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## Editorial

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Business strategy occupies and defines the nexus of organisations and their business environments. The business environment is more complex and more unpredictable than it has ever been because of interdependent national economies, unstable financial systems, volatile politics, disruptive technologies, changing regulations and shifting expectations of business's role in society. This maelstrom of interacting developments in the environment creates a crucible in which organisations, when formulating their strategies, are driven to realise what is central, distinctive and enduring in their being – their identity (Albert and Whetten, 1985). But, identities, though they are the most enduring aspect of organisations, cannot remain unaffected by their interactions with the business environment. That the business environment can be affected by and also can touch and transform the most central, enduring and distinctive essence of an organisation is a daunting reality that needs to be better understood. Strategy is no longer captured by static notions such as 'fit' but seeks to achieve dynamic equilibrium between organisations and their environments.

Gaining a better appreciation of the interaction between organisations' identities and complex developments in the business environment is the motivation behind the topic of this issue: Organisational identity and the business environment.

There are some pervasive and powerful developments in the business environment that makes this topic both compelling and challenging. Three of these developments are the inevitability of *globalisation*, the imperative of *innovation* and commitment to *shared value*.

*Globalisation* is transforming the business landscape (Ernst & Young, 2010). Even businesses that have no intention of going global have to be sensitive to global sourcing, global financing, global competition, global collaborations, global standards and quality. The growing interconnectedness of national economies is accelerated by the attractions of cost arbitrage and the pull of vast and growing markets in the BRIC/BASIC countries (Wilson and Purushothaman, 2003).

The maturity of markets in developed countries and the relatively slow growth rate in these markets places a premium on *innovation* as an accelerant (Rosenberg, 2004). For emerging economies to catch up with the developed economies, innovation is again necessary. Globalisation and innovation interact in significant and complex ways. Multinational companies are shifting their R&D investment and activities to the emerging economies, particularly China and India (Doz et al., 2006). Moreover, the vast and vastly different and difficult to access markets in emerging economies require modified products and services at much lower price points. The interaction of R&D with these markets is a fertile ground for technological innovation.

That the interaction of globalisation and innovation creates *disruptive technologies* (Christensen and Overdorf, 2000) is recognised and this reality is consciously exploited by companies such as Philips and GE. In this context, dynamic capability development is essential. GE has indeed redesigned its entire management system to take advantage of reverse innovation (Immelt et al., 2009).

There is a growing recognition that *shared value* (Porter and Kramer, 2011) defines the necessary and synergistic economic and societal *raison d'être* of firms (Khurana, 2007). Shared value recognises the triple bottom line (Savitz and Weber, 2006) and also, perhaps more importantly, recognises the ability of multiple stakeholders to contribute to economic value added. There is a consequent imperative to engage multiple stakeholders in catalysing innovation through collaboration, resulting in *co-creation* of value. However, the varied priorities of multiple stakeholders interacting with the extreme complexities and high uncertainties of the global business environment result in a context that is rife with *wicked problems* (Camillus, 2008).

To cope with the turbulence that occurs at the confluence of *disruptive technologies*, *co-creation of value* and *wicked problems* caused by the interaction of *globalisation*, *innovation* and *shared value*, companies have to rely on and trust their essential, enduring core, their identities to serve as a beacon and a touchstone to guide their dynamic strategy development.

The intense interaction of the multi-faceted and turbulent business environment with the vital essence of organisations – their identities – has never been more problematic or more important for strategy formulation and is therefore the focus of this special issue.

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