

Importance of path dependence in management. a case study of toyota production sy...

[Business](#), [Management](#)



Importance of Path Dependence in Management Introduction Path

dependence has been described in different ways by different and researchers in the social sciences and economics. This has given a broad application of the concept to either imply that history matters, or that predictable amplifications which happen today or occurred in the past may become disproportionate causes of circumstances yet to be encountered. Path dependence may also refer to non-ergodic complex processes implying that they are processes incapable of differentiating from their historical circumstances (Garud, Arun, and Peter, 2009: 760). The strong implication is that actors in a particular process become locked-in mechanisms that are themselves a product of historical contingencies. This perspective holds that phenomena are complex, and, therefore, a result of mutually interacting variables which produce non-linear dynamics and feedback loops. The complexity of the discourse on organisational change and innovation has only increased. This is occasioned by two divergent views. The first view holds that new and more flexible or fluid organisational forms are on demand while the second view holds the belief in organisational inertia and the historical necessity of decision making (Garud, Arun, and Peter, 2009: 760). These two views have confronted managers who have to balance between new ideas and customs of an organisation or an industry. This is mostly influenced in concepts such as entrepreneurial mindset where actors are more driven by the logic of control which drives them to effectively actualise complex processes. This has made path dependence essential to managers as they struggle to understand the basic factors underlying most organisational processes and past successes while linking them with the

realities of the moment to improve sustenance of an organisational performance and effectiveness (Coombs and Hull, 1997: 1-26). Case Study In a case study of Toyota production system (TPS), the perspective of change as a path dependence phenomenon promotes the importance of this concept in management (Driel and Dolfsma, 2009: 67). To begin with, TPS created lock-in mechanisms long before the development of a proper mechanism involving relative competition. The competitors were able to copy some of the TPS models with accuracy and create considerable competition. However, through application of its significant and reliable production techniques and marketing strategies, they maintained loyalty of a client base that believed in the products produced by Toyota (Driel and Dolfsma, 2009: 67). This has continued over a long time thus making a re-examination of the black box of initial conditions a crucial part of new management. Hence, new managers have had to endure with the incessant application of the meta-routines that promoted the TPS way of producing as being special and dynamic (Coombs and Hull, 1997: 1-26). It therefore follows in the case study of TPS that the meta-routines have actually enabled TPS to weather challenges posed by diverse competitors as Mitsubishi. Analysis In analyzing the factors that surround the success of path dependence in the success of different businesses, it is imperative to undertake a careful appraisal of the significant factor such as meta-routines, historical beginnings, and circumstances of the present. In the case of TPS, the company was able to lock-in clients through its original production techniques hence promoting a more solid customer preference of its products and services (Sydow and Koch, 2009: 689). This promoted the basis for the continued success of the

company. Companies with such a history are apt to continue in the same path because by doing so new clients tend to fit in rather than stand out hence promoting an already established level of engagement with the clientele. Furthermore, meta-routines enable management to promote new ideas by adding them to the overall management philosophy, hence, creating a distinctive level of understanding within the organisation (Sydow and Koch, 2009: 689). By so doing, path dependence is created and persists in the organisational planning for the longest period of time. Conclusion Path dependence enables an organisation to successfully promote its products and create a more enabling environment in which a manager is able to utilise the existing frameworks in order to promote a particular policy framework while adding value to already existing structures (Arrow, 1963: 119). Additionally, while the importance of path dependence may be overridden by new ideas, the concept is still useful to managers since it promotes a line of thought that not only allows an organisation to run efficiently but also allows the organisation to connect to clients more easily (Driel and Dolfsma, 2009: 67). In this regard therefore, it is significantly noteworthy that an organisation's ability to confront its current challenges by looking to its past provides precedence of success and adherence to organisational culture which in many ways is a distinct feature of success. This distinct feature of success is only promoted at the highest level, the managerial level, as implied by the basic underlying statement of this paper which is the importance of path dependence to managers (Arrow, 1963: 119-120). References Arrow, K. J. (1963) Social choice and individual values, New Haven: Yale University Press. Coombs, R., & Hull, R. (1997) 'Knowledge

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