**Economic Management Journal**
June 2020, Volume 9 Issue 1, PP. 37-40

# The Path Dependence of Enterprise Strategic Adjustment and Its Transcendence Analysis

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***Abstract***

The world today is in a period of great development and integration of economy, information, and technology, especially the high-tech industries represented by big data, cloud computing, and artificial intelligence. It is promoting the rapid increase of human productivity and leading the changes in various industries. Enterprises are facing more and more uncertain external environments. The previous organizational strategy, personnel structure, and operating strategies have been unable to adapt to the turbulent external environment, and innovation has become the norm. Therefore, how to find an innovative breakthrough point on the original strategic road on which to survive has become a matter of life and death.

From the perspective of path dependence theory, this paper analyzes the characteristics of path dependence and transcendence path dependence during the adjustment of corporate strategy, and analyzes the internal causes and mechanisms of its generation with the help of the PEST model. Based on this, the negative impact of path dependence on the adjustment of the strategy was found. Furthermore, it was found above that the degree of transcendence path dependence in corporate strategic adjustment is determined by two factors: its ability to drive independent innovation in a dynamic environment and its ability to transform strategically. Finally, according to the research conclusions, it proposes countermeasures to overcome the path dependence of enterprises when adjusting their strategies, and provides suggestions for companies to find breakthrough points in disruptive innovation.

***Keywords: Path Dependence; Transcendence Path Dependence; Enterprise Strategic Adjustment; Independent Innovation; Transformation***

## 1 INTRODUCTION

### *1.1 Research Background*

In the context of the world's major changes, all enterprises are facing different levels of challenges, but because of the different industrial environments in which businesses operate, the ideology of corporate management is also different. Large enterprise organizations are prone to fall into the misunderstanding of management rigidity, resulting in stagnation. Although small and medium-sized enterprise organizations are relatively flexible, they blindly pursue "bringing doctrine" and believe that all new ideas can be tried, such as blindly pursuing ideas such as borderless organizations or innovative learning organizations, thinking that they can respond quickly to the changing external environment, but it has never really realized the core internal structural problems of the enterprise, nor can it find the real reason that hinders the progress of the organization, causing it to be unable to resist the risks of the external environment, and certainly not find the development opportunities of the enterprise in the dynamic environment. In the end, large-scale enterprises fell into a rigid state. As small and medium-sized enterprises blindly tried to implement various new management concepts, they caused various kinds of “water and soil dissatisfaction”, which means they cannot be accustomed to the various new management concepts. And they further ignored the core issues in their own development, and further weakened their organizations. It is because of the inherent inertia formed by different types of business organizations in their respective development processes that they are further pushed into crisis. Therefore, how to overcome the various "historical problems" left by the past development of the enterprise organization,

combined with path dependence theory to find the built-in factors that lead to its rigidity, study its internal characteristics, and optimize the enterprises it adopted in the adjustment strategy, how to find the breakthrough point of innovation in transformation, all this is especially important.

### *1.2 Research Significance*

(1) Theoretical significance. This study enriches the theoretical research of path dependence and its transcendence by summarizing the path dependence and its transcendence characteristics that appear in the adjustment of corporate strategy, and pay attention to its internal generation reasons and adjustments to overcome internal and external situational factors. Based on the existing research, this paper uses the model to further analyze its formation mechanism, and finds the influencing factors that regulate its degree of transcendence. Based on this, it puts forward the core suggestions for corporate breakthrough innovation. It has a certain theoretical value for small or large enterprises, enterprises in the development or transformation period, or an organization that is about to adjust its operating strategy and operating structure.

(2) Practical significance. When the new round of information technology revolution rises, by studying the path-dependent characteristics and transcendence of enterprises during strategic adjustment, and finding their development causes, It can allow more companies in this era of major changes to discover the inferiority of their own internal development, and overcoming the inertia brought by the development of different stages of the enterprise ,stimulates its innovative vitality, promotes its internal self-driving force, empowers each enterprise to exert self-resilience. And then find its own breakthrough point in strategic adjustment, and enables it to release its independent innovation vitality during organizational transformation. Starting this from each individual, and then affecting the transformation of the entire industry.

### *1.3 Research Objective and Research Contents*

This paper analyzes the characteristics of path dependence in the adjustment of corporate organizational strategy, and further summarizes its causes in connection with the external dynamic environment, and obtains two factors that affect its degree of transcendence.

Based on this, it proposes core countermeasures. The first chapter introduces the main research issues of this paper as a whole, and explains the methods used in the research and the overall structural arrangement of the thesis. The second chapter is the introduction of related theories and research reviews. It mainly introduces the related content of path dependence theory, and the findings of other researchers in this field, and explains the characteristics of path dependence and transcendence path dependence presented by enterprises during strategic adjustment. The third chapter is the research model. The PESTEL model tool is mainly used to analyze and explain the cause of the formation of dependence characteristics in a dynamic environment. The fourth chapter is the research conclusions and countermeasures. The main conclusions of the research are summarized first, then the discussion based on the theory of this article, and the core countermeasures that can be adopted are discussed.

## 2 THEORETICAL BASIS AND LITERATURE REVIEW

### *2.1 A Review of Research on Path Dependence*

Path dependence is an important concept for understanding the evolution of economic and social systems, and it also has obvious geological implications. Then, it was slowly applied to the field of economics, which can be roughly divided into several application perspectives on technology, system, strategic management, and business decisions.

#### *2.1.1 Path Dependence of Technological Change*

W. Brian Arthur and Paul A David [1] were the first to introduce path dependence theory into technological change. Paul believes that some contingencies may lead to the victory of one technology over another (that is, technology evolution), and once a technology route is chosen, even though this route may not be more effective than another technical route that has been abandoned, it will last till the end. Arthur creatively developed this idea of Paul A

David, and systematically elucidated the viewpoint of self-reinforcing mechanism and path-dependent nature in the process of technological evolution.

*2.1.2 Path Dependence of System*

The earliest introduction of path dependence theory to institutional economics was Douglass C. North [2]. When the initial path of institutional change chosen by people is correct, then along the established path, changes in the economic and political system may enter the track of a virtuous circle; Otherwise, it may continue to follow the wrong path originally chosen and because institutions are trapped in an inefficient state. After North, Setterfield et al. also studied path dependence from the perspective of institutional changes, especially the institutional changes of transition economies, and further expanded their understanding of path dependence.

*2.1.3 Path Dependence in Strategic Management*

The viewpoint represented by winter [3] believes that the path dependence in strategy mainly refers to the fact that companies will be affected by previous practices (paths) in the process of strategy execution, driven by inertia, and enterprises repeat yesterday's knowledge and experience. This has been affected by established factors.

*2.1.4 Path Dependence in Business Decisions*

March [4] and Simon (Simon) found that the choice of corporate strategy is not random, but based on the differences between existing performance and expected performance, to find marginal options near existing ones.

### *2.2 A Review of Path Dependence Features and Its Transcendence*

*2.2.1 Characteristics of Path Dependence*

It can be simply summarized as a self-enhancing mechanism. There are three more prominent features in this process: ① Multiple equilibrium. In the process of self-enhancement under the influence of the path, there may be multiple possible equilibrium points, and the final equilibrium state has multiple possibilities. ② Ineffective equilibrium. That is, it is impossible to select one of the multiple possible equilibrium points to be optimal, and the organization may always be in an invalid equilibrium. ③ Exclusiveness. Once you choose a path, you are stuck in it, and it is difficult to re-select. The entire system will automatically eliminate the interference of external factors.

*2.2.2 Transcendence Analysis*

We already know the inertia of the company in the development process under the characteristics of the path theory and the negative effects it brings. Based on this, we must be creative in path theory, that is, to surpass the path theory. The subject's conscious action breaks through the existing indigenousness and exerts its creativity, which has the following characteristics[5]: ① Technology breakthrough. Mainly refers to the innovation of enterprises through their own technology products or business models, subverting the existing mode of existence, enterprise transformation mainly depends on internal technological innovation. ② Market advancement. Due to the continuous dynamics of the external environment, under the inherent inertia mode, the company's strategy is adjusted to a market-first strategy to find opportunities provided by the external environment. ③ Self-supporting ability within the subject. Whether companies rely on internal technological innovation or external market transformation opportunities to surpass the original path dependence characteristics, they cannot do without the inherent characteristics of the main body. The support in the core of the enterprise itself will promote the company still maintains its endogenous evolution even in the path dependence.

## 3 Business Tools Used in the Cause Analysis of Path Dependence

Based on the analysis of path dependence characteristics and its transcendence, we can use the PEST model to further analyze its causes to find the influencing factors of path dependence in the strategic transformation of the enterprise, so that the enterprise can weaken its self-inertia disadvantages.

### *3.1 Political Factors*

When companies choose strategic adjustments, they are more affected by the industrial policies of local governments. This includes the government's behavioral logic and governance models. Large organizations also involve the corporate politics of executives, which affects the direction of social capital flows and social capital. The direction of flow affects the transformation and upgrading of enterprises, which will also test the ability of independent innovation of enterprises. [6]

### *3.2 Economic Factors*

Each company is born with its own core gene, which has been accompanied by its growth and development. Although companies face different business operations, but they are all looking for their own competitive advantages to survive, which forces companies to improving the allocation of resources to break through development bottlenecks, and it also testing its self-driven innovation to achieve transformational growth.

### *3.3 Social Factors*

Enterprise strategy adjustment necessarily involves employee management. Especially in today's society, the flow of knowledge-based employees is becoming more and more obvious. This is inseparable from the cultural construction of the company; independent innovation is also needed to retain employees during the transition period.

### *3.4 Technological Factors*

Under the turbulence of the external environment, how to realize business model innovation from technological change is very important. What is more critical is how to maintain the continuity of technology and realize the coordinated development of the corporate ecosystem under technological innovation. Undoubtedly, it also depends on the independent innovation driving force of the enterprise and its strategic adjustment and transformation ability.

## 4 RESEARCH CONCLUSIONS AND COUNTERMEASURES

It can be concluded from the discussion in this paper that in order to overcome the inertia of path dependence, the ability to transcend depends on two factors: its ability to drive independent innovation in a dynamic environment and its ability to transform strategically. [7]

Based on this, enterprises should be market-oriented and establish a technological innovation system that combines production, education, and research to improve their overall competitiveness, and overcome their inertia during strategic adjustments. They can transform successfully only by finding innovation breakthroughs points.

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