Manexia
Journal of Business, Management, and Creative Economy

Vol. 1 | Issue 1 | January 2025
Pages 111-130
DOI
https://doi.org/10.66203/manexia.01107

Strategic Commitment Architecture Under Persistent Market Volatility

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Article History:
Submitted: 04-10-2024
Approved: 21-12-2024
Published: 02-01-2025

OPEN ACCESS
Available at the open access journal:
https://sciedex.com/manexia

Abstrak

Persistent market volatility has transformed competitive environments from episodic disruption to structural ambiguity, intensifying the risks associated with irreversible strategic commitments. While existing research emphasizes dynamic capabilities, governance oversight, and organizational learning as mechanisms for navigating turbulence, comparatively limited attention has been devoted to how commitments themselves are architected ex ante. This article develops a theory of strategic commitment architecture to explain how firms structure commitment intensity, escalation thresholds, reversibility capacity, and embedded optionality under persistent volatility. We argue that volatility does not directly generate instability; rather, its destabilizing effects are moderated by the architectural configuration of commitments. Highly concentrated intensity, ambiguous continuation thresholds, low reversibility, and absent optionality amplify escalation traps and reactive oscillation. Conversely, calibrated intensity, explicit thresholds, preserved reversibility, and embedded optionality attenuate volatility transmission and enable disciplined recalibration. By integrating insights from strategic commitment theory, escalation research, and uncertainty management, the framework introduces commitment architecture as a structural moderator of stability under sustained turbulence. The study advances strategy scholarship by reframing commitment as systemic configuration rather than discrete strategic act and outlines avenues for empirical examination across industries.

Keywords

commitment architecture; escalation thresholds; optionality; persistent market volatility; reversibility capacity; strategic commitment

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1. Introduction

Persistent market volatility has become a structurally embedded condition of contemporary competitive environments rather than a temporary deviation from equilibrium. Accelerated information diffusion, financialization of capital markets, geopolitical fragmentation, technological discontinuities, and tightening monetary cycles have collectively intensified valuation dispersion and compressed strategic reaction windows (Baker, Bloom, & Davis, 2016; Gennaioli, Shleifer, & Vishny, 2018; Wenzel, Stanske, & Lieberman, 2021). Unlike episodic crises, persistent volatility generates continuous ambiguity in performance expectations, capital allocation logic, and competitive positioning. Under such conditions, firms are not merely required to adapt; they are compelled to govern the structure and reversibility of their strategic commitments in environments where predictive reliability is inherently unstable.

Strategic management research has long acknowledged that environmental dynamism increases uncertainty and amplifies performance variance (Dess & Beard, 1984; Eisenhardt & Martin, 2000). Dynamic capability theory emphasizes sensing, seizing, and reconfiguring as mechanisms through which firms navigate turbulence (Teece, 2007; Teece, Peteraf, & Leih, 2016). Similarly, governance scholarship highlights oversight depth and risk framing as stabilizing mechanisms under uncertainty (Aguilera, Judge, & Terjesen, 2018; Filatotchev & Wright, 2017), while organizational learning research underscores the importance of sensemaking and renewal cycles in ambiguous environments (Crossan, Lane, & White, 1999; Kaplan & Orlikowski, 2013). These perspectives significantly advance understanding of how firms interpret and respond to volatility.

Yet a critical structural question remains under-theorized: how are strategic commitments themselves architected under persistent volatility?

Strategic commitments—large-scale investments, market entries, technological trajectories, capacity expansions, and long-term contractual obligations—bind firms to future courses of action and often entail substantial irreversibility (Ghemawat, 1991; Shapiro & Varian, 1999). Asset specificity, capital intensity, and path dependence render many commitments difficult to unwind once enacted (Williamson, 1985; Sydow, Schreyögg, & Koch, 2009). Under stable environments, such commitments may generate competitive advantage by signaling credibility and deterring rivals (Ghemawat, 1991). Under persistent volatility, however, irreversibility magnifies downside exposure and increases the risk of escalation when environmental conditions deteriorate.

Research on escalation of commitment demonstrates that decision-makers frequently persist with failing courses of action due to sunk costs, self-justification, and threat rigidity (Staw, 1981; Staw, Sandelands, & Dutton, 1981). Behavioral strategy further shows that ambiguous signals and shifting expectations intensify interpretive biases and overcommitment tendencies (Gavetti, 2012; Powell, Lovallo, & Fox, 2011). Despite these insights, escalation scholarship typically focuses on cognitive bias and persistence dynamics rather than on the structural design of commitments that condition such dynamics ex ante.

Parallel to this stream, real options research conceptualizes staged investments and reversibility as mechanisms for managing uncertainty (McGrath, 1997; Tong & Reuer, 2007). However, real options are often treated as discrete investment techniques rather than as components of a broader commitment architecture embedded within corporate strategy. The literature remains fragmented: dynamic capability perspectives emphasize adaptation, governance perspectives emphasize oversight discipline, learning perspectives emphasize interpretive processes, and real options perspectives emphasize flexibility. None systematically integrate these concerns into a unified framework explaining how firms structure commitment intensity, escalation thresholds, and reversibility conditions under persistent volatility.

This omission becomes increasingly consequential in financialized and expectation-driven markets, where valuation swings are often decoupled from operational fundamentals and amplified by narrative shifts (Gennaioli et al., 2018; Shiller, 2017). Under such conditions, strategic instability frequently arises not from incorrect strategy per se, but from rigid commitment architectures that amplify volatility transmission through irreversible capital allocation and inflexible escalation thresholds. Firms exposed to similar turbulence often diverge dramatically in outcomes, suggesting that heterogeneity may stem not only from capabilities or governance quality, but from how commitments are structurally configured.

This study addresses this gap by developing a theory of strategic commitment architecture under persistent market volatility. We define strategic commitment architecture as the structured configuration of commitment intensity, escalation thresholds, reversibility capacity, and embedded optionality mechanisms that collectively shape organizational stability in turbulent environments. Rather than conceptualizing commitment as a singular strategic act, we treat it as an architectural design problem that conditions how volatility translates into escalation traps, reactive oscillation, or calibrated stability.

By foregrounding commitment architecture as an independent analytical construct, this article advances three primary contributions. First, it extends strategic commitment theory beyond competitive signaling and deterrence logic by embedding it explicitly within contexts of sustained volatility (Ghemawat, 1991). Second, it integrates escalation research with structural design perspectives, shifting attention from post hoc persistence biases to ex ante architectural determinants of rigidity (Staw, 1981; Gavetti, 2012). Third, it complements capability and governance explanations of adaptation by identifying commitment configuration as a distinct structural moderator of volatility-induced instability.

In persistently volatile markets, stability cannot be explained solely by managerial cognition, governance discipline, or diversification structure. The architecture of commitments—how intensely firms bind capital, how rigidly they define continuation thresholds, how reversible their investments remain, and how systematically optionality is embedded—may constitute an independent determinant of strategic resilience. Clarifying this architectural dimension not only advances theory but also provides a foundation for future empirical research examining heterogeneity in volatility outcomes across firms operating under comparable environmental turbulence.

2. Strategic Commitment Under Persistent Volatility

Strategic commitments occupy a central position in competitive strategy because they bind firms to particular courses of action and shape future strategic latitude (Ghemawat, 1991). Unlike routine operational decisions, strategic commitments typically involve substantial capital intensity, long time horizons, and limited reversibility. Investments in production capacity, technological platforms, market entry, organizational restructuring, and long-term alliances frequently entail asset specificity and sunk costs that constrain subsequent adjustment (Williamson, 1985; Shapiro & Varian, 1999). As a result, commitments do not merely allocate resources—they structure future strategic possibilities.

2.1 Commitment, Irreversibility, and Competitive Positioning

Classical strategy research conceptualizes commitment as a mechanism of competitive positioning. By making visible and credible investments, firms can deter rivals, signal long-term intent, and shape industry structure (Ghemawat, 1991). Commitment can thus function as a strategic device that enhances bargaining power or preempts competition. This perspective emphasizes intentionality and strategic signaling: firms commit to alter competitive equilibria.

However, commitment is inseparable from irreversibility. Asset specificity increases switching costs and constrains exit (Williamson, 1985). Capital-intensive projects generate sunk costs that bias continuation decisions even when future returns deteriorate (Staw,

1981). Over time, such commitments become embedded within organizational routines and knowledge architectures, reinforcing path-dependent trajectories (Sydow, Schreyögg, & Koch, 2009). In stable environments, this embedding may generate efficiency, coherence, and cumulative advantage. Under persistent volatility, it may amplify fragility.

Strategic commitment therefore has a dual character: it enhances competitive credibility while simultaneously reducing strategic flexibility. This tension becomes more pronounced when environmental predictability declines.

2.2 Path Dependence and Structural Lock-In

Path dependence theory provides a useful lens for understanding how commitments constrain future strategic options. Early commitments can generate increasing returns, institutionalization, and structural lock-in that narrow the feasible set of alternatives (Arthur, 1989; Sydow et al., 2009). As investments accumulate, exit becomes progressively costly—not only economically but also politically and cognitively. Organizational identity may become intertwined with committed trajectories, further reinforcing persistence (Tripsas, 2009).

Under stable or moderately dynamic conditions, such path-dependent accumulation can sustain competitive advantage. However, when volatility becomes persistent rather than episodic, the same structural embedding may transform from advantage to liability. The risk is not merely that commitments become misaligned; it is that their rigidity amplifies exposure to fluctuating expectations and shifting valuation regimes.

This distinction is crucial. Volatility does not inherently invalidate commitments. Rather, it increases the variance of outcomes associated with irreversible investments. When market narratives reverse or capital conditions tighten, commitments that once appeared rational may generate disproportionate downside sensitivity. Firms with comparable strategic positions may therefore experience divergent outcomes depending on how intensively and irreversibly they have bound capital.

2.3 Escalation Under Uncertainty

Escalation of commitment research highlights the psychological and structural mechanisms that sustain persistence in failing courses of action (Staw, 1981; Staw, Sandelands, & Dutton, 1981). Decision-makers frequently continue investing in deteriorating projects due to self-justification, sunk cost fallacies, and threat rigidity. Behavioral strategy extends this insight by emphasizing how framing and interpretation under ambiguity shape strategic persistence (Gavetti, 2012; Powell, Lovallo, & Fox, 2011).

Yet escalation is often conceptualized as a post hoc phenomenon—an outcome of cognitive bias after performance declines. Less attention has been devoted to the ex ante structural conditions that make escalation more or less likely. Commitment intensity, irreversibility, and absence of exit mechanisms may systematically predispose organizations toward escalation traps when volatility intensifies. In other words, escalation may be architecturally conditioned rather than solely cognitively driven.

Persistent market volatility exacerbates this dynamic. Continuous ambiguity blurs the distinction between cyclical fluctuation and structural deterioration (Kaplan & Orlikowski, 2013). Managers confronted with volatile signals may attribute negative outcomes to temporary noise rather than fundamental misalignment. In such contexts, rigid commitment structures can transform interpretive uncertainty into sustained overcommitment.

2.4 Volatility as a Multiplier of Commitment Risk

Environmental dynamism research demonstrates that uncertainty increases performance dispersion and reduces predictive reliability (Dess & Beard, 1984; Wenzel et al., 2021). However, persistent volatility differs from episodic shocks. Rather than triggering discrete adjustment cycles, it generates ongoing ambiguity in valuation, demand, and cost structures. This sustained turbulence compresses reaction time and increases the cost of reversal.

In financialized markets, volatility is frequently amplified by expectation shifts rather than operational fundamentals (Gennaioli et al., 2018; Shiller, 2017). Strategic commitments that lock firms into particular narratives—technological trajectories, sectoral identities, or growth logics—may therefore become disproportionately sensitive to expectation reversals. When commitments are highly irreversible and tightly coupled to dominant narratives, volatility transmission may be magnified rather than absorbed.

Importantly, firms exposed to similar volatility conditions frequently exhibit heterogeneous stability outcomes. Some manage to recalibrate without dramatic oscillation, while others experience escalation traps or reactive contraction. This heterogeneity suggests that the consequences of volatility are not determined solely by environmental conditions, but by how commitments are structurally configured.

Taken together, these observations highlight a critical tension. Strategic commitment is indispensable for competitive positioning and long-term value creation, yet its irreversibility can amplify instability under persistent volatility. Existing scholarship explains why commitments matter and how escalation occurs, but it does not systematically theorize how commitments are architected to regulate intensity, reversibility, and continuation thresholds before volatility materializes.

Addressing this omission requires moving beyond commitment as a singular decision toward commitment as an architectural configuration. The following section therefore identifies theoretical gaps in current explanations and establishes the need for a distinct construct—strategic commitment architecture—that captures how firms structure commitment under sustained market turbulence.

3. Theoretical Gaps in Existing Explanations

Strategic management scholarship provides multiple frameworks for explaining how firms respond to environmental turbulence. Dynamic capabilities emphasize reconfiguration under uncertainty (Teece, 2007; Teece, Peteraf, & Leih, 2016). Governance research highlights oversight discipline and risk framing (Aguilera, Judge, & Terjesen, 2018; Filatotchev & Wright, 2017). Organizational learning theory foregrounds sensemaking and renewal processes (Crossan, Lane, & White, 1999; Kaplan & Orlikowski, 2013). Diversification research examines scope configuration and portfolio structure (Palich, Cardinal, & Miller, 2000; Hoskisson et al., 2017). Escalation theory explains persistence in failing courses of action (Staw, 1981).

While these perspectives offer valuable insight, they remain fragmented and collectively under-theorize how strategic commitments are architected under persistent volatility. Three interrelated gaps emerge.

3.1 The Adaptation Bias: From Response to Architecture

A first limitation lies in what may be termed an adaptation bias. Much of the turbulence literature assumes that environmental volatility primarily activates adaptive processes. Dynamic capability research conceptualizes uncertainty as a condition requiring sensing and reconfiguration (Teece, 2007). Resilience scholarship similarly emphasizes recovery and renewal (Duchek, 2020; Wenzel et al., 2021). Even governance research increasingly frames boards as stabilizers that calibrate managerial discretion under ambiguity (Aguilera et al., 2018).

These frameworks share an implicit assumption: volatility triggers response. The analytical focus is therefore on post hoc adaptation rather than on ex ante structural configuration. How firms adjust becomes central; how their commitments are structurally designed prior to adjustment receives comparatively less attention.

Yet volatility does not merely require response—it conditions the consequences of prior commitments. Two firms with similar adaptive capabilities may diverge dramatically in

stability outcomes if their commitments differ in intensity, reversibility, or escalation thresholds. Adaptation theories explain how firms change; they do not fully explain how commitment structures amplify or attenuate the need for drastic change.

Thus, the first gap concerns the absence of an architectural perspective. Existing theories privilege response mechanisms but under-specify how commitment design itself shapes volatility sensitivity.

3.2 The Oversight–Structure Distinction: Governance Is Not Commitment Architecture

A second gap arises from conflation between governance oversight and commitment structure. Corporate governance scholarship increasingly recognizes boards as strategic actors influencing risk framing and long-term orientation (Hillman & Dalziel, 2003; Zona & Zattoni, 2007). Under volatility, governance systems may prevent reactive overcorrection or narrative capture (Aguilera et al., 2018).

However, governance mechanisms operate at the level of oversight and evaluation. They regulate managerial discretion but do not directly define the structural configuration of commitments. A firm may possess strong governance discipline yet still engage in highly irreversible investments with rigid escalation thresholds. Governance can moderate decision quality, but it does not inherently determine the intensity or reversibility of commitments embedded in strategic architecture.

The distinction is subtle but consequential. Oversight concerns who evaluates commitments and how decisions are reviewed. Commitment architecture concerns how intensively capital is bound, how exit is structured, and how continuation thresholds are specified. Conflating these domains risks attributing stability outcomes solely to governance quality while overlooking structural rigidity embedded within commitments themselves.

Thus, governance theory provides necessary but insufficient explanation for heterogeneity in volatility outcomes.

3.3 The Cognitive–Structural Gap in Escalation Research

Escalation of commitment literature has extensively documented persistence biases in deteriorating contexts (Staw, 1981; Staw et al., 1981). Behavioral strategy research extends this logic by highlighting framing effects and interpretive ambiguity under uncertainty (Gavetti, 2012; Powell et al., 2011). These studies demonstrate that decision-makers frequently misinterpret feedback or justify continued investment despite negative signals.

Yet escalation research largely emphasizes cognitive and motivational mechanisms. It explains why decision-makers persist, but it does not systematically theorize how structural design may predispose organizations toward escalation before bias emerges. Commitment intensity, irreversibility, and absence of structured exit mechanisms may make escalation more likely independent of cognitive distortion.

In other words, escalation is often treated as a psychological deviation rather than as an architectural outcome. Persistent volatility intensifies ambiguity, making it difficult to distinguish temporary fluctuation from structural decline (Kaplan & Orlikowski, 2013). Under such conditions, rigid commitment architectures may convert normal ambiguity into systemic overcommitment. Without conceptualizing commitment design as a structural moderator, escalation theory remains incomplete.

3.4 The Missing Construct: Commitment as Architectural Configuration

Across these streams, a common omission becomes visible. Strategy research has extensively theorized capabilities, governance systems, learning cycles, diversification scope, and portfolio exposure. However, it has not fully articulated commitment as an architectural configuration that shapes volatility sensitivity ex ante.

Commitment is typically conceptualized as:

- A competitive signaling device (Ghemawat, 1991)
- A source of path dependence (Sydow et al., 2009)
- A driver of escalation bias (Staw, 1981)
- A target of real options flexibility (McGrath, 1997; Tong & Reuer, 2007)

These treatments isolate specific dimensions but do not integrate them into a coherent theory explaining how firms structure commitment intensity, reversibility, and continuation logic under persistent volatility.

In volatile, expectation-driven markets (Gennaioli et al., 2018; Shiller, 2017), structural commitment rigidity may amplify instability even in the presence of strong capabilities and governance systems. Conversely, calibrated commitment architectures may dampen volatility transmission without requiring constant adaptive intervention. This suggests that commitment configuration may function as an independent determinant of strategic stability.

Taken together, these gaps indicate the need for a construct that captures how commitments are architected rather than merely enacted, governed, or learned. Addressing this theoretical blind spot requires reframing commitment from a singular strategic act to a multidimensional architectural configuration.

The following section therefore introduces and formally defines the construct of strategic commitment architecture, clarifying its boundaries and specifying its analytical distinctiveness within the broader strategy literature.

4. Conceptualizing Strategic Commitment Architecture

The preceding discussion established that strategic commitments bind organizations to future trajectories in ways that can either stabilize competitive positioning or amplify fragility under persistent volatility. Existing literatures illuminate important dimensions of this tension—capability reconfiguration, governance oversight, escalation bias, and portfolio exposure—but they do not fully theorize commitment as a structured architectural configuration. To address this omission, this section introduces the construct of strategic commitment architecture and clarifies its analytical boundaries.

Strategic commitment architecture refers to the structured configuration through which firms determine the intensity, reversibility, escalation logic, and optionality embedded within their major strategic commitments. Rather than conceptualizing commitment as a singular decision—such as entering a market or investing in capacity—this construct treats commitment as a design configuration that shapes how capital is bound, how continuation thresholds are defined, and how exit pathways are structured over time.

This architectural perspective shifts the analytical unit from isolated strategic acts to the systemic properties governing those acts. A firm may undertake similar investments as its competitors, yet differ substantially in how intensively resources are locked in, how flexibly commitments can be unwound, and how formally continuation decisions are evaluated. These differences are not reducible to governance oversight or managerial capability; they are embedded in the structural configuration of commitments themselves.

Two boundary clarifications are important.

First, strategic commitment architecture is distinct from corporate governance architecture. Governance concerns oversight depth, board involvement, and accountability discipline. Commitment architecture concerns how the commitments under review are structurally configured in terms of capital intensity, reversibility, and escalation thresholds. Governance may influence commitment decisions, but it does not exhaustively determine their architectural properties.

Second, strategic commitment architecture differs from dynamic capability. Capabilities explain how firms sense and reconfigure resources in response to change. Commitment architecture explains how rigid or flexible those resources are once deployed. A firm may possess strong dynamic capabilities yet remain constrained by highly irreversible commitments that magnify volatility exposure. Thus, commitment architecture functions as a structural moderator of adaptive capacity rather than as a substitute for it.

Framing commitment as architecture also allows integration of several previously disconnected theoretical strands. Strategic commitment research emphasizes credibility and competitive positioning (Ghemawat, 1991). Path dependence theory highlights increasing returns and lock-in (Sydow et al., 2009). Escalation research identifies persistence bias (Staw, 1981). Real options scholarship underscores the value of staged investments under uncertainty (McGrath, 1997). Each captures part of the phenomenon, yet none systematically integrates intensity, reversibility, escalation logic, and optionality within a unified construct.

Under persistent market volatility, this integration becomes analytically necessary. Volatility increases the variance of outcomes associated with irreversible investments and compresses reaction windows. When commitments are architected with rigid escalation thresholds and limited reversibility, ambiguity may translate into escalation traps or abrupt overcorrection. Conversely, when commitments are structured with calibrated intensity and embedded optionality, volatility may be absorbed without extreme oscillation. Architectural differences therefore condition how volatility translates into instability.

To operationalize this construct conceptually, four interrelated dimensions are proposed: commitment intensity calibration, escalation threshold design, reversibility capacity, and embedded optionality. These dimensions are not independent attributes but mutually reinforcing elements of a coherent architectural configuration. Their interaction determines whether commitments amplify or attenuate volatility effects.

This table consolidates the four dimensions of strategic commitment architecture into a structured analytical framework. It clarifies definitional boundaries, theoretical functions, and instability risks associated with misalignment, thereby strengthening construct clarity prior to empirical operationalization.

Table 1. Core Dimensions of Strategic Commitment Architecture

Dimension	Conceptual Definition	Structural Function Under Volatility	Instability Risk When Misaligned
Commitment Intensity Calibration	The magnitude and temporal distribution of capital and resources bound to a strategic initiative	Regulates exposure concentration and pacing of resource commitment	Front-loaded intensity amplifies downside variance and restricts adaptive bandwidth
Escalation Threshold Design	The degree of explicitness and discipline embedded in continuation or termination criteria	Governs structured reassessment and limits persistence bias	Ambiguous thresholds increase escalation traps under interpretive ambiguity
Reversibility Capacity	The extent to which commitments can be partially or fully unwound without prohibitive cost	Reduces structural barriers to correction and recalibration	Low reversibility raises exit costs and reinforces overcommitment
Embedded Optionality	The incorporation of staged expansion and contingent scaling mechanisms within commitments	Distributes risk temporally and preserves conditional flexibility	Absence of optionality triggers abrupt oscillation between expansion and retrenchment

Source: Developed by the author

Table 1 strengthens the analytical precision of the article by distinguishing the four dimensions conceptually and functionally. By specifying how each dimension operates under persistent market volatility and identifying associated instability risks, Table 1 clarifies that strategic commitment architecture is not a single attribute but an integrated structural configuration. This table supports the theoretical argument by making the construct operationally interpretable for future empirical research.

4.1 Commitment Intensity Calibration

Commitment intensity refers to the magnitude of capital, resources, and organizational attention bound to a strategic initiative at each stage of implementation. Traditional strategy research often evaluates commitment primarily in terms of scale—large versus small investments—without systematically considering how intensity is calibrated over time.

Under persistent volatility, the distribution of commitment intensity across stages becomes critical. All-at-once investments create concentrated exposure and limit adaptive latitude. Incremental or staged allocation distributes exposure temporally, potentially reducing downside variance. Importantly, intensity calibration does not imply underinvestment; rather, it concerns how capital is sequenced and layered in relation to environmental ambiguity.

When commitment intensity is highly front-loaded, volatility shocks may generate disproportionate instability because reversal costs are concentrated. Conversely, calibrated intensity structures may allow partial adjustment without full strategic retreat. Thus, intensity calibration functions as a primary structural determinant of exposure amplification.

4.2 Escalation Threshold Design

Escalation threshold design concerns the criteria and procedural mechanisms governing continuation or termination decisions. Escalation research demonstrates that decision-makers frequently persist due to sunk costs and self-justification (Staw, 1981). However, less attention has been given to how thresholds are architected before such biases manifest.

Thresholds may be implicit, loosely defined, and highly discretionary, or explicit, structured, and condition-based. In volatile environments characterized by interpretive ambiguity (Kaplan & Orlikowski, 2013), ambiguous thresholds increase the likelihood that managers attribute negative outcomes to temporary fluctuation rather than structural misalignment. Rigid or poorly specified thresholds may therefore predispose firms toward prolonged overcommitment.

Architectural attention to escalation thresholds involves defining ex ante continuation criteria, evaluation intervals, and decision rights. These design elements influence whether volatility signals prompt disciplined reassessment or are absorbed into existing justification narratives. Escalation, in this view, is not solely a cognitive bias but a structural vulnerability embedded in threshold configuration.

4.3 Reversibility Capacity

Reversibility capacity refers to the degree to which strategic commitments can be partially or fully unwound without prohibitive economic or organizational cost. Asset specificity and sunk cost accumulation often constrain reversibility (Williamson, 1985). Yet reversibility is not binary; it varies along a continuum shaped by contractual flexibility, modular asset design, and redeployability.

Under persistent volatility, reversibility capacity moderates the cost of correction. Firms with high reversibility may experiment without risking catastrophic loss, whereas those with low reversibility face steep penalties for adjustment. Importantly, reversibility capacity is not synonymous with strategic indecision. It reflects structural foresight regarding the possibility of environmental discontinuity.

In financialized and expectation-driven markets, where valuation regimes can shift rapidly (Gennaioli et al., 2018), reversibility becomes a buffer against narrative collapse. Firms whose commitments are structurally rigid may experience sharp instability when expectations reverse. Those with greater reversibility may recalibrate without severe disruption.

4.4 Embedded Optionality

Embedded optionality captures the extent to which strategic commitments incorporate staged flexibility and contingent expansion logic. Real options theory argues that staged investment preserves flexibility under uncertainty (McGrath, 1997; Tong & Reuer, 2007). However, optionality is often conceptualized as an investment technique rather than as an architectural principle.

Within commitment architecture, optionality functions as a structural design element that tempers escalation and intensity. Staged expansion, pilot initiatives, modular deployment, and contingent scaling mechanisms allow firms to defer full commitment until uncertainty resolves. Optionality thus interacts with intensity calibration and reversibility capacity to produce architectural flexibility.

Crucially, optionality does not eliminate risk; it redistributes it temporally. Under persistent volatility, where ambiguity may not fully resolve, optionality provides pacing discipline rather than prediction accuracy. Firms that embed optionality systematically may avoid abrupt oscillation between overexpansion and retrenchment.

Together, these four dimensions—commitment intensity calibration, escalation threshold design, reversibility capacity, and embedded optionality—constitute the core components of strategic commitment architecture. They operate interactively rather than independently, shaping how volatility translates into escalation, oscillation, or calibrated stability.

The following section develops a conceptual model integrating these dimensions and specifies theoretical propositions linking commitment architecture to strategic stability outcomes under persistent market volatility.

5. Core Dimensions of Strategic Commitment Architecture

Strategic commitment architecture is not reducible to a single attribute of investment behavior. Rather, it reflects an integrated configuration through which firms structure how capital is bound, how continuation decisions are governed, how reversibility is preserved, and how flexibility is embedded within strategic initiatives. The four dimensions introduced previously—commitment intensity calibration, escalation threshold design, reversibility capacity, and embedded optionality—function as interdependent components of this architecture. Their combined configuration determines whether persistent volatility amplifies instability or is absorbed through calibrated adjustment.

5.1 Commitment Intensity Calibration

Commitment intensity calibration concerns the magnitude and temporal distribution of resources allocated to a strategic initiative. Traditional analyses often treat commitment intensity as a binary distinction between incremental and large-scale investments. However, under persistent volatility, intensity must be understood not merely in terms of scale but in terms of structural pacing and exposure concentration.

Front-loaded commitments concentrate risk early in the investment cycle. When capital is heavily committed at initial stages, the cost of reversal increases sharply, limiting adaptive latitude. Under stable conditions, such decisiveness may secure first-mover advantages or generate credible commitment effects (Ghemawat, 1991). Under persistent volatility, however, concentrated intensity magnifies exposure to expectation reversals and environmental ambiguity.

In contrast, calibrated intensity distributes resource allocation across stages, allowing partial commitment without total lock-in. This calibration does not imply hesitancy or underinvestment; rather, it reflects deliberate modulation of exposure in anticipation of environmental fluctuation. Firms that sequence capital infusion progressively may reduce the likelihood that a single volatility shock destabilizes the entire strategic trajectory.

Intensity calibration therefore shapes the structural elasticity of commitment. It conditions how deeply the organization becomes embedded in a given strategic path before uncertainty resolves. Importantly, intensity interacts with the other architectural dimensions. High intensity combined with rigid escalation thresholds and low reversibility creates a configuration prone to instability. Conversely, moderate intensity paired with flexible thresholds may sustain stability even under turbulence.

5.2 Escalation Threshold Design

Escalation threshold design refers to the formal and informal criteria that determine whether a commitment is continued, expanded, or terminated. Escalation of commitment research has demonstrated that managers often persist in failing initiatives due to sunk costs, self-justification pressures, and threat rigidity (Staw, 1981; Staw, Sandelands, & Dutton, 1981). Yet escalation tendencies do not emerge in a vacuum; they are shaped by the structural clarity—or ambiguity—of continuation thresholds.

When continuation criteria are loosely defined, ambiguous, or heavily discretionary, interpretive bias can flourish. Under persistent volatility, where performance signals are inherently noisy (Kaplan & Orlikowski, 2013), managers may rationalize deteriorating outcomes as temporary fluctuation. In such contexts, weakly specified thresholds increase the probability that negative feedback is absorbed into justification narratives rather than prompting recalibration.

Conversely, explicit and condition-based thresholds can impose structured discipline. Predefined performance benchmarks, staged review gates, and independent evaluation mechanisms create friction that interrupts automatic continuation. Threshold design thus functions as a structural moderator of escalation risk. It shifts the locus of persistence from purely cognitive bias to architectural configuration.

Escalation thresholds also interact with commitment intensity. High-intensity investments with ambiguous thresholds create conditions for prolonged overcommitment. Moderate-intensity commitments with explicit thresholds allow earlier correction. Therefore, escalation design is not merely procedural; it is constitutive of commitment architecture.

5.3 Reversibility Capacity

Reversibility capacity captures the extent to which commitments can be partially or fully unwound without disproportionate economic or organizational cost. Asset specificity, sunk cost accumulation, and contractual rigidity often constrain reversibility (Williamson, 1985). However, reversibility varies along a continuum rather than representing a binary condition.

Strategic initiatives differ in their degree of modularity, redeployability, and contractual flexibility. Investments structured around modular assets or adaptable platforms may allow redeployment into adjacent uses, thereby preserving strategic latitude. Highly specialized investments embedded within narrow technological or regulatory regimes may significantly restrict exit options.

Under persistent volatility, reversibility capacity becomes central to stability. When environmental signals deteriorate or narratives shift (Gennaioli et al., 2018; Shiller, 2017), firms with low reversibility face steep correction costs. The economic and reputational penalties associated with exit may encourage further escalation, even when continuation becomes suboptimal. High reversibility capacity, by contrast, lowers the psychological and structural barriers to recalibration.

Reversibility should not be equated with strategic indecision. Rather, it reflects foresight in designing commitments that preserve optional exit pathways. In architectural terms, reversibility provides a safety valve that reduces the likelihood that volatility cascades into systemic instability.

5.4 Embedded Optionality

Embedded optionality refers to the incorporation of staged expansion, contingent scaling, and flexible sequencing mechanisms within strategic commitments. Real options scholarship demonstrates that staged investments create value under uncertainty by preserving the right—but not the obligation—to expand (McGrath, 1997; Tong & Reuer, 2007). Yet optionality is often treated as a discrete investment logic rather than as an architectural principle.

Within commitment architecture, optionality operates as a pacing mechanism. It structures commitments such that future escalation depends on updated information rather than on irreversible early binding. Pilot initiatives, modular rollouts, phased market entry, and contingent capacity expansion are examples of embedded optionality that distribute exposure temporally.

Importantly, optionality interacts with both intensity calibration and reversibility capacity. Staged commitments with high reversibility enable adaptive recalibration without abrupt oscillation. Optionality may also moderate escalation tendencies by institutionalizing review points and conditional continuation.

However, optionality is not universally beneficial. Excessive optionality may undermine credibility or delay competitive positioning. Thus, commitment architecture involves balancing optionality with intensity and threshold discipline. The goal is not maximal flexibility but calibrated flexibility aligned with environmental ambiguity.

Although analytically distinct, the four dimensions of strategic commitment architecture operate as a coherent system. Intensity without reversibility increases fragility. Reversibility without threshold discipline may encourage opportunistic oscillation. Optionality without calibrated intensity may dilute strategic focus. Threshold design without embedded flexibility may generate rigid correction cycles.

This figure explicates the internal structural coherence of strategic commitment architecture by showing how its four dimensions interact systemically rather than independently. It emphasizes that architectural alignment—not isolated attributes—determines whether commitments amplify or attenuate volatility transmission.

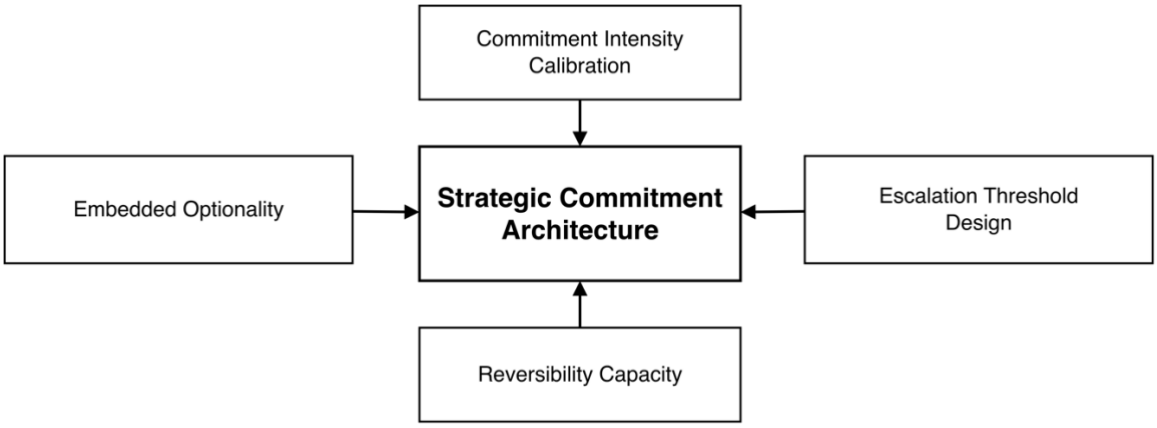

Figure 1. Systemic Interaction of the Four Dimensions of Strategic Commitment Architecture
Source: Developed by the author

Figure 1 demonstrates that the four dimensions of strategic commitment architecture operate as an integrated system rather than as independent attributes. Commitment intensity, escalation threshold design, reversibility capacity, and embedded optionality jointly shape

the structural properties of the architecture. Figure 1 reinforces the article's argument that volatility outcomes are determined not by isolated design choices but by the internal coherence of the architectural configuration.

Persistent market volatility amplifies the consequences of these configurations. Architectural alignment across the four dimensions determines whether volatility produces escalation traps, reactive contraction, or disciplined stability. Strategic commitment architecture thus functions as a structural moderator of turbulence, shaping how environmental ambiguity translates into organizational outcomes.

Having elaborated the core dimensions of strategic commitment architecture and clarified their interdependence, the next section integrates these elements into a unified conceptual model. This model specifies how persistent market volatility interacts with commitment architecture to produce distinct stability trajectories and forms the basis for the development of formal theoretical propositions.

6. Conceptual Model and Propositions

The preceding sections established that persistent market volatility amplifies the consequences of strategic commitments and that commitment architecture shapes how such amplification unfolds. Building on this foundation, this section integrates the four dimensions of strategic commitment architecture into a unified conceptual model explaining how volatility interacts with architectural configuration to produce divergent stability trajectories.

This figure presents the core conceptual model of the article by positioning strategic commitment architecture as a structural moderator between persistent market volatility and stability outcomes. It clarifies that volatility does not directly produce instability; rather, its effects are conditioned by how commitments are architected across four interrelated dimensions.

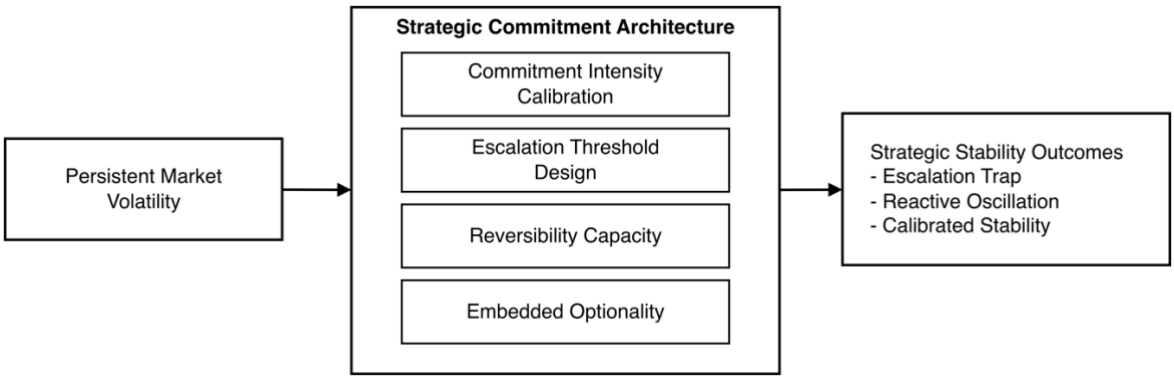

Figure 2. Strategic Commitment Architecture as a Structural Moderator of Volatility
Source: Developed by the author

Figure 2 illustrates the core theoretical argument of the article. Persistent market volatility exerts structural pressure on firms, but its effects on strategic stability are mediated by the configuration of strategic commitment architecture. The four architectural dimensions jointly condition whether volatility culminates in escalation traps, reactive oscillation, or calibrated stability. By positioning commitment architecture as a structural moderator, Figure 2 clarifies the article's central contribution: instability is not an inevitable consequence of volatility, but a function of how commitments are designed ex ante.

At the core of the model lies a simple but under-theorized premise: persistent market volatility does not directly generate instability. Rather, volatility interacts with commitment architecture to condition the translation of environmental ambiguity into organizational outcomes. Firms exposed to similar turbulence may therefore experience fundamentally different trajectories depending on how their commitments are architected.

This table explicates the structural mechanisms through which persistent market volatility is transmitted into organizational instability and clarifies how each dimension of strategic commitment architecture moderates that transmission pathway. It strengthens the causal logic of the model by specifying how volatility moves through structural commitments.

Volatility-Induced Pressure	Structural Transmission Channel	Architectural Dimension That Moderates It	Moderating Mechanism
Performance variance and demand fluctuation	Concentrated capital exposure and sunk-cost accumulation	Commitment Intensity Calibration	Distributes resource binding temporally to reduce downside concentration and preserve adaptive bandwidth
Interpretive ambiguity and noisy performance feedback	Continuation bias and delayed reassessment	Escalation Threshold Design	Establishes explicit decision gates and condition-based review criteria that interrupt automatic persistence
Expectation reversal and valuation regime shifts	High correction costs and structural lock-in	Reversibility Capacity	Lowers economic and organizational exit barriers, facilitating timely recalibration
Rapid narrative shifts and compressed reaction windows	Abrupt expansion–contraction cycles	Embedded Optionality	Enables staged scaling and contingent expansion to avoid full strategic reversals

Source: Developed by the author

Table 2 clarifies that volatility does not destabilize firms directly; rather, it exerts pressure through identifiable structural transmission channels embedded within strategic commitments. By specifying the moderating mechanism associated with each architectural dimension, Table 2 strengthens the theoretical precision of the model and reinforces the article's central claim that instability is architecturally conditioned rather than environmentally predetermined.

The conceptual model proposes that persistent market volatility increases interpretive ambiguity, performance variance, and expectation instability. These conditions place structural stress on existing commitments. Whether this stress culminates in escalation traps, reactive oscillation, or calibrated stability depends on four interacting architectural dimensions: commitment intensity calibration, escalation threshold design, reversibility capacity, and embedded optionality.

6.1 Volatility and Commitment Intensity

Under persistent volatility, fluctuations in demand, valuation, and competitive positioning become more frequent and less predictable (Wenzel, Stanske, & Lieberman, 2021). When commitment intensity is heavily front-loaded and capital is deeply locked in, even moderate volatility shocks can generate disproportionate destabilization. High intensity increases sunk cost exposure and narrows adaptive bandwidth, making correction economically and politically costly.

In contrast, calibrated intensity distributes exposure temporally, reducing the magnitude of immediate downside risk and preserving room for adjustment. This structural modulation dampens the translation of volatility into instability. The model therefore posits that intensity configuration moderates the volatility–instability relationship.

Proposition 1. Higher commitment intensity concentration strengthens the positive relationship between persistent market volatility and strategic instability.

Proposition 2. Calibrated (staged) commitment intensity weakens the positive relationship between persistent market volatility and strategic instability.

6.2 Volatility and Escalation Threshold Design

Persistent volatility increases ambiguity in performance feedback. Under such conditions, loosely defined continuation thresholds allow managers to interpret negative outcomes as temporary noise rather than structural misalignment (Kaplan & Orlikowski, 2013). When escalation thresholds are ambiguous or highly discretionary, volatility-induced ambiguity increases the likelihood of prolonged overcommitment.

Conversely, explicit and condition-based thresholds introduce structured discipline that interrupts automatic persistence. By defining ex ante review criteria and decision gates, firms reduce the probability that volatility signals are absorbed into justification narratives. Threshold design thus conditions whether volatility triggers recalibration or entrenched persistence.

Proposition 3. Ambiguous or weakly specified escalation thresholds amplify the effect of persistent market volatility on escalation persistence.

Proposition 4. Explicit and condition-based escalation thresholds attenuate the effect of persistent market volatility on escalation persistence.

6.3 Volatility and Reversibility Capacity

Reversibility capacity shapes the economic and organizational cost of correcting commitments. Under persistent volatility, shifts in valuation regimes or demand trajectories may render previously rational investments suboptimal (Gennaioli, Shleifer, & Vishny, 2018). When commitments are highly irreversible due to asset specificity and contractual rigidity (Williamson, 1985), the cost of reversal may exceed the perceived cost of continued investment, thereby reinforcing escalation tendencies.

In contrast, greater reversibility lowers exit barriers and reduces the psychological and structural resistance to correction. Firms with higher reversibility capacity can recalibrate commitments without triggering systemic instability. Reversibility therefore functions as a buffering mechanism that dampens volatility transmission.

Proposition 5. Lower reversibility capacity strengthens the positive relationship between persistent market volatility and escalation persistence.

Proposition 6. Higher reversibility capacity weakens the positive relationship between persistent market volatility and strategic instability.

6.4 Volatility and Embedded Optionality

Embedded optionality introduces staged flexibility into commitment architecture. In volatile environments where uncertainty may not fully resolve, optionality redistributes risk across time and allows continuation decisions to incorporate updated information (McGrath, 1997; Tong & Reuer, 2007). Rather than committing fully at the outset, firms preserve the right—but not the obligation—to expand.

When optionality is absent, volatility may force abrupt oscillation between overexpansion and retrenchment. When optionality is embedded, firms can adjust incrementally without dramatic strategic swings. Optionality thus moderates the translation of volatility into reactive oscillation.

Proposition 7. Absence of embedded optionality strengthens the positive relationship between persistent market volatility and reactive strategic oscillation.

Proposition 8. Greater embedded optionality weakens the positive relationship between persistent market volatility and reactive strategic oscillation.

6.5 Integrative Stability Trajectories

The combined configuration of the four architectural dimensions produces distinct stability trajectories under persistent volatility. When commitment intensity is concentrated, escalation thresholds are ambiguous, reversibility is low, and optionality is minimal, volatility is likely to culminate in escalation traps—prolonged persistence despite deteriorating conditions. Alternatively, when intensity is moderate but thresholds are reactive and optionality poorly structured, volatility may trigger oscillation between expansion and contraction.

This figure synthesizes the configurational logic of the model by mapping combinations of architectural dimensions to distinct stability trajectories. It clarifies that escalation traps, reactive oscillation, and calibrated stability emerge from patterned alignment—or misalignment—across intensity, thresholds, reversibility, and optionality.

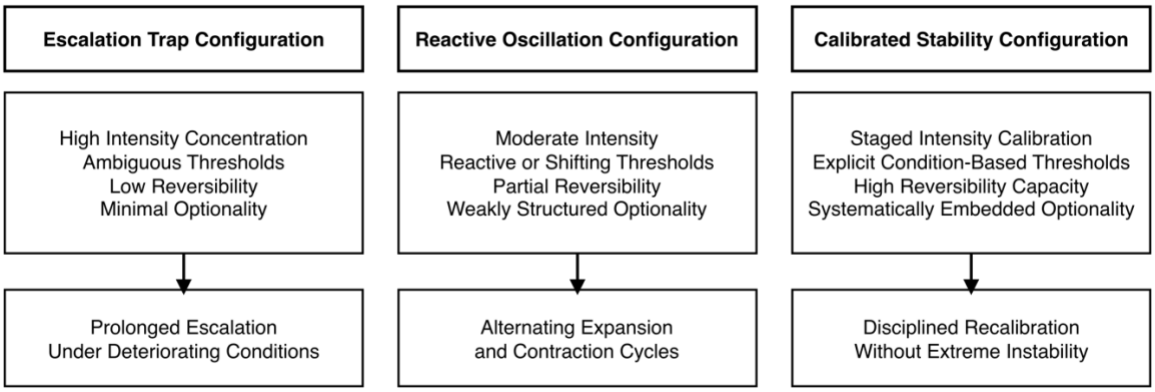

Figure 3. Architectural Configurations and Stability Trajectories Under Persistent Volatility
Source: Developed by the author

Figure 3 integrates the four architectural dimensions into three internally coherent configurations that generate distinct stability trajectories. It shows that escalation traps arise from concentrated intensity, ambiguous thresholds, low reversibility, and minimal optionality; reactive oscillation emerges from partially calibrated but unstable configurations; and calibrated stability results from staged intensity, explicit thresholds, high reversibility, and embedded optionality. By making configurational logic explicit, Figure 3 deepens the article's structural argument that stability outcomes are products of architectural alignment rather than environmental volatility alone.

Calibrated stability emerges when intensity is sequenced, thresholds are explicit, reversibility is preserved, and optionality is embedded systematically. In this configuration, volatility does not disappear; rather, its transmission into structural instability is attenuated.

The conceptual model therefore positions strategic commitment architecture as a structural moderator of volatility-induced instability. Rather than assuming that turbulence inevitably demands reactive adaptation, the model emphasizes that architectural configuration conditions whether adaptation unfolds as disciplined recalibration or destabilizing oscillation.

The next section elaborates the theoretical implications of this model and situates strategic commitment architecture within the broader landscape of strategy research.

7. Conclusion and Future Research Directions

Persistent market volatility has reshaped the strategic landscape from episodic disruption to structural ambiguity. In such environments, organizations are not merely challenged to adapt; they are compelled to confront the consequences of how their commitments are architected. This study has argued that strategic stability under persistent volatility cannot be fully explained by adaptive capability, governance oversight, learning processes, or portfolio

configuration alone. Instead, the structural configuration of commitments—what we conceptualize as strategic commitment architecture—plays a foundational role in conditioning how volatility translates into escalation, oscillation, or disciplined recalibration.

By reframing commitment as an architectural construct composed of intensity calibration, escalation threshold design, reversibility capacity, and embedded optionality, this article advances a structural explanation for heterogeneity in volatility outcomes. The core theoretical claim is not that volatility inevitably destabilizes organizations, but that its destabilizing effects are moderated by how commitments are designed ex ante. Under certain architectural configurations, volatility amplifies rigidity and persistence traps. Under others, it is absorbed through calibrated flexibility without extreme oscillation.

This architectural lens contributes to ongoing debates in strategic management concerning resilience, adaptation, and persistence. Rather than privileging response mechanisms, the framework emphasizes structural preconditions. It suggests that before firms ask how to adapt, they must consider how their commitments are configured to withstand turbulence. Commitment architecture thus operates as a foundational layer beneath capability, governance, and learning systems, shaping both the necessity and feasibility of adaptive response.

Several promising avenues for future research follow from this reconceptualization.

First, empirical investigation of commitment architecture requires operationalization of its dimensions. Archival studies may examine capital expenditure sequencing, divestiture frequency, modular asset deployment, and staged investment patterns as proxies for intensity calibration and reversibility. Longitudinal designs could test whether firms with calibrated architectures exhibit lower performance variance under sustained volatility.

Second, cross-industry comparisons may illuminate how technological regimes and asset specificity influence reversibility capacity and escalation thresholds. Industries characterized by high capital intensity and regulatory rigidity may exhibit structurally distinct commitment architectures relative to digital or platform-based sectors.

Third, future research could explore the interaction between governance systems and commitment architecture. While this study distinguishes architectural configuration from oversight mechanisms, governance may influence how architectural principles are enacted. Understanding whether strong governance mitigates architectural rigidity—or conversely reinforces it—would deepen integration between structural and institutional perspectives.

Fourth, experimental and behavioral approaches could examine how explicit escalation thresholds influence managerial persistence decisions under simulated volatile conditions. Such work would bridge structural and cognitive dimensions of escalation.

Finally, computational simulation models may offer insight into how combinations of intensity, reversibility, optionality, and threshold rigidity generate nonlinear instability patterns under varying volatility regimes. Such modeling could clarify tipping points at which calibrated architecture transitions into escalation traps.

In conclusion, strategic commitment architecture provides a structural lens for understanding stability under persistent market volatility. By shifting attention from isolated decisions to systemic configuration, the framework highlights how firms bind themselves to futures that may unfold unpredictably. In markets characterized by continuous ambiguity and expectation reversals, the architecture of commitment may determine whether volatility becomes a catalyst for disciplined recalibration or a trigger for structural fragility.

This perspective invites renewed theoretical and empirical engagement with the foundational question of how firms design commitments in a world where uncertainty is not temporary but enduring.

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