Board involvement
KC 03/02/11	<i>as a management team extremely risk averse in the main. In much of what we do in the organisation we do, we wrap controls around it and we do it in a small way, as small a way as we think we can get away with, basically, to do enough to see if it's going to work but not gamble too much ... in a smallish way and with two thirds of the risks mitigated away. It's been the same with the others. It's the same with the price comparison sites where we are happy to give away a percentage of the business in order to fund some of the initial risk.</i>	Risk aversion
KC 03/02/11	<i>there's a nice sense of... getting to the hub, the nub of the problem and then trying to find a solution to the problem in the way that discussions occur in teams or whatever. As opposed to reporting to people on what you're doing.</i>	Team decision making
KC 03/02/11	<i>Whereas in Admiral [at meetings]... there's almost an instant sort of "well this is the area we've got a problem and to be honest we've tried blah, and maybe it's going to work, I'm not sure but has anybody else got any ideas because maybe blah, blah would be better; what about de, de, de; oh, fine! And de, de, de" and then straight away you're solving the problem together and you're helping each other come up with alternative solutions</i>	Team decision making
KC 03/02/11	<i>It comes back to this point about being open, I think, but also caring about getting a better answer rather than caring about me looking better than you because we're not really competing with each other, actually, we're both trying to make the whole thing better.</i>	Team decision making

A.14 'Mission' Theme

Respondant/ Date	Verbatim statement from interview	Initial Code
CN 3/6/10	<i>Profit sharing culture</i>	Alignment mechanism
EB 3/6/10	<i>Leaders with more motivation than short term profits or share price</i>	Alignment mechanism
EB 3/6/10	<i>Ownership developed by independence to decide locally, profit sharing</i>	Alignment mechanism
AR 4/6/10 (i)	<i>Having the senior leadership motivated not by the next quarter but by the ultimate long-term success of the business means people make better decisions</i>	Alignment mechanism
CA 8/6/10	<i>A strong sense of working towards a common goal</i>	Alignment
CA 8/6/10	<i>The staff share scheme making all our staff stakeholders and a the overall high levels of engagement of our staff</i>	Alignment mechanism
SL 10/6/10	<i>They are proud to work for Admiral and are constantly looking for ways to be more efficient, make money and have fun. It's more than just a job to many of them as they feel they can make a difference to the bottom line and therefore to the success of our business.</i>	Alignment
CH 10/6/10	<i>We are extraordinarily aligned about a collective goal for the business, instead of individual departmental or product ones. Even at the level of bonuses. The bonus culture here with the exception to some extent of senior management, is more like the John Lewis structure of a payment of group profits / success and not around an individual's or departments performance</i>	Alignment mechanism
SLg 10/6/10	<i>Everyone is encouraged to make a difference, we really listen to everyone working here and act on their suggestions. This is powerful in ensuring everyone feels part of our success and generally more comfortable with change.</i>	Listening/ Alignment mechanism
NWK 10/6/10	<i>And then like Louisa says every new person is brain washed into what we do.</i>	Brainwashing
CB 14/6/10 (i)	<i>we behave as if it really is our company</i>	Alignment

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JM 22/06/10	<i>the people that took us forward were very clear about where we were going, or seemed to be clear.</i>	Clarity of purpose
JM 22/06/10	<i>they might not have had a formal strategy because that's not a word we've ever bandied about but somebody, somewhere, knew where we were going. And again, took up those opportunities ... whether they just took the opportunities as they came along I don't know but it certainly seemed we had a direction and we were heading in it.</i>	Clarity of purpose
JM 22/06/10	<i>I think that message is being underscored, underlined for so long, that it's filtered right through to the front line. People are kept informed, they are kept informed by annual general meetings and the magazines and the facts that go out. People know where they are going</i>	Alignment
JM 22/06/10	<i>quite early on was the scheme that gave everybody some part of ownership, or sense of ownership. This was our company. This is our company and when it does well we do well</i>	Alignment mechanism
LS 22/6/10	<i>Our secret weapon is that we try to indoctrinate our managers so they try to follow all these things</i>	Brainwashing
AP 23/6/10	<i>X [from postroom] almost fainted when she heard she had £30,000 of shares coming to her. That clearly in a sense some people might be saying you're buying loyalty but I don't think it's that. I think it binds in this sense of "we're all in this together and we all get a share."</i>	Share scheme
DS 24/6/10	<i>the third one is the ability to just get the organization sort of collectively pointed in a direction. That's a lot about continuity of management; it's a lot about simplicity of business model; and that's one product, essentially one location, I mean ... essentially the actual decision making body is all in this building</i>	Alignment
LS 12/11/10	<i>but I almost feel like it's ingrained in me. I know what the strategy is. We want to be, as Henry says, the most profitable sustainable business out there. Isn't that enough? Do you have to sit around and think more about it?</i>	Clarity of purpose
LS 12/11/10	<i>I see us like a caterpillar, almost, you know the bits of a caterpillar that are always moving but we're moving forward and going somewhere. So, that's how it feels to me that we are lots of parts together but we don't stay still but we all want to get in the same direction so we're all moving in the same direction but we're all different parts of that creature moving in that direction.</i>	Clarity of purpose

A.15 'Stability of Management' Theme

Respondant/ Date	Verbatim statement from interview	Initial Code
DL 3/6/10	<i>Upper management still in place that make feel every single people in the company part of an adventure</i>	Founder stability
CC 3/6/10	<i>I understand there has been a number of changes in the past but since I join, I observe that middle managers are very loyal and I think it creates an environment of stability that is very reassuring for the teams and I guess, generates efficiency. Frequent changes of direction/style/leadership create disruption and require time to adapt.</i>	Management stability
AR 4/6/10	<i>Still having more than 20% of the original starting staff means a history and legacy that is held onto. Having the same, effective leadership eliminates a lot of unneeded effort during transitions</i>	Founder stability
SC 8/6/10	<i>A management team that get on well together and feel comfortable in each others company.</i>	Benefits of length of service
SC 8/6/10	<i>A management team not scared to ask questions and ask for help/advice when necessary.</i>	Benefits of length of service
CB 14/6/10 (i)	<i>beyond the day to day attrition levels (which are pretty good anyway), there is a core of fierce loyalty to the group, which I believe is inspired by the senior management, Henry in particular; there is a subconscious feeling that if you are loyal to Admiral, Admiral will be loyal/ good to you, which I think produces disproportionate effort from people and is often described in our surveys as a real "family" feeling (others may have differing views about how healthy it is to encourage such long term commitment, but I think Admiral is one of the few places where loyalty is so explicitly valued).</i>	Feels like family
CB 14/6/10 (ii)	<i>there is a subconscious feeling that if you are loyal to Admiral, Admiral will be loyal/ good to you, which I think produces disproportionate effort from people and is often described in our surveys as a real "family" feeling</i>	Feels like family
JM 22/06/10	<i>I think we've been lucky in that we've always had strong management.</i>	Founder stability
JM 22/06/10	<i>We didn't buy in many management staff at all after the first recruitment, it's been pretty much we stayed with the same people up until the time of the float.</i>	Management stability
JM 22/06/10	<i>I think having that career progression here within the same company has kept people with us for longer</i>	Reasons for management stability
JM 22/06/10	<i>I think without that people would look for the challenges somewhere else.</i>	Reasons for management stability

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JM 22/06/10	<i>It is very difficult to get the messages down as the company gets bigger and the senior managers sort of lose contact with the shop floor a bit. But, it helps that the operations managers, and many of the team managers have come through over years. Lots of our operations managers have been with us for 10+ years, some of them even longer than that. I think the messages filter down that way.</i>	Consistency
JM 22/06/10	<i>When we were recruiting for those new managers 5 – 6 years ago, very difficult to explain to them the bond that the existing team had because it was very odd. We could shout at each other and often did without it being particularly personal. People yelled at each other if they were doing something stupid. There was this, because, I suppose we had bonded not just over time but over experience so they had got together, they had formed this alliance that meant that it was quite strong. They had grown up, almost, together.</i>	Feels like family
JM 22/06/10	<i>I think that is the danger that people wouldn't want to work for a company like that.</i>	Lose consistency
AP 23/6/10	<i>I come into this building probably now every three months, maybe every two months; everybody says "hi Andrew, how you doing? Got a tan, just come from Majorca have you?" it's significant that I know quite a lot of people, actually a lot more people know me than I know them because I can't remember their names.</i>	Feels like family
AP 23/6/10	<i>there are a large number of people here work part time who've been with us for many, many years and don't actually just want to take their hours down, we accommodate that not because there's a law for it... no, I think, as I said, it's a community, isn't it?</i>	Accommodating attitude for loyal staff
AP 23/6/10	<i>Have the row, but don't get... have the row, have the debate there and then, make the decision, move on and don't dwell on it .... Relatively few recriminations ... Well, I think it does function. I've worked in organizations where you're pussy footing around status and you have to be very careful the way you phrase what you say and it takes you a long time to get something through. Jesus! You know, give me strength!</i>	Loud discussions!
GR 24/6/10	<i>I don't think we've developed people appropriately to step into that role, I think. Maybe it's because there's quite a lot of stability amongst that group of people.</i>	Management stability
GR 24/6/10	<i>it feels like a community, it does, it does, that's how I think it feels.</i>	Community
GR 24/6/10	<i>! It might be belonging, it might be about belonging. When you look t the staff survey and it talks about sense of pride, belonging and all those sorts of things, about being supported, I think that makes you feel part of a community. It does. That sense of pride, you are proud of something and it's the business and it's the company and it's the name. So, it's a connection. It's a connection</i>	Belonging
DS 24/6/10	<i>I think continuity is really important ... it sort of works on a number of levels. I mean, it's not just the senior managers, it's also the middle managers and the ops guys across the board and there is a sort of a backbone of people throughout the organization that have been around a long time which itself is actually partly a spinoff of the belief in equity and partly a spinoff of the culture, partly a spinoff of the location in terms of the lack of exciting alternative employers.</i>	Reasons for management stability
DS 24/6/10	<i>they [the staff] just really want the company to succeed and the openness that comes of it and the feeling of belonging and the willingness to talk in the lifts and to talk at friendly forums and to make points and things like that and to suggest things, and to listen, that is very valuable.</i>	Sharing common experience
DS 24/6/10	<i>I think the commitment to thinking in house rather than out of house ... rejection of consultancy in its wider sense ... every little part of the business ... relates also to continuity of management because one of the reasons why other people are much more reliant on consultants is you've got people coming in for two years, three years, in an area they don't feel confident on, they get in their consultant who will tend to try and come up with something transformational and the whole organization sort of bounces around based on a combination of short tenures and excessive use of consultants.</i>	Benefits of length of service
JG 10-11-10	<i>Well, I think the length of time that they've been together. Of course, there have been some changes but even the people who are not employed 100% now are still involved in some of the businesses. So, for example, the former finance director is still involved in the administration and directing the progress of some of the companies.</i>	Management stability
JG 10-11-10	<i>If you can have a team of people who can work together that long and be, presumably, broadly in agreement about strategic direction and consistently implement and execute the strategy then that is a huge positive. You look at the average tenure of a CEO of a FTSE 100 company, I would imagine you could measure it, usually in months. That may be a little bit unfair but certainly two or three years you would think would be the standard period. Clearly Admiral has a lot of longevity amongst the main board of directors. So, I think that is key.</i>	Benefits of length of service
CA 11/11/10	<i>I think there's a deeper level which is so important, I think, which we pay attention to</i>	Deeper than culture
AP 11/11/10	<i>There is clearly a feeling of closeness and part of it is obviously fear of the unknown, but part of it is also "I don't want to lose that family". That's genuinely there. I've talked to them about it and you can see it in their faces</i>	Feels like family
LS 12/11/10	<i>it is almost like a family, you feel part of a family, especially the longer you've been here</i>	Feels like family
LS 12/11/10	<i>because we're so close</i>	Benefits of length of service

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NWK 02/02/11	<i>Howard, we had a frank discussion with him and said we don't believe you, [as]the leader of the call centre but would you like to work with Dave? It worked very well. Dave really took him under his wing and they share the job pretty well. They have a very, very big floor and still the two of them up to now. I think that Howard felt that he was blooming. He said "oh, I like this situation where I'm not the one making decisions and Sue shouting at me because my floor is not reacting the way it should be". Very quick example, at that stage, was I think he introduced an incentive structure that we had to pull out 10 days after because the behaviour was completely not what we were expecting them to be doing and we were like, sorry, but you have to pull this one out it's not going to work, we cannot wait until the end of the month. So, he was out of his depth, working with Dave suddenly put him back to where he should be. He just enjoyed it and I think Dave also is a very protective person so he liked taking Howard under his wing.</i>	Accommodating attitude for loyal staff
NWK 02/02/11	<i>And it seemed to work for a while but we are now, finally, coming to the conclusion that she shouldn't be in CS and she shouldn't be an ops manager but it took us two years.</i>	Accommodating attitude for loyal staff
KC 03/02/11	<i>, a very strong Admiral family feeling about the business. And I was the outsider. And it took me quite a long time, I think, to feel like I was part of the family, as opposed to somebody who was invited in for tea occasionally</i>	Feels like family
KC 03/02/11	<i>like we're all going to be here together forever, so we can say what we like to each other and we can have our rows but we're all very passionate about this family doing well</i>	Definition of "family"
KC 03/02/11	<i>this is the only company I've ever worked in where I actually feel like I am the same person when I'm in the office as the person I am when I'm at home because you're not putting on a show. I'm not putting on a show, I'm just being me, I'm just talking about stuff that I do, to you, and I'm not being defensive or being presentational or trying to do something different.</i>	Work vs home persona

A.16 'Culture Enables' Theme

Respondant/ Date	Verbatim statement from interview	Initial Code
CC 3/6/10	<i>Low Costs</i>	Traits
CC 3/6/10	<i>Rational business decisions</i>	Traits
CC 3/6/10	<i>Developing managers internally</i>	Traits
CC 3/6/10	<i>All business aspects are under control</i>	Traits
XZ 3/6/10	<i>Super result-orientated and number driven</i>	Traits
XZ 3/6/10	<i>Pro-test spirit</i>	Traits
XZ 3/6/10	<i>Fast response and quick fix</i>	Traits
CN 3/6/10	<i>Profit sharing culture</i>	Culture
AR 4/6/10 (i)	<i>A foundational commitment to lower cost</i>	Traits
LS 7/6/10	<i>2. we try to avoid an us and them culture 3. everyone is equal (as far as possible) 4. we measure and test everything first if we can 5. we believe work should be fun 6. Henry, David and Andrew, now Kevin, don't have egos and will get involved in basic tasks 7. we try to be open, honest and try to have two-way communication</i>	Traits
LS 7/6/10	<i>2. we try to avoid an us and them culture 3. everyone is equal (as far as possible)</i>	Equality
LS 7/6/10	<i>6. Henry, David and Andrew, now Kevin, don't have egos and will get involved in basic tasks</i>	Lack of ego
KC 8/6/10	<i>the measure evrything approach, the powerful and continuous communication, and the lack of egos in management across the business,</i>	Culture/ Traits
KC 8/6/10	<i>a strong culture of test and learn - always seeking out change and improvement rather than just status quo, a very strong focus on cost control and "find the cheapest or simplest way" to do something, or just do without, a wonderful lack of blame throughout the organisation - leading to people being much more open about their problems and more willing to listen and take advice, Henry. He leads by example so very well - and that still sets the tone for the whole organisation</i>	Culture/ Traits
CA 8/6/10	<i>A strong sense of fair play and respect for all Empowerment of staff to try new ideas and not criticise if mistakes are made, but rather learn from them A strong sense of working towards a common goal The staff share scheme making all our staff stakeholders and a the overall high levels of engagement of our staff The genuine belief that "people who enjoy what they do, do it better." A non dogmatic approach to solving challenges and a willingness to listen to others</i>	Traits/ Example of style (also Culture)

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SC 8/6/10	<i>A management team not scared to ask questions and ask for help/advice when necessary.</i>	Traits
SC 8/6/10	<i>culture where the customer is central to all activity</i>	Culture/ Customer focus
KC 8/6/10	<i>the lack of egos in management across the business</i>	Lack of ego
SL 10/6/10	<i>Flexibility....probably one of the keys to our success. Sometimes this is hard but there is a real "can do attitude" within our business and a real belief that we can make it happen. However, we are measured in our approach to risk and I believe fear failure at all levels. That tends to focus the mind.</i>	Traits
CH 10/6/10	<p>2. We don't get attached to a particular way of doing things and so are quick to adapt to a new way (confused an example of this)</p> <p>3. We are extraordinarily aligned about a collective goal for the business, instead of individual departmental or product ones. Even at the level of bonuses. The bonus culture here with the exception to some extent of senior management, is more like the John Lewis structure of a payment of group profits / success and not around an individual's or departments performance</p> <p>4. We really do trust people to get on with their portion of the business, and we empower people on the front line with the customer far more than comparable businesses</p> <p>5. We are incredibly transparent and non blaming about sharing data in all ways across the business – there is no 'data is power' or 'blame' culture which truly expedites success</p>	Traits
SL 10/6/10	<i>There is a real passion and drive behind this business and not just within the senior group.</i>	Passion
SL 10/6/10	<i>They are proud to work for Admiral... Its more than just a job to many of them as they feel they can make a difference to the bottom line and therefore to the success of our business</i>	Pride
SL 10/6/10	<i>I also believe we are very proud of our achievements and strive at all levels to be the best</i>	Pride
CB 14/6/10 (i)	<i>we adapt to change fast</i>	Traits
CB 14/6/10 (i)	<i>we have a healthy scepticism of experts</i>	Traits
CB 14/6/10 (i)	<i>there is a core of fierce loyalty to the group, which I believe is inspired by the senior management, Henry in particular; there is a subconscious feeling that if you are loyal to Admiral, Admiral will be loyal/ good to you, which I think produces disproportionate effort from people and is often described in our surveys as a real "family" feeling (others may have differing views about how healthy it is to encourage such long term commitment, but I think Admiral is one of the few places where loyalty is so explicitly valued).</i>	Traits
CB 14/6/10	<i>we behave as if it is really our company</i>	Pride
LS 15/6/10	<i>I agree with everything Charlotte says and would add, we try and monitor that our culture is being maintained, through various surveys, so we can identify the areas that need some help and support. I don't think it works organization wide and that's why we constantly monitor it.</i>	Active mangagement/ Monitoring culture/Culture mechanisms
LS 15/6/10	<i>Henry and Central training run the 7 Principles of People Managment at Admiral Group and I think if everyone follows this, it's a good way maintain the culture.</i>	Culture mechanisms
CA 21/6/10	<i>7. Leave your ego at the door when you come in each morning.</i>	
HE 22/06/10	<i>And, a very, very strong culture of the culture encompasses things like fun, communication, but also things like cost consciousness and customer care.</i>	Elements of culture
HE 22/06/10	<i>I was trying to set up a company that was not hypocritical; ... I found the management at Churchill very hypocritical, they would say one thing and act in a very different way ... So, I tried to make sure that our foundation was built on openness and discussion and truthfulness as opposed to a lot of deception and hypocrisy.</i>	Equality
HE 22/06/10	<i>don't be hypocritical ... all of these were the founding values..</i>	Traits
HE 22/06/10	<i>Yeah, it was live it, not write it. Over the years we always brought up "should we have a mission statement?" and .. We just threw it away finally, but no, it's got to be something the managers and then the people within the organization do live as opposed to sit there and have to read about and write it down.</i>	The way we do things
HE 22/06/10	<i>[Values] they're internal and it is hiring and a like mind, it's bringing people into the organization that share the basic values.</i>	Values
HE 22/06/10	<i>Well, one of the things we try and do is have equality.</i>	Values
HE 22/06/10	<i>that's part of this is that if you're going to fly everybody economy, fine, and if you're not you've got to explain why.</i>	Communication
HE 22/06/10	<p><i>communication, equality, reward and fun. Those are the four pillars of the culture. And the communication is hugely important. It starts with that open plan, again. You know, there are no walls between groups of people ... So, communication, get rid of the walls, get rid of the barriers and people communicate more freely both ways ... Fun, we do try and go out of our way to make it a good place but it's more than just fun ... Reward, shares are very important. We want people to feel like they own part of the company; the best way to do that is to give them part of the company to own. So we do, we give away shares in the company, very important. But, we also put plaques up with people's names... Star lunches... Again, there is no money in it but you get singled out ... So, we do things that honour people.</i></p>	Culture/ Cultural mechanisms: 4 Pillars

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JM 22/06/10	<i>That became the culture, became the culture of no blame, that people were learning, everybody was in the same boat and so I think it became very open inasmuch as people were talking to each other quite a lot instead of going through project plans and various paths, we were actually getting on with it. So, the company itself grew like that into something where people could try, they could fail or they could make huge successes.</i>	Origins of culture: learning, openness, communication, lack of politics
JM 22/06/10	<i>people were able to come up with ideas and take them forward and there weren't all those restraints that were in some others.</i>	Action orientation
JM 22/06/10	<i>one of the very first things I noticed when I arrived there was probably only five or six senior managers here at that time, they all looked as if they'd come in off the street! Nobody looked as if they were setting up a multibillion pound company, they all looked pretty much like your next door neighbour or somebody you would meet when you're outside, there was no status that was obvious, I think, apart from some of those senior managers maybe a little bit older than some of the new staff you would have been hard pushed to pick them out. I think it's still the same. If somebody got into the lift with Henry or David, or certainly with Andrew or yourself, if you weren't that much older than the staff that were there people wouldn't pick you out as being senior managers, or any of us, really. ...., not that obviously. And they were all very ordinary and they were all very open and that friendliness set the tone for the rest of the company.</i>	Lack of obvious hierarchy/ Origin of culture: equality
JM 22/06/10	<i>But it is a nice place to be, friendly and open and it's fun, I suppose, yes, that's how I'd describe it.</i>	Culture described
JM 22/06/10	<i>fun, a lot of people use the word fun to describe it and it is fun but it's fun of your own making rather than something that is forced on you, I think. Various departments have their own idea of fun.</i>	Fun
JM 22/06/10	<i>I think that's how I would describe it, friendly, .</i>	Friendly
JM 22/06/10	<i>it's a friendly open place where people do what they can, do as much as they can, but do it with the sort of attitude you would have with friends or with neighbours</i>	Open
JM 22/06/10	<i>do it with the sort of attitude you would have with friends or with neighbours or with people that are – I hesitate to say – your equal</i>	Equality
JM 22/06/10	<i>Various departments have their own idea of fun</i>	Tribalism
JM 22/06/10	<i>I know some years ago when we first took on and created a communications department some people thought the only communication that needed to be done was going to be done by them but that is so far from the truth it beggars belief. The communications, yes, they do the PR, the external PR and all that comes with that, yes they do both formal methods like the annual general meeting</i>	Communication
JM 22/06/10	<i>I think communication is done every day by everybody and it's done in team meetings and magazines and all that sort of thing but it's done by the way people are with people, the way you have to interact and I think it's that personal interaction which makes the best team managers and the people who will get the message out there</i>	Communication processes
JM 22/06/10	<i>I suspect there are ghettos, even around this company, which is very successful, but by and large the communication is out there and people will find out about it.</i>	Not perfect - keep working at it
JM 22/06/10	<i>More examples of communication processes given: tea parties, staff forum, team managers been close to teams ( no offices), everyone on the floor so hear chatter, meetings both departmental and cross- department</i>	Communication processes
LS 22/6/10	<i>I know Henry talks about our 4 cornerstones Fun - we believe work should be fun, because if you like what you do you do it better - eg we allow radios, TVs etc, when other companies would say this distracts staff and would have an impact on productivity. Equality - we try to make everything equal - eg everyone has to go on the car park waiting lift, no hot desking (yet!), all have same desks, chairs, no executive dining rooms, company cars, benefits that benefit all Communication - we talk to staff in a variety of ways and we make it two way communication, eg online chats, friendly forums, tea parties, SGM, company updates, sitting with staff at their desk, intranet, Admiral TV Reward and recognition - shares obviously, but other incentives, managers awards, recognition in Column and navigate</i>	Cultural mechanisms: 4 Pillars
NWK 22/6/10	<i>I believe our secret weapon is that this culture has been there nearly since the beginning so we do not have to work on changing a culture but rather perpetuate and expand it which is easier. And then like Louisa says every new person is brain washed into what we do.</i>	Culture/ Cultural mechanisms
HE 22/06/10	<i>You can't have perfect equality; and for instance in pay, ... [but] no company cars; the same desk for the same job. There are only, as far as I'm aware, there are only two offices in the whole company, Cardiff, Swansea or Newport, it's just Kevin and I have offices, nobody else has an office so open seating is important. Same chairs ... So, the painful, obvious things that divide people we try and get rid of</i>	Equality
LS 22/6/10	<i>I know Henry talks about our 4 cornerstones.... Equality - we try to make everything equal - eg everyone has to go on the car park waiting lift, no hot desking (yet!), all have same desks, chairs, no executive dining rooms, company cars, benefits that benefit all</i>	Equality
JM 22/06/10	<i>I always felt it was as much mine as it was anybody else that started at that time. It belonged to us. Maybe we didn't have shares in it at that time but that didn't make any difference. If you came with that first intake it was ours because we made or broke it. It was ours.</i>	Pride

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JM 22/06/10	<i>But I think it was down to the people that were here that were pretty tenacious and stuck with it through all sorts of stuff because we felt it was ours.</i>	Pride
JM 22/06/10	<i>I think the personal loyalty... many company people in this company who I guess have only spoken to Henry in their training and know who he is since but I don't think the loyalty is to him, the loyalty is to something almost intangible. The loyalty to the company.</i>	Loyalty
JM 22/06/10	<i>There was no good standing up on your dignity because it wasn't going to wash.</i>	Lack of ego (was a 'Trait' from Email responses)
JM 22/06/10	<i>I've seen them in the most outrageous situations, in stocks, or cooking or serving food or something, they are out there with people, doing stuff.</i>	Lack of ego (was a 'Trait' from Email responses)
HE 22/06/10	<i>And, a very, very strong culture of the culture encompasses ... customer care.</i>	Customer orientation
HE 22/06/10	<i>I was trying to set up a company that .... did care for its customers ...</i>	Customer orientation
HE 22/06/10	Direct question from interviewer: Do you think Admiral offers a superior customer service (which has been implied by the conversation and from knowing the interviewee for 25 years)? I do.	Customer orientation
HE 22/06/10	<i>I think we do it through attitude. I don't know about key. It certainly helps because it helps the customers and very often they do. We ask our people to make sure that the customer is satisfied and he is. Have we done everything we could for that particular customer? And we do it in a friendly way</i>	Customer service
HE 22/06/10	<i>I think it's a success factor. I don't know about key. It certainly helps because it helps a lot on renewals, this is a very price sensitive business, people will shop routinely and it's something they have to buy, not that they necessarily want to buy and therefore they will move, very often, if the price is much lower elsewhere. So, service does a lot in terms of keeping people from shopping; changing the threshold at which they will move;</i>	Customer service
AP 23/6/10	[you're describing an unempowered organization]. <i>To a degree, absolutely. But it's an organization which is nimble in that the key direction is set very quickly without a lot of introspection, then communicated and move</i>	Action orientation/ Action mechanism
AP 23/6/10	[I think it was at an away day that he (HE) thought we had democratic spirit but we weren't a democracy.] <i>Yes, I would agree with that statement. Yes, we do have democratic spirit because although the direction is set you are quite ... it's an organization which allows somebody then to argue back and say "I think that's complete bloody rubbish, you've got that wrong, you haven't got the right idea". So, it doesn't stop somebody answering back. It's not bang! This is the way we've decided, do it come what may; over the top chaps..."</i>	Democratic spirit
AP 23/6/10	[Can you think of examples where we've changed what we're doing because of that sort of feedback?] <i>Well, I'm trying to think. Many, many instances the actual application of the change. [Not the major strategic direction?] Not the major strategic direction because that is usually reasonably well thought out but the detail. Certainly how it's actually put into place, I mean, just many, many times we've had the debate. You and I have had those debates many times (smiles), screamed at each other with passion about it and take a stance, but it is modified in that way. In that way it is democratic.</i>	Democratic spirit
AP 23/6/10	<i>We have a vast rainbow of people but I think the values are instilled.</i>	Values
AP 23/6/10	<i>People who respect hard work, commitment, lack of ego, could laugh at themselves, as well as others .... .. respect, treating people properly, innovation for the sake of innovation, wanting to have some fun as well, you know, it's not all serious, not by a long way is it all serious. Aren't those the key things? and liking a challenge.</i>	Values
AP 23/6/10	<i>the downside of that can be that you are all too like minded but I don't think that's true, I think we accommodate quite a wide range of personality but we don't particularly accommodate a wide range of values.</i>	Danger of group think
AP 23/6/10	<i>The only way you get those values through is to live it, not write it down, not push it down people's throats, not publish the company, value statement or whatever they were called in those days, you've got to live it and be seen to live it. That means you talk to people, you take on board what they say.</i>	Propogating values
AP 23/6/10	<i>Because without fun you just don't want to turn up every day and you don't want to concentrate on what needs to be done. I can remember very few days in my career here when I didn't want to turn up. There were some, but very few (smiles). No, I think it's really important, fun, being flippant, enables you to get through some difficult things, make some difficult decisions</i>	Rationale for fun at work
AP 23/6/10	<i>I think they [other firms] copy the style but they've got to believe it and they've got to walk the walk. It's no good saying "right, this is the style that works; we're going to do this." It's either in you or it isn't ... It's part of your psyche. It's part of the ... again is it values or is it you choose the people that have the same values as you and ... it's there, in the DNA isn't it</i>	Tacit elements of culture
AP 23/6/10	<i>I can think of an example of a very large insurance company who actually bought other brands who started their own separate brands and bought other brands and then closed them all down again. Partly they were buying separate brands. They clearly saw multi-brand as being a method of getting better bang for the buck and marketing, but did they really believe it? Did it end? It was more infighting, that's why they closed them all back down again.</i>	Tacit elements of culture

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CB 23/6/10	<i>we are very relaxed about most things to do with the working environment and how we manage staff – dress code, flexitime in some departments, flat structure, no hierarchies, fun, etc – and yet we’re anything but relaxed about the actual business – results, details, the method of how we do things – we are relentless in pursuing better ways of doing things and better results. That’s not always visible on the surface, because if you just joined and walked around, you wouldn’t necessarily see it until you started talking to managers about what they do.</i>	Culture mechanisms
SL 23/6/10	<i>In Renewals particularly, there is a daily dose of fun and mayhem, however sitting behind this there are numerous measures and reporting. A real drive to do things better and achieve great results. It does feel very relaxed on the surface and some people do fall into the trap of believing that this is the way we manage the business. That is simply not the case and they do have a rude awakening. There is a tipping point though! I think we work hard to protect the culture of Admiral and rightly so. It is unique and a point of difference. It is something we are very proud of although I admit in the early days of working for Admiral, I was slightly embarrassed to admit that I’d spent the day dressed up and painting pictures!</i>  <i>I’ve never worked in a company where the CEO is so accessible and Senior Management so approachable - that makes a real difference.</i>	Culture mechanisms
AP 23/6/10	<i>But, there is no people standing on ceremony. There is nobody sort of laying down a carpet for me,</i>	Equality
AP 23/6/10	<i>I think it comes back to respect and right up and down the chain I don’t see any fear of people talking to the hierarchy either</i>	Enabling values
AP 23/6/10	<i>Because I’m proud of; I have a big investment in it so it’s important but I’m proud of it; I still... well I think pride is a great thing, clearly I know the personalities, I still think I’ve got a bit to offer.</i>	Pride
AP 23/6/10	<i>I didn’t say, yes, I was going to say enjoy, yes absolutely, still enjoy because I still think it’s an exciting business, even, not only it’s sort of overseas expansion which mostly has happened since I’ve left but its basic core business is actually still exciting and we’re getting better and better and better at it, taking the opportunities as they come and that’s a really exciting thing.</i>	Excitement as motivation
AP 23/6/10	<i>Difficult giving up, isn’t it? it’s always difficult giving up if you’ve actually been part of building a business, you love it a lot even though you’ve decided to retire and that’s it.</i>	Passion
AP 23/6/10	<i>People will tell other people they work for Admiral.... I mean I will speak to people externally who will tell me their friends work for Admiral. And their friends are obviously telling them “I work for Admiral” and that’s sort of “I work for Admiral!” (smiles) not some grotty place, no I think our pride is everywhere.</i>	Pride
AP 23/6/10	<i>it’s ego isn’t it, say “I’m the marketing guy, I understand all this, you don’t understand that...” that’s not an answer here. The answer is “let’s talk about this campaign and what is it doing?”</i>	Willingness to share
AP 23/6/10	<i>ego is not valued for its own sake here. It doesn’t mean to say there aren’t egos about. It’s also a tradition of pulling egos down to make sure they keep grounded. What is egg roulette all about? It’s about pulling managers’ ego down, you know, you sit in front of a lot of staff and you play egg roulette and it doesn’t matter who you are you may well end up with a broken egg all over your hair.</i>	Mechanism for breaking down barriers b/w mgmt and staff
GR 24/6/10	<i>So, we are typically looking for, and again it’s something that maybe comes from the staff survey where was ask “what is a typical Admiral person like?” “Sense of fun; friendly; outgoing; team player;</i>	Elements of culture
GR 24/6/10	<i>I think it’s quite easy for us to end up with the same sorts of people and I think we need to be careful to avoid that.</i>	Danger of group think
GR 24/6/10	<i>The non-perfect people, the people who don’t fit, or the people who we’ve recruited but haven’t turned out to be the right fit? I think they can... I think, maybe it will be worth looking at the stats, I think quite often when we end up having to discipline people it’s attitude rather than skill that we end up taking them down that path for. ... there is that process we go through where we talk about what our expectations are and we make it much more clear</i>	Non-fit managed out
DS 24/6/10	<i>the belief in equity and partly a spinoff of the culture, partly a spinoff of the location in terms of the lack of exciting alternative employers.</i>	Founder belief translates to fundamentals of culture
DS 24/6/10	<i>I am a big believer in the power of people sharing the success and I think that it’s been really helpful in making us, everyone, open to change that people believe will take us in a positive direction, willing to embrace change.</i>	Founder belief translates to fundamentals of culture
DS 24/6/10	<i>[ HE is] very sensitive to the cultural issues and created something in terms of openness and warmth and recognition and stuff like that which is an extension of his personality and has always given space for some people.</i>	Founder belief translates to fundamentals of culture
DS 24/6/10	<i>and it’s not like he [HE] surrounds himself with clones, or yes men or, he has an ability to accept complementary people</i>	Founder belief translates to fundamentals of culture
DS 24/6/10	<b>the fact you change a lot makes you better at changing.</b>	Culture of change
DS 24/6/10	<i>And I think some organizations have a problem with half arsed and I think half arsed is quite interesting.</i>	Founder belief translates to fundamentals of culture
DS 24/6/10	<i>Then, you’re probably back to things like equity, making them interested, like success, making them not scared, like testing and half arsed being acceptable. Making them capable. And I suppose maybe the people that prosper in an organization are people who do think in those terms.</i>	Culture of change
DS 24/6/10	<i>But then I’m a bit of an outlier in terms of having quite a large degree of hunger for them and thinking that you can do an awful lot, or should do an awful lot of your decision making on the basis of them.</i>	Founder belief translates to fundamentals of culture

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DS 24/6/10	<i>a set of values around openness, around a reasonable life work balance, around not knifing each other in the back as a way of getting forward, around tolerance, around trying to make, caring about whether it's a good place to work</i>	Values
DS 24/6/10	<i>I'm interested in Confused going out to eBay and buying stuff. I love it. I think it's brilliant on two levels. It's cheaper than buying it anywhere else and it's fun, it's individual, it's ownership, it's great.</i>	Example of values in action
DS 24/6/10	<i>I think the culture is important</i>	Culture
DS 24/6/10	<i>I would be very keen to sustain and take forward the culture, now, I say take forward because actually I don't think you can say "look, we've got a culture, all we need to do is maintain those things which make..." because it needs renewal all the time. It needs things that are an important and valuable part of the culture become tired and ineffective so you need to be constantly thinking about what change you make in order to maintain the culture, rather than what change you avoid in order to maintain the culture.</i>	Active management/ Monitoring the culture
DS 24/6/10	<i>So, I would be intellectually very keen to maintain it and renew it but quite anxious that I'm not necessarily that well equipped to know how and I'm also ... it needs to be a positive discipline because if I look at the way I allocate my time there will always be an intellectual problem with an immediate return that sort of actually, I feel much more comfortable with and I can do that and... so I'm sort of thinking the importance is you need people in the organization that can fight for the culture,</i>	Cultural champions
DS 24/6/10	<i>I guess I would probably say culture of itself doesn't make a company financially successful. There is a wider issue of what constitutes successful. So, you might have an average insurer that delivers a really good work experience for 3,000 people and that is of value in its own right but if you're judging a company by profitability and growth and things like that, it feels to me like it's 10, 15, 20% of the equation and competence is 40, 50, 60 and sort of other things like luck and location and that would be probably my cut. And there is also a circularity that the culture is, to an extent, born of the success as well as the success if born of the culture because, and this will only be, that hypothesis can only be proven or disproven in the event of failure, what happens if you've got to lose 10% of the staff? Or if the shares don't pay out for three years? what happens? How robust is the culture because if you get continuing good scores on staff satisfaction and loyalty and people coming up with suggestions for change and all the positive things happening then you go "well, actually, I've got something that's really valuable here" but if it crumbles in the face of adversity then you've got something which was a "nice to have".</i>	Rationalising culture as a success factor
DS 24/6/10	<i>Henry negotiated the 27% for the management but I think at that point my memory of it, it was always about the management. It became wider at the time of the buyout mainly because we just could see this horrible situation of selling out to another company, the management being seriously enriched at the same time as the staff being out of a job.</i>	Founder belief in 'equality'
GR 24/6/10	<b>No, I do enjoy working here and I love working with my team. I love what we're trying to do. It can sometimes be frustrating when we can't get things done as quickly as we would want.</b>	Passion
JG 10-11-10	<i>I know this because I've been to some of these presentations. You do sense that there is something slightly... I mean, it's the proprietorial nature of that sense of achievement that comes through.</i>	Pride
JG 10-11-10	<i>one of the things that's quite noticeable is the way that it's linked to that point about employees being shareholders and share owners, is the... I think the sense of enjoyment that you feel as if the employees have being at Admiral</i>	Pride
CA 11/11/10	<i>it's the talent of the people at the top is the big thing that made us successful. When you think of the people who started the company and the few who are still here, they've got amazing talent and intellect and they're so ingenious in their ideas and creativity</i>	Founder traits
CA 11/11/10	<i>It's such an open culture and all those things Henry was talking about yesterday when he gave those 14 different explanations of what the Admiral culture is, they all were so well, they explained our culture so well to us</i>	Openess
CA 11/11/10	<b>we actually do culture rather than talk about culture in everything we do</b>	Active management of culture
CA 11/11/10	<i>we just get on and do it</i>	Action orientation
CA 11/11/10	<i>there is that can do attitude with everything we do and optimism and we look for challenges</i>	Elements of culture
CA 11/11/10	<i>I think we've used our culture to drive success in the company and to drive profit as opposed to it being a by-product of when things are great then we can afford to do a little bit of fun and a little bit of this and spend time with our people ...we see it as a driver of getting money to spend, if you like, a driver of the profit</i>	Culture enables success
CA 11/11/10	<i>We approach fun and the way we treat people as what we do every day.</i>	Fun
CA 11/11/10	<i>We give the team managers a fun budget, they can do what they like with it because who can ... who am I to say on Floor 22, or somebody on Floor 6 will have, what is fun to them</i>	A cultural process: for fun
CA 11/11/10	<i>We have the Ministry of Fun but I think that's more to make sure these things are happening all the time rather than to tell people what fun they should be having and how they should relay a nice climate, an environment for the people</i>	A cultural process: for fun
CA 11/11/10	<i>the team manager can decide. If they want to do something different from the team next door that's fine, whatever suits you</i>	Tribalism
CA 11/11/10	<i>A lot of it comes from Henry and the top managers. There's a definite commitment from them. It's not something they feel they should do as an add on, they feel it's really part and the heart of the company and this type of attitude</i>	Source of culture

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CA 11/11/10	<i>I mean, how they do interpret those values we are quite happy for them to do it their own way. The challenge for us is some middle managers don't understand these different junior managers, it's ok for them to do it their own way, that's a challenge for us, I think, and that's something we mustn't lose sight of. We've got to keep giving this message all the time.</i>	Tribalism
CA 11/11/10	<i>It's very carefully managed, if you like. I hate to say fun being managed but you know what I mean, it's built into the day.</i>	Active management of culture
CA 11/11/10	<i>So, you've always got to remind them of the benefits of these things.</i>	Proselyting!
CA 11/11/10	<i>you've always got to explain these messages and explain how these things can help the company on the bottom line because, like I say, the team managers think they're helping the company by stopping these people going to these things.</i>	Proselyting!
CA 11/11/10	<i>it's my role to filter the message down. .... it's got to filter down from the top, I think. It's very difficult to filter culture upwards</i>	Active management of culture
CA 11/11/10	<i>from the cultural side I guess I see my role as a sort of guardian of the culture</i>	Active management of culture
CA 11/11/10	<i>I think that's what we do quite well in the Group is we listen to these people</i>	Listening
CA 11/11/10	<i>I wouldn't wait for... I would wait for the best solution I could think of, recognising there's flaws in it, trying to minimise the risks of those flaws and then running with it, really</i>	Action orientation
AP 11/11/10	<i>We are very cost conscious, always have been from Day One. I think that's part of the psyche, it's also part of the controlling moment we've been talking about, if you remember. We did some very detailed departmental budgets all based on metrics and no manager in this organisation knows how to live any other way so that is fundamental, that's the control system. I mean, I think it's in the psyche anyway.</i>	Founder trait of 'parsimony'
AP 11/11/10	<i>We go for it</i>	Action orientation
AP 11/11/10	<i>I've come to the conclusion I can't cope with the less than rational, less than "let's get all the data, cut some of the ego" crap. .... I'm expecting a good, honest, solid, robust debate even if it looks like a fight rather than a long drawn out oral bloody attrition.</i>	Founder trait to avoid politics
AP 11/11/10	<i>It's sort of openness. Perhaps I delude myself that it's not ... clearly it's not entirely open, the culture, but there is a fair degree of openness. People don't mind talking to anybody, you know, I would encourage anybody to talk about an issue if they've got something, it doesn't matter what it is; if it's a business issue, all the better, but to be open and have a debate about it rather than to let things sit and fester. I do enjoy that, because I do think that makes it interesting for all individuals. ... Now, that [a hierarchical bureaucratic structure] is not a culture I like. I don't care talking to anybody, if anybody has got good ideas. That part of the culture I like. I think it's there. I'm sure there is repression in the organisation but I don't particularly feel it and I've got good ideas from people outside having a smoke, working in the post room, or whatever. Everybody has got a ... and that atmosphere is good. That, to me, is a bit of a defining culture. I think it's also brought about by share ownership. That really reinforces it because people feel ownership and benefit and therefore want to contribute and that, to me, is a sort of defining culture of it.</i>	Personal description of culture
AP 11/11/10	<i>but it also stems from Henry wants to be inclusive, doesn't he? It seems to be at his core. David too.</i>	Founder trait of inclusiveness
AP 11/11/10	<i>[people] still seem genuinely interested, not moping around in the corners, they seem to have some pride and you just get that feeling, walking about with their heads up.</i>	Pride
CA 11/11/10	<i>Just because you are the manager, we're not so arrogant to think we've got exclusivity on what's best for them and when you listen to them, actually, sometimes you think "yeah, what am I trying to do here!"</i>	Lack of ego (was a 'Trait' from Email responses)
AP 11/11/10	<i>It started off where it was important to know everybody, and muck in, there was nothing, buying two electric kettles and things like that</i>	Lack of ego
AP 11/11/10	<i>but those big messages are still there; no company cars; everybody pays their £30 or whatever it is for a car parking, it doesn't matter who you are; it's a big deal; we've got a finance director and he doesn't necessarily get a bloody car space and causes all sorts of bloody ructions and ... those are quite big messages.</i>	Lack of ego
LS 12/11/10	<i>they [top team] believe in trusting people, they believe in making ideas work but they also believe in allowing you to make mistakes while you're making things work. They believe in having fun but they believe that we should manage every detail, we shouldn't waste our money, we should be careful with things</i>	Founder belief translates to fundamentals of culture
LS 12/11/10	<i>and David's brain is just something else. It's almost like you want to take his brain out and dissect</i>	Founder trait inspires an to fundamentals of culture
LS 12/11/10	<i>And I'm a doer so for me sitting around thinking about things all day is not something that appeals to me</i>	Action orientation
LS 12/11/10	<i>Henry said to me "you're the keeper of the culture". And I kind of think, well, that shouldn't just be my role, that should be every single senior manager's role within this organisation and that's what I bang on about constantly because why should it just be one person? One person can't do that. that's ridiculous. But, I don't know, for some reason I have fallen into that role and maybe it's because I see the organisation of having something so special I don't want to let it go. I don't want it to be diluted. I don't want us to just let people come in and say "well, so what? We're 3,500 people now, it shouldn't matter, why should I care what my team managers are doing now? There are too many people to care about." That's when you should be caring even more. So, that's kind of I've just fallen into it and work very closely with Ceri because, again, I see him like that.</i>	Active management of culture

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LS 12/11/10	<i>every department is different so I would expect it to be different but I would expect the underlying beliefs in it to be the same. So, I thought yesterday, when Henry talked through his 14 – 15 points that should apply to everyone. People seem to think it's all about fun and again I keep saying to them, it's not about fun. Just because you work in pricing doesn't mean you have to dress up like they do in sales. But don't you want to work and have a bit of fun? And just be nice to each other and work in a climate that is good for you so that your team develop and they are clever and innovative and they come up with things and they come to you and they leave with a smile on their face?</i>	Tribalism
LS 12/11/10	<i>I found it everywhere and I was hoping to find that in every department they saw it differently but they saw it. And, I would say, every department bar two or three do not get it and what will happen is I will then spend some time helping them get it</i>	Active management of culture
LS 12/11/10	<i>... but everywhere else I was amazed from the pricing guys who came and did a very, very simple presentation, brilliant, absolutely get it, but they are not going to dress up. I wouldn't ask them to dress up. The sales guys, clearly, you know, extroverts; they're going to do things differently. The marketing guys do a fantastic job but they're not going to do the same things as the renewal guys. So, it's not about saying... we expect... it's almost like the managers expect "we've got this little cookie, that's exactly how everyone must look!" No! That's not how everybody must look.</i>	Tribalism
LS 12/11/10	<i>The question was ... I can't remember how the question... it was about culture and how you made sure it happened in your department and what it meant to you. So, that's basically we were saying "what does it mean to you and how do you make sure that our culture continues?" so that was their brief. They all came up with fantastic reasons and ideas and what they did and they all strongly believed in it and they all did it differently and that, I was really pleased to see.</i>	Tribalism
LS 12/11/10	<i>I think all the senior managers bar one or two have all come through and so they all use it knowing it works ... if we take the overseas guys, yes, they do, they embrace it and it's teaching their staff as well.</i>	Culture is not 'tacit' but articulated
LS 12/11/10	<i>and I find it really hard to understand why you wouldn't want to work in this kind of culture and why you wouldn't want to embrace it. You know, we've all worked in organisations that are horrific and want to change that back to being like that?</i>	Proselyting!
LS 12/11/10	<i>I look at the way that Henry and David look at numbers. I look at them and think "oh, my God, this is going to take me an hour!" and they read it like they were just reading the newspaper or a page... you know, it's just amazing. So, that's been a skill I've had to learn but never to the extent they can do it.</i>	Founder belief translates to fundamentals of culture
LS 12/11/10	<i>We expect a lot of our staff. We try to reward them accordingly when they do that change but sometimes we cock it up and then we have to be prepared to say "you know what, we did that badly</i>	Reward
LS 12/11/10	<i>because I am clearly head of communications and I should almost have it tattooed across my forehead but it is so important ... Just everything is about communication. You've only got to see anything that fails and ... that's about communication</i>	Communication
LS 12/11/10	<i>this is what I keep trying to get my team to do is face to face, all the time, as often as they can, just because we're growing doesn't mean we rely on the intranet, we rely on email. So, they have to attend, between them, 15 team meetings a month, they have to do about six or seven company updates with 10 – 12 people in them, they have to do friendly... they have to do constant things that they have to sit down and physically talk to people instead of like "this is another message from communication" because ultimately people want to be able to see each other and talk to each other.</i>	Communication processes
LS 12/11/10	<i>we're checking on all those things, constantly, and reminding people, and we're leading by example. We're not just going "now we've got this beautiful new intranet we don't have to do anything. We'll just sit upstairs, 22nd floor, have a cup of coffee". It's "do you know what, because we're 3,500 people we have to work even harder" and I expect my team, including myself, to have seen at least 1,000 to 1,500 people within 18 months. We have to be able to do that. So, then, other managers must follow by example and most do.</i>	Communication processes
NWK 2/2/11	<i>I found the company that was really open. I was very impressed with, well, with you, with the MDs, the fact that nobody was trying to hide anything or trying to do things behind your back. It was "it is as it is, you can see it" there was no hiding things and sneaking things around and I like that, I really enjoy that.</i>	Open
NWK 2/2/11	<i>there's a lot of trust in the two of them</i>	Trust in founders
NWK 2/2/11	<i>I wouldn't openly question them just because I don't feel that they always respond positively to open criticism even though that's what we are preaching. But, they make the decisions and then we follow.</i>	Trust in founders
NWK 2/2/11	<i>I think that some brands thought they had a stronger culture</i>	Tribalism at work
NWK 2/2/11	<i>Elephant defined itself as the newbie, new kid around the block with a verified brand, workforce younger than the rest of the company and at that time you could look at the sales floor in Elephant was massively masculine and young men and you had, maybe 10 – 15% women while the rest of the brands were more balanced. I remember having a discussion with Emma, I said why do you only recruit young males because you are driving a certain type of behaviour on this floor, you have to mix it up. She said, I would love to but I cannot get any more females on this floor. I think it came down to the people who were recruiting and they were maintaining this kind of culture.</i>	Tribalism at work

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NWK 2/2/11	<i>But, beyond that facade of, yes, they were younger and boyish, it was very similar, they also loved the company to bits, they were very proud of what they were doing and they were open to testing new things which I believe is what makes us strong. It's that people are pretty open. If you tell them why you want to do something they are like "ok, I'll buy into it, I'll do it." that is across the board. It's not a culture that we'll resist things just because we like to resist. If you explain, if you take the time to explain to us why you're doing it, if we think it makes sense we'll jump on board and we'll do it.</i>	Common threads of culture: embrace change, openness, pride
NWK 2/2/11	<i>and I think that helps solve a lot of problems because you are not like, well, this is my bit, don't peek over and look at what I'm doing because I don't want you to learn from me, this is not what we do. It's oh, you want to learn, here is what we are doing, what do you want to learn? That's one of the things that really impressed us when we started with the Admiral group is that when we did that training, rotating around for a few months, spending time in each department, everybody was so open about what they are doing. "oh, you are going to Europe, opening a subsidiary, look at this, look at what we do and this is the best bit" and this and that</i>	Open
NWK 2/2/11	<i>his wife [AP] was full of praise for the group</i>	Pride
NWK 2/2/11	<i>I came over and spoke with different people in IT, marketing, and everybody was very proud of working for Admiral and everybody saw the success they had over the last few years</i>	Pride
NWK 2/2/11	<i>You can go into any department and ask to talk to people when they explain things and they are very proud of what they do</i>	Pride
NWK 2/2/11	<i>It's not like, oh, it's just a job and doesn't matter, tomorrow I might be doing another job. It's they walked into these jobs and they make it their own. I think that's what makes it strong</i>	Passion
KC 03/02/11	<i>I don't think I was wearing a suit because I knew I shouldn't be wearing a suit but I was trying to look reasonably smart.</i>	Casual dress as symbol
KC 03/02/11	<i>I don't think you do [Know about training and culture before you join]. You know the company is a bit different and I knew I didn't get an office and a car parking space, I don't mean that, I just mean I didn't realise just how very different Admiral was to most companies I'd worked in. I assumed it would be a bit different, I could see it was a bit more casual and there was a bit more friendliness around but I didn't understand just how different it would be. ...And so I had this sort of ill defined job ... not really with a proper job title</i>	Culture shock
KC 03/02/11	<i>but in Admiral Group, .... and they say it the way it is. they don't dance around it.</i>	Lack of politics
KC 03/02/11	<i>And ... but that's not written down anywhere. No-one says, on your first day, "this is the way it's going to be here" you kind of learn that as you go along.</i>	The way things are done
KC 03/02/11	<i>most managers have learned to be very careful about the way that money gets spent and not challenge things that should otherwise get spent and make do with not spending money, you know, find an alternative way of getting things done or just not doing them.</i>	Founder trait of 'parsimony'
KC 03/02/11	<i>Admiral's ability to roll out across the whole organisation a way of being frugal and can save money is really very powerful and makes a big difference, I think, to its competitiveness and that just comes from instilling a sort of human behaviour which starts at the very top and runs right through.</i>	Founder trait of 'parsimony'
KC 03/02/11	<i>The openness is extraordinary as well. You mentioned, yesterday, I think in your presentation and that, the way that the business of 3,000 people, lots of departments, the way that people are very open to be able to talk to each other and challenge what each other are doing in their various areas is not my typical experience, where things are much more siloed and people are ...</i>	Open
KC 03/02/11	<i>there is also an openness for people to accept that if I'm in the post room and you come in and you talk to me you can tell me how to do my job and I might learn something from you because I'm going to listen to you. Whereas, most companies, in my experience, people would be quite defensive about that.</i>	Lack of politics
KC 03/02/11	<i>people are treated equally here, there isn't a status thing</i>	Equality
KC 03/02/11	<i>there's a certain deference to senior people in most companies. "I wouldn't say that in front of the boss; be careful what we do here; don't tell them that" which is very different at Admiral, again</i>	Open
KC 03/02/11	<i>when I do walk round the floors ..., I feel as if I'm having a man to man, or man to person conversation. I'm not having a big boss to CCR conversation. So, there is a great sense of equality and respect for everybody who does their jobs irrespective of whatever job that is and that is different, again</i>	Equality
KC 03/02/11	<i>Whereas in Admiral [at meetings]... there's almost an instant sort of "well this is the area we've got a problem and to be honest we've tried blah, and maybe it's going to work, I'm not sure but has anybody else got any ideas because maybe blah, blah would be better; what about de, de, de; oh, fine! And de, de, de" and then straight away you're solving the problem together and you're helping each other come up with alternative solutions</i>	Lack of politics
KC 03/02/11	<i>And so it became pretty clear from the April review that there were fundamental problems in the way that he communicated with his people and the way that he was effectively stalling the whole organisation so that nothing got done unless it got decided by Carlton. It was effectively the complete opposite of everything we talked about,</i>	Culture turns toxic
KC 03/02/11	<i>So, bringing that empowerment back into the organisation, very important and making people realise that they can do these things. ... Giving them back the confidence to recognise that they can do it and actually their answer is as good if not better than the so called professional expensive answer. So, that's a large part of what I'm doing</i>	Realigning culture

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KC 03/02/11	<i>Confused has created a culture of being too spendthrift and not being focused enough on the detail and not working together well enough as a team, being too siloed, there's too much blame, and fear of doing things because you will be blamed.</i>	Culture turns toxic
KC 03/02/11	<b><i>OK, I'm in the pub talking to a mate, what's it like at Admiral? It's quirky, it's friendly, it's casual, it's detailed, it's testing, it's challenging, it's creative, it's striving to improve all the time, it's very team based, it's passionate, it's got a strong sense of identity, successful, there's no egos, it cares about people, it's very equal, it's fun. It's a lot of fun</i></b>	KC's view of culture
KC 03/02/11	<i>but in Admiral Group, once you get used to it you realise that's just the way life is and people are passionate about stuff</i>	Passion

This theme includes coding for five proto-themes: 'culture', 'equality', 'pride and passion', 'lack of ego' and 'customer focus'.

**A.17 Example of all data recoded for cultural element 'No blame'**

All data from the themes presented here in the appendix was recoded using ideas from the

AP 23/6/10	<i>Most organizations I worked in there are a lot of politics, and yes, there are politics here ... but less so than anywhere else. You can have a bloody good row and then go off for a sandwich for lunch and talk about the cricket or whatever and then have another row tomorrow about something entirely different. That's something to do with speed as well, rather than pussy footing around the politics of it all and trying to get people on side and twiddling it, have the bloody row out in the open;</i>	People matter	No blame
AP 23/6/10	<i>Have the row, but don't get... have the row, have the debate there and then, make the decision, move on and don't dwell on it .... Relatively few recriminations ... Well, I think it does function. I've worked in organizations where you're pussy footing around status and you have to be very careful the way you phrase what you say and it takes you a long time to get something through. Jesus! You know, give me strength!</i>	Stability of management	No blame
AR 4/6/10 (ii)	<i>People don't take discussion of ideas or issues personally and they know we will discuss the minutiae and the macro.</i>	Learning environment	No blame
AR 4/6/10 (ii)	<i>People don't take discussion of ideas or issues personally and they know that we will discuss the minutiae and the macro</i>	Management style	No blame
AR 4/6/10 (ii)	<i>People don't take discussion of ideas or issues personally</i>	People matter	No blame
CA 11/11/10	<i>people here are not afraid to trial something and make a few mistakes</i>	Learning environment	No blame
CA 11/11/10	<i>but a safe environment where they can express themselves, try new things, make mistakes, contribute to the company, not be afraid to speak up.</i>	Management style	No blame
CA 8/6/10	<i>Empowerment of staff to try new ideas and not criticise if mistakes are made, but rather learn from them</i>	Learning environment	No blame
CB 14/6/10 (ii)	<i>Feedback is useful rather than critical. Also I think admitting to your mistakes and that no-one's perfect, but you can learn from things, is important.</i>	Learning environment	No blame
CH 10/6/10	<b><i>5. We are incredibly transparent and non blaming about sharing data in all ways across the business – there is no 'data is power' or 'blame' culture which truly expedites success</i></b>	Culture enables	No blame
CH 10/6/10	<i>We are incredibly transparent and non blaming about sharing data in all ways across the business - there is no 'data is power' or 'blame' culture which truly expedites success</i>	Learning environment	No blame
CH 10/6/10	<i>We are incredibly transparent and non blaming about sharing data in all ways across the business – there is no 'data is power' or 'blame' culture</i>	People matter	No blame
DS 24/6/10	<i>a set of values ... around not knifing each other in the back as a way of getting forward,</i>	Culture enables	No blame
EB 3/6/10	<i>Reduce politics, at the end all can be measure and numbers discussions are easier</i>	Management style	No blame
EB 3/6/10	<i>Reduce politics, at the end all can be measure and numbers discussions are easier</i>	People matter	No blame
JM 22/06/10	<i>That became the culture, became the culture of no blame ... everybody was in the same boat</i>	Culture enables	No blame
KC 03/02/11	<i>but in Admiral Group, .... and they say it the way it is, they don't dance around it.</i>	Culture enables	No blame
KC 03/02/11	<i>it comes back to this point about being open, I think, but also caring about getting a better answer rather than caring about me looking better than you because we're not really competing with each other, actually, we're both trying to make the whole thing better.</i>	Decision making	No blame
KC 8/6/10	<b><i>a wonderful lack of blame throughout the organisation</i></b>	Culture enables	No blame
KC 8/6/10	<i>a wonderful lack of blame throughout the organisation - leading to people being much more open about their problems and more willing to listen and take advice</i>	People matter	No blame
LS 12/11/10	<i>I have also said to other managers "you know, if Henry asks me I tell him the truth" and that's the end of it, otherwise he wouldn't trust me. So, I tell him lots of good things but if something bad is happening I will tell him. That is my responsibility, in my role, to do that.</i>	People matter	No blame
LS 7/6/10	<i>we try to avoid and us and them culture</i>	People matter	No blame
NWK 2/2/11	<i>I found the company that was really open. I was very impressed with, well, with you, with the MDs, the fact that nobody was trying to hide anything or trying to do things behind your back. It was "it is as it is, you can see it" there was no hiding things and sneaking things around and I like that, I really enjoy that.</i>	Culture enables	No blame
NWK 3/2/1	<i>I think it still taints how I see IT and the complexity of a job in CS now, is they have a lot to learn, they make mistakes and, well, if they make mistakes, hopefully, they improve from it but our systems are not fool proof and we should never blame the agent because they made a mistake.</i>	Recruitment and indoctrination	No blame
SC 8/6/10	<i>A management team not scared to ask questions and ask for help/advice when necessary.</i>	Stability of management	No blame

‘culture enables’ to draw out elements of Admiral’s culture from all the primary data. Given that 897 themed excerpts of data were reduced to 674 recoded elements I have only presented the recoded elements for the ‘No blame’ aspect of Admiral’s culture. The table presented here also shows the originating theme for the data excerpt and those shaded green were not included in the final count for ‘No blame’ as they were duplicated data excerpts originally coded for other themes as well.

**A.18 Example of How Elements of the Culture ‘Enable’ the Theme ‘Embrace Change’**

Once the cultural elements emerged from the data it became clear how the culture enables the various themes identified. As an example, the ‘embrace change’ theme data table is reproduced here showing the cultural recoding. The main text of the thesis uses the ‘learning environment’ as an example and the principle of analysis was the same but for the sake of the size of the overall thesis only ‘Embrace change’ recoding is demonstrated in this Appendix.

AP 11/11/10	<i>I think we're able to innovate, go with a hunch</i>	Embrace change	Colour outside the lines
AP 11/11/10	<i>Where is the next hunch from? ... It's from a very small group of people, again, it goes back to a small number who have some trust amongst each other that they can throw out odd ideas.</i>	Embrace change	Colour outside the lines
AP 11/11/10	<i>how do we know if that works? These are the criteria, now let's spend a certain amount. It may be a crazy idea, we don't really know, we haven't got the data of whether it works but let's do it in a smaller way in a controlled investment but measure it to see if it works. If it doesn't work then we throw a great hunch but it didn't work, throw it away and move on.</i>	Embrace change	If it moves measure it
AP 11/11/10	<i>Confused is an example of that, we did that on a shoestring, bit by bit, we didn't throw in huge amounts of money, every man and his dog in the world thought we'd spent five or six million to get that up and running. We didn't. We spent, in my mind 750,000.</i>	Embrace change	Spend every penny wisely
AP 11/11/10	<i>We don't look for the 100% solution because it takes too long to get there. ... speed of response... the wait to get it perfect and you'll never implement it</i>	Embrace change	The perfect is the enemy of the good
AP 23/6/10	<i>I can never remember a time where we sat round doing nothing and were complacent. If things were going really well and perhaps the core business didn't need much tinkering with I don't ever remember sitting round thinking "well, we'll sit back for a while now and take the rest." It was always "right, what can we do now then?"</i>	Embrace change	Challenge
AP 23/6/10	<i>The way we've moved from one brand to multi-brands, from phone operation to internet operation, to aggregation, we adapt. In many ways we lead and other people follow.</i>	Embrace change	Colour outside the lines
AP 23/6/10	<i>it's this willingness to not accept that the business is like this, has always been like this and therefore the only way to compete is to be the same as everybody else and that we've always had this view that we will do something differently. We'll look at it, come up with some ideas, try it, I think experimentation has always been at the heart.</i>	Embrace change	Colour outside the lines
AP 23/6/10	<i>What off the wall thing might we try to move it on to the next level?</i>	Embrace change	Colour outside the lines
AR 4/6/10	<i>DIFFERENT APPROACH - Looking at the business as more than insurance, not being bound by what could be sold in an insurance setting. I remember reading the original business plan and seeing the catalog of other items that would be sold. While that business did not fully materialize, I have to believe it aided in the inclusion of ancillaries in the sales process.</i>	Embrace change	Colour outside the lines
CA 11/11/10	<i>it's all about explaining the need for change, asking them for their ideas, how we can meet the business needs, getting them involved in formulating the new structure. So, it's all about involvement, really, getting them involved</i>	Embrace change	Communicate, communicate, communicate
CA 11/11/10	<i>Change is going on all the time</i>	Embrace change	Flexible
CA 11/11/10	<i>Small changes they happen all the time</i>	Embrace change	Flexible
CA 8/6/10	<i>A non dogmatic approach to solving challenges</i>	Embrace change	Flexible
CB 14/6/10	<i>we adapt to change fast, often before the rest of the market at a strategic level</i>	Embrace change	Flexible
CB 23/6/10	<i>we are relentless in pushing better ways of doing things and better results</i>	Embrace change	Be the best
CC 3/6/10	<i>Documentation team still look at ways of doing thing differently.</i>	Embrace change	Be the best

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CC 3/6/10	<i>I realise how people set limits to themselves that don't exist .... At Admiral, those limits don't exist in people's mind. It is politically incorrect to think that things don't work without having been tried.</i>	Embrace change	Challenge
CC 3/6/10	<i>It contributes to enforcing numerous and quick changes. I think Admiral employees don't have benchmarks in mind so they don't have preconceived ideas about projects. New = Opportunity. In other companies, projects are compared to things done before, seen elsewhere and projects move slower.</i>	Embrace change	Flexible
CH 10/6/10	<i>We do things differently from the rest of the industry</i>	Embrace change	Colour outside the lines
DS 24/6/10	<i>but she [Head of Customer Accounts] is unbelievable in terms of just a dogged commitment to getting her area better and better on certain measures, certain areas she's not so keen, but there are a number of people around like that, around the organization. [Head of Gladiator], astonishing in terms of constant reinvention of an area ... Claims is another great area where people are trying new things all the time. That's evidence rather than why but I think it's because people... it must be lower down the organization people have a desire to improve and feel able to try and come up with the improvements.</i>	Embrace change	Be the best
DS 24/6/10	<i>relates to the testing thing. If you're running a number of horses you've got... some of them stick and you push them forward, so in other organizations if they bet their bank on something that doesn't happen, where do you go? Well you're back to status quo until you think of your next big one, so that's relevant.</i>	Embrace change	Colour outside the lines
DS 24/6/10	<i>I mean, astonishing, the success of moving from brand to function [change in structure of company in 2006/7]. I was amazed by how well people took to that despite really strong affinity to brands and stuff like that. They are willing to make the change.</i>	Embrace change	Flexible
DS 24/6/10	<i>Then the second is the willingness to run a number of different innovations, some of which inevitably fail</i>	Embrace change	If it moves measure it
DS 24/6/10	<i>I think our success innovation is a combination of two things. one is that sort of closeness to the business; well, three things actually; the closeness to the business of the senior managers so that they are reasonably able to make good calls on what might be a successful innovation.</i>	Embrace change	Pay attention
DS 24/6/10	<i>I am a big believer in the power of people sharing the success and I think that it's been really helpful in making us, everyone, open to change that people believe will take us in a positive direction, willing to embrace change.</i>	Embrace change	Recognition
DS 24/6/10	<i>For example, embracing change is partly because the staff generally have faith in the course that management is setting and partly because typically no-one has ever been threatened by change in terms of job security</i>	Embrace change	Trust
DS 24/6/10	<i>certainly since the late 90s we've got a situation where we outperform and where we actually delivered a decent outcome, we are always looking to change, we're always looking for another story which I think is good.</i>	Embrace change	Trust
FG 3/6/10	<i>Doing things differently</i>	Embrace change	Colour outside the lines
FG 4/6/10	<i>It helps focus not only on the results, but also on the 'how' (ultimately, improving the how should improve the results, or at least we hope!)</i>	Embrace change	If it moves measure it
HE 22/06/10	<i>Innovative, we have consistently come up with new ways of doing old things from really the very, very beginning.</i>	Embrace change	Colour outside the lines
HE 22/06/10	<i>Necessity, I find, is the mother of most inventions and innovations but it can come from anywhere. A lot of it has come from senior management, which is fine; some of it comes from more junior management;</i>	Embrace change	Democratic spirit
JG 10-11-10	<i>it's also been an innovator</i>	Embrace change	Colour outside the lines
JM 22/06/10	<i>we also came up with ideas. And I'm sure you made your ideas, and so did many others and it was put together like that.</i>	Embrace change	Colour outside the lines
JM 22/06/10	<i>new ideas, things like the new brands and Confused and all the bits and pieces were again examples of going with what was happening.</i>	Embrace change	Colour outside the lines
JM 22/06/10	<i>I don't know how we've done them but there were things like the move towards, from the telephones to the internet. We were, I think Elephant was probably the first internet brand yes? So we were obviously in front of that one. We saw it coming and we were there. How? I don't know but somebody must have seen it coming and know! It was like the Diamond thing, there must have been a move towards women drivers, maybe the number of women drivers increasing, maybe it was just because of the loss ratio with women, but whatever reason they were clearly looking, somebody somewhere was clearly looking at the market, keeping in touch with developments.</i>	Embrace change	Colour outside the lines
JM 22/06/10	<i>they would be more than happy to try different ideas because good ideas were coming from all over the place and I guess they still do. I don't have a lot of contact now with the call centres but I'm guessing that the same thing happens there. And we weren't afraid to pick up those ideas.</i>	Embrace change	Democratic spirit
KC 03/02/11	<i>there is this tremendous knowledge of the detail of the business which is very unusual and so there is a way that management think and work which is a very practical and very hands on, very testing - testing as in trying new things. I mean - and thinking about ways in which you can improve what you've got at a very micro level which just doesn't exist in other companies</i>	Embrace change	Pay attention
KC 8/6/10	<i>always seeking out change and improvement rather than just the status quo</i>	Embrace change	Be the best
KC 8/6/10	<i>a strong culture of test and learn</i>	Embrace change	The perfect is the enemy of the good
LS 12/11/10	<i>I do worry that it comes too much from Henry and David and there were, and I would have said you when you were here, I would see the three of you in meetings and think "oh, my gosh, where do all these ideas come from?" because we are clearly not all generating them at the same time.</i>	Embrace change	Colour outside the lines
LS 12/11/10	<i>I think that Henry and David want us all to come up with ideas and I think people have started slowly doing that and I worry that we won't do it enough because when I see these meetings, even though we've had these ones over the last week, they're not coming up with innovative ideas and that worries me.</i>	Embrace change	Colour outside the lines
LS 12/11/10	<i>We change so much it's hard... every day it... we just change daily</i>	Embrace change	Flexible
LS 12/11/10	<i>So, I don't know if we have a strategy because we say we have a five year plan and then three months into that five year plan we change everything, so isn't our goal, basically, to be the most profitable insurer in the world?</i>	Embrace change	If it moves measure it
LS 12/11/10	<i>people just do it. They don't really think a lot about it or they don't worry about it because it always works out in the end. We try to do everything so people are treated fairly and they get a good result from it.</i>	Embrace change	People matter
LS 7/6/10	<i>Its not based in London - so it thinks out of the box and doesn't follow the herd</i>	Embrace change	Colour outside the lines
LS 7/6/10	<i>we measure and test everything first if we can</i>	Embrace change	If it moves measure it
NWK 10/6/10	<i>We are not afraid of change as long as we understand why (going back to the numbers)</i>	Embrace change	If it moves measure it

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NWK 2/2/11	<i>at the same time, also, I tried to get the people at the beginning of the year to say what are we going to focus on this year and all come up with different plans and I said, ok, I want drastic improvement. You pick your topic but I want drastic improvement in one area that you choose. So, I'm not forcing it down on you, you choose something that you believe you can improve, drastically.</i>	Embrace change	Challenge
NWK 2/2/11	<i>the change part is if you ask questions and then they say yes, actually you've got a good point, then they start thinking about things, also.</i>	Embrace change	Democratic spirit
NWK 3/2/1	<i>We are very adaptable.</i>	Embrace change	Flexible
SC 8/6/10	<i>The constant drive to make Admiral a great workplace is real and in a vast majority of cases actually occurs</i>	Embrace change	Be the best
SL 10/6/10	<i>...strive at all levels to be the best</i>	Embrace change	Be the best
SLg 10/6/10	<i>Everyone is encouraged to make a difference, we really listen to everyone working here and act on their suggestions. This is powerful in ensuring everyone feels part of our success and generally more comfortable with change.</i>	Embrace change	Democratic spirit
XZ 3/6/10	<i>Always encouraged testing different ideas, new initiatives.</i>	Embrace change	Colour outside the lines
XZ 3/6/10	<i>once we identify an opportunity, instead of wait to pursue the perfectness, we response immediately to put it into practice</i>	Embrace change	The perfect is the enemy of the good

The data excerpts highlighted in green also appear as a data excerpt in another theme. See the main text of the thesis Chapter 5.6.15 where the theme ‘Culture Enables’ is developed for how tables like this contributed to the theme development.

**A.19 Data Tables Revealing the Difference Over Time**

Respondant/ Date	Verbatim statement from interview	Initial Code
JM 22/06/10	<i>18 years ago we were joining something that was fairly informed. It was almost fatal because we had nothing really. So the opportunity for growth there was different. Now we are a big company for the managers that have come and taken up with us they are taking senior positions in a company that's growing rapidly. .... So the company is growing and its direction is growing because we've got Canada and all the other European, and even India has become a little bit more formal now. So, there are so many different facets to it now that the senior managers that we've taken on in those last six years have taken on and grown into almost international managers. So, I'm thinking of people like our IT manager. An IT manager 15 years ago would have had a tiny little department. This one has changed, even in the last three years it's changed and grown. We have people jetting all over the world now to share their information.</i>	Growth
JM 22/06/10	<i>otherwise we would be going nowhere. I think one of the things that we have found with the new people we took on is that yes they fitted, yes they were nice people who could interact well on a personal level with people but they had different experiences, they had different skills, different ideas, so took things on.</i>	Enabling growth in culture
JM 22/06/10	<i>he [NWK] got lots of ideas about measurement and things and that's definitely taken root through the company ... is much more important now than it was some time ago. And that idea .. didn't change the company on its head but we have put those ideas through</i>	Measures filter down
JM 22/06/10	<i>I think by then it came down to share schemes and things a bit more. And the reputation, the company. It almost was like a snowball, the company was successful, it had a good reputation and people began to be proud to be associated with it ... They were proud to work for it and of course by then we had started looking at share schemes and things so people had a vested interest in the company as well.</i>	Success generates pride
JM 22/06/10	<i>Yes, there has been some sort of shift and a loosening up of taking people with different attributes as long as they stick with this ... [How has that happened?] Probably I think through trial and error is the right word but I think clearly we took people who came with their own ideas and their own personalities and didn't ruin the world, it didn't shoot us down in flames, we were able and so the next time it became a little easier and so we opened up a little bit to some things and that has been a growing in itself, almost a stretching. I think that, if I look back at those six years now, that's pretty much how I see it. We stretched. There are times, aren't there for consolidation and stretching and we've been through those, almost cyclically, over those last 18 years. And I think we have had a stretchy period and I think that's one of the best bits about bringing in these people. They were able to open up horizons and bring different skills because a lot of those managers that we had, people like Nicole, Tansy, they had come to us virtually as children, they might not have been absolutely children but they weren't very old so they weren't bringing skills from a lot of other places. Yes, they had great ideas and intellects and they were able to take us through an awful lot of different situations but this almost has been like a flowering, again, now. It's the next stage</i>	Different mix of people but same core traits

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AP 23/6/10	<i>Even today, it's quite odd for a FTSE 100 company to have such quick management decision making. Probably a little slower because of the governance today requires a lot more documentation but it's still pretty quick and certainly implementation, once decisions are made, yes, it's still pretty quick</i>	Relative speed
AP 23/6/10	<i>It does change over time, yes, difference, yes dynamics change yes. Yes, so it must be adaptable, mustn't it? ... A recognition that we're all human. That we all have strengths and weaknesses.</i>	Adaptable team dynamics
GR 24/6/10	<i>there was the go getters, there was the people who wanted to know when that job was coming up and "when can I get my promotion?" and they would be hungry for it. And I think as we grew that actually did become less obvious, I think. I think there were many more people, I think the growth that we had was slightly different to how it was when you're a small department and you can see the talent; I don't think we saw the talent quite as easily.</i>	ID talent
GR 24/6/10	<i>now, we've got a really robust process in place to identify the talent through the talent development programs which is for succession planning for team managers. We use a scoring matrix which it sort of demystifies the whole "I think you're the one" but it literally allows us to have a look at somebody's performance, have a look at somebody's behaviour and attitude and as objectively as possible give them a score. And if they score in the right box that person is then identified as a star performer with potential.</i>	More robust procedure over time
DS 24/6/10	<i>I really don't think there's been that much change in the last 12 – 14 years. In a sense the seminal moments in the history of Admiral was actually when David and Gerry made that bid for power, which could well have worked. And that, there was a sort of pre- that period where in a sense Henry's position was not 100% safe and there were a number of different power bases which were influencing the company. It was clearly heading in the direction Henry wanted it to head in but there were dissident factions and then when they were seen off from then until now I don't think there's been a huge evolution.</i>	Darwinism is a slow process
DS 24/6/10	<i>I think we've done surprisingly well at maintaining the humanity and the culture of the company as it's grown, I think it's been diluted. You look at things like Ministry of Fun and things like that, they're just really much harder work because people, it's impossible for people to relate to the thousands of people level.</i>	Work harder to maintain culture
DS 24/6/10	<i>so as you expand you don't necessarily get it wrong and you don't necessarily lose it. I think Swansea and Newport, in some respects, more like early Admiral than Cardiff in some respects. So, I think we've done reasonably well. I see some evidence of sclerosis round the edges.</i>	Newer more like original
JG 10-11-10	<i>I think from knowing some of the individuals the transition of the former finance director to the hand over to the current finance director seems, from the outside, to have happened very smoothly</i>	Changes at top
CA 11/11/10	<i>Another key thing, for me at the moment, is developing the people so they ... we have got a history of people rising through the ranks and promoting from within and that's important to me, I think. So, a big goal of mine is making sure we've got lots and lots of development and coaching plans in place so these people can reach their full potential and that the organisation spots talent in the group as well because as we're getting bigger and bigger it's becoming more and more difficult for the likes of myself to actually spot talent on the shop floor, if you like, I have to rely on local managers to do that. So, it's key, for me, to make sure there's a process in place somewhere so that these people are coming to our attention, they don't slip through the net and go off somewhere else and we don't make use of their talent</i>	Formalised process for internal development
CA 11/11/10	<i>the interaction [between non UK and UK managers] is quite good, I think. A year or two ago I think it was more divided than what it is now. I don't know whether it's people building up personal relationships over the last couple of years has helped but I remember the first time I went, which was probably about three years ago, it was very much a group of people from overseas who stuck together and were very, very bright, came from INSEAD and I thought "my God, these people are intellectually so over my capabilities I can't have anything to offer to this group" and it did make me feel a little bit self-conscious</i>	Rebuilding/expanding management team
AP 11/11/10	<i>We are looser today but you can afford to be looser today because the ... whatever the number of cost is today, and I don't carry it in my head anymore so I must be retired! It's a hell of a bigger number than it was, in the original days, but I still think the psyche is there, it is a bit looser but not fundamentally loose.</i>	Focus on costs over time
AP 11/11/10	<i>But, we come back to it and they do have hands on the detail but not as much as they did, I suspect. ... Metrics of the basic business haven't changed, substantially. It's just a lot bigger, that's all but the underlying important metrics are still the same</i>	Top team attention to detail
AP 11/11/10	<i>it is a weakness. I still think it is a weakness. In some ways it's surprising we're so big because it is a weakness. Very few people have been able to penetrate that.</i>	Disadvantages to top team dynamics
AP 11/11/10	<i>No, I think it [strategic decision making] still comes from there, from the top</i>	Strategic decision making over time
AP 11/11/10	<i>I think they [UK and non UK management] are gelling, they do see themselves as part of a wider organisation whereas in the earlier days they did feel, did seem to be apart and act as though they were apart. ... but just by observation they seem to have come to appreciate more the skills and work that's been done in the UK and they must be talking more to them because I hear them quoting people now "so and so told me this". Now, have they been... whether they've been forced into that I don't know, or is there ... I guess it's, what, three or four years really.</i>	Rebuilding/expanding management team

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<p>LS 12/11/10</p>	<p><i>Not exact clones because that wouldn't be possible because they are different culturally within the countries and ... they are just different as a nation. ... But, what they try to do is copy some of the things that we do. So, clearly, the work ethic and the attention to detail is very important but also the cultural side as well as long as people are enjoying what they do they will do it better because, again, most of these people are working longer hours and for less money than other people in those same cities and we need to have something different to keep them there but I wouldn't want them to be clones. That wouldn't be right</i></p>	<p>Non UK set ups with similar culture (tribal)</p>
<p>LS 12/11/10</p>	<p><i>I worry that as we grow it becomes so diluted that we don't focus on it as much and we spend hours on the numbers, understandably. But, do we spend the same amount of time on checking that our staff are happy? Probably not. But, we keep saying that they are our most important asset because if we didn't have them we wouldn't have the numbers.</i></p>	<p>Dilution of culture</p>
<p>LS 12/11/10</p>	<p><i>Wouldn't you want to be changing it so it got better and better, and better, rather than "oh, we're so big now, we're a FTSE 100 we must become more corporate." Why? That's what made us different, that's what made us successful, why do we want to start wearing suits and that kind of thing.</i></p>	<p>Fighting against being more corporate</p>
<p>LS 12/11/10</p>	<p><i>It was pretty informal but I just felt if my department, anyway, they have personal key targets and incentives and if they hit those they get a bit more cash or they get something, so just to help them, motivate them along the way I put some of those in, but I felt we do because I could just say to them "have you done three team meetings this month?" "Yes, I've done those." How do I know? I don't know. So, you have to have some kind of process in place to measure those things</i></p>	<p>Increasing formality</p>

**APPENDIX B: SUBMISSIONS TO STRATEGIC MANAGEMENT SOCIETY****B.1 Abstract Accepted to SMS Special Conference: Prague 2012**

**Title:** Unblocking the conceptual log jam: Using a rules perspective to make sense of dynamic capability.

**Abstract:** During the last two decades, research in dynamic capabilities has promised to unlock understanding of how competitive advantage arises in dynamic markets. However to date, empirical work has by and large focused on *what* dynamic capabilities are. There has been little work demonstrating *how* they actually operate and contribute to competitive advantage other than at the conceptual level. There is a 'log jam' of research in this field which we argue can be addressed by using a rules perspective: an insight obtained from an inductive case-study of a successful UK financial services firm. We contend that a hierarchy of dynamic capability exists within a firm and at its nth level this capability expresses itself in the generative rules within the deep structure of the firm.

**B.2 Abstract Accepted to SMS Special Conference: Glasgow 2013**

**Title:** Using complexity theory to understand dynamic capability.

**Abstract:** Complexity theory offers us an interesting perspective for better understanding how dynamic capability is operationalized and can contribute to competitive advantage within the firm. We contend that a hierarchy of dynamic capability exists within a firm and at its nth level this capability comprises an interacting set of simple rules that are subject to both positive and negative feedback. We use an inductive case study to illustrate our arguments but will need more data to explore the extent to which our observations are generalizable.

**B.3 Abstract Accepted to SMS Annual International Conference: Madrid 2014**

**Title:** Competing for success: Dynamic capability at Admiral Plc – or is it?

**Abstract:** This paper advances the study of dynamic capabilities by examining a longitudinal case study of a firm which bears the hallmarks of high performance and

innovation which are often thought to be attributable to dynamic capability. Using a FTSE-100 company in the UK we ask, has dynamic capability contributed to the firm's success and, if so, to what extent does that capability evolve over time? Using data from the launch of the firm as a start-up in 1993 through growing its status as an SME to its current MNE status we present evidence of dynamic capability in operation. The UK car insurance market is regarded as a near-perfect market and the case demonstrates how Admiral has consistently out-performed its UK competitors and is opening subsidiaries of both its insurance and price comparison businesses in the US, in Spain, France and Italy. Our data opens up the "black-box" comparing theoretical constructs from the literature to empirical evidence from the case. We then consider whether dynamic capability is in fact a superfluous explanatory framework

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