

Performance is Not a Predictor of Change



Henrich R. Greve

Professor of Entrepreneurship

Greve's impact in brief

- ▶ Greve is one of the most remarkable organisational theorists of his generation. The counter-intuitive prisms through which he studies managerial challenges led to his discovery that firms do not change because of their performance alone, but because of aspirations as well. This upended prevailing thought in organisational change.
- ▶ He provided the first empirical demonstration of heterogeneous diffusion and is a pioneer of performance feedback theory. He is author of the seminal publication [Organizational Learning From Performance Feedback: A Behavioral Perspective on Innovation and Change](#). (Cambridge University Press, 2003)
- ▶ His trailblazing work set in motion a stream of literature on performance feedback, including another 10 papers he co-authored that showed managers how to set goals, evaluate performance and determine strategic changes, making him one of the most widely cited and respected organisational theorists in the world today.
- ▶ Greve's research on networks broke new ground and has had significant practical impact through his book, [Network Advantage: How to Unlock Value From Your Alliances and Partnerships](#) (Jossey-Bass, 2013).
- ▶ The vast majority of Greve's work appears in elite academic publications including Administrative Science Quarterly (of which he is currently Editor-in-Chief), Academy of Management Journal, Strategic Management Journal, and Management Science.

Knowing when and how a company will change can help firms outmanoeuvre their competition. The idea that poor performance can trigger change in an organisation was first raised in 1963 in the prominent publication, "A Behavioural Theory of the Firm". The theory, while broadly accepted, had little empirical evidence to back it up and remained neglected for 30 years. Then in 1993, while examining data he had gathered on market share and format changes in radio stations (for an unrelated dissertation), Henrich Greve made a connection. He recognised that by translating the information in a certain way he could link performance feedback to organisational change, providing much needed proof for the previously unsubstantiated theoretical claims.

Greve introduced the idea that firms measure their performance based on their aspirations. And that how they performed against these expectations could vary greatly from how their performance was seen by others. In other words, a firm that is making a strong profit and appears to be doing very well may actually think of itself as underperforming and make changes accordingly. To anticipate a competitor's next move, organisations would have to look at how the company perceived itself.

"If you try to predict how competitors will change by looking at how their firm has performed, most of the time you will fail completely because... the performance assumes that there is no aspiration level. But there always is, and it's different in each firm," says Greve.

Leading the field in performance feedback and organisational change

Using the same radio broadcasting data, Greve went on to study the way organisational inertia prevents change, and how performance feedback affects whether or not a firm will adopt risky changes that may have a significant impact on its performance. Curious as to whether the findings would hold up on larger, older organisations, he extended his study to the field of shipbuilding, testing the theory against R&D intensity and innovations, and production assets.

Drawing on material from these papers and studies from other sectors, Greve wrote the ground-breaking text [Organizational Learning From Performance Feedback: A Behavioral Perspective on Innovation and Change](#). The book translated the theory of performance feedback in a

way practitioners could understand, showing managers how to set goals, evaluate performance, and determine strategic changes.

His work set in motion a stream of literature on performance feedback (including another 10 papers he co-authored) as scholars adapted his empirical foundations, using their own data to test the theory's predictions in new areas.

A new perspective on what drives entrepreneurship

Bucking the trend of studying entrepreneurship through personalities, Greve examined the way in which social processes, structures and mechanisms in local communities could foster and inhibit innovative and enterprising activity.

Like much of his work, he did this through interesting and unusual settings. Using data from the devastating 1918-19 Spanish flu epidemic in Norway he was able to show how communities can lose (and build) coordination and trust – capabilities which strengthen entrepreneurship.

His current work in the entrepreneurial space looks at diffusion and the way entrepreneurs learn from the failures of others.

Finding new value in networks

Greve's greatest practitioner impact is characterised by his findings on the role of networks in achieving corporate advantage. His trailblazing book, *Network Advantage: [Network Advantage: How to Unlock Value From Your Alliances and Partnerships](#)*, co-authored with Andrew Shipilov, INSEAD Professor of Strategy and Timothy Rowley, Professor of Strategic Management and Organizations at Rotman School of Management, University of Toronto, broke new ground on the importance of aligning a firm's portfolio of alliances with corporate strategy.

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“One of the most remarkable organisational theorists of his generation”

Like his mentor, the renowned organisational theorist James March, Greve's research transcends the discipline of Organisational Management and incorporates aspects of sociology, psychology and economics.

His work is creative and often characterised by the

somewhat counter-intuitive prisms through which he studies challenges. From analysing Japanese ship-building to highlight the links between firms' performance and innovation rates, to studying the contagion of scandals in Swedish financiers, his research crosses sectors and geographies with a depth and precision that allows him to draw broad inferences, noted Kevin Steensma, Michael G. Foster Professor of Management at the University of Washington's Foster School of Business.

“As well as his exceptional knowledge of theory and research methodology, his strong programming skills make him a real force-multiplier, and the benefits rub off on the people around him. He makes people seem better than they are.”

Hayagreeva Rao, The Atholl McBean Professor of Organizational Behaviour and Human Resources at the Stanford Graduate School of Business, concurred. “He can see around corners quicker than most people can and move across various levels of research,” said Rao.

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Throughout his career Greve has drawn from and contributed to many fields, wedded not to a method but to his determination to understand a problem, Rao noted.

“Like all great scholars he is versatile. He has a wonderfully playful mind, but most of all he has an openness to new ideas and curiosity which means he is often at the vanguard. It is fair to say he is one of the most remarkable organisational theorists of his generation.”

Ongoing impact

As Editor-in-Chief of the *Administrative Science Quarterly*, Greve is the gatekeeper of one of the most important management journals in the world. His guidance and oversight in this role as well as his didactic papers such as [Show Me the Data! Improving Evidence Presentation for Publication](#), have raised academic standards globally in terms of displaying results and drawing inferences.

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