New concepts in strategy development

A Thesis Submitted for the Degree of

Doctor of Business Administration

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i. Abstract

The objective of this research has been to examine the reconfigurations of strategy development that have helped organizations achieve sustained success in a changing business environment. The literature review has revealed additional dimensions which challenge strategy practice and the desired properties of a strategy framework.

The research question that was addressed is: “How can corporate strategy development be reconfigured to help organizations achieve sustained success in a changing business environment?”

These key challenges, affecting the relevance of orthodox strategy development frameworks have been defined. The aspects of current frameworks that need to be addressed as a consequence of these challenges have been articulated and how the current strategy practice is anticipated to be adjusted in order to address these challenges has been presented in the form of a series of propositions. The desirable properties of a strategy development framework in a dynamically changing business context were described.

From an epistemological perspective, the research aim was to find and collect reconfigurations of strategy development indirectly, by reference to their implications, strongly associated with a rigorous and critical examination of knowledge claims to apprehend reality as perfectly as possible. Special emphasis was placed on external objectivity with the help of the critical community. Thus
an interpretative ontology, based on a critical realist epistemology, with an inductive methodology and qualitative interviews resulted in post-positivism as the dominant research paradigm.

The one hundred most profitable companies\(^1\) in Switzerland, meaning those with the most profit in relation to turnover, the very best of industry, trade, and service including regional and global business, SME and blue chip, state owned, listed on stock exchange, and private ownership, formed the research sample frame. An additional requirement was that the company must have scored well long term, on both growth measures and absolute measures of economic health. Twenty respondents were interviewed.

The research findings identified four areas for adjustments to orthodox corporate strategy development: (a) The *improvement of strategic expertise* to ensure that the staff at all levels understand strategy and the assumptions behind strategy, (b) a *focus on strategizing resources* to be able to perceive, understand, and process strategic relevant information, (c) an *organizational design* that fosters a strategically aligned organization that leverages the competitive resources of firms, and (d) *ongoing change management* to maintain sustained profitability.

This project posits that successful companies do not persist in one strategic approach. Instead, they are able to change their approach in accordance with achieving and maintaining profitability and growth. The resulting framework clusters four dominant approaches strategists have chosen in different business

\(^1\) according to “Handelszeitung TOP 2007”
situations to overcome the challenges of an increasing dynamic business environment.

Executives can make use of these findings in practice for sustainably managing the identified recommendations for developing and considering alternative approaches to address dynamic environments, and making strategic adjustments to meet emerging challenges.
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iv. Abbreviations

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<th>Full Form</th>
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<tbody>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>EBIT</td>
<td>Earnings Before Interest and Taxes</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resources</td>
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<tr>
<td>ROI</td>
<td>Return on Investment</td>
</tr>
<tr>
<td>DCF</td>
<td>Discounted Cash Flow</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
</tr>
<tr>
<td>B2B</td>
<td>Business to Business</td>
</tr>
<tr>
<td>B2C</td>
<td>Business to Customer</td>
</tr>
<tr>
<td>RSS</td>
<td>Really Simple Syndication</td>
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I Bernhard Frei

Hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma at Charles Sturt University or any other educational institution, except where due acknowledgment is made in the thesis. Any contribution made to the research by colleagues with whom I have worked at Charles Sturt University or elsewhere during my candidature is fully acknowledged.

I agree that the thesis be accessible for the purpose of study and research in accordance with the normal conditions established by the University Librarian for the care, loan and reproduction of the thesis.*

July 19th 2010

Signature                                            Date

* Subject to confidentiality provisions as approved by the University
vi. Assistance received with the research

The following person has provided substantial assistance with the research: Sarah Louise Sachs, Taunusstrasse 4, 61273 Wehrheim, Germany. The nature of that assistance related to the linguistic editing of the thesis and was limited to grammar and stylistic corrections.
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I’d like to thank my wife Gabriela, who celebrated with me the few little victories, supported me, and challenged me when I got lazy. I may thank my sons: Samuel
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Additionally, I have to say thank you to my dear friends all over the world, who still opened the door for me, despite the few occasions I could spare to visit them.
1 Introduction
1.1 Background to the research

Historically, corporate strategy development has been presented in literature in the form of two opposing concepts (prescriptive versus descriptive – i.e. Mintzberg 1994), differentiating particularly in the way they guide the definition of the purpose and scope of the organization.

Prescriptive strategy development is generally defined as being historically driven. Following Jarratt & Stiles (2010, p.2), the strategic data is developed through examining the environment and the firm within a formal and process based approach (“planning/synoptic formal model” Brews & Hunt 1999, “linear model” Chaffee 1985, “design school” Mintzberg 1990, 1994; “classical perspective” Whittington 2001), compared to descriptive strategy development which embraces factors influencing the environment, whilst being bound by mental models of what is possible (“learning school” Brews & Hunt 1999, “adaptive model” Chaffee 1985, “logical incremental model” Quinn 1980, “processual model” Whittington 2001). These external factors trigger the organizations to refine their strategies incrementally (Bower 1970).

The strategy development task involves determining long term objectives to support sustained success and, at the same time, coping with the increasing dynamics of the business environment. In practice, this means shaping or adapting the course of action (Hamel & Breen 2007) and allocating resources necessary (Bower & Gilbert 2005) to achieve the determined objectives.
An increasing number of organizations are required to reconfigure or adapt strategies to sustain growth (Adner & Zemsky 2006), with decreasing emphasis on the resource constraints of the company and historical norms (Bharadway, Clark & Kuliviwat 2005).

This leads to the question of determining how effective prescriptive and descriptive approaches in strategy development are in dealing with the increasing dynamics of the business environment (Quin 1980, Mintzberg & Watkins 1985). Descriptive approaches have been linked to losing control over action and direction, while prescriptive approaches tend to locate strategy formulation at corporate level, thus separating formulation from execution (Hamel & Breen 2007, Wiltbank et al 2006).

The main objective of this project is to identify new concepts in corporate strategy development to find viable strategic approaches that enable companies to select an appropriate strategy development approach in dynamically changing environments. Both prescriptive and descriptive approaches offer very specific advantages which have to be supported by an appropriate model within corresponding processes and a set of strategic tools that optimize the strategic outcome (Mueller-Stewens & Lechner 2005).

Empirical research demonstrates that although the number of strategic tools for framing strategies in volatile and uncertain business environments has increased, improvement in strategic outcomes is not evident. Moreover, detailed knowledge
regarding the strengths and weaknesses of the different tools is required (Jarzabkowski & Giulietti 2007; Leibold, Probst & Gibbert 2005).

Most applied models in the research field belong to the family of prescriptive strategy concepts. The effectiveness of current models and tools in addressing the challenges of strategy development in dynamic environments has been questioned, with researchers calling for more descriptive concepts that might add value (Wildbank, Dew, Read & Sarasvathy 2006). This research seeks to understand how successful companies are engaging with strategy models and tools to meet the challenges of dynamic environments.

Literature provides a comprehensive – but often inconclusive – discussion about how and where to constrain a strategy development framework. This discussion is based on theoretical frameworks (Ashmos et al. 2002, Bourgeois & Brodowin 1984, Harrington 2005, Okumus 2003) as well as case studies (Chorengel & Teare 1994; Schmelzer & Olsen 1994; Teare, Costa, & Eccles 1998).

This thesis is particularly focussed on the importance of organizational members’ involvement in strategy development (the process) from a holistic point of view. This project determines the effects of managers’ perception during strategy formulation (the content) of environmental complexity (the context) during corporate strategy development to maximise the strategic results (the outcome) (Harrington & Kendall 2009) without prejudging towards any paradigm or school of thought.
The work of Okumus (2003) delivers a framework that is capable of delivering answers to all the upper mentioned conditions: The framework (a) neither suggests a model that is being linear and prescriptive, nor (b) separates strategy formulation from execution (per se). Instead, the underlying model highlights how factors to achieve sustained success in a dynamic business environment interact with each other and how they impact on the strategy development process.

In order to understand strategy development issues and make decisions accordingly, a holistic point of view positions the four factors as interacting with each other, within the applied model and processes; making informed judgments, rather than following a predetermined recipe or ready-made solutions (Okumus 2003).

However, the question of whether the application of a prescriptive or a descriptive concept is the best approach for strategy development in changing contexts remains unanswered. Whilst most academic literature confirms that a strategic planning approach is important to achieve sustained growth and profit, its effectiveness has been questioned by some (Pearce, Freeman & Robinson 1987).
1.2 Research question and propositions

Following Okumus (2003) a research question and a set of nine research propositions have been formulated and tested and presented in the following chapters. The research question is as follows:

*How can corporate strategy development be reconfigured to help organizations achieve sustained success in a changing business environment?*

The purpose of this project is to examine the reconfigurations of strategy development that help organizations to achieve sustained success in a changing business environment. The identified patterns of corporate strategy in the form of a new strategic concept that emerges from the research can be used by other practitioners to build strategies under volatile conditions.

Essentially, I argue that independent from the corporate strategic approach that is chosen to gain competitive advantage in dynamic environments, evidence from this research suggests four areas for adjustments to orthodox corporate strategy development: (a) The improvement of strategic expertise to ensure that the staff at all levels understand strategy and the assumptions behind strategy, (b) a focus on strategizing resources to be able to perceive, understand, and process strategic relevant information, (c) an organizational design that fosters a strategically aligned organization that leverages the competitive resources of firms, and (d) ongoing change management to maintain sustained profitability.
There is strong evidence in this project that successful strategists do not persist in one strategic approach. Instead, they are able to change their approach in accordance with achieving key profitability and growth objectives. Reasons for changing the strategic approach include major disruptions in the business environment, movement to a new life cycle phase of the company, major organizational shifts (i.e. merger with a more dominant organization, or new company structure), a new corporate team (especially the announcement of a new Chief Executive Officer (CEO) often leads to the introduction of a new strategy and/or new strategizing approaches).

From an organizational development perspective, strategists can take advantage of the findings of this project by evaluating the strategic landscape of the organization and/or organizational unit, the frameworks, models, processes, and tools and their strategy-fit; and therefore allocate the necessary change effort if required. This gap-analysis in turn can support strategists in allocating and defining the resources and constraints for ongoing change management.
Following operationalization, nine research propositions were tested:

<table>
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<th>Dimension</th>
<th>Indicator</th>
<th>Item</th>
<th>Research proposition</th>
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<td></td>
<td></td>
<td>Volatility</td>
<td>Flexibility</td>
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<tr>
<td></td>
<td></td>
<td>Speed</td>
<td>Foresight ability</td>
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<tr>
<td>External context - MARKET</td>
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<td>Uncertainty</td>
<td>Portfolio of initiatives</td>
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<td>Responsiveness</td>
<td>Adaptability</td>
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<td></td>
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<td>Structural complexity</td>
<td>Network</td>
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<td>Internal context - ORGANIZATION</td>
<td></td>
<td>Business professionals</td>
<td>Collaboration</td>
</tr>
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<td></td>
<td></td>
<td>Opportunity driven</td>
<td>Paralysis by analysis</td>
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<tr>
<td>PROCESS</td>
<td></td>
<td>Sequential model</td>
<td>Iterative model</td>
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<td></td>
<td></td>
<td>Separation</td>
<td>Mergence</td>
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**Figure 1: Operationalization of the research question and research propositions**
1.3 Justification of the Research

Literature provides a comprehensive yet contradictory insight into the many difficulties strategy development has to address in dynamically changing environments. The introduction of additional scanning tools during external analysis (Jarzabkowski & Giulietti 2007) and prescriptive scenarios (without knowing the level of uncertainty of the business environment) in the implementation phase (Courtney, Kirkland & Viguery 1997) can create unanticipated strategic consequences.

Process improvements have been shown in practice to decrease rather than increase the effectiveness of imposed strategy as a consequence of the process’ inherently incremental approach (Ruckes & Ronde 2003, Schreyöegg & Kliesch-Eberl 2007).

More sophisticated models display weaknesses in practicability, and the historical emphasis on meta-level framework tends to decrease constraints rather than to increase complexity (Okumus 2003).

Change is a dominant factor in challenging current strategy development and implementation practice, forcing the company to focus on growth in an increasingly dynamic business environment that demands ever faster and more targeted responses (Bharadwaj, Clark and Kulviwat 2005).
From a practical perspective, there are several problems with respect to the
general applicability of findings in previous research to different contexts:

(a) Historically, prescriptive strategy planning concepts have been at the
foreground of strategic management thinking as evidenced by the quantity of
research devoted to strategic planning (Chaffee 1985; Brews & Hunt 1999;
Mintzberg 1990, 1994; Whittington 2001). However, the fact that a
prescriptive approach has had wide acceptance in both academic institutions
and in practice, neither establishes a theoretical nor an empirically strong
argument to substantiate its usefulness in generating continued growth and
profitability in dynamic environments. While prescriptive concepts may
remain well established in stable and low volatile business environments, this
perspective is being challenged as the external and internal contexts become
ambiguous (Courtney, Kirkland & Viguerie 1997, Jarratt & Fayed 2001,
Morgan & Hunt 2002).

(b) Strategy planning frameworks were developed in times when relatively stable
environments made prediction possible (Leibold, Probst & Gibbert 2005).
Unforeseeable changes force firms to focus on context (market and
organization) issues to combine content (strategy formulation) and outcome
(strategic results) through the process (strategy development). In other words:
The constraints of the proposed framework stay the same, and emphasis is
placed on contextual issues (Okumus 2003).
(c) The separation of formulation and implementation in orthodox strategy planning models is outdated and evidence suggests the mergence of these phases (Martin 2010). Building strategy around organizational design is the next evolutionary step from organizational structures that arose from industrial structures in the last century. The key challenge is to create an organization that favors employee engagement and commitment. Corporate governance, knowledge and talent marketplaces, as well as organizational design are the key ingredients for an organization where talented workers create sustained success (Abou-Zeid 2007).

(d) A sequential process has been shown to contain the speed of a strategic response; ancillary and iterative process structures are preferred. A modern strategy process involves all levels of the organization; its activity runs along parallel, independent paths (Eisenhardt & Martin 2000). The orthodox approach includes the perception, that all steps in this process can be managed centrally. However, as corporate level managers start to initiate strategic actions, managers involved in the daily decision making process have already acted according to the changing opportunities in an increasingly dynamic environment. These decisions may support or contradict corporate strategy.

(e) The need for optimization of productivity, quality and speed has generated a variety of strategic tools. Although the resulting operational improvements have been considerable, sustainability has been challenging, and tools in some

2 “Market mechanisms can be introduced to improve the flow of intangible assets throughout the enterprise. These mechanisms include not just formal networks but also talent and knowledge” (Rigby & Bilodeau 2009, p.1)
respects have replaced strategy (Porter 1998). The successful use of such tools requires the understanding of the strengths and weaknesses of each tool, as well as having the ability to creatively integrate tools effectively, at the right time (Jarzabkowski & Giulietti 2007, Rigby 2009, Jarratt & Stiles 2010). Executives who keep in mind that realistic strategies and utilizing tools as simply by means to achieving better results, because no tool can deliver an optimum solution, understand that corporate strategy development should define which tools are used, not the other way round (Teece, Pisano & Shuen 1997).
The questions resulting from this background information are:

(a) The literature synopsis provides a comprehensive review of current strategic practice and concludes that strategy development is neither sequential nor solely divided into formulation and implementation.

*What key challenges affect the relevance of traditional strategy development frameworks?*

(b) Recent literature on strategy development provides limited explanations on how the factors interact or provide solutions for specific problems.

*How can aspects of current frameworks that need to be addressed as a consequence of these challenges be articulated? How is current strategy practice anticipated to be adjusted in order to address these challenges?*

(c) Changes in the external context influence the strategy development and force organizations to deploy new initiatives which may cause inconsistencies in the internal context. Strategy is implemented via the organization, the characteristics of the organization influence the success of the process factors, and receptiveness to change increases success in implementing strategy. However, the strategic process requires continuity for implementation, and the characteristics of context and process directly influence outcome.

*How can desirable properties of a corporate strategy development framework be described in a dynamically changing business environment?*
1.4 Methodology

To understand the complex reconfigurations of strategy development that have helped organizations to achieve sustained success in a changing business environment, a qualitative research method was designed and implemented. Although “only imperfectly apprehendable because of basically flawed human intellectual mechanisms” (Guba & Lincoln 1994, p.109), this project aimed to achieve a single and objective reality, however subjectively perceived by different strategists; in other words: a critical realist ontology (Cook & Campell 1979).

<table>
<thead>
<tr>
<th>Positivism</th>
<th>Postpositivism</th>
<th>Critical Theory</th>
<th>Constructivism</th>
</tr>
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<tbody>
<tr>
<td>Ontology</td>
<td>Naïve realism; an understandable reality is assumed to exist (an external objective to the research)</td>
<td>Critical realism; natural and social reality is considered to exist independently but imperfectly understandable</td>
<td>Historical realism; there is no reality outside of people’s perception (reality is shaped by social political, cultural, economic, ethnic/gender values)</td>
</tr>
<tr>
<td>Aim</td>
<td>Description, explanation and uncovering of facts (cause and effect)</td>
<td>Exploration (what are the variables involved?), develop research issues</td>
<td>Uncovering meanings and understandings of the broad interrelationships; critique on existing structures and practices</td>
</tr>
<tr>
<td>Epistemology</td>
<td>Investigator and the investigated object are independent entities without influencing each other. Findings shall be true, but always subject to verification</td>
<td>Replicated findings are probably true, but always subject to falsification</td>
<td>Get “inside the minds”, the investigator and the investigated object are assumed to be interactively linked</td>
</tr>
<tr>
<td>Logic</td>
<td>Deductive (from general to particular) is seen as the development of new issues by logical reasoning (modus ponens)</td>
<td>Primarily deductive</td>
<td>Deductive and inductive (form specific to general) as generalization of an idea through examples</td>
</tr>
<tr>
<td>Methodology</td>
<td>Experimental and manipulative, chiefly quantitative based on the verification of hypothesis</td>
<td>Collecting more situational information, and reintroduce discovery as an element in inquiry (quantitative and qualitative techniques)</td>
<td>Dialogue between the investigator and the subjects of the inquiry</td>
</tr>
</tbody>
</table>

Figure 2: Paradigm summary (adapted from Guba & Lincoln 2004)
Following Guba & Lincoln (2004), an interpretative ontology, based on a critical realist epistemology, with an inductive methodology and qualitative interviews resulted in post-positivism as the dominant research paradigm.

The purpose of this research was to develop new practical knowledge in corporate strategy development, justifying a theoretical (and not random or stratified) sample (Eisenhardt & Graebner 2007). The main case selection criterion in this research was to investigate particularly suitable firms to illuminate and extend the relationship and logic among constructs. So, samples are not randomly generated but willingly chosen to offer theoretical and practical insights (Weik 1993), revelation of an unusual phenomenon (Galumnic & Eisenhardt 1996, 2001), replication from findings of other interviews or the contrary perspective, and examination of alternative explanations or emergent practical knowledge (Yin 1994).

Qualitative interviews were conducted with senior strategists across a range of organizations operating in markets exhibiting various levels of complexity and volatility. Companies (and their senior strategists) were selected from an annual publication of the “Handelszeitung”, a weekly Swiss economic newspaper (Handelszeitung 2007), which annually rates the top 1,600 Swiss companies from different industry categories (i.e. high-technology, consumer goods, general industrial goods, service, project management, and resource based companies).

The sample of twenty companies was not intended to perfectly represent the Swiss industry as a whole, although a fairly broad spectrum was captured. Nor was the
Introduction

aim to be too precise about what was meant by excellence in strategy development, in order to ensure that broad parameters around coping strategically in a dynamic environment were revealed.

<table>
<thead>
<tr>
<th>#</th>
<th>Industry</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Energy production</td>
<td>Head of Corporate Development &amp; Organization</td>
</tr>
<tr>
<td>2</td>
<td>Machinery</td>
<td>Business Consultant, Business Services</td>
</tr>
<tr>
<td>3</td>
<td>Energy distribution</td>
<td>Head of Corporate Development</td>
</tr>
<tr>
<td>4</td>
<td>Logistics</td>
<td>Head Strategy Team &amp; Corporate Development</td>
</tr>
<tr>
<td>5</td>
<td>Construction</td>
<td>Business Consultant, Business Services</td>
</tr>
<tr>
<td>6</td>
<td>Public transport</td>
<td>Head Information Technology Services</td>
</tr>
<tr>
<td>7</td>
<td>Bank</td>
<td>Head of Business Development, Private Equity</td>
</tr>
<tr>
<td>8</td>
<td>Watches</td>
<td>Director Business Development CEMA</td>
</tr>
<tr>
<td>9</td>
<td>Machinery</td>
<td>Head of Business Development</td>
</tr>
<tr>
<td>10</td>
<td>Healthcare</td>
<td>Vice Director, Head of Business Development</td>
</tr>
<tr>
<td>11</td>
<td>Construction</td>
<td>Head of Business Development</td>
</tr>
<tr>
<td>12</td>
<td>Machinery</td>
<td>Head Corporate Planning &amp; Acquisition</td>
</tr>
<tr>
<td>13</td>
<td>Home equipment</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>14</td>
<td>Electronics</td>
<td>Managing Director</td>
</tr>
<tr>
<td>15</td>
<td>Defense</td>
<td>Chief Technical Officer</td>
</tr>
<tr>
<td>16</td>
<td>Travel</td>
<td>Head of Corporate Communication</td>
</tr>
<tr>
<td>17</td>
<td>Bank</td>
<td>Head of Business Development</td>
</tr>
<tr>
<td>18</td>
<td>Telecom</td>
<td>Strategy Analyst</td>
</tr>
<tr>
<td>19</td>
<td>Consultancy</td>
<td>Head of Corporate Communication</td>
</tr>
<tr>
<td>20</td>
<td>Healthcare</td>
<td>Director Business Development</td>
</tr>
<tr>
<td>A</td>
<td>Bank / University</td>
<td>Director Off-shoring / Professor, Director International Management Institute</td>
</tr>
<tr>
<td>B</td>
<td>University / Luxury</td>
<td>Professor for International Management / Director Business Development</td>
</tr>
</tbody>
</table>

Figure 3: Interview partners (1-20) and peer review group (A-B)
1.5 Outline of the Report

This thesis comprises five chapters: (1) Introduction, (2) Literature review, (3) Methodology, (4) Analysis, and (5) Conclusions and implications. The structure is based on Perry & Coote (1994). A brief overview explains the topics addressed in each chapter.

Chapter one – Introduction:

Within the first chapter the reader is introduced to the research topic, the research question and the sub-questions, with reference to relevant literature and gaps in previous research. This chapter also contains general background information, a justification of the research definitions and an overview of the applied research methodology, as well as a discussion of how this project contributes to professional practice.

Chapter two – Literature review:

A critical review of academic literature aided the identification of existing knowledge and gaps that were relevant to the understanding of corporate strategy development in dynamic environments. The review is divided in three parts, the first of which contains an analysis of literature concerning the external strategic context. The main focus is on market oriented strategy management literature. The second part, an extensive review of internal context literature contains an analysis of the role and characteristics of the organization within companies and includes literature that relates to previous work undertaken in the area of
organizational design/strategy linkage. The third part contains an analysis of literature concerning the process oriented strategy management literature.

Chapter three – Methodology:

The methodology chapter provides an overview of the justification of the research paradigm, epistemology, ontology, and the applied methodology. The reader is introduced to a qualitative research design, the research instrument, the sampling technique and the criteria for proposition testing. Furthermore, topics of reliability, objectivity, validity, and ethics in qualitative research are discussed in this section, as well as the limitations of this research approach.

Chapter four – Analysis:

Chapter four includes brief portraits of the research instruments and a discussion of the data from the interviews and relevant documentation. The research propositions are tested case by case on the collected data, and cross case implications are discussed in detail.

Chapter five – Conclusions and implications:

The final chapter contains the conclusions developed in relation to each formulated research proposition, the cross-case implications, and the research question is addressed. Furthermore, the implications of the findings for management practice, as well as additional contributions for practice and theory are also discussed. The conclusion and implication chapter ends with the limitations of this research and summarizes recommendations for further research.
The structure of this project is illustrated below:

Figure 4: Structure of the thesis
1.6 Definitions

**Strategy planning:**

Is considered to be a solely prescriptive approach, separating strategy formulation from execution in process and hierarchy (Andrews 1971).

**Corporate strategy development:**


**Strategy formulation:**

Starts with the initial strategic position, followed by internal and external strategic analysis, and strategic postures (Lombriser & Abplanalp 2004).

**Strategy implementation:**

(or strategy execution): Is separated from strategy formulation in process and hierarchy (Lombriser & Abplanalp 2004).

**Orthodox strategy development**

Orthodox (or traditional) strategy development is defined by maintaining and developing the core business by way of activities such as budgeting, driving incremental growth, and aligning management with short-term financial targets (Haque 2008).
Orthodox strategy tool kit

At the heart of the orthodox approach to strategy development lays the assumption that executives can predict the future of any business accurately enough to choose a clear strategic direction for it by applying a set of analytic tools. Such strategic tools include: market research, competitor analysis, value chain analysis, five-forces framework, etc. A Discounted Cash Flow (DCF) model that incorporates those predictions can then be used to determine the value of alternative strategies (Courtney, Kirkland & Viguerie 1997).

Meta-level understanding:

A frame of reference to understand the interrelationships between the terminologies employed in this research domain for proposition development (following Muhanna & Pick 1994). This frame of reference clarifies and draws a distinction between operational, strategic and philosophical elements. Strategy theory typically goes through a process of dissociation from its theoretical foundations, deriving a set of paradigm, frameworks, models, processes, and tools (Jarzabkowski & Wilson 2006, Weick 1995, Worren et al 2002). I. e. Porter’s Five Forces is a simplified tool for analyzing industry structure that may be dissociated from the structure-conduct-performance paradigm, a context oriented framework, a linear model, and a sequential process that underpins it.

Tools:

In a strategic context, tools simplify the processing of strategic relevant data (i.e. collecting, comparing, assessing, etc.) to be able to develop actions in practice. Strategic tools are commonly distributed from science into practice through
classrooms or consultants (Abrahamson 1996, Mazza & Alvarez 2000). Different strategic tools find their application within the strategy development process.

**Process:**

Processes, or logical homologies, are abstract descriptions of tasks in a sequence as well as unifying principles that operate in many different systemic contexts (Rescher 2000). Processes of the same nature are classified together into a model.

**Model:**

The term model describes a map of entities and their relationships. It describes the semantics of the organization of the process and represents a series of assertions about its nature. Specifically, it describes the significance of the entities, about which it is inclined to collect information; as well as characteristics of attributes and associations between those entities of significance (relationships) (similar to Lombriser & Abplanalp 2004, p.46f).

**Framework:**

The associated framework contextualizes the delimitations, and/or relationships in detail, and presents a preferred approach to the underlying school of thought from an empiricist perspective (Botha 1989).
1.7 Contribution to Management Practice

This project develops a management framework that identifies adjustments to orthodox corporate strategy development that are critical to achieve sustained profitability in a dynamic business environment. Executives can make use of these findings in practice for sustanably managing the identified recommendations for developing and considering alternative approaches to address dynamic environments, and for making strategic adjustments to meet emerging challenges.

Furthermore, within this project, a framework is constructed for clustering cases included in the study with respect to their overall strategic approach in relation to their business environment, their present corporate strategy development approach and specific innovations, new dimensions, and techniques in strategy development of strategy practice that have led to the current adjustments in corporate strategy development approach. This contributes to management practice for two reasons: (a) it ensures representativeness of various strategic approaches in the study and (b) it captures differences between responses from organizations within the same cluster to increased market dynamics with respect to planning and implementation processes, structures and culture.

The clustering dimensions selected capture the dominant strategic approaches reported in the literature in so far as organizations will emphasize either their flexibility to respond to market change or their capability to predict and/or envisage future markets (Mintzberg, Ahlstrand, Lampel 1998; Grant 1996) and will reflect control exerted over the environment through either responding to
market change or exerting control by either partnering (Gulati, Nohria & Zaheer 2000) or creating an envisaged future (Hamel & Prahalad 1994, Jaworski & Kohli 1996).

Finally and most importantly, this project posits that successful companies do not persist in one strategic approach. Instead, they are able to change their approach in accordance with achieving and maintaining profitability and growth. Strategists can take advantage of the findings of this project by, on the one hand, evaluating the strategic landscape of the organization relative to the business environment, and, on the other hand, allocating the necessary change management efforts in order to achieve the company’s vision for the future.
1.8 Delimitations of Scope

The research concentrated on sustained profitability which implicitly eliminated startup companies which have no ability to exhibit sustainability in growth and/or profit. The investigation focused on internationalized Swiss companies with their headquarters in Switzerland. The qualitative research consisted of twenty of the one-hundred most profitable companies. The cases differentiated in terms of regulatory issues, industry, business models, competitive landscapes and general trends.

Both research methods and the sample size were defined to gather reliable, objective and valid data that allowed the formulating of findings for multi-industrial usage. However, the scope of this research provides a limited basis from which to draw general conclusions. The selected approach relies more on analytical generalization by striving to apply the research findings to a broader area (Yin 2003).
2 Literature Review
2.1 Understanding strategy at a meta-level

2.1.1 Introduction

The discussion in this chapter focuses on how different strategy development concepts deal with an increasing dynamic business environment. Before exploring the literature to develop a set of propositions that will guide the research with regard to strategy formulation and implementation in an increasingly dynamic and complex environment, it is important to understand the interrelationships between the terminologies employed in this research domain.

Figure 5: Structure of the literature review chapter
Developing clarity about the concepts per se and their interrelationships will generate a meta-level understanding of this research domain and consequently provide a rigorous frame of reference for proposition development.

This first section engages with the various concepts that are frequently employed in this research domain. In this section each concept will be critically reviewed to establish its location in a meta-level of understanding in order to clarify and draw a distinction between operational, strategic and philosophical elements (Pearce, Freeman & Robinson 1987). This is an important foundation to the planned investigation because it will facilitate the development of propositions specifically at the level at which strategy is developed, while at the same time providing an understanding of how these propositions link upwards to a philosophical stance and downwards to operational activity.

<table>
<thead>
<tr>
<th>Meta-level</th>
<th>Defines the…</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONCEPT</td>
<td>… different approaches, school of thoughts, paradigms (Pearce, Freeman &amp; Robinson 1987)</td>
</tr>
<tr>
<td>FRAMEWORK</td>
<td>… limiting constraints (Okumus 2003)</td>
</tr>
<tr>
<td>MODEL</td>
<td>… applied approach (Mueller-Stewens &amp; Lechner 2005)</td>
</tr>
<tr>
<td>TOOL</td>
<td>… resources used (Jarzabkowski &amp; Giulietti 2007, Jarratt &amp; Stiles 2010)</td>
</tr>
</tbody>
</table>

Figure 6: Definition of meta-levels (following Muhanna & Pick 1994)
Herewith follows a critical analysis of the various frameworks and the associated models with which researchers have tried to explain the embedded strategy development process. The elements of the resulting framework define the dimensions of the operationalization and the historical development of different frameworks and their elements directly links to operationalization (Okumus 2003).

This section concludes with the discussion on the growing number and importance of strategic tools used within strategy development (Jarzabkowski & Giuliani 2007, Jarratt & Stiles 2010), as their number has increased dramatically in recent years. While an average of thirteen tools were used in 2004, more than fifteen tools found application in 2006 (Rigby & Bilodeau 2008). This increase was especially prevalent among small and medium sized companies, in contrast to larger companies that use more tools generally (see Figure 7):

![Figure 7: Tool usage varies by company size (Rigby & Bilodeau 2008)](image-url)

*Based on annual revenues
2.1.2 Concepts

Various corporate strategy development concepts are in conflict, particularly in the way they guide the definition of the purpose and scope of the organization. Following Wiltbank et al (2006, p.984) these concepts include: planning school: i.e. planning & positioning (Ansoff 1979) competitive analysis (Porter 1980), and real options (McGrath 1999) versus learning school: i.e. fast decision making (Eisenhardt 1989), incrementalism (Quinn 1980), emergent strategy (Mintzberg 1994), and dynamic capabilities (Teece, Pisano & Shuen 1997). This task involves the determination of long term objectives to support sustained success and at the same time cope with the increasing dynamics of the business environment. In practice, this means shaping or adapting the course of action (Hamel & Breen 2007) and allocating resources necessary (Bower & Gilbert 2005) to carry out the determined objectives.

Recognized as the most prevailing theories for strategy development (Mintzberg, Ahlstrand & Lampel 2005), prescriptive and descriptive approaches are examined in a context of an increasing dynamic business environment. Increasing external pressure from a highly competitive global business environment forces organizations to reduce costs, enhance processes, and identify new opportunities for growth (Kor & Mahoney 2005).

An increasing number of organizations are required to reconfigure or adapt strategies to sustain growth (Adner & Zemsky 2006), with decreasing emphasis on the resource constraints of the company and historical norms (Bharadway,
Clark & Kuliviwat 2005). This leads to the question of determining how effective prescriptive and descriptive approaches in strategy development are in dealing with the increasing dynamics of the business environment.

**Prescriptive strategy development**

Prescriptive approaches perceive strategy development as embedded in deterministic processes, where the analysis of the organization, performance, and environment forms a rational long-term plan (Lombriser & Abplanalp 2004). The duties among senior management and the rest of the hierarchy are well defined as formulation of the objectives for the former and implementation for the latter (Kaplan & Norton 2001, 2005, 2006). Tools that support this approach include the (external oriented) five forces model (Porter 1980) and the (internal oriented) value chain analysis (Porter 1998), basing competitive advantage on existing capabilities.

A systematic approach in corporate strategy development can help an organization to dominate the business environment even in an accelerating and competitive business climate. The logical and analytical approach allows strategists to devise predictive and pre-emptive strategies to meet the challenges of new opportunities (Ansoff 1975). Easy Jet’s introduction of low cost flights to the cost conscious European market is an attestation of the foresight of managers responsible for corporate strategy development (Kangis & O’Reilly 2003).
Furthermore, complex activities traversing several divisions can be organized with a greater degree of control. Tesco established a long term strategic plan with well defined long term goals and clear boundaries for its core business in the United Kingdom, and succeeded in consistent growth in both revenue and profit (Guy 1996).

Additionally, the prescriptive approach is thought to be a secure haven in which a firm defines itself and optimizes its position on existing capabilities, particularly in times of rapid change. Motorola processed its fundamental technological strengths in electronic components to transform itself from a radio and TV supplier into a company offering telecommunication services (Phan 2003).

Contrastingly, prescriptive approaches have been argued to contain many assumptions that inhibit sustainability, particularly looking at recent dynamics in the business environment, as the logical, prescriptive approach implies that corporate strategy development remains predetermined and implemented according to plan or to foreseen contingency plans (Bailey & Johnson 1995).

Several fallacies have to be mentioned here (Mintzberg 1994): employing even the most intelligent and rigorous data systems and processes does not make the future predictable, thus, potentially (a) negatively impacting on performance outcomes in increasing dynamics of the business environment; (b) separating corporate strategy formulation and operational implementation, and (c) eliminating creative synthesis by comprehensive analysis: Armstrong (1982, 1986) made a comparison of 16 studies: 11 positive, 2 negative, 3 insignificant
connections; Shrader, Taylor & Dalton (1984) found 20 positive, 11 insignificant, 0 with significant negative connections between strategic planning and execution.

Finally, prescriptive approaches fail to integrate democratic organizational cultures in which all hierarchical levels would be included in decision making, consequently inhibiting creativity and resulting in employee dissonance (Lowe & Jones 2004).

**Descriptive strategy development**

Since the 1970’s, scientists offered explanatory frameworks on strategy formation. Bower (1970) examined four multinational companies and learned that periodic strategy planning played a minor role in the formulation of strategy, as the planning of investments (i.e. the allocation of financial resources) dominated the strategic process. These findings encouraged researchers to divide the strategy process into three phases: definition (at business level) and impetus (at divisional level) which formed strategic initiatives bottom up, while structural context was shaped by corporate level managers, forming an iterative process (Noda & Bower 1996). The strategy model of Burgelman (1983) adds an autonomous process to intended strategies, accounting for the influence on corporate strategy of new approaches in venture business and/or initiatives.

Mintzberg (1987) empirically demonstrated that, in many companies, realized strategies often showed significant differences from intended strategies. This
contradicts prescriptive frameworks that demand a rigid chronology of formulating strategies first before implementing them. Most importantly, Mintzberg explained how incoherent actions might accumulate to unintended order. He called this phenomenon: emergent strategies, contradicting the empiric relevance of deliberate strategies in prescriptive frameworks. In this context Quinn (1980) illustrated the phenomenon of logical incrementalism, reducing corporate level managers’ ability to catalyze ideas and structuring the emerging strategic impulses of the subsystems of the company. Kirsch (1997) even went one step further and argued that the simple existence of strategy in a company is a phenomenon in need of explanation, characterized by four requirements\(^3\).

However, there is a certain risk that strategy development slows when formulation and implementation take place simultaneously, and valuable opportunities may be missed. Additionally, political differences resulting in conflicting objectives from different groups in a company may hinder successful strategy development, particularly during power shifts and reorganization (Rivkin 2006).

**Will future concepts be prescriptive or descriptive?**

With the increasing dynamism of the business environment, many organizations are forced to increase their flexibility (Harms *et al* 2009), thus supporting an enhanced strategy development approach and calling for a more flexible concept

\(^{3}\) (1) Real, action-based orientation (2) with a political intention, (3) focused implicitly or explicitly on capabilities (4) on a common basis on executive level
that will encourage and facilitate the organization its response to the many new opportunities that emerge.

Descriptive approaches have been linked to losing control over action and direction. Prescriptive approaches tend to locate strategy formulation at the corporate level. More recent approaches – such as logical incrementalism - endeavor to integrate both approaches, complementarily reinforcing each other (Quinn 1995).

The main objective of the current research is to identify new concepts in strategy development, to find viable strategic approaches that enable companies to select an appropriate strategy development approach in dynamically changing environments. Both prescriptive and descriptive approaches offer very specific advantages which have to be supported by an appropriate model within corresponding processes and a set of strategic tools that optimize the strategic outcome (Mueller-Stewens & Lechner 2005).
2.1.3 Frameworks, models, processes

As with a geometrical framework in physics, where three dimensions allow the description of any body and distance, scientists have tried to establish a framework to describe the context and process around which strategy development occurs. Scientific literature provides a comprehensive – but often inconclusive - discussion about how and where to constrain a strategy development framework. Nevertheless, one way forward has been tendered that leads to a common, broad understanding of how new concepts in strategy development can be framed.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bryson &amp; Bromiley 1993</td>
<td>Context, Process, Outcome</td>
</tr>
<tr>
<td>Schmelzer &amp; Olsen 1994</td>
<td>Context, Process</td>
</tr>
<tr>
<td>Miller &amp; Dess 1996</td>
<td>Context, System, Action</td>
</tr>
<tr>
<td>Dawson 1994, 1997</td>
<td>Content, Context, Operation</td>
</tr>
<tr>
<td>Pettigrew 1987, 1997</td>
<td>Content, Context, Process, Outcome</td>
</tr>
<tr>
<td>Kaplan &amp; Norton 2001</td>
<td>Finance, Customer, Process, Growth</td>
</tr>
<tr>
<td>Okumus 2001, 2003</td>
<td>Content, Context, Process, Outcome</td>
</tr>
<tr>
<td>Pun 2004</td>
<td>Content, Context, Process, Action</td>
</tr>
</tbody>
</table>

Figure 8: Consolidation of dimensions (tabular summary based on Okumus 2003)

Okumus (2003) consolidated eleven of the most important factors\(^4\) of thirty years of research and grouped them into four dimensions: content (formulation of

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\(^4\) strategy development, environmental uncertainty, organizational structure, organizational culture, leadership, operational planning, resource allocation, communication, people, control, and outcome
strategy), context (market & organization), process (implementation), and outcome (intended & unintended results).

Other authors support the framework of Okumus (2003) and emphasis that (a) recent researchers have advocated a more holistic interpretation of strategy formulation and implementation (Harrington 2005), (b) it is essential that executives consider a proper alignment between strategy, administrative mechanisms and organizational capabilities (Kumar, Markeset & Kumar 2006), and (c) are able to effectively implement strategies into practice within complex and dynamic environments (Cheng, Dainty & Moore 2006).

<table>
<thead>
<tr>
<th>Constraints of the strategy framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONTENT</td>
</tr>
<tr>
<td>PROCESS</td>
</tr>
</tbody>
</table>

Figure 9: Four factors as the resulting constraints (based on Okumus 2003)

This holistic approach (Pun 2004, Kaplan & Norton 2006) capturing strategy formulation (content) to operational results (outcome) encompasses the important dimensions of associated strategy models and processes, challenged by an accelerating, volatile, and uncertain business environment (context) (Bossidy & Charan 2002).
The definition of dimensions for this framework neither suggests strategy development to be linear and prescriptive, nor separates formulation from implementation, as implementation is far too complex to be solely explained by a prescriptive approach. In order to understand strategy development issues and make decisions accordingly, a holistic point of view positions the four factors as interacting with each other, within the applied model and processes; making informed judgments, rather than following a predetermined recipe of ready-made solution tools (Okumus 2003).

Consequently, the terms framework, models, and processes describe the same group of entities from different point of views: The framework determines the constraining dimensions; the models illustrate the semantics and map the independent processes, whilst the processes describe the sequence and/or chronology of the individual process steps (entities) (Botha 1989, Lombriser & Abplanalp 2004, Rescher 2000).
2.1.4 Tools

For two decades now, executives and researcher have witnessed an explosion of management tools guiding decision-making in knowledge management to strategic alliances. This acceleration was fuelled by the executives’ need to successfully navigate across an increasingly competitive and complex marketplace. With operations spanning the globe, the various decisions corporate leaders face have become more complicated and far-reaching. To address this complexity, faster and less expensive information delivery systems were developed together with a plethora of tools to support strategy development. It has been argued that executives must be more knowledgeable than ever as they sort through the options and select the right management tools for their companies (Rigby & Bilodeau 2007). Executives must choose the tools that will best help them make business decisions that lead to enhanced processes, products and services, and hopefully result in superior performance and profits (Bower & Gilbert 2005).

The successful use of such tools requires an understanding of the strengths and weaknesses of each tool, as well as an ability to creatively integrate the right tools, in the right way, at the right time (Jarratt & Stiles 2010). Since 1993, Bain & Company has conducted a management tools survey every year or two, and over time, the research has provided a number of important insights: (a) Overall, satisfaction with tools is moderately positive, but the rates of use, ease of implementation, effectiveness, strengths and weaknesses vary widely (Rigby & Bilodeau 2007), (b) Management tools are much more successful when they are a
part of a major organizational effort and thereby add value to the strategic process (Jarzabkowski & Giulietti 2007), and (c) decision makers achieve better results by championing realistic strategies and viewing tools as simply a means to achieving a strategic goal (Lozeau et al 2002);

**Figure 10: Current management tools (Rigby & Bilodeau 2007)**

In an effort to understand the continually evolving management tools landscape five new tools have been included in their recent survey: Consumer Ethnography, Corporate Blogs, Lean Operations, Mergers and Acquisitions and Shared Service Centers. While none is new, per se, each tool is growing in use and playing an increasingly important role in today's business world (Rigby & Bilodeau 2007).

While the survey of Bain and Company shows both a high satisfaction and usage rate in strategic planning over the last few years, researchers (Spee & Jarzabkowski 2006) further separate usage and satisfaction between different
context, hierarchical levels, and tool design. The result is a significant reduction in satisfaction at lower hierarchical levels regarding strategic tools generally and strategic planning in particular (Jarzabkowski & Giulietti 2007).
2.1.5 **Implications of the meta-level understanding**

The introduction section of this chapter presented an overview of the meta-levels of corporate strategy development underpinning its operationalization. The next section outlines the implication of operationalizing corporate strategy development in a dynamic business environment and develops propositions for addressing the following points:

<table>
<thead>
<tr>
<th>Meta-level</th>
<th>Defines the…</th>
<th>Research implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONCEPT</td>
<td>… school of thought:</td>
<td>Prescriptive or descriptive approach?</td>
</tr>
<tr>
<td>FRAMEWORK</td>
<td>… limiting constraints:</td>
<td>More focus on content or context?</td>
</tr>
<tr>
<td>MODEL</td>
<td>… applied orientation:</td>
<td>Functional, matrix or project oriented?</td>
</tr>
<tr>
<td>PROCESS</td>
<td>… established procedure</td>
<td>Sequential process fast enough?</td>
</tr>
<tr>
<td>TOOL</td>
<td>… resources used</td>
<td>Inflation of strategic tools?</td>
</tr>
</tbody>
</table>

**Figure 11: Definition of meta-levels in strategy development**

(a) Empirical research demonstrates that although the number of strategic tools for framing strategies in volatile and uncertain business environments has increased, improvement in strategic outcomes is not evident. Moreover, detailed knowledge regarding the strengths and weaknesses of the different tools is required (Jarzabkowski & Giulietti 2007; Leibold, Probst & Gibbert 2005).
(b) Most applied *models* in the research field belong to the family of prescriptive strategy concepts. The effectiveness of current models and tools in addressing the challenges of strategy development in dynamic environments has been questioned, with researchers calling for more descriptive concepts that might add value (Wildbank, Dew, Read & Sarasvathy 2006).

(c) The *framework* is based on the four dimensions of concept (strategy formulation), context (market and organization), process (strategy implementation), and outcome (strategic results) (Okumus 2003).

(d) The question of whether the application of a prescriptive or a descriptive *concept* is the best approach for strategy development in changing contexts remains unanswered. Whilst most academic literature confirms that a strategic planning approach is important to achieve sustained growth and profit, its effectiveness has been questioned (Jarratt & Fyett 2001, Jarratt & Stiles 2010).
2.2  Strategy development in dynamic environments

2.2.1  Introduction

The conclusions in this chapter are generated from the synthesis of literature taken from three major databases (EBSCO, JSTOR, and Wiley InterScience), and searches using broad conceptual keywords in a strategic context. Five academic journals and five practitioner journals were examined. In addition, many articles and books referenced by these and other highly cited management researchers were consulted. The search was narrowed iteratively by examining the abstracts to eliminate irrelevant material, and then articles with overlapping or opposing views were grouped around themes.

Over twenty articles were identified that exemplified cornerstone approaches to strategy development with respect to the research question. An examination of each of these articles (listed in Figure 57: in the appendix) provided evidence to support the nine research propositions generated in order to address the research question.
2.2.2 Setting the research constraints

The scope of the research question (Figure 12) will now be discussed in the following sections, under dimensions of market, organization and implementation described in the literature, and challenges raised in the literature experienced by managers as they embark on strategy development.

![Figure 12](image)

**Figure 12: Scope of the research question**

A review of the extant strategy literature identifies key market dimensions, key organizational challenges, and ongoing strategic process issues that are challenging the relevance of traditional approaches to sustained successful strategy development (Morrow, Sirmon, Hitt & Holcomb 2007; Nadkarni & Narayanan 2007; Wiggins & Ruefli 2005; Kor & Mahoney 2005; Fuld 2003; Day & Shoemaker 2005; Wiltbank, Dew, Read, Sarasvathy 2006; Andersen, Denrell & Bettis 2007; Delmas & Toffel 2006; Hamel & Breen 2007; Schreyoegg & Kliesch-Eberl 2007; Ruckes & Roende 2003; Bower & Gilbert 2005; Dyer & Hatch 2006; Cross & Prusak 2002; Godet 2000; Jarzabkowski & Giulietti 2007;
Literature review


To validate the scope of this current research, sources of evidence in the literature are directly linked to the research propositions. The aim therewith is not to find combinations between the dimensions of the research questions. Instead, the chain of evidence follows the empiric basis of a literature review (top down from the dimensions, through the items and into the research field), with the objective of identifying the basis to optimize generalizability of the conclusions in the research field.
2.2.3 Increasing dynamics in the market

As well as the competitive strategy school (Porter 1980, Ghemawat 1991), focusing on industry structure and strategic positioning, companies use the resource based school (Wernerfeld 1984, Barney 1991) with its reemphasis on core competence strategies (the collective learning and coordination skills behind the firm's product lines) as the basis of competitive advantage (Prahalad & Hamel 1990).

However, many fail to leverage their core competencies in changing environments (Ander & Zemsky 2006, Johnson, Christensen & Kagermann 2008). Core competencies tend to be grounded in the integration and coordination of people’s skills, organizational systems and technology. It is the effective coordination among all the groups involved in bringing a product to market which results in a core competence (Campell & Sommers-Luchs 1997).

The model of pure competition assumes that the risk adjusted return on investment (ROI) is constant throughout companies and industry (Smith 1994). However, today’s market-based competition appears to contain hidden challenges. In fact, some have highlighted the danger within core competence based competitive advantage strategy as being its tendency to make markets work less efficiently (Haque 2008). According to Haque (2008), one mechanism in particular for creating competitive advantage is to hide and obscure information, with the objective of gaining bargaining power relative to the customer. (Porter 2008, p.5 “there are many people who think that strategy documents should be locked
in the safe at night”). This leads to the conclusion: when core competence-based strategy encourages the obscuring of information, is releasing information bottlenecks the basis of modern strategy advice (Hamel & Breen 2009)?
2.2.3.1 More volatility

Contrary to the concerns raised about striving for competitive advantage, companies still sustain profitability and competitive advantage by using superior market know-how relative to competitors.

The global business environment trends show increasing economic volatility of economies between and within regions, as well as faster and easier market information and intellectual property access (Kor & Mahoney 2005).

Recent studies summarized the data, methodology, and conclusions that found that over time competitive advantage becomes significantly harder to sustain (Wiggins & Ruefli 2005), and is not limited to a certain industry but is seen across a broad range of industries (D’Aveni 1994, 1999).

Renewable competencies and successful leveraging in new markets has been a successful strategy for some companies over many years (Wiggins & Ruefli 2005; Morrow, Sirmon, Hitt & Holcomb 2007). With an increasingly volatile business environment, the necessary effort to leverage static core competencies increases too, as changing market opportunities force the company to foster analysis and implementation resources (Nadkarni & Narayanan 2007). Limiting corporate strategy development to a solely “internal focused” competitive advantage approach either leads to direct confrontation on the market (Wiggins & Ruefli...
2005) and the devotion of energies to losing battles on zero sum competition\(^5\), driving down profitability (Porter 2008) or forces the company to look for different segments or markets.

Instead of basing strategy on internal analysis, companies have been advised to increase their profitability by aiming to flexibly serve the needs of different customer segments with a unique positioning of their products or services \((\text{positive sum competition} \text{ in Porter 2008, p. 7})\). In addition, higher flexibility expands the industry and more customer groups are served to a greater degree, thus increasing market share as well as diversification \((\text{expanding the pie} \text{ in Basadur, Pringle, Speranzini, & Bacot 2002, Porter 2008})\).

\[\text{Figure 13: Microsoft’s evolving sphere of influence (d’Aveni 2004)}\]

\(^5\)“Equally as important as the dimensions of rivalry is whether rivals compete within the same dimensions. When all or many competitors aim to meet the same needs or compete on the same attributes, the result is zero-sum competition” (Porter 2008, p. 7)
While traditional models for developing and managing the business environment are based on leveraging core competencies into related businesses, a more flexible and market-oriented view goes beyond those traditional approaches and offers an alternative - the corporate sphere of influence (Figure 13). Companies build spheres of influence that protect their core, project their power outward to weaken rivals, and prepare the way for future opportunities. For example, Microsoft divides its market into spheres of influence with flexible and independent strategies depending on the relevant sphere to avoid confusing investors and management (d’Aveni 2004).

Instead of following an orthodox strategy development approach, some authors have encouraged managers to shorten and streamline their formal planning process. Flexible processes should run decoupled – ancillary - from the annual planning process to help corporate managers to disassociate from business as usual (Nadkarni & Narayanan 2007).
Meta-level | More volatile environments ask for...
---|---
CONCEPT | Prescriptive approaches (Wiggins & Reufli 2005)
FRAMEWORK | More focus on external context: i.e. sphere of influence (d’Aveni 2004)
MODEL | Flexible models (Basadur, Pringle, Speranzini, & Bacot 2002, Porter 2008)
PROCESS | Parallel processes: i.e. ancillary processes (Nadkarni & Narayanan 2007)
TOOL | Orthodox strategy tool kit (Courtney, Kirkland & Viguerie 1997; Haque 2008)

Figure 14: Literature synopsis concerning volatile environments

Research proposition #1: In a context of increased market volatility, firms will place increased emphasis on strategic flexibility and less emphasis on rigidly imposing and moderating predetermined plans, to facilitate adjustment to changing market conditions.
2.2.3.2 Increasing pace of change

Competitive advantage has become significantly harder to sustain across a broad range of industries, and is not just a matter of a single advantage maintained over time but is increasingly a matter of concatenating a sequence of advantages over time (Wiggins & Ruefli 2005). Again, this challenge of accelerating change encourages flexibility in response to continuous learning and consistent reconfiguration of resources (Kor & Mahoney 2005). However, although most managers agree that strategy development is of high importance, and invest a significant part of their time in annual and formal corporate strategy development, different levels of the organization respond with different strategic commitments (Noda & Bower 2007).

Such descriptions question the relevance of a formal strategy development process. In fact, Mintzberg refers to strategy planning as being an oxymoron (Mintzberg 1987) and claims that strategy is rarely developed formally and generally emerges informally and often in real time. Most companies struggle to attract executives who can expel the assumptions behind strategy, who have a solid understanding of how business and the markets are evolving and who react swiftly to opportunities at hand (Harms, Schulz, Kraus & Fink 2009).

How then should strategy development be attained? First of all, decision makers require a solid understanding not only of the business they work in, but also of the current strategy, and moreover the assumptions that underpin strategy development (Davidsson et al. 2002; Ireland et al. 2001).
The second goal is to increase the organizational permeability (the ability to let information run through swiftly and without being filtered) in order to stimulate initiatives and innovation (Delmas & Toffel 2006). Next to a formal strategy development process, informal ancillary processes can be developed, to enhance strategic issue management (Ansoff & McDonnel 1990). Systems such as strategic issue management (SIM), weak signal management (WSM), and risk management (RM) facilitate a flexible response to the dynamics of the business environment.

**Figure 15: Decision process in weak signal SIM (Ansoff 1975)**
Whilst these tools are not a substitute for periodical strategy process; they do enhance it (Ansoff 1975). Strategic issue management focuses on a fast and flexible reaction from the company. While strategic issue management is mostly framed by strong signals, weak signal management additionally takes up potentially important but weak signals in real-time (Lombriser & Abplanalp 2004).

A recent global survey concluded that two-thirds of all strategists interviewed admitted that their firms had been surprised by as many as three high-impact events in the past five years and that only three per cent of companies have an early warning system in place (Fuld 2003).

Scenario analysis may help to anticipate specific future events and the tracking of several signals might indicate the most plausible scenario (Krentz & Gish 2000, Watkins & Bazerman 2003, Haque 2008). In addition, recent improvements in telecommunication and information technology may offer sophisticated tools to be used to deal with the vast amount of data (Fleisch & Mueller-Stewens 2008).

The majority of companies are unable to establish and maintain a reactive – prescriptive - approach with associated processes in the context of an increasing pace of change (Fuld 2003) and a learning – descriptive - approach has been posited to create new understandings. In addition to adopting a learning and adaptation approach, creative thinking can stimulate innovative solutions (Csikszentmihalyi 1996, Foster & Kaplan 2001).
## Meta-level: Accelerating environments ask for...

<table>
<thead>
<tr>
<th>Tool</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOOL</td>
<td>Early warning system tools (Fuld 2003, Fleisch &amp; Mueller-Stewens 2008)</td>
</tr>
<tr>
<td>PROCESS</td>
<td>Circular processes (Foster &amp; Kaplan 2001)</td>
</tr>
<tr>
<td>MODEL</td>
<td>Flexible models (Kor &amp; Mahoney 2005)</td>
</tr>
<tr>
<td>FRAMEWORK</td>
<td>More focus on internal context: strategic issue management (Ansoff 1975)</td>
</tr>
<tr>
<td>CONCERT</td>
<td>Descriptive approaches (Mintzberg 1987)</td>
</tr>
</tbody>
</table>

### Research proposition #2:

*In environments of accelerating change, strategists will favor methodologies that facilitate early detection of change indicators over traditional methodologies to ensure competitive lead times for change implementation.*
2.2.3.3 Growing uncertainty

The scanning of the environment is a major challenge for companies as it is the predominant source of knowledge about future developments, and this knowledge allows a company to reduce uncertainty in both operational and strategic decisions in order to properly defend itself against threats and to swiftly take advantage of opportunities (Ansoff 1965; Caragata 1999; Courtney, Kirkland & Viguerie 1997; Fink, Schlake & Siebe 2001; Hamel & Prahalad 1994; Hartley 2000; Jaeger et al 2001).

Weak signals are a major contributor to disruption and changes in the uncertain landscape, and once identified and processed, stimulate the creation of different scenarios regarding the future (Ansoff 1975; Day & Schoemaker 2005; Jaeger et al 2001; Marsh, McAllum & Purcell 2002; Mintzberg 1987). But, even though most companies have a formal strategy development process in place, there is evidence from business practice to suggest it does not guide their most important decisions (Priem & Rosenstein 2000). In addition, the well described concept of the weak signals theory is not commonly understood or applied in business practice (Jarzabkowski & Giulietti 2007).

PEST (political, environmental, social, and technological) analysis is the most utilized method of environmental scanning to generate knowledge about the future (Day & Schoemaker 2005, 2006; Kotler & Bliemel 1995; Stoffels 1994). However, the PEST analysis has been described as a classification system rather than a method to actively access the environment.
Gumusluoglu and Ilsev (2009) divided strategies into transformational and operational strategy frameworks. Other researchers agreed that a transformational strategy faces significant uncertainty and aims to change the nature of the industry. Additionally, it must address substantial customer, channel and/or competitive challenges with strategic flexibility (Katsikeas, Samiee & Theodosiou 2006), together with Nadkarni & Narayanan (2007), who described an operational strategy as addressing low level uncertainty contexts, focusing on cost-performance measures and monitoring performance with strategic persistence.

Orthodox strategy development is based on the assumption that by applying a set of analytical tools with sufficient rigor, management can predict the future of any business accurately enough to allow them to choose a clear strategy implementation approach (Courtney, Kirkland & Viguerie 1997).

![Figure 17: Tools for strategy under uncertainty (Courtney, Kirkland & Viguerie 1997)](image)

However, as soon as the uncertainty becomes ambiguous and the knowledge basis is vague and provides no basis for projecting the future, the decision process will be reduced to pattern recognition and real time strategy and strategy development.
concepts will shift from a prescriptive school of thought to a descriptive approach (Wiltbank, Dew, Read, Sarasvathy 2006).

Porter’s five forces model combines exogenous forces that interact with endogenous ones based on three crucial assumptions: (a) Every industry works in a network of unrelated buyers, competitors, sellers, and substitutes at arm’s length, (b) better and more barriers to entry create structural advantage and wealth, and (c) uncertainty is low enough to predict the participant’s behavior in advance (Porter 1980).

In businesses where the source of advantage is not based on structural advantage over competitors and new entrants, but rather on frontline execution or insight and foresight, the strategic possibilities are extended. Some researchers argue that tools like the five forces model have to be used frequently, thus increasing the commitment of resources in the approval process, analysis phase, and feedback metrics (Noda & Bower 2007).

Especially in a more and more uncertain environment, the formal strategic decision process will be accompanied by informal networks or even web-like structures with strategy development becoming an ongoing task with a short feedback loop to the market and real time strategy instead of a periodic strategy cycle (Mankins & Steele 2005, 2006).
### Literature review

**Meta-level** | **Uncertain environments ask for...**
--- | ---
CONCERT | Prescriptive and descriptive approaches (Day & Shoemaker 2005)
FRAMEWORK | More focus on context: operational VS transformational (Gumusluoglu & Ilsev 2009)
MODEL | Strategy under uncertainty model (Courtney et al 1997)
PROCESS | Strategic postures (Noda & Bower 2007)
TOOL | Sophisticated analytic tools (Jarzabkowski & Giulietti 2007)

**Figure 18: Literature synopsis concerning uncertain environments**

**Research proposition #3:** To manage uncertainty, a firm’s strategy development concepts will employ methodologies that support the capture of emerging signals of change and those signals whose impact is yet to be determined with concurrently less emphasis on traditional tools that support incremental change.
2.2.4 **Organizational adaption**

Organizations can choose to adapt, continue a specific strategic path, or restructure and reconfigure value, while others will envision and change (Hamel 2008).

A firm’s responsiveness constitutes an important link between the increasing dynamics of the business environment on the one hand and the firm’s ability to adapt effectively to these changing conditions on the other hand (Andersen, Denrell & Bettis 2007). While superior performance is associated with strategy standardization only to the extent that there is a link between an increasing diversified business environment and the strategic choice of the company, organizational adaptation remains the broadly discussed alternative in literature (Katsikeas, Samiee & Theodosiou 2006).

The traditional hierarchical design of firms is being challenged as professional employees collaborate with their peers horizontally and vertically, thus increasing structural complexity (Ruckes & Roende 2003). Entire industries – newspaper publishers, record companies, traditional airlines, television broadcasters - have been caught behind the change curve and are struggling to react to disruptive business models (Christensen 2003a, Christensen 2003b). Arguments have been made concluding that employees are constrained by the increasing complexity of the organizations in which they operate (Schreyoegg & Kliesch-Eberl 2007) and that top down, matrix reporting structures constrain flexibility and sustain risk-adverse cultures (Hamel & Breen 2007).
2.2.4.1 Improving responsiveness

Within an increasingly dynamic business environment competitive advantage becomes harder to sustain and this phenomenon is not limited to any particular industry (d’Aveni 1994, 1999). Additionally, competitive advantage is progressively a matter not of a single advantage maintained over time but more a matter of concatenating over time a sequence of advantages (Wiggins & Ruefli 2005). The tradeoff between execution and response (Peters & Waterman 2004), control and creativity (Collins & Porras 1997), operating and innovating (Foster & Kaplan 2001) has been extensively explored in the academic literature.

![Figure 19: Few companies achieve sustainable growth (Zook & Allan 2010)](image)

The ability to translate core competencies into competitive advantage and then maintain that advantage has been a key indicator of market responsiveness, although many companies fail to successfully leverage their core competencies in dynamic environments (Johnson, Christensen & Kagermann 2008). Several
business reports suggest that many companies seek growth opportunities outside the core business, but only five per cent ⁶ of all companies succeed (Wiggins & Ruefli 2002, 2005). Research has confirmed that the ability to successfully leverage core competence and achieve competitive advantage and continue to retain that competitive advantage is an indication of an organization’s ability to create new sources of competitive advantage (Porter 1998).

In addressing the challenge of market responsiveness, an organization’s social architecture i.e. the combination of (a) individual behavior, (b) structure, and (c) resources has been noted to play a pivotal role (Delmas & Toffel 2006).

(a) Individual behavior such as over-optimism about the future business environment has been shown to influence the quality of strategic decisions (Lovallo & Kahneman 2003). Mental models contain agency problems, cognitive biases, and restrict options to extensions of historical approaches. Graham, Harvey & Rajgopal (2005) posit that organizational hierarchies bias information towards past experience and financial projections.

(b) Organizational structures can be seen as a form of network in which webs of individuals interact. Organizations evolve in response to the problems they face, thus larger and more complex problems force companies to divide, prioritize and coordinate within deep hierarchical organizations (Page 1996).

---

⁶ Two surveys (a sample of 6772 companies over 23 years) in 2002 and 2005, assessing the long-term performance of companies throughout more than two decades
This complexity of execution inevitably leads to interdependencies and structural complexity, which in turn creates barriers to responsibility.

(c) Resources primarily mean physical and human resources (Penrose 1995), but this definition has been extended to include less tangible but nevertheless equally important resources, such as core competencies, knowledge, brand, relationship, and reputation (Wiklund & Shepherd 2003). The strategic options of organizations are defined through the integration of these resources (Morrow, Sirmon, Hitt & Holcomb 2007). Furthermore, following the Resource-based View of the firm, the strategic direction of a company is historically bound (Barney 1991).

Researchers have encouraged managers to address barriers to responsiveness (Andersen, Denrell & Bettis 2007), by way of developing mutually reinforcing structures and processes in tight combination with norms and the culture of the organization:

(a) Flatter structures, combined with greater autonomy and support for diversity have been argued to negate the domination of mental models and lower the risk of complexity and interdependencies, while a diversity of competing mental models has been posited to increase responsibility (Welch 2001). In addition those responsible for redesigning strategy development processes have been encouraged to incorporate experimentation and flexibility (Schroegg & Kliesch-Eberl 2007).
(b) Norms that encourage trust, reciprocity, shared purpose, and strong expectations for individual performance (Collins & Porras 1997, Gumusluoglu & Ilsev 2009), and a culture that includes the belief that knowledge and good ideas are important have been linked to innovation and creativity (Rogers & Blenko 2006).
Meta-level | An agile organization asks for…
--- | ---
**CONCEPT** | Descriptive approaches (Peters & Waterman 2004)
**FRAMEWORK** | More focus on internal context (Delmas & Toffel 2006)
**MODEL** | Diversity of mental models (Andres, Denrell & Bettis 2007)
**PROCESS** | Bias towards efficiency: i.e. resource based view (Morrow et al. 2007)
**TOOL** | Enhanced decision process capabilities (Hamel & Breen 2007)

**Figure 20: Literature synopsis to improve responsiveness of organizations**

**Research proposition #4:** To enhance organizational responsiveness to environmental change, a firm will demonstrate increasing investment in flatter structures, high autonomy and diversity of mental models, combined with supporting norms and culture.
2.2.4.2 Reducing structural complexity

International firms have been described as complex ecosystems competing in dynamically changing environments. Structural complexity is an important dimension of these organizations which has been linked to organizational inertia (Ruckes & Roende 2003, Schreyoegg & Kliesch-Eberl 2007). Optimization of a firm’s organizational structure is ongoing and impacted on by way of continuous re-structuring as well as mergers and acquisitions (Day 1994).

Structural complexity has been linked to organizational silos, multi-dimensional matrix structures, dotted line responsibilities, and high levels of ICT connectivity7 (Freedman 2003). Examples of organizational interventions designed to address structural complexity and which incorporate a market mechanism from within and outside of the organizations are (Bower & Gilbert 2005):

(a) The linking of processes into a network external to the company in order to reduce capitalization and focus on core competencies (Benkler 2006, Chesbrough 2003, Hippel 2002, Surowiecki 2004);

(b) The integration of the customer in the value creation process, i.e. open source software development - from the customer experience, thus achieving greater customer satisfaction (Prahalad & Ramaswamy 2000, Tapscott & Williams 2006);

7 corporate e-mail has increased from about 1.8 billion a day in 1998 to more than 17 billion a day in 2004 (Bryan & Joyce 2005, p.26)
(c) Outsourcing processes (Florida 2004, Pink 2001) – i.e. because of legal reasons: when the war for talent and immigration laws collides, companies are forced to bring the organization to the employees in foreign countries;

(d) Leveraging the efficiency of interaction tools (Malone 2004) – such as interactive communication platforms.

It is not a question of hierarchy against collaboration, or organization against creativity (Collins & Porras 1997, Florida 2004, Foster & Kaplan 2001). The critical issue is how and when to use both collaboration and hierarchy to maximize efficiency and to address unproductive complexity. The role of formal networks is to guarantee the stabilization of the firm; informal networks bring together people with common interests, skills, or needs for knowledge to collaborate with relatively little ambiguity (Capaldo 2007, Dyer & Nobeoka 2000, Kale & Singh 2007, Lavie 2006, Zaheer & Bell 2005).

Streamlining and simplifying complex matrix structures, and focusing on profit generation through implementing dynamic management processes, and installing knowledge bases and talent oriented networks can address complexity and stimulate creativity and new value options (Hamel & Breen 2007) and therefore raise productivity (Dyer & Hatch 2006, Zaheer & Bell 2005).
Research proposition #5: To address the increasing structural complexity in organizations, strategists will demonstrate intensified engagement with informal as opposed to formal structures and networks, with a concurrently increased emphasis on external as opposed to internal networks.
2.2.4.3 Business professionals

The structural complexity of today’s big companies reduces the efficiency of the “knowledge worker” (Drucker 1988, p.4). These professionals are required to interpret and respond to a rapidly changing and uncertain business environment. Collaborative relationships and alliance networks significantly impact the sustainability of competitive advantage (Zaheer & Bell 2005, Dyer & Hatch 2006). However, to take advantage of that competitive advantage, companies have to manage the relationships in those networks of business professionals carefully (Lavie 2006).

To raise the productivity of professionals, researchers have encouraged the integration of formal hierarchy and informal structures to empower professionals to innovate and collaborate through networks (Bartlett & Ghoshal 1990, Dyer & Nobeoka 2000), because firms achieve significant competitive advantage by way of network knowledge resources (Capaldo 2007, Dyer & Hatch 2006).

Several principles have been presented in the literature which support increased collaboration, fostered empowerment and decreased structural complexity:

(a) A collective awareness of the organizational vision and values: Many studies highlight the importance of attracting managers whose values are aligned with those of the organization and can consequently respond appropriately and swiftly to challenges and opportunities as they occur (Kale & Singh 2007, Nadkarni & Narayanan 2007). In addition, decision makers require a shared
understanding not only of the business they work in, but also of the current strategy and in particular the assumptions that underpin strategy development (Mankins & Steele 2006).

(b) Streamlining hierarchical structures has been argued to facilitate creativity, increase responsiveness and enhance strategy implementation (Rogers & Blenko 2006). In addition, informal networks can be deployed to discover new opportunities (Cross & Prusak 2002).

(c) Balancing formal and informal networks will stimulate knowledge generation and innovation. Working within formal hierarchies, informal networks are important to stimulate and sustain performance in knowledge-oriented companies (Wang & Ahmed 2003).
Meta-level | Collaborative organizations ask for…
---|---
**CONCEPT**
Prescriptive and descriptive approaches (Schreyoegg & Kliesch-Eberl 2007)

**FRAMEWORK**
Focus on internal context (Cross & Prusak 2002)

**MODEL**
Strong corporate governance models (Capaldo 2007)

**PROCESS**
Fast decision making (Kale & Singh 2007, Nadkarni & Narayanan 2007)

**TOOL**
Collaborative innovation, knowledge management (Wang & Ahmed 2003)

**Figure 22:** Literature synopsis to improve the importance of business professionals

**Research proposition #6:** In a dynamically changing environment organizations will focus on corporate governance structures, knowledge sources, and organizational designs that maximize empowerment and collaboration and minimize hierarchy and complexity.
2.2.5 Developing strategy in a dynamic market

The word *strathgia* is defined as the art of generalship in ancient Greek. The English word *strategy* was transferred to business from its military origins at a time when a military career was considered an appropriate qualification for a manager (Hinterhuber 1989). As with the military, strategy was viewed as a corporate function of business leaders. Planning of corporate strategy was often a secretive operation that took place at irregular intervals (Gaelweiler 1990).

Most authors agree that strategic planning involves the definition of long-term goals, necessary resources, and a way to realize these goals (Chandler 1962). Igor Ansoff (1975) pointed out a crucial distinction between strategic planning and what he called strategic management. Strategic management, he maintained, has three parts: (a) strategic planning, (b) converting its plans into reality, and (c) managing internal barriers to change.

Strategy development has evolved into a continuous process, from a discrete half-yearly or annual event attended by senior executives (Porter 2008). Nevertheless, some researchers still find it “amazing that young people who live closest to the future are the most disenfranchised in strategy-creating exercises” (Hamel 2008).
2.2.5.1 Over-analysis

The application of the many analysis steps in corporate strategy development can lead to an over-emphasis on analysis. Ansoff (1975) recognized this deliberation, and coined the now famous phrase "paralysis by analysis" to describe the procrastination as a consequence of excessive planning preparation. Even so, strategy development until today has generally comprised maintaining and developing the core businesses of the last thirty years (Kaplan & Norton 2005).

Although a traditional strategy development and implementation process guides the performance of the core business, the efficiency of the process (i.e. work conducted for the annual analysis cycle) is decreasing (Wiggins & Ruefli 2005). The outcome of this process is frequently the generation of a budget that reflects each business unit with incremental growth expectations (Courtney, Kirkland & Vigerie 1997).

The planning process initially involved breaking down a goal or set of intentions into steps, formalizing those steps so that they can be implemented almost automatically, and articulating the anticipated consequences or results of each step. Analysis therefore plays a central role in this process (Mintzberg 1994).

The strategic planning process within strategic management has evolved from an extrapolative system to one embracing and envisioning cultural alignment. Within this process strategic tools have emerged that align with the complexity of the
system and the objective of the process (i.e. financial extrapolation, market extrapolation, envisioning) (Henzler 1988).

Several principals for the efficient and effective application of strategic tools are evident in the literature. Application requires a deep understanding of the consequences of tool intervention at specific points in time within the process and the impact on management decision making (Leibold, Probst & Gibbert 2005). A consistent tool application is designed to stimulate discussion and alternative views. Consistency in tool application has been shown to create ownership and clarity of the process, while frequent changes create uncertainty and skepticism (Godet 2000). The selection of a suite of tools to support the strategy development process should be based on their ability to uncover customer needs, understand and enhance core competencies, identify competitor weaknesses, and help frame strategies that combine these accomplishments effectively (Teece, Pisano & Shuen 1997). “I favor a set of analytical techniques for developing strategy.” (Porter 1987, p.21).
On the other hand, Mintzberg (1994) argued that strategic thinking, and using intuition and creativity to formulate an integrated perspective, should lead the organization into the future. Mintzberg views formal systems as too static to adapt, internalize, comprehend, or synthesize hard information creating a barrier to learning “Thus strategy planning cannot learn.” (Mintzberg 1994, p. 4). Similarly, DeGeus (1988) presented the view that: “the real purpose of planning is to change the mental models that decision makers carry in their heads.”

![Figure 24: Tool usage increases with size and year (Rigby & Bilodeau 2008 – Bain & Co Consultants)](image)

As the dynamism of the environment increases, research suggests that managers increase their strategy effort (see also Figure 23), committing even more resources to the process (Lei, Hitt & Bettis 1996).
Literature review

<table>
<thead>
<tr>
<th>Meta-level</th>
<th>Opportunity driven corporate strategy development asks for…</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept</td>
<td>Prescriptive and descriptive approaches (Porter 2008 VS Mintzberg 1987)</td>
</tr>
<tr>
<td>Framework</td>
<td>More focus on content (Godet 2000)</td>
</tr>
<tr>
<td>Model</td>
<td>Strong corporate governance models (Peters &amp; Waterman 2004)</td>
</tr>
<tr>
<td>Process</td>
<td>Strong focus on strategizing resources (Lei, Hitt &amp; Bettis 1996)</td>
</tr>
<tr>
<td>Tool</td>
<td>Benchmarking, knowledge management (Jarzabakowski &amp; Giulietti 2007)</td>
</tr>
</tbody>
</table>

**Figure 25: Literature synopsis concerning the bias towards over-analysis**

**Research proposition #7:** In dynamically changing environments, increasing emphasis will be placed on methodologies that support continuous scanning of the business environment to optimize the allocation of resources, and less on concentrated periods of analysis to support traditional strategic planning cycles.
2.2.5.2 A sequential model

In practice, the process of strategy development generally commences in one quarter, and, with a slight time delay, the same procedure occurs in operational and service divisions. By the end of the third quarter the financial department converts the results of the strategy development process into a series of projection and determines the budget of all divisions and headquarters (Kaplan & Norton 2005). At the end of the planning year the human resources department initiates a yearly performance review of the employees and coordinates the determination of job-related goals and development programs.

Orthodox strategy development is undertaken by a small senior management team, sometimes biased towards the personal experience of the decision makers (Graham, Harvey & Rajgopal 2005) and based on analysis of the business environment (Jarzabkowski & Giulietti 2007), with multiple (political) filters embedded in the organization (Rivkin 2006). However, research has confirmed that decision makers at all hierarchical levels require a solid understanding, not only of the business they work in, but also of the strategy and in particular the assumptions that underpin that strategy development (Noda & Bower 2007).

Throughout the whole year, different teams work on performance review, internal communication and knowledge management. Evidence suggests that, these activities are processed separately from strategizing and are not integral to corporate strategy (Abou-Zeid 2007). An illustrative strategy calendar exemplifies the conclusion that the higher the positioning and the more complex the
organization, the more time consuming the strategy development process becomes. Thus, instead of supporting business, strategy formulation may hinder business development and is also time consuming (Kaplan & Norton 2005).

Figure 26: The current strategy calendar with strategic failures (Kaplan & Norton 2005)

Modern strategy development involves all levels of the organization; its activities run parallel, independently. An orthodox view assumes that all steps in this process can be managed centrally. But this level of control is untenable in large, complex organizations. While corporate strategy starts to plan and implement strategic initiatives, managers involved in the daily decision making process have already acted according to the changing opportunities in an increasingly dynamic environment (Bower & Gilbert 2005).

These decisions may support or contradict corporate strategy. Corporate strategy development has to capture basic elements of the environmental analysis and tie them to the central aspects of the resource-based view. Furthermore, the ability of executives to create a better environmental fit requires identification,
mobilization, and utilization of resources in the view of their potential strategic value. Hence, the associated organizational responsiveness capabilities constitute an essential link between the dynamics of the business environment and the company’s ability to adapt to those changes in the business environment or to shape them in their favor (Andersen, Denrell & Bettis 2007).
Meta-level | Iterative oriented corporate strategy development asks for...
--- | ---
Prescriptive and descriptive approaches (Eisenhardt & Martin 2000)
Focus on external and internal context (Rivkin 2006)
Models to facilitate adjustments (Andersen, Denrell & Bettis 2007)
Comprehensive process steering through hierarchical levels (Kaplan & Norton 2005)
Business process reengineering, knowledge management (Abou-Zeid 2007)

Figure 27: Literature synopsis concerning sequential corporate strategy development

Research proposition #8: To address process dependency and lag effects, increased emphasis will be placed on strategic development concepts that facilitate adjustment in response to the dynamics of the business environment and less on traditional planning cycles.
2.2.5.3 Separation of hierarchical levels

Many global organizations and SMEs develop ambitious strategies to cultivate their business; however, implementation may not be aligned with those plans. Zook & Allen (2001, p. 23ff) point out that between 1988 and 1998 seven from eight “blue chip” companies failed to achieve profitable growth. These firms earned capital costs, but failed to gain more than five per cent growth per annum in turnover and profit. However, ninety per cent of all surveyed companies possessed a detailed strategy plan with more ambitious objectives.

Researchers (i.e. Galbraith & Kazanjian 1986, Kaplan & Norton 2005) and practitioners (i.e. Texas Instrument’s CEO Patrick Haggerty, in Peters & Waterman 2006, p.31) believe these discrepancies in performance outcomes are a consequence of the disconnection between strategy development and strategy implementation.

Scientists argue that as responsibility for strategy formulation and implementation is divided between different people in different departments (Hrebiniax 2006), strategy making and implementation is influenced by the locus of knowledge and a person’s position in organizational hierarchy (Bower & Gilbert 2005, p. 33).

To align the company and foster successful strategy implementation researchers (Schreyoegg & Kliesch-Eberl 2007) propose a two-fold approach, in which strategic impulses run bottom up and crosscutting initiatives are driven top down. Building strategy around organizational design is the next evolutionary step for
organizational structures (Gumusluoglu & Ilsev 2009). Corporate governance, knowledge and skills, and organizational design are the key ingredients for an organization to achieve sustained success (Hamel & Breen 2007).
Figure 28: Literature synopsis for the mergence of hierarchical levels

<table>
<thead>
<tr>
<th>Meta-level</th>
<th>Integrative corporate strategy development asks for...</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONCEPT</td>
<td>Descriptive approaches (Mintzberg 1987)</td>
</tr>
<tr>
<td>FRAMEWORK</td>
<td>Focus on context and content (Schreyoegg &amp; Kliesch-Eberl 2007)</td>
</tr>
<tr>
<td>MODEL</td>
<td>Implementation oriented models (Zook &amp; Allan 2001, 2010)</td>
</tr>
<tr>
<td>PROCESS</td>
<td>Iterative decision making (Bower &amp; Gilbert 2005)</td>
</tr>
<tr>
<td>TOOL</td>
<td>Lean operations, knowledge management (Hebriniak 2006)</td>
</tr>
</tbody>
</table>

Research proposition #9: To address the strategic response lag that arises from the divide between strategy formulation and implementation, there will be increased evidence of the integration of strategy decision makers at the implementation phase to facilitate immediate responses to undesirable effects of implementation.


2.3 Conclusion from the literature review

Literature provides a comprehensive yet contradictory insight into the many difficulties strategy development has to address in dynamically changing environments. The introduction of additional scanning tools during external analysis (Jarzabkowski & Giulietti 2007) and prescriptive scenarios (without knowing the level of uncertainty of the business environment) in the implementation phase (Courtney, Kirkland & Viguerie 1997) can create unanticipated strategic consequences. Process improvements have been shown in practice to decrease rather than increase effectiveness of imposed strategy as a consequence of the process’ inherently incremental approach (Ruckes & Ronde 2003, Schreyoegg & Kliesch-Eberl 2007). More sophisticated models display weaknesses in practicability, and the historical emphasis on meta-level framework tends to decrease constraints rather than to increase complexity (Okumus 2003).

Change is a dominant factor in challenging current strategy development and implementation practice, forcing the company to focus on growth in an increasingly dynamic business environment that demands ever shorter and more targeted responses (Bharadwaj, Clark and Kulviwat 2005). From a meta-level perspective, the following conclusions can be drawn:

(a) Historically prescriptive strategy planning concepts have been at the foreground of strategic management thinking as evidenced by the quantity of research devoted to strategic planning (Chaffee 1985; Brews & Hunt 1999; Mintzberg 1990, 1994; Whittington 2001). However, the fact that a
prescriptive approach has had wide acceptance in both academic institutions and in practice, neither establishes a theoretical nor an empirically strong argument to substantiate its usefulness in generating continued growth and profitability. While prescriptive concepts may remain well established in stable and low volatile business environments, this perspective is being challenged as the external and internal context become ambiguous (Courtney, Kirkland & Viguerie 1997, Jarratt & Fayed 2001, Morgan & Hunt 2002).

(b) Strategy planning frameworks were developed in times when relatively stable environments made prediction possible (Leibold, Probst & Gibbert 2005). Unforeseeable changes force the firms to focus on context (market and organization) issues to combine content (strategy formulation) and outcome (strategic results) through the process (strategy development). In other words: The constraints of the proposed framework stay the same, and emphasis is placed on contextual issues (Okumus 2003).

(c) The separation of formulation and implementation in orthodox strategy planning models is outdated and evidence suggests the mergence of these phases (Martin 2010). Building strategy around organizational design is the next evolutionary step from organizational structures that arose from industrial structures in the last century. The key challenge is to create an organization that favors employee engagement and commitment. Corporate governance,
knowledge and talent marketplaces\(^8\), as well as organizational design are the key ingredients for an organization where talented workers create sustained success (Abou-Zeid 2007).

(d) A sequential process has been shown to contain the speed of a strategic response; ancillary and iterative process structures are preferred (Eisenhardt & Martin 2000). A modern strategy process involves all levels of the organization; its activity runs along parallel, independent paths. The orthodox approach includes the perception, that all steps in this process can be managed centrally. However, as corporate level managers start to initiate strategic actions, the operational manager acts either against or supports those actions.

(e) The need for optimization of productivity, quality and speed has generated a variety of strategic tools. Although the resulting operational improvements have been considerable, sustainability has been challenging, and tools in some respects have replaced strategy (Porter 1998). The successful use of such tools requires the understanding of the strengths and weaknesses of each tool, as well as having the ability to creatively integrate tools effectively, at the right time (Jarzabkowski & Giuliani 2007, Rigby 2009). Decision makers achieve better results by championing realistic strategies and viewing tools as simply a means to achieving a strategic goal, because no tool can deliver an optimum solution, and strategy development should define which tools are used, not the other way round (Teece, Pisano & Shuen 1997).

\(^8\) “Market mechanisms can be introduced to improve the flow of intangible assets throughout the enterprise. These mechanisms include not just formal networks but also talent and knowledge” (Rigby & Bilodeau 2009, p.1)
### Literature findings according to the meta-level understanding

<table>
<thead>
<tr>
<th>Item</th>
<th>Concept</th>
<th>Framework</th>
<th>Model</th>
<th>Process</th>
<th>Tool</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volatility</td>
<td>Prescriptive</td>
<td>External context</td>
<td>Flexible models</td>
<td>Parallel</td>
<td>Orthodox strategic tool kit</td>
</tr>
<tr>
<td>Speed</td>
<td>Descriptive</td>
<td>Internal context</td>
<td>Flexible models</td>
<td>Circular</td>
<td>Early warning system tools</td>
</tr>
<tr>
<td>Uncertainty</td>
<td>Prescriptive &amp; descriptive</td>
<td>Internal context</td>
<td>Strategy under uncertainty model</td>
<td>Strategic postures</td>
<td>Sophisticated analytical tools</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Descriptive</td>
<td>Internal context</td>
<td>Diversity of mental models</td>
<td>Bias towards efficiency vs. effectiveness</td>
<td>Enhanced decision capabilities</td>
</tr>
<tr>
<td>Structural complexity</td>
<td>Prescriptive &amp; descriptive</td>
<td>Internal &amp; external context</td>
<td>Network oriented models</td>
<td>Co-creative processes</td>
<td>Organizational alignment tools</td>
</tr>
<tr>
<td>Business professionals</td>
<td>Prescriptive &amp; descriptive</td>
<td>Internal context</td>
<td>Strong corporate governance</td>
<td>Fast decision making</td>
<td>Collaborative innovation, knowledge mgmt.</td>
</tr>
<tr>
<td>Over-analysis</td>
<td>Prescriptive &amp; descriptive</td>
<td>Content</td>
<td>Strong corporate governance</td>
<td>Resource based process view</td>
<td>Benchmarking, knowledge mgmt.</td>
</tr>
<tr>
<td>Sequential model</td>
<td>Prescriptive &amp; descriptive</td>
<td>Internal &amp; external context</td>
<td>Models to facilitate adjustment</td>
<td>Comprehensive process steering</td>
<td>Business process reengineering, knowledge mgmt.</td>
</tr>
<tr>
<td>Separation of hierarchical levels</td>
<td>Descriptive</td>
<td>Context &amp; content</td>
<td>Implementation oriented models</td>
<td>Iterative decision making</td>
<td>Lean operations, knowledge mgmt.</td>
</tr>
</tbody>
</table>

**Figure 29: Consolidated literature findings**
2.4 Research implications

The literature review has revealed additional dimensions which challenge strategy practice and the desired properties of a strategy framework:

(a) Key challenges affecting the relevance of traditional strategy development frameworks have been defined. The literature synopsis provides a comprehensive review of current strategic practice and concludes that strategy development is neither sequential nor solely divided into formulation and implementation.

(b) The aspects of current frameworks that need to be addressed as a consequence of these challenges have been articulated and how the current strategy practice is anticipated to be adjusted to address these challenges has been presented in the form of a series of propositions. Recent literature on strategy development provides limited explanations on how the factors interact or provide solutions for specific problems.

(c) The process-related solutions provided by contemporary literature propose a paradigm shift from strategy making to strategic thinking and an opportunity driven process\(^9\) (see also Day 1994), an iterative strategy development

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\(^9\)“The earliest proponent of the marketing concept was Peter Drucker (1954), who argued that creating a satisfied customer was the only valid definition of business purpose. Subsequent authors described the concept and its benefits, e.g. McKittrick (1957), Felton (1959), Barksdale & Darden (1971), Kotler (1977), Peters & Waterman (1982), Shapiro (1988b), and Webster (1992). These authors
process, and merging of management hierarchy in strategy formulation and implementation.

**Figure 30: From the research question to the literature synopsis**

(d) The desirable properties of a strategy development framework in a dynamically changing business context are described. In contrast to a purely sequential model, a more holistic framework has been articulated, indicating proposed interaction between the four factors: i.e. changes in the external context influence the strategy development and force organizations to deploy new initiatives which may cause inconsistencies in the internal context. Strategy is implemented via the internal context, the characteristics of the organization influences the success of the process factors, and receptiveness to change increases success in implementing strategy. On the other hand, the

*do not make careful distinctions among customer oriented, market oriented, and market driven; they lean toward market driven to describe the orientation of a firm that stays close to its customers and ahead of its competitors – thus making competitive superiority and explicit element of the concept." (Day 1994, p. 34)*
strategic process requires continuity for implementation, and the characteristics of context and process directly influence outcome.
3 Methodology
3.1 **Justification of research paradigm**

The purpose of this project was to examine the reconfigurations of strategy development that have helped organizations achieve sustained success in a changing business environment. A comprehensive literature review resulted in a set of research propositions that formed the basis for exploring issues, coming up with tentative relationships, and inductively deriving a future framework with the help of qualitative methods (Eisenhardt & Graebner 2007).

Continuing the examination of the reconfigurations of strategy development the ontological question asks whether (a) entities exist, (b) how such entities can be grouped, related within a hierarchy, (c) and subdivided according to similarities and differences (Poli & Seibt 2010).

Although only imperfectly apprehendable because of basically flawed human intellectual mechanisms (Guba & Lincoln 1994), this project aims to achieve a single and objective reality, however subjectively perceived by different strategists; in other words: a critical realist ontology (Gibbert, Ruigrok & Wicki 2008).

From an epistemological perspective, the research aim was to find and collect reconfigurations of strategy development indirectly, by reference to their implications (Popper 1935), strongly associated with rigorous and critical examination of knowledge claims to apprehend reality as perfectly as possible (Denzni & Lincoln 2005). Special emphasis was placed on external objectivity
with the help of the critical community, such as editors, referees, and professional peers (Cook & Campell 1978).

Thus an interpretative ontology, based on a critical realist epistemology, with an inductive methodology and qualitative interviews resulted in post-positivism as the dominant research paradigm (Guba & Lincoln 1994).

Generally speaking, the research methods applied in post-positivism involve case studies, unstructured or semi-structured interviews, or sometimes surveys. Qualitative narratives sometimes include basic statistics (i.e. cross-tabs, frequencies), statistics apply to quantitative components to search for broad tendencies and communalities (i.e. grouping techniques, factor analysis) (Archer, Bhaskar, Collier & Norrie 1998).

In examining the reconfigurations of strategy development to achieve sustained success in dynamic environments the researchers aim to collect an in-depth understanding of human behavior and the reasons behind such behavior. The qualitative method investigates the why and how of the adjustments of corporate strategy development, not just what, where, when (in quantitative research). Hence, smaller but focused samples are more often needed, rather than large samples (Denzin & Lincoln 2005).

In some fields, multiple case studies have been considered a different methodology from single case studies. Science has developed a different set of
rationales for single case studies compared to “comparative” - or multiple case - studies (Eckstein 1975, George 1979, Lijphart 1975).

Multiple-case study designs have distinct advantage over single-case designs. The evidence from multiple cases is considered more compelling. Consequently, the results are therefore regarded as being more robust (Yin 1994).
3.2 Justification of research method

To understand the complex reconfigurations of strategy development that have helped organizations achieve sustained success in a changing business environment, a qualitative research method was chosen. With the inherent principle of openness regarding the research body as well as the research process, it was possible to collect the multiple definitions of reality and values in the research process, method, and situation (Lamnek 1995).

An additional advantage of a qualitative research method was evident in its flexibility. The research phenomena as well as their realities were of great complexity. Qualitative interviews and where possible, triangulated with documented evidence helped to collect, comprehend, and understand the research subject (Flick 1995). A flexible handling of the theoretical background and vague concepts supported the understanding of the phenomena from the subject’s perspective (Bogdan & Taylor 1984). Gained insights were then integrated in the appreciation of the researcher to modify the researcher’s perspective.

The research subject was not investigated through a neutral perspective from outside with a quantitative research paradigm, as the subjectivity for the research was part of the research process itself. To guarantee objectivity, reliability and validity, a permanent reflection of the researcher, his/her actions, and findings was necessary. Throughout the research process, assumptions and interpretations were critically reflected through review of research findings with a reference group of highly experienced business strategists and academics (Gibbert et al 2008).
3.3 Limitations

The aim of this thesis is to build a common understanding of strategy development in dynamic environments. A qualitative research approach provides close methodological interaction between the investigator and the participant to facilitate the understanding of the multiple and intangible mental constructions. But this nearness includes an ontological risk of interpretation being constrained by the research field. The researcher must ensure conscious restraint to avoid over-interpretation of narratives. This self-binding acknowledges the distance problem and simultaneously uses its understandings (Wolf 1995).

The purpose of this research is to develop new practical knowledge in terms of strategy development, and not to test it, thus justifying a theoretical (and not random or stratified) sample. The main selection criterion in this research was to investigate particularly suitable firms to illuminate and extend the relationship and logic among constructs. Like in physical experiments, samples are not randomly generated but willingly chosen to offer theoretical and practical insights, revelation of an unusual phenomenon, replication from findings of other interviews or the contrary perspective, and examination of alternative explanations or emergent practical knowledge (Eisenhardt & Graebner 2007).

There is a certain epistemological risk in qualitative research of neglecting the detailed descriptions, asking the more obvious questions and assuming where the boundaries of the actors in the research field lie and what should have happened (antithetical to methodical indifference Garfinkel & Sacks 1976).
Alternatively, researchers who are too involved tend to adopt the actor’s point of view not only with respect to problem definition and explanation model, but also through re-interpreting the research findings with practitioner comment to achieve communicative validation. The more similar scientific and practical descriptions become, the more researchers are pushed willingly or unwillingly into the role of an adviser, or even participate in relation to the problems of the research field. The temptation increases with the researchers’ nearness to the research field (Wolff 1995).
3.4 Data collection

The objective of the data capture and analysis of the conducted interviews was to explore the individual and subjective experience, as well as coherent approaches, feelings, behavior, and insight into corporate strategy development respectively, to investigate the robustness of these conclusions and identify additional dimensions challenging strategy practice and define desired properties of a future strategy framework.

A multiple case study approach forms the basis for cross-case analysis to collect adjustments to orthodox strategy development (Eisenhardt 1989). Every single case consists of an individual study, in which convergent and divergent evidence is collected.

To establish a clear chain of evidence, firstly the key challenges affecting the relevance of traditional strategy development frameworks were defined. Secondly, the aspects of current frameworks that need to be addressed as a consequence of these challenges were detected as well as how the current strategy practice had been adjusted to address these challenges. Finally, the consequences of these adjustments and the desirable properties of a strategy development framework that can be operationalized in dynamically changing business contexts were explored (Gibbert et al 2008).

The previous engagement with the academic literature revealed the key market dimensions, key organizational challenges and ongoing strategy development
process issues that are challenging the relevance of traditional approaches to strategy development. Additionally, specific innovations, new dimensions and techniques in strategy development were offered in current literature and provided a set of principles around which a new strategic framework might be designed and operationalized (Eisenhardt & Graebner 2007).
3.5 Sample design

The advantages specific to qualitative designs and sampling are being detailed in order to propose a template to demonstrate the merits of qualitative design (Ungar 2006). To provide a clear rationale for the case study selection, and ample details on the case study context, qualitative interviews were conducted with senior strategists across a range of organizations operating in markets exhibiting various levels of complexity and volatility, and with strategy consultants in Switzerland (following Seawright & Gerring 2010).

Companies (and their senior strategists) were selected from an annual publication of the “Handelszeitung”, a weekly Swiss economic newspaper, which annually rates the top 1,600 Swiss companies from different industry categories (i.e. high-technology, consumer goods, general industrial goods, service, project management, and resource based companies) (Handelszeitung 2007).

The one hundred most profitable companies, meaning those with the most profit in relation to turnover, the very best of industry, trade, and service including regional and global business, SME and blue chip, state owned, listed on stock exchange, and private ownership, were asked to join the research. An additional requirement was that the company must have scored well long term, on both growth measures and absolute measures of economic health. Twenty respondents were interviewed (ex ante selection criteria).
The sample of twenty companies was not intended to perfectly represent the Swiss industry as a whole, although a fairly broad spectrum was captured. Nor was the aim to be too precise about what is meant by excellence in strategy development, in order to ensure broad parameters around coping strategically in a dynamic environment were revealed.

<table>
<thead>
<tr>
<th>#</th>
<th>Industry</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Energy production</td>
<td>Head of Corporate Development &amp; Organization</td>
</tr>
<tr>
<td>2</td>
<td>Machinery</td>
<td>Business Consultant, Business Services</td>
</tr>
<tr>
<td>3</td>
<td>Energy distribution</td>
<td>Head of Corporate Development</td>
</tr>
<tr>
<td>4</td>
<td>Logistics</td>
<td>Head Strategy Team &amp; Corporate Development</td>
</tr>
<tr>
<td>5</td>
<td>Construction</td>
<td>Business Consultant, Business Services</td>
</tr>
<tr>
<td>6</td>
<td>Public transport</td>
<td>Head Information Technology Services</td>
</tr>
<tr>
<td>7</td>
<td>Bank</td>
<td>Head of Business Development, Private Equity</td>
</tr>
<tr>
<td>8</td>
<td>Watches</td>
<td>Director Business Development CEMA</td>
</tr>
<tr>
<td>9</td>
<td>Machinery</td>
<td>Head of Business Development</td>
</tr>
<tr>
<td>10</td>
<td>Healthcare</td>
<td>Vice Director, Head of Business Development</td>
</tr>
<tr>
<td>11</td>
<td>Construction</td>
<td>Head of Business Development</td>
</tr>
<tr>
<td>12</td>
<td>Machinery</td>
<td>Head Corporate Planning &amp; Acquisition</td>
</tr>
<tr>
<td>13</td>
<td>Home equipment</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>14</td>
<td>Electronics</td>
<td>Managing Director</td>
</tr>
<tr>
<td>15</td>
<td>Defense</td>
<td>Chief Technical Officer</td>
</tr>
<tr>
<td>16</td>
<td>Travel</td>
<td>Head of Corporate Communication</td>
</tr>
<tr>
<td>17</td>
<td>Bank</td>
<td>Head of Business Development</td>
</tr>
<tr>
<td>18</td>
<td>Telecom</td>
<td>Strategy Analyst</td>
</tr>
<tr>
<td>19</td>
<td>Consultancy</td>
<td>Head of Corporate Communication</td>
</tr>
<tr>
<td>20</td>
<td>Healthcare</td>
<td>Director Business Development</td>
</tr>
<tr>
<td>A</td>
<td>Bank / University</td>
<td>Director Off-shoring / Professor, Director International Management Institute</td>
</tr>
<tr>
<td>B</td>
<td>University / Luxury</td>
<td>Professor for International Management / Director Business Development</td>
</tr>
</tbody>
</table>

**Figure 31: Interview partners (1-20) and peer review group (A-B)**

The objective was to identify research participants who were able to illuminate and extend relationships and logic among strategy constructs. Assumptions,
interpretations, and all parts of the research process were critically reflected through a review of research findings with a reference group of highly experienced business strategists and academics, enhancing inter-subjectivity (Wolf 1995).

Twenty of the most profitable companies of Switzerland were chosen for the likelihood that they would offer theoretical insight, be it the revelation of an unusual phenomenon, replication of findings from other participants, contrary replications, elimination, and alternative explanations, or elaboration of the emergent theory (Eisenhardt & Graebner 2007).

The use of multiple-case design followed a replication logic, not a sampling logic, and the different cases were chosen with a bias towards sustained profitability. The cases served in a manner similar to multiple experiments, collecting both similar and contrasting results as the basis for cross-case analysis (Eisenhardt 1989, Yin 1994). “…the typical or average case is often not the richest in information. Atypical or extreme cases often reveal more information because they activate more actors and more basic mechanisms in the situation studied.” (Flyvbjerg 2006, p. 229)
3.6 Research field\textsuperscript{10}

From a macroeconomic perspective, Switzerland represents a remarkable situation as a consequence of different characteristics: Measured on population, Switzerland ranks place 77 of 131 states in the World Competitiveness Report 2007/2008 (World Economic Forum 2007), while measured on gross domestic product (GDP) advances to place twenty and on gross domestic product per capita even to rank six. The leading position on the global competitiveness of the national economy index is only exceeded by the United States, according to the same source.

Within the Forbes list of the one hundred biggest companies around the world (Forbes 2008) - according to sales, profits, assets, and market value - six companies are located in Switzerland. Only eight are located in France, four in Italy, and three in Spain according to the Forbes list. Fifteen of the 300 richest people live in Switzerland, more than a quarter (more than $2,000 billion) of the global private equity is managed from Swiss banks, with only Great Britain (including Channel Islands) coming near with $1.700 billion. Singapore only accounts for $500 billion.

The internationalization of Swiss companies is especially impressive. With direct investments of $600 billion (in 2006), 130 per cent of the GDP respectively, Switzerland belongs to the ten biggest investors abroad. Thus Switzerland ranks

\textsuperscript{10} Macro economic numbers from OSEC (www.osec.ch)
per capita again in second place just behind Hong Kong. About 2.2 million employees work for Swiss companies overseas.

A large quantity of foreign managers in Swiss companies is also unique, as twelve of nineteen C-level managers are foreigners at the ten biggest Swiss companies with the most employees. The same picture appears when it comes to assets: Swiss stock owner only hold twenty per cent of the acme of “Swissness”: For example, the two top Swiss banks UBS and Credit Suisse, as well as the famous chocolate brand “Toblerone” which belongs to the second biggest global nutrition company KRAFT Foods. Internationalization has been the only possibility for growth despite the finiteness of the Swiss market.

The early internationalization, the strong position in global economics, and the many international executives make Switzerland an ideal research field when (re)searching for new concepts in strategy development. The many global impacts make the business environment very dynamic and international employees diversify the culture in organizations. These factors encourage an in-depth study of the strategic approach of organizations in Switzerland.
3.7 Interview

As well as biographical and narrative elements the interviews also contained components of an in-depth interview, trying to expose a deepening and challenging questioning, aiming at latent structures of sense and relevancy. The qualitative interview as a component of the problem-oriented interview was distinguished by three characteristics:

(a) The problem orientation in a problem-centered interview required a relevant social problem (Witzel 1985, p. 230) during the interview, collecting the subjective perspectives, values, and opinions of research participants, using strategies to be able to optimize possibilities of explications from the participants (Witzel 1982, p.69).

(b) The subject orientation allowed certain flexibility in adjusting the methodology according to the research subject. In this project this meant the utilization of the qualitative interview, neglecting the other methodology components and an in-depth interview aiming at latent issues.

(c) The process orientation was understood in the tradition of critical realism, where investigation and analysis of research data correspond to each other procedurally. Within this process, the theory was formed from the subject perspectives, but the objective reality behind was always aimed at. The process orientation of the interview therefore referred to the entire research process, as well as to the common understanding of the research subject.
Additionally, the process orientation was guaranteed through communication forms that improved understanding and narrative.

The problem-centered interview included different instruments for data collection. First to be mentioned was the interview guide (see also Figure 59 in the appendix), which registered name and title of the interview participant. Additionally, the consent form and information statement were attached, to provide a maximum of information on the research topic to the participant. Moreover, the interview guide helped to reduce misinterpretations of specific terminology and prepared the minds of the participant.

The interview was arranged via telephone after first contact by email, and took place in the interviewees’ offices or meeting rooms. It was offered to be concluded in their mother tongue (German, French, and English) to allow a maximum of convenience in the eyes of the participants. Interviewees were asked to provide data and documents for the interviewer to be prepared in advance and to multiply the sources of evidence. Issues regarding the problem of forward and backward translation were handled following Brislin (1970) and did not apply, since all participants were bilingual in terms in both the interview language (their mother tongue) and the research language (English).

The entire interview was recorded with a digital recorder, thus conserving the whole interview context, especially nonverbal content like sound modus, intonation etc. of both, researcher and participant. Such information was integrated into the data analysis, presuming a full transcription of the interview.
Data collection focused on capturing the individual perspective of each research participant, trying to see the research field through their eyes. The research participant was not limited in speaking about or exploring various issues of the research field. After signing the consent form, the interview started in an open format. The research participant was invited to describe past strategy experiences spontaneously to stimulate a narrative flow. It was assumed, that through encouraging spontaneous discussions narrative ideas were triggered by the relevancy for the participant.

The spontaneously produced issues were bundled during interview and explored more intensively, and then new issues were explored. The process orientation (Witzel 1985) provoked a constant rotation between generating narration and communication strategies to improve the understanding, because the research goal was to find similar areas of importance among participants, despite different exposure and handling within the research field, and if found, identify where similarities and differences lay.

Communication strategies were designed to reproduce the subjective sense and values of the research participant. Follow up questions opened and questioned circumventive, concealing, stereotyping or superficial answers. Secondly, mirroring strategies were utilized to summarize and reflect the researcher’s comprehension of the statements given by the research participants (see also part two of the interview guide). This approach gave the research participant the opportunity to check and modify the interpretations of the researcher (Witzel...
1985). To guarantee a deepening in the interview process, pauses in conversation were accepted, anticipating a processing stance in the research participant. This strategy provoked a close and deepening examination of the research participants’ statements.

Confrontational questioning was not utilized, firstly to avoid risking the trustful interview atmosphere, secondly because antagonisms are a natural part of the “psycho-logic” of a certain research field, and thirdly because confrontational questioning would have forced the research participants to rationalize their sense and values inadequately. Additionally, the avoidance of suggestive and digital (yes-no) questions supported the research participants’ own narrative flow.

The qualitative interviews were transcribed within two days to support the documentation of all contextual and nonverbal content information.

To summarize, the described technique of interviewing offered a rich source of data by: (a) focusing on practical knowledge: on adjustments to strategy development and their consequences instead of verifying theoretical knowledge (Flyvbjerg 2006); (b) accessing companies that had achieved sustained profitability, which were therefore likely to be employing effective adjustments to strategy development. The bias towards sustained profitability created a rich source of “relevant” (Karl Popper 1959) cases; (c) Employing semi-structured interviews, that provided structure but allowed to capture a detailed understanding of strategizing and strategy development, i.e. “the very value of the case study, the contextual and interpenetrating nature of forces” (Peattie 2001, p. 260).
3.8 Data evaluation

The approach for evaluating the research data was realized with the methodology of circular deconstructing (after Jaeggi & Faas 1991). The evaluation process focuses on implicit needs of the research results, less on rigid application of method and formalism, trying to avoid factoring out new insights through rigorous method application.

To demonstrate traceability of evidence and reliability, the evaluation process is now described. Individual process steps were mostly interwoven, seldom finishing before the next begins, thus increasing the process character of the data.

![Evaluation process diagram](image)

**Figure 32: Evaluation of data (Jaeggi & Faas 1991)**

The evaluation process started with an extensive structuring and summarizing narrative transcript (of the digital recording) of the interview. The many (often erratically) addressed aspects of the research participants on the topic corporate strategy development were structured thematically. The most attention was placed on the explicit and implicit sense and meaning of actions and themes, which were
addressed by the research participants (Jaeggi & Faas 1991). As a consequence, an accurate reproduction of the interview was assured.

The next step in data evaluation involved open coding (Strauss & Corbin 1996). The data was dissected into coherent items like sentences and paragraphs and coded with the indicators and items with the help of the operationalized research question. These codes represented conceptual synonyms that reflect the coherence of issues, originating from the research participants’ statements themselves (in vivo codes). Within this analytical process, primary concepts emerged, which were allocated to incidents, events, and meanings in relation to a phenomenon. Through comparing and questioning, these concepts were refined.

Figure 33: Classification catalogue according to the operationalization (own illustration)

Then, the concepts and codes were classified in a catalogue (Leonard-Barton 1990, Yin 1994), by grouping the codes around relevant and meaningful
phenomena, emerging from the data. Thus, primary categories and subcategories along the chain of evidence were established “to help to structure the evaluation” (Jaeggi & Faas 1991, p. 9). It proved to be difficult to arrange those groups, as many concepts were based on different issues and were constrained by the relative perspective taken. This is reflective of the nature of the research topic and the research question, which sought to extract the meaning of corporate strategy development to the research participant.

Significantly, the meanings are not only found in the actions and their consequences, but also in the conditions, which were favored through corporate strategy development and the benefits and drawbacks of the present strategy framework in place. The complex interlocking and many interconnections captured the nature of the corporate strategy development approach that appeared. The evaluation continuously crossed similar categories and subcategories, where – according to the relative perspective - different meanings were analyzed.

![Figure 34: Chain of evidence (based on Yin 1994)](image-url)
To gain a clear classification and differentiation of categories and their connections along the chain of evidence, the research process was designed iteratively (circularity, Jaeggi & Faas 1991), revisiting the data again, so that some issues were regrouped during the analysis phase. With the pre-categorization in mind, interview data was scanned for evidence concerning adjustments to current strategy frameworks to address apparent deviations from the chain of evidence.

<table>
<thead>
<tr>
<th>V. Process improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) What are aspects of current frameworks that need to be addressed as a consequence of these challenges?</td>
</tr>
<tr>
<td>b) What are the adjustments of current strategy practice to address these challenges?</td>
</tr>
<tr>
<td>c) What are the consequences of these adjustments?</td>
</tr>
<tr>
<td>d) What are the desirable properties of a strategy development framework that can be operationalized?</td>
</tr>
</tbody>
</table>

**Figure 35: Chain of evidence within the interview guide**

In the course of this evaluation, categorization of the corporate strategy process was further developed and specified more precisely. The position and importance of the central categories crystallized from the interviews, as well as through questioning the data. Each interview was reexamined to identify comments, supplements, implicit meanings, and statements referring to the sub-categories.

The dependencies between the different categories were examined based on the coding paradigm of Glaser and Strauss (Strauss & Corbin 1996), focusing on the causative constraints and consequences. As these steps were established, a multitude of different interview-specific categories emerged, based on similar thematic issues (through operationalization), but diverging significantly in
content. Moreover, often totally different relationships between the constructs were evident.
3.9 Scientific criteria

3.9.1 Objectivity

Criticisms of qualitative research methods have been raised with respect to objectivity, and lack of scientific rigor (Scholz & Tietje 2002). In contrast, qualitative research argues that only through qualitative hermeneutics can a human oriented theory be generated.

To maximize objectivity in qualitative research, a number of measures were adopted (Patton 2002, Scholz & Tietje 2002):

(a) Researcher’s case understanding: Topics of interest were defined by the researcher and an understanding of the company’s business as pre-work prior to the investigation.

(b) Competence with applied methods: Method competence was developed prior to undertaking the field research.

(c) Proficiency in finding appropriate graininess: The number of research interviews allowed the investigation by a single researcher and the multiple case approach included industries with different characteristics.
Methodology

(d) Motivation of researcher: High motivation since findings are expected to contribute to professional practice by offering a new framework that helps managers to find new approaches to strategy development.

(e) Intention of case study research: As the multiple-case study approach shows distinct advantage over single-case designs, the evidence from multiple cases is considered more compelling. Consequently, the results are therefore regarded as being more robust (Yin 1994). Furthermore, a multiple case study approach forms the basis for cross-case analysis to collect adjustments to orthodox strategy development (Eisenhardt 1989).

(f) Methods that yield high-quality data: The research area utilizes appropriate methods already applied by previous researchers.

(g) Credibility of researcher: The researcher holds appropriate master qualifications and has more than twelve years experience in different management positions.

(h) Belief in the value of qualitative inquiry: The researcher’s personal experience is that in-depth understanding of complex circumstances requires a qualitative instrument and has applied a qualitative design in this project.
3.9.2 Reliability

As reliability is one of the most discussed criteria in qualitative research for strongly interpretative and less reproducible methods like hermeneutics, reproducible methods have been developed. To determine reliability as a criterion in qualitative research, Kirk & Miller (1986) discuss the three bad forms: quichotic\(^{11}\), diachronic, and synchronic reliability (see Figure 58: in the appendix).

To claim reliability, subsequent researchers should arrive at the same research results when replicating the study following the same steps (Denzin & Lincoln 2005), eliminating random error. Careful documentation and clarification of the research procedures (i.e. interview protocol) specifies how the entire research has been conducted. It is therefore important to develop a catalogue that connects all protocols, documents, and narratives collected during the study to facilitate retrieval for later investigators (Leonard-Barton 1990, Yin 1994).

The methodology literature proposes a set of measures to optimize validity and reliability. Most importantly, the three types of validity (validity, generalizability, and operationalization) show significant interdependency (Gibbert, Ruigrok & Wicki 2008). Both a clear theoretical and causal logic (validity) and a close link between theoretical conjecture and the empirical observations (operationalization) provide a firm basis (conditio sine qua non) for theoretical generalizability (Cook & Campell 1979, Mook 1983, Scandura & Williams 2000).

\(^{11}\) After Don Quijote de la Mancha, from Miguel de Cervantes
3.9.3 Validity

An even wider focus in the discussion concerning qualitative methods has been on validity (Kvale 1990, Wolcott 1990). Three typical mistakes may arise (Kirk & Miller 1986, p 29f): Seeing correlations where there are none, declining correlations where there are some, and asking the wrong questions. The main problem in verification of validity in qualitative research lies in the determination of the relationship between investigated issues and the findings presented by the researcher. An analysis of the process of interaction, cumulative validation, and direct re-check of statements as multiple sources of evidence (material, interviewees, background information) increases validity in qualitative research.

Validity describes one of the main scientific criteria, i.e. is what was measured intended to be measured (Dorsch 1996). From one perspective, qualitative research is invalid in terms of quantitative scientific criteria because of utilizing a non-standardized research process. Nevertheless, qualitative research is valid, and this claim is based on a different understanding of reality (Lueders & Reichertz 1986, after Flick 1995, p. 249). Understanding social reality (Kvale 1991) is important, particularly to ascertain to what extent the conceptualization of the research corresponds with that of the research participant.

To determine the correspondence between conceptualization and concept, traceability in scientific research namely reliability is of most importance. To guarantee a highly reliable research outcome, the research process and interpretation of research findings were clearly documented.
Furthermore, triangulation of data sources and methods has increased the validity of qualitative research (Denzin 1978, after Mayring 1993): The model emerging from the data was examined in the context of the principles developed from the literature and a final form incorporating operational guidance presented for review and commented upon by a reference group including highly experienced business academics working in the area. The resulting framework was the essence of this review with the reference group. Data was generated through interview, and where possible triangulated with documented evidence.

Triangulation is of the utmost importance during the interpretation of research findings, as on the one hand creativity is enhanced, as well subjective distortions being balanced. Interpretations were developed into conclusions through the involvement of more respondents, with alternative interpretations presented, and compared to previous ones. This happened not only in connection with the interpretative aspects of the research, but reflection was applied throughout the whole research process. As a result, the research process not only gains validity, but also objectivity.
3.9.4 Generalizability

Generalized statements are the central aim in traditional science as they are elements of the theory building process, forming prognoses and future applications. There are two areas of criticism regarding generalization of qualitative research: On the one hand post-positivistic philosophy of science rejects the fundamental possibility of inductive reasoning – and with it generalization (Popper 1935). On the other hand, a pure constructivist view reduces reasoning to context-specific statements, making generalization impossible (Lincoln & Guba 1985).

Generalizability – also known as external validity - is of great importance for qualitative research and grounded in the intuitive belief that theories must be shown to account for phenomena not only in the research field in which they were studied, but also in other settings (Calder, Phillips & Tybout 1982). Qualitative research does not allow statistical generalization, i.e. inferring conclusions about a population (Yin 1994, Numagami 1998). However, methodologists differentiate between statistical and analytical generalization. The latter contains a process separated from statistical generalization, based on empirical observations of theory (Yin 1994, 1999).

How then can qualitative research allow for analytic generalization? Eisenhardt (1989) states that a sufficient amount of cases can provide a good basis for cross-case analysis, namely up to ten participants. Additionally, researchers have to provide a “clear rationale for the research participant selection”, and ample
details “on the context of the research field” to appreciate the researchers’ sampling choices (Cook & Campell 1979, p. 83).

A stochastic sampling of the total population was not feasible for this research, as not all companies were willing to share their recent experiences on strategy development and the research has a bias towards sustained successful companies. Therefore, a stratification sampling strategy was chosen, as specific dimensions (sustainable profitability of Swiss companies) are considered central, determining the sampling in advance.

One the one hand the utilization of a high quota in sampling simplified generalization, while on the other hand the limitation of small sampling size in qualitative research normally followed practical considerations (intensive and complex data collection necessary).

Argumentative generalization (ex-post strategy) analyzed the attributes of the samples afterwards and tried to generalize these attributes (Terhart 1981). Therefore, generalization was understood as a deliberative, causative debate with the utilization of heuristics (Metcalfe 2005).

Argumentative generalization was addressed through coding and categorization during data collection inductively. Initial findings generated conclusions, which were verified but also challenged through the research process. This stepwise approach is finalized, when sufficient evidence is collected for generalization (saturation principle).
The search for stereotypical material was also utilized as a generalization strategy. Through prior analysis of the context attributes, samples were chosen which are typical and therefore generalizable for a larger population (Mayring 2003).

The variation of phenomena and the analysis of the phenomena in different manifestations or contexts play a central role in this project (Moustakas 1994). The detection of similarities in the variations deserved guided generalization.

Triangulation (Denzin 1970, Mayring 2001) involves the combination and integration of different research approaches to guarantee generalizable research findings. Within this project, the research findings of recent scientific literature, the current research findings, and a review by a reference group including highly experienced business academics working in the area, were synthesized.
3.9.5 Ethical considerations

How can a heuristic model of research deal with the requirements of informed consent? A heuristic model has first and foremost to deal with openness of the research person (to change the research concept), topic (which is preliminary and may change), and maximum variation of perspective (triangulation) (Punch 1994, p.90). The same problem arises with deception: What if the research question demands deceptive experiments to factor out human behavior or biases? Is the knowledge gained out of deceptive experiments of more value to society than the protection of participants, and who decides (Soble 1987)? Privacy and confidentiality has proved to be problematic, despite the signature status of protection. It is sometimes difficult to disguise identity or locations, when researchers use deductive and positivistic approaches (Punch 1994, p.92).

Nevertheless, protection of interview participants and their identity against any kind of defamation, insult or worse is crucial. To address these concerns, three issues were addressed during the investigation: Firstly, all participants were fully informed about the research topic, the methodology, collection, and analysis of the research data. At any time during the interview, every participant was free to withdraw his/her approval to join the research. Of course, every participant was treated respectfully. Secondly, the collected and analyzed data was treated confidentially and was made anonymous for the verification of the research propositions and findings of the research. Thirdly, the research was carried out under the guidelines of the Charles Sturt University codes of ethics and the sponsor institutes.
4 Analysis of data
4.1 Introduction

Findings from quantitative research are normally presented in compact numerical tables that summarize the statistical analysis of large amounts of data in large and high-scaled deductive studies. Qualitative research data cannot be so tightly summarized, as much of the information consists of rich qualitative and narrative detail, demonstrating a close connection between empirical evidence and emergent theory (Eisenhardt & Graebner 2007).

![Figure 36: Structure of the data analysis chapter](image)

The challenge within a multiple-case study is to contain the analysis within readable constraints while also presenting rich empirical evidence that supports the emergent theory for practical implication that is the main research objective.
To balance the trade-off between rich narrative data and empirical richness, the data is assessed against distinct research propositions generated through prior research. The overarching framework of this project captures aspects that challenge organizations’ current strategy development approaches, and each part of the theory is assessed through evidence from several cases. However, not every research proposition is supported in every case. So, alternative explanations are offered.

Each proposition is addressed separately within the analysis chapter. During the research, each participant was asked to identify to what extent their company was challenged by the respective dimension (i.e. market: volatility, speed, and uncertainty). Because the sample was drawn from the one hundred most profitable companies in Switzerland\textsuperscript{12}, the results are presented in nine cluster diagrams (see Figure 39 - Figure 41, Figure 42 - Figure 44, Figure 46 - Figure 48), which show self-determination of the dimension on the abscissa and the profitability of the company on the ordinate.

This self-determination must not be understood as a scaled and objective measure to compare different cases. However, the self-determination provides important evidence about the relative and subjective view of the interviewed strategists. Illustrating this point using the item volatility: The position on the abscissa provides information about the dynamics of the business environment in the past and the challenges the company was facing with volatility, as well as how

\textsuperscript{12} According to Handelszeitung TOP 2007
volatility is anticipated to increase or decrease in the near future; all seen from the subjective point of view of the respondent.

For each proposition, the cases are divided into groups that behave similarly with respect to that proposition, and then drilled down into specific approaches in order to address the core dimension in the proposition. Contextual dimensions are drawn on to explain differences in approaches. Subsequently, those findings are contrasted with cases that do not support that proposition, again drawing on contextual elements (human, organizational, industrial, and environmental) to present alternative explanations as to why in those contexts the proposition was not supported. Lastly, some conclusions are drawn about that proposition before moving on to the next one.

Finally, a cross-case analysis examines corporate strategy development aspects that need to be addressed independently from case, industry, and size of the companies and establishes four current and predominant adjustments that emerged repeatedly from the data. The last section summarizes the consequences of these current adjustments for corporate strategy development and leads over into the conclusions chapter.
4.2 Testing research propositions

The first section examines procedural and organizational responses to key market dimensions of volatility, increasing pace of change, and uncertainty. The following section deals with key organizational challenges; namely improving responsiveness, reducing structural complexity, and the growing importance of business professionals within today’s organizations. The final section examines strategy development process issues, i.e. over-analysis, the sequential nature of orthodox strategy development, and the separation of hierarchical levels that according to the literature are challenging the relevance of traditional approaches to successful strategy implementation.

Prior to testing the research propositions, a framework (Figure 37) was constructed for clustering cases included in the study with according to their overall strategic approach and their business environment (Figure 38), their present corporate strategy development approach (Figure 45), specific innovations, new dimensions, and techniques in strategy development of strategy practice that have led to the current adjustments in corporate strategy development approach (Figure 50).

This was important for two reasons: (a) to ensure representativeness of various strategic approaches in the study and (b) to capture differences between responses of organizations within the same cluster to increased market dynamics with respect to planning and implementation processes, structures and culture.
The clustering dimensions selected capture the dominant strategic approaches reported in the literature in that organizations: (a) will emphasize either their flexibility to respond to market change (low prediction) or their capability to predict and/or envisage future markets (high prediction) (Mintzberg, Ahlstrand, Lampel 1998; Grant 1996) and (b) will reflect control exerted over the environment through either responding to market change (low control) or exerting control through either partnering (Gulati, Nohria & Zaheer 2000) or creating a envisaged future (Hamel & Prahalad 1994) (market driven - low control, versus market driving behavior - high control) (Jaworski & Kohli 1996).

Figure 37: Following Wiltbank et al (2006), Hamel & Breen (2007) & Whittington (2001)

In the second part of the analysis chapter, specific innovations, new dimensions, and techniques in strategy development of strategy practice are presented drawing
on a clear chain of evidence. A set of principles is discussed, around which a new strategic framework might be designed and operationalized.
4.2.1 Increasing dynamics in the market

“Although not part of the European Union politically, the liberalization of the European energy market brought an almost infinite amount of opportunities, as well as an increasingly dynamic business environment to Switzerland” (Case 1). Other strategists working in the same industry agreed with this statement (Case 2, Case 3). Many national companies took this opportunity to internationalize their business (Case 4, Case 5, Case 7, Case 8, Case 11, Case 13, Case 14, Case 17, Case 18, Case 19, Case 20).

The most successful companies harvested sustained success and grew steadily. This long-lasting growth brought increasing challenges in terms of size and style of organization and processes, and especially to the decision process (i.e. Case 5). Many of the case organizations struggled to change their organizational behavior and process flow with the increasing size of their organization (i.e. Case 15). With increasing size, the opportunistic nature of gaining first mover advantage – through a fast decision process – faced competition from global firms that had already found a way to leverage both economies of scale and responsiveness (Case 1, Case 3, Case 5).

The impacts of the environmental dimension manifested in two externally driven ways: On the one hand long lasting success resulted in organizational growth, while on the other hand an increasingly dynamic business environment forced companies to shape or adapt to the changes in the business environment.
**Figure 38: Emphasis on prediction and control with respect to the market**

The allocation of cases within the four clusters of Figure 38 was based on their overall strategic approach with respect to their business environment. In some cases, the approaches differ between market approach (Figure 38) and current process approach (Figure 45) or the adjustments that lead to a change in the strategy development approach (Figure 50). The difference in approaches was based on organizational separation (i.e. divisional vs. corporate strategies in Case 2, Case 18), on a changed market approach due to major disruptions in the market (i.e. privatization in Case 1, Case 3, Case 4, Case 6, Case 15; disruptive events in Case 13, Case 17; major regulatory changes in Case 1, Case 2, Case 3, Case 4, Case 10, Case 11, Case 15; strong competitor shifts in Case 5, Case 11), or
adjustments in the corporate strategy development approach due to increased
dynamics in the business environment (i.e. Case 15). “There is a common
understanding in our company in keeping divided corporate level and the
divisions: Go for it, as long as you are successful.” (Case 2). “Our firm has been
in the situation that the environment has been changing rapidly, but [...] strategy
has been increasingly over-complex to successfully deliver sustainable answers to
the competitive environment. What emerged had been multiple bypasses that were
difficult to handle as they emerged and disappeared.” (Case 15).

The majority of the cases invested considerable resources in predicting the market
to tailor their future strategies (i.e. Case 9). “How do we know if we are a good or
bad performer? Until now we measured performance relative to our goals, an
internal view. Currently, we are changing to an external view and measure our
performance and position relative to the market and our competitors per segment
globally, 70 to 80 peers, with the help of external consultants and market research
data with a web-based benchmarking tool [...] With the help of this tool we get a
much better perception of: where are we and the market heading to?” (Case 9).

Others tried to expand their portfolio and create new businesses to achieve their
vision to meet the changing needs of their customers (Case 3, Case 13). “The
growth period for the new business is now exchanged by a transformation process
in merging two divisions into one division. [...] in the near future our customers
will not be willing to call two numbers. That is the moment when we have to be
ready to be finished with our transformation process and have consolidated our
two divisions” (Case 13).
One company showed strong adaptive characteristics in its market approach (Case 11). It perceived changes in its market and saw competitors ready to invade their markets and therefore quickly changed its organization and (divisional) business models accordingly. “Responding to the market means expanding the business from management solutions to full life cycle service. [...] Business development was re-organized into a separate division to work in emerging markets directly. These changes in the organization triggered major adjustments in other departments (Human resources, Finance, etc.)” (Case 11).

The company in the lower right quadrant presented a different approach (Case 10): Corporate level engaged their expanding network in their industry and transformed their business model successfully into completely unanticipated new markets. “The challenge [responsiveness] is met through political lobbying [...] and feeding this information directly into the corporate development process.” “Through our network we got the chance to hire an expert in robot-chirurgery and built a whole new department around him” (Case 10)
4.2.1.1 Growing volatility

Research proposition #1: In a context of increased market volatility, firms will place increased emphasis on strategic flexibility and less emphasis on rigidly imposing and moderating predetermined plans, to facilitate adjustment to changing market conditions.

Extrapolative and discontinuous effects of volatility were clearly detectable within the research field, showing increasing economic volatility between and within regions and within different product portfolios.

The allocation of cases in Figure 39 was established through the self-assessment of the case informants (according to the four stages of dynamics of the environment after Henzler 1988). The resulting pattern justified that most of the case organizations were challenged by increasing volatility. One cluster grouped around extrapolative dynamics in the business environment, which they answered strategically with a long range planning approach (i.e. extrapolation of historical trends). The bigger cluster grouped around discontinuous dynamics and established a strategic planning approach (i.e. anticipation of disruptions in trends). Two companies assessed the volatility of the business environment as relatively stable (Case 7, Case 8). Due to their global presence, they were accustomed to certain market dynamics, they added. Unforeseeable volatility was not assessed by any of the case informant, which in turn indicates that all companies have a sufficient knowledge of their market and future.
The gas & electricity market liberalization directives of the European Union facilitated the expansion and internationalization of Swiss companies operating in the industry, particularly for companies working in a state or formerly state owned industry (Case 1, Case 3, Case 6). This enormous challenge brought increased volatility to a formerly regulated and stable national market.

Figure 39: Volatility VS profitability of the interview participants

Sustained success in both organic and inorganic growth focused on first mover advantage (Case 1) for finding new foreign customers and on a fast and opportunistic decision process for acquisitions (Case 3, Case 13). Inorganic growth was mainly based on international acquisitions which in turn laid the basis for organic growth, sometimes reaching market leadership (Case 13).
Alongside a formal strategy process, the interviewed companies used a decoupled, seldom formalized process to react to business opportunities on an ad-hoc basis (Case 13, Case 10). One company had no formal strategy development process in place, focusing solely on acquisition analysis to advise the decision of the Board. The consolidation phase that followed acquisition emphasized economies of scale, industry best practice, and reduction of overheads. After the consolidation phase, a second wave of acquisitions in Eastern Europe was planned over the next ten years. All strategic investment decisions followed the same process nonetheless. However, the strategic investment process itself was market opportunity driven, and not of a repetitive or cyclical nature (Case 20).

Companies with different divisions operating in markets with varying volatility strategized within an annual multi-level framework to combine several divisional strategy processes with the corporate strategy process. However, these companies always utilized the same strategy model on all hierarchical levels (Case 2, Case 6, Case 12). The strategic decision process was therefore delegated to those closer to the market, since past experience in trying to centralize strategic decisions led to poor implementation due to lack of ownership (Case 2, Case 12).

Alternatively, in response to increased volatility, some companies prolonged their corporate strategy development process (Case 4, Case 13) to a multi-annual time frame and allowed the strategic decision maker to act within certain boundaries towards these strategic goals. The explanation offered for that prolongation was to decrease the dependency between strategy and budget (Case 4), and an attempt to
increase the ownership of strategic decision (making) at the divisional level (Case 9, Case 13).

However, the most volatile environmental factor remained the competitors. To address this, the outsourcing of strategic analysis to consultants was stopped and the strategy development framework was adjusted to include ongoing strategic feedback from those at the market interface. Thus, strategic scanning was in-sourced to gain more specific insight in terms of product and service portfolio placement in a competitive environment (Case 4, Case 13, Case 16).

One company, exporting almost all its products internationally into the automobile industry developed a comprehensive industry-wide benchmarking tool, that used both quantitative and qualitative data to achieve competitive advantage through superior information about the industry. Interestingly, this benchmarking tool was developed with the help of an external consultant bureau, but the results were heavily criticized and questioned by both corporate executives and divisional heads. Consequently, it lacked support and failed to be fully integrated into the strategy development process (Case 9).

To conclude, the first research proposition was supported within the research: There was a clear tendency to move corporate strategy development away from a budget-oriented annual process to a multi-annual approach that provided the organization with the flexibility to swiftly react to opportunities within the business environment. Depending on the level of volatility the companies faced, these specific mutations of corporate strategy development ranged from a bi-
annual approach that delegated the management of strategic initiatives down to divisional level (i.e. Case 2, Case 12), to a multi-annual (up to ten years, Case 13, Case 20) and very vision-oriented corporate strategy development model that flexibly reacted to business opportunities at divisional level.

Results for research proposition #1

There was significant evidence to suggest that market volatility has driven changes to corporate strategy development, designed to achieve strategic flexibility. To allow swift reactions to emerging opportunities, companies put serious effort in improving the strategic expertise of the organization: Environmental scanning and benchmarking tools developed and utilized in-house rather than outsourced supported corporate strategy development. The output of these tools then triggered regular assessments of strategic initiatives. The outcomes of these regular assessments facilitated the adjustment to changing market conditions. Consequently, an increased effort to achieve strategic flexibility was triggered by the relative volatility of the business environment and independent from the utilized corporate strategy development approach.
4.2.1.2 Increasing pace of change

Research proposition #2: In environments of accelerating change, strategists will favor methodologies that facilitate early detection of change indicators over traditional methodologies to ensure competitive lead times for change implementation.

The characteristics of the business environment were twofold within the participating companies: For enterprises that involved few persons in the decision process, reaction time was seldom an obstacle finding an economic answer to the opportunities in the business environment. Therefore, no special effort to integrate methodologies that facilitate early detection of change indicators was taken into consideration (Case 1, Case 3, Case 5, Case 9, Case 10, Case 13, Case 15, Case 17, Case 18, Case 20). These cases represent the accelerating cluster of Figure 40.

Interestingly, globalized companies and the companies with a mainly regional focus described a stable business environment (Case 4, Case 6, Case 8, Case 16). Participants were required to deal with accelerating and decelerating – pulsating – effects of the market (Case 2, Case 8). These companies gave their companies more time for change implementation in prolonging their strategy development lead time to a multi-annual period.

One case assessed strong accelerating characteristics which were based on changes in the business model and market (Case 11). Participants required to respond to an accelerating business environment had either recently
internationalized (Case 1, Case 3, Case 5, Case 18), worked in an increasingly politically influenced environment (Case 4, Case 6, Case 10, Case 20), or their product portfolio was not diversified and therefore exposed to market fluctuations (Case 4, Case 14).

Figure 40: Speed VS profitability of the interview participants

None of the companies used formal weak signal tools in a documented process, except for one company for a short period of time (Case 18). Integrating weak signal tools to the corporate strategy development was soon canceled, as the divisions did not accept the increasing influence from corporate level (Case 4). However, this company planned to test the re-introduction of weak signal tools if the business environment accelerated: “Some years ago corporate level terminated some more sophisticated early warning tools, because the divisions did not accept the increasing influence from corporate level. We went too far, too
early. When the tendency of the market is becoming more dynamic, these tools will come up again” (Case 4).

More importance was given to separating "fashionable trends” (Case 8) in business activity against real opportunities: for example, capital-intensive investment decisions (i.e. new nuclear power plant, new production facility) stood in contrast to decisions about activities that could be undertaken within a short time frame (window of opportunity). “The art of strategic decision making in this accelerating business environment is a question of relevancy, which results in the separation of fashion peaks on the one side and important trends on the other side” (Case 3).

A real options implementation process with several decision milestones was put in place: A strategy initiative team explored in detail the business viability of each idea in the queue and offered an investment proposal for the business units to commercialize. To allow swift reactions to external changes, in-house developed and market interface oriented rather than outsourced environmental scanning supported corporate strategy development. Assessments on a regular basis ascertained which business showed an ongoing positive tendency and which should be divested to free capital for investment in new growth areas (Case 3, Case 8).

Companies with strong dependencies on political decisions (Case 1, Case 3, Case 6, Case 10, Case 18, Case 20) solved the problem of detecting early change indicators by trying to influence politics through political lobbying of their
strategic interests. One company introduced influential politicians as members of the advisory board to feedback political decisions directly into strategy development of the company: “The challenge is met via political lobbying and politicians in the advisory board - to early detect political trends and feed this information directly - almost monthly, from every canton of Switzerland - into the strategic decision process” (Case 10).

Results for research proposition #2

Evidence suggests that only companies unaffected by major disruptions within their business environment confirmed this research proposition (Case 1, Case 3, Case 6, Case 10, Case 18, Case 20). For those experiencing accelerated change within their environment as a consequence of major disruptions the answer did not lie in early detection to overcome competitive lead times. Their challenge was more to provide an opportunistic character, decision propensity, and efficient change management to ensure the sustained growth of their organizations. Confronted with increasing dynamics in the business environment, strategists argued that the effort necessary for sustained competitive advantage increasingly exceeds the limits of the working diligence and analyzing accuracy of their organizations, which consequently leads to a focus on limited strategizing resources available.
4.2.1.3 Growing uncertainty

Research proposition #3: To manage uncertainty, a firm’s strategy development concepts will employ methodologies that support the capture of emerging signals of change and those signals whose impact is yet to be determined with concurrently less emphasis on traditional tools that support incremental change.

The highly federalistic legal system in Switzerland played an important role in strategic decisions for hospital operating companies. The cantonal government determined quantity and specialization of the hospitals within its area. This made lobbying necessary, which in turn acted as an early warning system at corporate level (Case 10).

On an international level, companies working in emerging markets also tried to take advantage of lobbying not only by making their needs heard, but also by feeding back political tendencies and possible opinion shifts (i.e. Case 5, Case 10). Members of the advisory board used their political influence to either try to present the political landscape according to the business needs or inform the decision makers in the companies about the political tendencies and the most probable outcome of the decisions of the political caste (Case 4, Case 6, Case 10).

On the other hand, although heavily dependent on the European market, the political involvement into the decision making process of the European Union was very low per se, as Switzerland is not member of the European Union, but nevertheless tries to solve economic treaties bilaterally (Case 1, Case 3).
The allocation on Figure 41 based on the self-assessment of the case informants (according to the four stages of uncertainty after Courtney, Kirkland & Viguerie 1997). The resulting pattern demonstrated that most of the case organizations were challenged by increasing uncertainty. One cluster saw their business environment establishing a range of futures (i.e. a few discrete outcomes that define the future). The other cluster argued that their future presented alternatives (i.e. a range of outcomes, but no natural scenarios). Two companies – both market leaders - assessed the uncertainty of the business environment as clear, with a single forecast that is precise enough for determining strategy (Case 6, Case 14).

Figure 41: Uncertainty VS profitability of the interview participants
Two companies worked in a truly ambiguous environment, one company challenged by a major disruption (Case 16) and the second company ready to change its business model to consolidate an intensive growth phase (Case 20).

Some companies have recently changed their strategic decision process from a formally intuitive process to scenario planning on a global basis (Case 1, Case 2). Nevertheless, for the most companies the competitor was the most uncertain factor of the business environment (Case 2, Case 5, Case 7, Case 8, Case 9, Case 10, Case 13, Case 14, Case 15), closely followed by the uncertainty of new market trends, where the decision on whether detected market signals just indicated a short term fashion glimpse or a new trend and an interesting opportunity (i.e. Case 8).

Facing uncertainty, strategists argued that next to a formal corporate strategy process almost two third of all strategic decisions were made on an ongoing basis (Case 5, Case 10). Multi divisional companies relocated their strategic investment decisions from corporate to divisional level in order to increase ownership and responsiveness. “Go for it, as long as you are successful.” (Case 2). Thus, strategic decisions became an ongoing task with short feedback loops to the market and almost real time strategy instead of periodic strategy cycle. “There is a tough profitability aim to reach; but the decision on how to reach that target and when to spend which part of the money on what project is free” (Case 10).

However, the same companies confirmed that the delegation of the strategic decision process to a lower hierarchical level was highly dependent on a few
individuals (Case 2, Case 5). These individuals owned functional competence and responsibility, and country responsibility; all together a heavy burden to bear. Fluctuations and job promotions heavily endangered this fragile construct (Case 5).

**Results for research proposition #3**

Capturing strategy relevant emerging signals of change and those signals whose impact is yet to be determined was the main challenge in uncertain business environments of the questioned strategists. However, it was of even greater importance to ensure the integration of these signals into the corporate strategy development process. Contrary to research proposition #2 which focused on an early detection of **external** signals to overcome competitive lead times, research proposition #3 placed emphasis on **internal** processing of strategic data. Thus, the third research proposition was clearly supported. Depending on the level of uncertainty the companies faced, companies put serious effort into improving **strategic expertise** of the organizations to develop strategic methodologies to influence corporate strategy development. **Change management** grew to an ongoing task, sometimes with a disruptive nature, as opposed to an incremental change.
4.2.2 Organizational adaption

Sustained success gave the interviewed organizations the chance to grow, which in turn forced them to adapt to the growing needs. “Growth is the main problem in developing the organization strategically” (Case 14). Companies that internationalized successfully struggled with the limited capacity of a small decision making group and the many decisions that waited impatiently on their desktops and in their mailing list. The growing organization changed from a domestic SME to a global company, and with the change came demands for adaptation in their decision process and strategy development (Case 1, Case 3, Case 13). Many companies persisted in their well-established decision process, losing first mover advantage and wondering why strategic responsiveness had become so slow in recent times, while on the other hand the business environment exhibited increased dynamics.

One strategist explained that the company he worked with never changed the corporate organization nor the decision process from its origins as one small company in Switzerland until it became a globalized firm leading more than a hundred subsidiaries in eighty different countries all over the world (Case 5). Five managers had to decide on every single investment project or strategic posture worldwide. The benefit of a few involved and highly experienced persons in strategic decisions was thwarted by the huge amount of decisions to be made, thus responsiveness was removed. Structural complexity within the organization and decision-making process was low in this case example - and the importance of
business professionals was high: The top managers may have known their business well for decades, but three out of five retired soon after (Case 5).

In another interview, a strategist explained that the organization had grown naturally over the past decades exhibiting sustained growth, but at a certain point the alignment between the organizational structure and the strategy process disintegrated. When they tried to formalize the strategy development process, ownership was removed and the organization was further divorced from the strategy process (Case 3).
4.2.2.1 Improving responsiveness

Research proposition #4: To enhance organizational responsiveness to environmental change, a firm will demonstrate increasing investment in flatter structures, high autonomy and diversity of mental models, combined with supporting norms and culture.

Strategists and their companies struggled with the “dark side of success” (Case 20). “Attractiveness made us lazy, because the orders came anyway” (Case 2), preparing the ground for losing sustained competitive advantage through incremental adaptation rather than moving to control the environment (Case 8).

Many companies invested extensive time and effort in aligning the different divisions and departments strategically. Their strategists claim that a strategically aligned organization was able to address the changing business environment more swiftly (Case 1, Case 2, Case 4, Case 5, Case 6, Case 12, Case 13, Case 18).

With growing size the demands and complexity of the decision-making process increased, while hierarchy expanded (Case 2, Case 5). The trends were gathered at the market interface, while companies were organized with the most experienced managers on top, “often biasing information too much on past experience and on financial numbers” (Case 5). As the size of the hierarchy increased, the information flow through the organization was lengthened, making it more difficult to take advantage of the short window of the opportunity (Case 2, Case 5). “Our company now stands on the border crossing from an opportunistic
domestic player to a global player. If our company wants to keep its opportunistic way of doing business, it has to have a sharp eye on the decision process, which will certainly lengthen with the growth to a transnational group” (Case 1).

Figure 42: Responsiveness VS profitability of the interview participants

The allocation of cases in Figure 42 displays the responses of the case informants to the questions whether a dynamic environment that asked for a timely strategic response challenged their organizations. One case was a special component supplier for the stable industry with multi-annual delivery contracts (Case 12). “[Our corporate strategy development process is not challenged with responsiveness…] as long as we are disciplined in predicting our operations and footprint and capital expenditure as soon as we see the market going down” (Case 12). The four cases that were only slightly challenged by responsiveness were
former state owned companies that were still market leaders in their industry (Case 1, Case 3, Case 6, Case 18). The observed pattern justified that the majority of the case organizations were (strongly) challenged by a strategic need for responsiveness.

One strategist proudly explained the structure and details of the strategy development process for the company he worked with, but afterwards added that a maximum of forty per cent of the formulated strategic postures were implemented (Case 10). The majority of sixty per cent of successful projects and initiatives came from opportunistic ad-hoc decisions and opportunities, however corporate strategy development offered no place for ad hoc reactions (Case 10): i.e. employing a specialist who secured a dominant market share (Case 10) or brought with him a whole team and a significant amount of important customers (Case 7). Some strategists explained how all strategic decisions were made by a few corporate level staff to facilitate the strategic decision process, while on the other hand separating the strategic decisions from those in the organization that fed the decision process with information (Case 5, Case 10).

Contrastingly, organizations that were strongly challenged by responsiveness (Case 2, Case 9, Case 11, Case 13, Case 17, Case 19) described how every division developed its own strategy separately, guided by vision oriented corporate strategy development (Case 7, Case 8, Case 9, Case 11, Case 14, Case 20) and supported by strong norms and culture (i.e. Case 2). Strategists of similar organization types (i.e. Case 13) strongly agreed that the main advantage of this approach lay in successfully combining different business environment
characteristics, market segments, and mental models. Such different mental models came from recent staff acquisitions (Case 5, Case 8, Case 20) or different market orientations (Case 2, Case 13).

Results for research proposition #4

In analyzing organizational responsiveness, evidence confirmed that increasing emphasis was placed on organizational alignment and strategic empowerment to allow swift strategic response in dynamically changing environments, and less on concentrated periods of analysis to support traditional planning cycles. Organizational alignment was achieved with the help of flatter organizational design, strategic empowerment with improvement of strategic expertise, and swift strategic response with ongoing change management.
4.2.2.2 Reducing structural complexity

Research proposition #5: To address the increasing structural complexity in organizations, strategists will demonstrate intensified engagement with informal as opposed to formal structures and networks, with a concurrently increased emphasis on external as opposed to internal networks.

The interviewed strategists described their matrix organizations as an intermediate step between ancient functionally oriented structures to future project oriented structures (Case 7, Case 8). Recently implemented strategic tools (i.e. project portfolio management and risk management) multiplied hierarchical dimensions to complex matrix organizations, already constrained by different geographic regions and time zones. They claimed complex reporting lines, lack of accountability, competing regional and functional targets, lack of job discription, unclear decision-making process, lack of support from senior managers, and the politics and conflicts arising from continual organizational restructuring (Case 1, Case 2, Case 7, Case 8, Case 18).

The observed data pattern from the self-assessment of the case informants in Figure 43 shows that reducing the structural complexity of their organizations was a major challenge. To address these drawbacks, companies invested time and effort in organizational de-complexity programs (Case 18) to align organizational structures to market driven structures (Case 7) or project driven structures (Case 2). One strategist stated that his company preferred shifting structures to complex
structures as it helped to tackle change and develop adaptability and flexibility in a changing business environment (Case 8).

Particularly in highly competitive industries, structures were simplified to a great extent by converting the formal functional pyramid into a more informal and flat structure. The technology- and/or product-oriented structure was replaced by one that put the customer point of view in the foreground (Case 18). An extensive change management program greatly simplified reporting processes, increased peer pressure which increased productivity, fostered teamwork, leadership, healthy competition and diversity, reduced political maneuvering and finally the firm became a more customer-oriented company (Case 7, Case 18).

Figure 43: Structural complexity VS profitability of the interview participants
Corporate strategy development was strongly challenged in some companies as they tried to achieve sustained competitive advantage through integrating customer feedback (from customers, even through competitors) early in the product life cycle at the development stage. Such external networks decreased internal business professional labor costs but required sufficient strategic responsiveness as well as a different leadership style. Such temporary limited and project-oriented structures could not be managed through a functional structure but called for intensified engagement with informal structures and external networks (Case 2, Case 15).

Companies with strongly diversified and global markets implemented divisional organizations to be able to strategically shape or adapt responsiveness according to the needs of their market (Case 2, Case 7). Divisional strategic alignment with corporate strategy was established through informal networks and supported through strong culture and norms (Case 2, Case 12, Case 13). This guidance gave the divisions room for aligning their efforts in an ongoing change-oriented environment under clear normative boundaries. “*Within our company there are products that are strategic and there are products that bring margin [...] There is a common understanding in keeping divided corporate level and the divisions: go for it, as long as you are successful*” (Case 2). “*Divisional strategies are independent from each other, they are effective silos. There is no competence and no resource at corporate level to develop divisional strategies. What corporate level can help is to prevent the divisions from going blind, the ringing bell quasi: your logic is not right, etc.?*” (Case 12).
Growth-oriented companies whose product and service portfolios had reached the end of their lifecycle established two separate divisions to demonstrate intensified engagement with informal as opposed to formal structures and networks. One division pushed for exceptional performance in their parent industry with an operational (formal) strategy approach and the second division utilized a co-creative (informal) strategy approach to develop in a new industry. After developing the new division with strong growth expectations within ten years, this second division was then merged with the parent industry to transform the company to meet future customer needs (Case 13), to transform a national champion into an international company (Case 11), or unify national players into a multi-national company (Case 19).

**Results for research proposition #5**

Addressing increasing structural complexity in organizations was a common challenge for the majority of the interviewed strategists. The research proposition was clearly confirmed through this research. Evidence suggests that reducing structural complexity and integrating external networks helps companies to develop sustained competitive advantage in dynamic environments. Lower complexity was reflected through both flatter organizational designs or separating the structures that can be assigned new tasks supported by new cultures and norms to build new pathways for organizational growth. Supporting norms and culture allowed the organization to align its efforts in an ongoing change-oriented environment.
4.2.2.3 Business professionals

Research proposition #6: In a dynamically changing environment organizations will focus on corporate governance structures, knowledge sources, and organizational designs that maximize empowerment and collaboration and minimize hierarchy and complexity.

According to the self-assessment of the case informants in Figure 44, three out of twenty companies saw their organization as only minimally challenged by a dynamic business environment (Case 5, Case 15, Case 12). These three companies all worked in an industry with a strong focus on business professionals. From the very beginning, these organizations established few hierarchical levels and a project-oriented organizational structure.

In other cases, recent re-organization concentrated on inter-company communication, to meet the need for facilitating the flow of strategically relevant information through the organization (Case 1, Case 18): “A recently developed new business model had business professionals as the main focus, since the old business model increasingly fought with interface problems through integration of more complex organizational structures, parallel project management structures, etc. “ (Case 1).

13 “Business professionals” is a synonym for “The knowledge worker” (Drucker 1988, p.4)
In a number of the cases studied the emphasis was on keeping complexity low and pooling people with similar skills in specialized departments (i.e. research & development, business development), which demanded a very high level of innovation and technical expertise rather than managerial and business acumen. Through their approach to work, the staff developed a strong focus on roles, responsibilities and personal development plans rather than “vaguely assigned tasks by managers in the projects” (Case 15).

![Figure 44: Business professionals VS profitability of the interview participants](image)

Strategists agreed that business professionals played an important role within their organization and had to deal with several difficulties regarding business professionals. On corporate level, a small team ensured a fast decision process and little coordination effort, but “fluctuations of business professionals cause a real strategic threat to the decision process, as well as to strategy implementation”
(Case 10). On operational level, business professionals required greater competence to deal with their responsibilities, which pushed the balance of power more towards operations (Case 4). The empowerment of business professionals reflected a strategic shift away from strategy development at corporate level to an approach that integrated more hierarchical levels (Case 1, Case 2, Case 18).

To prevent corporate strategy development from slowing down as a consequence of the integration of all hierarchical levels, strong governance structures were established, to allow strategic competences to be established at the divisional level (Case 2). Too diversified to react swiftly in different market segments on changes in the business environment, companies empowered their divisions strategically (Case 2, Case 9, Case 13). “There are the experts [business professionals] on second and third level who are open to changes, who see the challenges; the potential is huge [...] It is interesting that companies are successful despite corporate level [...] There are timely failures and wrong priorities set in corporate decisions, but nevertheless it works, because there are these professionals who make it work.” (Case 9).

These governance structures were heavily challenged by merger and acquisition activities with companies that had different cultures and norms (Case 3, Case 5, Case 18) leading to “small trust, no commitment, and political games” (Case 3) at corporate level. In order to optimize strategic alignment between corporate and divisional strategy development, functional competence to understand the complex trends in the business environment, openness to communicate strengths, business opportunities, internal weaknesses and possible threats, and confidence
were described as the most important characteristics of a both agile and sustainable corporate strategy development (Case 8).

On the other hand, companies that operated under a centralized corporate strategy development approach fought against work-overload for business professionals to ensure their top performers were not allocated too heavy a burden (i.e. functional competence, strategic responsibility, and country responsibility) (Case 5). Strategists complained that successful companies were confronted by a growing organization, without sufficient adaptability in the working capacity of the organization or human resources (Case 5, Case 11). In these cases, the corporate structure was flat because it had not been adapted during the growth phase of the organization, and was not the result of an organizational de-complexity change program. In other words, the corporate structure was based on historical needs and not on future requirements (Case 5, Case 11).

Keeping hierarchical levels low and the organization flat had the consequence that workload and therefore operational and strategic interaction and coordination efforts resulted in an increase at the next higher level of the organization, because the number of direct reports required increased dramatically in changing to a flatter organization (Case 2, Case 5, Case 12).
Results for research proposition #6

Evidence confirmed that changes in the business environment deeply influenced the workforce of companies: “Change happens with heads, not within heads” (Case 8). An international setup with minimized hierarchy and complexity that maximize empowerment and collaboration, combined with higher fluctuations forced the companies to increase efforts on corporate governance structures to ensure that corporate strategy development and the assumptions behind that strategy were understood throughout the company.
4.2.3 Developing strategy in a dynamic market

Evidence suggests that most companies depend on few persons when it comes to strategic decisions, first and foremost the CEO, who plays a major role in defining strategy (i.e. Case 1, Case 5): “There is no consensus-dictatorship - more of an open culture (with some people involving themselves in discussions when they would rather keep quiet) and participative leadership style. This culture is very much CEO driven: what is his vision, what are his ambitions, what is his leadership style, etc.” (Case 1). There was no company interviewed that had not changed corporate strategy development fundamentally when a new CEO was appointed.

The interviewed companies described their present corporate development approach as twofold: They either invested considerable resources in tailoring their future corporate strategies with enhanced knowledge management and strategizing capabilities to predict market changes, or created a dominant position in an envisaged future on corporate level (Figure 45).

However, as described later in this section, the interviewed companies have been able to adjust their corporate strategy development approach beyond the divide between prescriptive and descriptive approaches. They implemented specific innovations, new dimensions, and techniques in strategic development of strategy practice in an increasingly dynamic business environment (Figure 50).
Recent mutations on corporate strategy development initially centered around the deep dissatisfaction with the enormous workload that cyclic strategy analysis entailed (Case 8), and secondly with the radical change from an opportunistic ad-hoc approach to a heavily formalized and sequential strategy development process (and the incapacitation and frustration of some former process involving middle managers) (i.e. Case 1, Case 20).

Figure 45: Emphasis on prediction and control with respect to the current process

“So there is no yearly and generic total business environment analysis; but there is a stringent and directed analysis of strategic initiatives. And the process gets
much faster, earlier understandable – in terms of: what is that strategy process for? –, more precise and the ownership on strategic initiatives regarding implementation is much higher. The category manager are hosting the strategic initiatives, as they overview the value chain totally” (Case 8).

Furthermore, the different temporal horizons of a multi-annual corporate strategy (vision-oriented) and a budget cycle-oriented divisional or country strategy (biased on operational needs) hindered sustained alignment. The same temporal alignment problem occurred when the implementation process became obsolete due to disruptive events in the business environment (Case 17). The different needs of markets with divergent maturity also called for a more flexible strategic approach: Saturated and calm markets could be managed strategically with a formalized approach (Case 1, Case 13), new markets often fluctuated, accelerated, and showed uncertain pattern (Case 20).

Finally, the integration of modern tools like risk management and project portfolio management made the strategy development too complex for many decision makers involved (case 1), and market driven process improvements like weak signal management, issue management, and early warning systems collided with a sequential and cyclical approach (Case 4).
4.2.3.1 Over-analysis

Research proposition #7: In dynamically changing environments, increasing emphasis will be placed on methodologies that support continuous scanning of the business environment to optimize the allocation of resources, and less on concentrated periods of analysis to support traditional strategic planning cycles.

Strategists identified different reasons for changing to methodologies that support continuous scanning of the business environment: Dissatisfaction with the “pseudo-accuracy” (Case 1) of generic analysis (Case 1, Case 8) and over-simplified analysis from external consultants (Case 1), both leading to strategic decisions based too much on analysis and less on a clear company vision.

The resulting data pattern in Figure 46 demonstrates that the majority of companies were challenged by over-analysis: The complex structure of analyzed data in matrix-oriented organizations (Case 2), the richness of information and inter-dependencies of data patterns becoming lost during synthesis (Case 1, Case 2, Case 4, Case 8, Case 12, Case 18), the lack of strategic alignment due to different interests (Case 1, Case 2, Case 6, Case 12, Case 18), and the understanding that strategy cannot be built within one day (Case 2, Case 8) all challenged the over reliance on periodic generic analysis of environmental data.

“There is a tendency in understanding the pseudo accuracy of deep and generic analysis which begins to arise on corporate level. Often analysis-based decisions
tried to replace a clear vision of where the corporate journey has to lead to. Until now the strategic analysis has been done by an external consulting firm” (Case 1).

“The sequential, phase-oriented structure - as found in literature - is very difficult and hard to execute in practice, because there are cognitive borders for the people involved. It is almost impossible to reduce an environmental analysis to the environment and an internal competence analysis on internal competencies, and synthesize this information accordingly in a SWOT, as people have much more in mind and view the appearing problems with much more complexity. This makes the pure view and isolation of single components (in a SWOT), which one actually would strive for in this process almost cognitively unfeasible, and falsifies the result” (Case 7).

Figure 46: Over-analysis VS profitability of the interview participants
Two strategists assessed their corporate strategy development process strongly biased on analysis (Case 5, Case 18), because of a “top-triggered approach, analysis made in the divisions, and voluptuous and time consuming strategy formulation on corporate level” (Case 5).

To optimize the allocation of resources, strategists changed the structure of corporate strategy development to take advantage of the business experience of their leaders and business professionals in defining strategic initiatives (Case 2, Case 8, Case 12, Case 18) and analyze the business environment accordingly in order to avoid “boiling the ocean” (Case 8) during analysis phase of the strategy cycle. “The strategic analysis is limited to 30 per cent, the rest is experience” (Case 10).

“There is a cultural change in not providing a generic analysis for every new strategy process - boil the ocean- but just search for deviations to minimize analytical expense – a variation analysis - , and focus on implementation to get the results. There is less help in just looking back – an analysis of historical data - , but there is also less help in looking just into the future - scenario analysis, including the possible reactions of competitors. Most important is the approach: the analysis process is initiative driven, not vice versa! There is a need for improving analysis quality by explaining analysis, not describing analysis” (Case 8).

To support corporate strategy development, executives conducted the same upfront activities and identified key initiatives a month before (i.e. Case 7). Each
strategic initiative was assigned to a team comprised of senior managers involved with the development and/or later implementation of the initiatives (to increase empowerment and ownership) for detailed assessment prior to corporate strategy development meetings.

Nevertheless, corporate strategy development was not solely based on the business experience and the knowledge of executives and business professionals. To allow creative strategies to be born, companies took full advantage of numerous tools for strategic analysis (such as the five forces model, value chain) to gain key insights regarding how the industry was evolving, how competitor were changing positions, and to clarify where an individual firm’s source of competitive advantage lay. The only difference was that this analysis was done after defining a clear set of strategic initiatives. The analysis phase thereafter verified the strategic relevance of the initiative and reduced the analysis effort to a minimum (Case 2, Case 8, Case 9, Case 12, Case 18).

Generic analysis was viewed as consuming too many resources and too much time, and was replaced by a more experience based (and subjective) analysis approach of executives and divisional heads. The focus was set on detecting changes in the business environment that lead to deviations in corporate strategy development and on strategy implementation to maximize results (Case 7, Case 8), and less on starting the corporate strategy development process from the very beginning with every strategy cycle. “The size of and expense on analysis varies depending on the maturity of the market, comprehensive analysis is only done when preparing market entry decisions. In mature markets, the analysis is
triggered by the occasion” (Case 7). The integrated corporate strategy development (formulation plus execution) incorporated both strategy formulation activities, such as an ongoing analysis of changes in market conditions, and execution activities like management of strategic initiatives. At the start of the strategy cycle, strategists collected critical competitive issues facing the businesses, the strategic calendar then focused on measuring and monitoring the progress they were making relative to corporate strategy. As they encountered unforeseen issues, teams analyzed them within the confines of the preparation process for corporate strategy development meetings. They also maintained the portfolio of initiatives which they readjusted as business conditions changed. The result was not only to make corporate strategy development more agile and responsive to changes in the business environment, but also a more integrated corporate strategy development in terms of strategy execution (Case 2, Case 8, Case 12, Case 18).

Increased emphasis was placed on keeping strategy execution alive, and maintaining accountability of managers by avoiding reviews being continually rescheduled or dropped from the calendar altogether (Case 7, Case 8). To make these reviews productive and to be sure that the time for the sessions remained sacrosanct, the corporate team developed an agenda that they could follow consistently each time they met. There were no operational issues allowed; only the formulated strategy was the only topic of conversation at each review. Again, the necessary assessment was prepared in advance and the findings circulated before the review so that the session could be dedicated to guiding decision-making as opposed to conducting unbounded and unstructured discussion. While
running an effective strategy review meeting was described as a learned skill, strategists stated that one started with scheduling and sticking to discussion of the strategy in the first instance. The results of strategy review strongly influenced strategy controlling, as companies showed increased interest in the roots of their success: in “what initiative had what impact regarding process improvement, product and service innovation, organizational adaptations” (Case 7), and/or their reactions in the business environment (Case 8).
Results for research proposition #7

This research proposition was not confirmed within the collected data. Contrary to the research proposition, evidence suggests that methodologies took into account a more future-oriented and market-triggered approach (Case 10, Case 11, Case 20) and reduced the influence of orthodox strategic tools that mainly biased their results towards past data (Case 8, Case 14). In terms of scanning the business environment corporate strategy development was oriented towards a more continuous and dynamic approach and less on concentrated periods of analysis to support traditional strategic planning cycles.

However, evidence suggests that concentrated periods of analysis remained necessary, but with increasing effort to support a market-triggered approach in corporate strategy development and less on budget-triggered traditional planning cycles (Case 9). Additionally, a strong focus on available strategizing resources supported these findings: Continuous scanning of the business environment triggered focused strategic analysis of change indicators.
4.2.3.2 Sequential process

Research proposition #8: To address process dependency and lag effects, increased emphasis will be placed on strategic development concepts that facilitate adjustment in response to the dynamics of the business environment and less on traditional planning cycles.

Few companies remained unchallenged by the sequential character of their corporate strategy development approach. As displayed in Figure 47, two strategists denied being challenged by a sequential process, because these two companies worked with a visionary corporate strategy development approach (Case 13, Case 20). Companies which were only challenged a little by sequential characteristics worked in a highly regulated and/or extrapolative business environment with few alternative future scenarios. Informants from these case organizations described their planning approach as being very effective in terms of reproducibility and found orthodox strategic tools throughout the strategic process (i.e. Porter’s diamond in strategic analysis, SWOT in strategic decision making, and scenario planning in strategy implementation (Jarzabakowski & Giulietti 2007)) highly effective (Case 7, Case 10, Case 18).

Aside from these companies, there were two groups of strategists who displayed evidence of fighting with process dependency and lag effects, although they came from opposite directions: On the one hand there were diversified companies that were strongly challenged by the lag effects of an orthodox strategy process and tried to reduce the sequential characteristics to be able to respond to the dynamics
of the business environment through introducing additional strategy development processes at lower hierarchical levels. Corporate strategy development became a more visionary and multi-annual cycle event to ensure sustainable compatibility with the business model (Case 2, Case 3, Case 6, Case 12, Case 18). “The corporate strategy development cycle was recently extended from one year to two years, to ‘step away from the wall’ - meaning not to finalize one strategy process at the end of the year and begin with analysis again and have no or less time to manage implementation” (Case 3).

Figure 47: Sequential model VS profitability of the interview participants

One strategist introduced the term “double–U effect” (Case 3), meaning the process flow in the strategy calendar reflected the shape of a W by starting on corporate level with a definition of the status quo, advancing down the hierarchy through divisional and department level to operational level for analysis; then back up to corporate level with the synthesis of the strategic analysis; after
strategy formulation, corporate level delegated the execution down again through all hierarchical levels, and the strategic process rose up again with the controlling reports of the implementation results (Case 3). This process structure showed excellent results in a stable environment but failed to be able to flexibly adapt in response to the dynamics of the business environments (Case 2, Case 3, Case 4, Case 6, Case 12, Case 15, Case 18). The introduction of strategy development at divisional level parallel to corporate strategy development reduced lag effects (Case 15, Case 18). Nevertheless, process dependency was not reduced and the alignment of the different divisional strategies bound significant resources (Case 2, Case 12).

Another strategist explained that he suddenly realized that it was counterproductive to forbid the multiple process bypasses that emerged to accelerate strategic decisions. Most of the informal processes were found to be very useful and once integrated improved strategy development away from a sequential to a more iterative process: “Our firm has been in the situation that the environment has been changing rapidly, but [...] strategy has been more and more too complex to successfully deliver sustainable answers to the competitive environment. What emerged had been multiple bypasses that were difficult to handle as they emerged and disappeared. Should the firm help the company to develop these bypasses or should it forbid these mutations? Sometimes, these mutations proved to be fruitful organizational innovations” (Case 15).

The second group of companies came from the opposite direction: They were used to a low-structured corporate strategy development approach by a small
corporate team (Case 1, Case 5, Case 10, Case 11, Case 13, Case 14, Case 20). As they tried to introduce structure, formalism, and process into that opportunistic strategy development approach to reduce the dependency on individuals (Case 1, Case 5, Case 10), conflicts arose with an opportunistic business model based on first mover advantage. These companies, already on their way to consolidating their fast growth period and changing their business model, found a more process and structure-oriented corporate strategy development approach useful, as their business focus turned to internal consolidation, benchmarking and best practice (Case 13, Case 20).

The group of companies that continued on their growth and acquisition path persisted with descriptive corporate strategy concepts (Case 1, Case 5, Case 10, Case 11, Case 14). These concepts were based on an adaptive framework with low emphasis on prediction and control to allow the company to move faster and adapt to a rapidly changing environment by questioning opportunities in the business environment in terms of strategic fit to a strategic directive: “Our corporate strategy development process is a little bit too sequential. The process is already outdated when finalized.” (Case 12).

Other companies put high emphasis on control and transformed their current means with joint venture partners and external partners to build a possible future, be it first mover advantage (Case 1, Case 11) or forward integration of their former sales partners or customers (Case 5, Case 14).
Results for research proposition #8

The rational planning view predicts that as the dynamics increase in their business environment, organizations that analyze more and predict better gain better results (Case 6, Case 7). However, confronted with increasing dynamics in the business environment, strategists argue that the effort necessary to achieve sustained competitive advantage increasingly exceeds the limits of the working diligence and analyzing accuracy of their organizations. Evidence therefore confirmed the research proposition: With increasingly dynamic environments emphasis will be placed in market driven corporate strategy development approaches that allow flexible adjustment to the dynamics of the business environment by improving the strategic expertise of the organization, a relevant organizational design, and ongoing change management. Companies which are able to drive the market, favor a corporate strategy development approach that is biased towards control (construction) rather than on prediction (positioning) by focusing on resources and organizational design and less on budget-oriented planning cycles.
4.2.3.3 Separation of hierarchical levels

Research proposition #9: To address the strategic response lag that arises from the divide between strategy formulation and implementation, there will be increased evidence of the integration of strategy decision makers at the implementation phase to facilitate immediate responses to undesirable effects of implementation.

Strategists that denied a separation of hierarchical levels in their companies in terms of corporate strategy development underlined the importance of ensuring that the strategic approach (and the assumptions behind that approach) clearly understood throughout the organization, consistently with strategists from the other end of the abscissa on Figure 48, who pointed out the similarly: “The difficulty of the strategy development process with our company lies in the integration of all employees into the strategy idea“ (Case 4). A flat organizational structure and a business model that based its value creation on business professionals helped to spread the strategic approach effectively throughout the organization (Case 7, Case 10, Case 11, Case 12, Case 14, Case 15).

Companies with an orthodox pyramidal hierarchy also claimed that they invested significant effort into making corporate strategy development understood across all hierarchical levels, but had a guiding rather than a prescriptive role (Case 4, Case 6). “Strategy development at corporate level has little to do with the strategy of the companies within our group. Divisions have their own strategy. The managers of the sub-companies within the divisions comment the corporate
strategy, but pay less attention for the corporate strategy. The strategy process shows overall similarities, but is nevertheless not forced by the strategic management team. There are a lot of conflicts between corporate strategy and sub-company strategy, which are escalated and discussed. Our company is not one ship with a lot of oarsmen; it's an armada of ships, coordinated through corporate level.” (Case 2).

They identified the prolongation of the strategy cycle as being important in stabilizing the strategic direction and give the organization time to understand and communicate corporate strategy as an effective approach, but added that a change of CEO always led to a new strategy (Case 2, Case 4, Case 5).

Figure 48: Separation VS profitability of the interview participants
Initially, strategic analysis was sourced from external consultants and introduced new sections of the organization to corporate strategy development (Case 1, Case 2, Case 8). With increasing dynamics of the business environment, consultants increasingly failed to deliver specific analysis data pattern required to generate successful and profitable strategies. A specific process to synthesize strategic information had to be established, which led to an opening in communication at the marketing frontline, “even for critical arguments and perceptions” (Case 1), thus making a top-led strategy development approach less necessary.

Understanding strategy implementation as being part of corporate strategy development led to the same consequence (Case 18). Strategists realized that less than half of successfully implemented initiatives were based on corporate strategy – “There is a wide gap (and a lot of possible nuances) between top-down strategy development and divisional strategy development with alignment on corporate level.” (Case 4). The majority of corporate improvements were market driven, and out of reach for corporate strategy development (which was reduced to strategy formulation). “Today, less than 50 per cent of all corporate initiatives are based on strategy ... they just happen ... Meaning, all is good, when the market is good, vice versa too. The aim is to increase the influence of strategy-relevant implementation improvements within corporate initiatives” (Case 4). So strategically joining formulation and implementation amplified prediction and control (Case 4). This case led to the notion that strategy separation not only separated operations from corporate strategy development, but also corporate level lost control over strategy execution because of the lack of strategy alignment during implementation. Unable to predict the environmental opportunities, some
companies accepted the separation of strategic approaches between formulation and implementation: “in our company, there are initiatives that are strategic, and there are others that bring margin” (Case 2). They decided to predict what was predictable and left room for ad-hoc decision making with an increased emphasis on corporate governance structures, combined with supporting norms and culture (Case 2, Case 10, Case 20).

Companies that successfully bridged the strategic response lag that arose from the divide between strategy formulation and implementation based their improvements on additional strategy development processes on divisional level: That divisional strategy development was challenged by corporate strategy development in terms of the underlying assessments (Case 13), the point of view of the divisions (Case 2), the consequences on corporate product/service portfolio (Case 12), and feeding back strategy control (Case 7) into the alignment process. The alignment process was led by the CEO and often supported by an external mentor or consultant firm to reduce company-blindness (Case 8, Case 12). “Corporate strategy office does not sit around and make strategies for our divisions. They make their strategy for themselves. What we do is: we challenge it, we ask them: are you right in your assessment? We make them check and re-check, we make them look at things in a different way; we think about: is this the portfolio, what happens if we buy something big, do we have to re-balance the portfolio, etc.? Divisional strategies are independent from each other, they are effective silos. There is no competence and no resource at corporate level to develop divisional strategies. What corporate level can help is to prevent the
divisions from going blind, the ringing bell quasi: your logic is not right, etc. ?“ (Case 12).

Within these companies, corporate strategy development claimed that challenging the divisional strategies was very difficult due to notably strong ownership on “their” strategic initiatives on divisional level (Case 2, Case 7, Case 12). “The classical outside-in method may be helpful in the beginning, but it’s not sustainable. The wrong approach is to open a strategy meeting with all points prepared and sending the template with the invitation, because there is a high possibility that there are major strategic points missing, which would have been added with integration of all participants. Fifty per cent of strategy is to believe; you have to put ownership in it - it’s normative, too - you can decide upon success afterwards“ (Case 7). Corporate strategy development was aimed at the alignment of the different strategic processes within an overall strategic approach and the use of the same strategic tools to limit misinterpretation of analysis data patterns during synthesis and strategy formulation (Case 2, Case 7, Case 8, Case 9).
Results for research proposition #9

To address the divide between strategy formulation and implementation, evidence confirmed that corporate strategy development increasingly incorporates lower hierarchical levels – that are mainly responsible for the implementation of strategy - to increase ownership and facilitate immediate response to the dynamics of the business environment with increased emphasis on strategic alignment with corporate level strategy. *Improving strategic expertise* throughout the organization involved challenging process dependencies and strategic response lags between hierarchical levels. Increased investment in flatter structures, high autonomy and diversity of mental models, combined with supporting norms and cultures to shape *organizational design*. 
## 4.2.4 Summary

<table>
<thead>
<tr>
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**Figure 49: Overview of supported and unsupported research propositions**
4.3 Cross-case implications of this research

This project began with a discussion about prescriptive and descriptive approaches in corporate strategy development and a set of nine propositions that summarized the views within the literature that support the development of competitive advantage in dynamic environments.

The qualitative methodology in this project delivered detailed insights and opinions of strategists of some of the most profitable companies in Switzerland through semi-structured interviews. The analysis of the interview data resulted in qualitative data patterns from which conclusions have been drawn. Implications from these conclusions around the independent propositions are now drawn together to provide a comprehensive model structured around the aspects emerging from the study that can be operationalized.

In the following section specific innovations, new dimensions, and techniques in corporate strategy development practice are now offered along a clear chain of evidence. A set of principles is discussed, around which a new strategic framework might be designed and operationalized. These strategic innovations have delivered sustained success in a dynamic environment for some of the most profitable companies in Switzerland.
4.3.1 What aspects need to be addressed?

In a context of increased dynamics in the business environment, evidence suggested that barriers of economies of scale, differentiation, switching costs, and distribution access became less of a priority. In such a context, strategy concepts that addressed competitive advantage by placing increased emphasis on shaping the market through envisioning and driving organizational change, intensified engagement with informal as well as external collaborative networks of strategic partnerships, and their integration into corporate strategy development played a more dominant role.

Strategists either enhanced strategizing capabilities to predict market change or shaped the market through envisioning or strategic partnerships to develop a point of view about the future. Consistently, strategy became an ongoing debate within an organization, not a massive one-time effort. In practice, the external view was increasingly involved both in forecasting and corporate strategy development. Both business professionals at the marketing front and strategy formulated at corporate level required collective support from multiple functionalities and hierarchies across an organization and therefore required translation into forms and meanings that could be understood by all those whose actions contributed to its design and execution.

Therewith, companies started to acknowledge the importance of knowledge and learning underpinning strategizing and in-sourced strategic analysis. Some
organizations’ corporate strategy development process embodied learning, flexibility and reconfiguring to address emerging challenges.

The findings revealed an overwhelming discontent with traditional methodological and hierarchical planning approaches to strategy development in dynamic environments. Strategic tools like PEST and SWOT were widely used throughout the case organizations, but criticized: Firstly because of temporal issues relating to the past and secondly because of a bias towards oversimplification.

Some supplemented their framework with adapting and envisioning approaches, while others undertook additional risk analysis and value assessments. Hence, the organizations that turned to a more adaptive approach reduced their emphasis on prediction to be able to swiftly adapt to a rapidly changing environment, while those which exchanged positioning with construction increased emphasis on control to make their vision come true.
4.3.2 What are the current adjustments?

Independent from the corporate strategic approach that was chosen to gain competitive advantage in dynamic environments, evidence suggests the following set of adjustments:

4.3.2.1 Improvement of strategic expertise

There is significant evidence to suggest that companies improve the strategic expertise across the organization to gain collective support from multiple functionalities and hierarchies:

(a) Traditional tools that support incremental change based on a predictive approach were recognized to contain process dependency and lag effects. But in increasingly uncertain environments, strategists favor methodologies that support the capture of emerging signals of change and those signals whose impact is yet to be determined, because the available resources for analyzing and predicting the strategic paths become insufficient (Case 7).

(b) The factors and inter-dependencies of both external and internal analysis are much more complex than PEST and SWOT are able to describe. Strategists were of the view that the isolation of single components (for example, in SWOT), which one actually would strive to articulate in this process, is almost cognitively unfeasible and falsifies the result. The capture of emerging signals is therefore in-sourced from consultant firms and sophisticated benchmarking
and best practice tools are developed and utilized in-house (Case 4, Case 7, Case 18).

(c) Strategists integrate the business knowledge of their organization to search for predominant strategic options and the definition of new strategic initiatives before analysis to avoid over analysis and reduce the cost of prediction (Case 1, Case 2, Case 7).

(d) The synthesis of analysis data pattern is in-sourced to avoid over-simplification (by external consultants) and increased emphasis is placed on methodologies that support continuous scanning of the business environment to optimize the allocation of resources, and less on concentrated periods of analysis to support traditional strategy planning cycles (Case 1, Case 7, Case 9).

(e) Increased ownership of strategic initiatives belonging to strategic decision makers is leveraged during the implementation phase to facilitate immediate responses to undesirable effects of strategy execution. Following the synthesis of organizational designs that maximize empowerment and collaboration and minimize hierarchy and complexity, the strategic initiatives defined by strategists through analysis can be reformulated to address implementation issues and emerging environmental changes. (Case 2, Case 4, Case 5, Case 7, Case 8, Case 12).
4.3.2.2 Focus on strategizing resources

The rationale planning view predicts that as the dynamics increase in their business environment, organizations that analyze more diligently their business environment will achieve sustained success (Case 7, Case 20).

(a) However, confronted with increasing dynamics in the business environment, strategists argue that the effort necessary to sustain competitive advantage increasingly exceeds the limits of the working diligence and analyzing accuracy of their organizations (i.e. Case 8, Case 9, Case 12).

(b) Consequently, some companies reduce their emphasis on prediction (i.e. formal market research, competitive analysis, etc.) by utilizing an adaptive approach on the basis of fast decision making and effectual entrepreneurship (to some extent in Case 7 & Case 11).

(c) Other companies increase the emphasis on control by changing from positioning to constructing an envisaged future. While companies that focus on positioning deal with the relative emphasis on prediction and navigate an exogenous environment some change to a visionary approach that deals with deliberate efforts to make the environment endogenous (Case 1, Case 3, Case 13, Case 18).

(d) The fourth group of strategists finds that with increasing dynamics of the business environment, an emphasis on orientation towards creation and action
results in enhanced decision quality. Instead of being driven by the market they suggest that strategies are more effective by leveraging their resources entirely toward overachieving co-created product/service features with customers (Case 8, Case 10, Case 11, Case 14, Case 15).

However, in all four approaches corporate strategy development demonstrates intensified engagement with methodologies that support continuous scanning of the business environment to detect strategic offset to optimize the allocation of resources, and less on concentrated periods of analysis to support traditional planning cycles.
4.3.2.3 Organizational design

Evidence supports the notion of changing organizational structures to reduce their structural complexity, but from different perspectives:

(a) Strategists are developing their organizations from functional structures to project oriented structures to reduce multiple and complex reporting lines, thereby increasing accountability for strategic issues. Because accountabilities are clearer under a continuous strategy development approach than under orthodox strategic planning, clarity in accountability accelerates the pace of strategic decision making and thus fuels value growth (Case 8, Case 14).

(b) To enhance organizational responsiveness to environmental change, firms demonstrate increasing investment in flatter structures, and high autonomy and diversity of mental models that strongly emphasize the impact of clear, comprehensive, and compelling communication. High autonomy and diversity of mental models emphasize creativity and empowerment, framed by corporate government structures, supporting norms, and cultures that define common means and goals (Case 5, Case 8, Case 11, Case 12, Case 14).

(c) Predominantly in descriptive approaches, informal knowledge sources and external networks increasingly complement organizational design to flexibly adapt to the dynamics of the business environment or to transform common means into co-created goals with others who commit in a business network (Case 10, Case 15).
(d) Likewise, informal structures play an important role in creatively leveraging existent approaches in prescriptive strategy development approaches, because these informal structures often emerge exactly where anomalies lie. Thus, informal structures are able to indicate possible room for improvement in the context of organizational design and corporate strategy development (Case 10, Case 15).
4.3.2.4 Change management

There is strong evidence to underline the importance of change management in order to guarantee sustained competitive performance of firms:

(a) The dynamic business environment brought increased opportunities to the interviewed companies. To optimize the allocation of resources necessary for strategizing, companies changed their approach to reduce their cost of prediction by similarly reducing the cost of failure, and making strategizing more creative and entrepreneurial (Case 4, Case 8).

(b) To be able to transform the organization successfully, strategists identified the importance of a cooperative approach: clear, comprehensive, and compelling communication, integrating business professionals already in the strategy formulation phase, approaching resistors, paying attention to personal concerns, and pre-testing the details of change (Case 2, Case 3, Case 7, Case 8).

(c) Although practicing a planning approach at the corporate level, many executives accept the fact that a significant part of successful initiatives result from opportunistic ad-hoc decisions. They also implicitly accept the fact that with this entrepreneurial approach change becomes necessary to align the organization respectively (Case 2, Case 4, Case 7, Case 10).
(d) Consequently, the dynamics of the business environment influence the organizational design and corporate strategy development process of companies that try to establish sustained competitive growth within that environment. The mutual interconnections of the market, organization, and process dimensions examined through this research require a company culture that incorporates the flexibility and openness required to accommodate major change (Case 2, Case 4, Case 8).
4.3.3 What are the consequences?

To achieve sustained competitive growth in dynamic environments, companies improve the strategic expertise across the organization to gain collective support from multiple functionalities and hierarchies. The same dynamics force companies to change their approach to prediction and control to emphasize methodologies that support the continuous scanning of the business environment and to optimize the allocation of resources for strategic analysis and implementation efforts.

The increased emphasis on strategic flexibility to facilitate adjustments to changing market conditions results in a simplified organization design with flatter structures, integrating informal and external networks. A subsequent change in culture enables the organization to change the strategy approach required to achieve continued growth.

This project analyzed opinions and insights from strategists of some of the most profitable companies in Switzerland. Different environments and organizational designs have influenced corporate strategy development approaches. Probably the most important finding is that successful companies do not persist with one strategic approach (either to impose, to adapt, to envision, or to co-create). Instead, they are able to change their approach according to the emphasis placed on prediction and/or control, necessary to achieve and maintain profitability and growth.
Sources from literature and business practice suggest that planning and/or adapting approaches to achieve competitive advantage in a changing business environment might be effective, but attempting to significantly drive the business environment increases sustainability.

Figure 50: Emphasis on prediction and control with respect to process adjustments

The relative emphasis on prediction and/or control changes when a company decides to try harder to predict better (to plan) or move faster to adapt better (to adapt), or when the company persistently builds a clear vision of a valuable future (to envision) or transforms current means into co-created goals (to co-create).
Whatever approaches the company decides to follow, for some of the most profitable companies in Switzerland, it is a temporary limited decision.

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<thead>
<tr>
<th>Approach on ...</th>
<th>Market</th>
<th>Current process</th>
<th>Process adjustments</th>
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<tbody>
<tr>
<td>Case 1</td>
<td>Envision</td>
<td>Impose</td>
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**Figure 51: Existing approaches on market, process, and current adjustments**

Strategists pointed out that the transformation from one approach to another bound significant resources and influenced sustainability. They added that during the history of their companies they eventually detected evidence that the external approach grew differently from the internal approach (e.g. change of legal entity,
new CEO or exchange of major stakeholders, transformation to the next life cycle stage of the company).

Alternatively, the organization changed its approach (i.e. due to a merger with a more dominant organization) even before corporate strategy development was able to initiate change. Unable to predict the environmental opportunities, strategy formulation consistently ignored the fact that execution favored a different approach.

The most important task of corporate strategy development has been to successfully combine the opportunities of the environment with the strengths of the organization. One would suggest that using the same approach for market, organization, and process would reduce misunderstanding and paradigmatic discussions. However, there is data pattern within this project that suggests that companies were confronted with different approaches and placed emphasis on re-aligning around the different approaches. Comprehensive change management efforts revised tools, reshaped models, defined new processes, and established different frameworks.
4.4 Review by the reference group

From an epistemological perspective, special emphasis is placed on external objectivity with the help of the critical community, such as editors, referees, and professional peers (Guba & Lincoln 1994).

Two senior strategists with proven expertise in theory and practice in corporate strategy development (of the market leader in their industry for decades), international experience, and a multi-cultural background (American and francophone) have been asked to review the data analysis and findings in order to increase external objectivity.

The first reviewer’s own practical experience was consistent with the movement of companies within the four different quadrants (i.e. the four approaches - see Figure 50). According to his practical experience, companies start with an adaptive and entrepreneurial, iterative, and evolutionary approach.

Then, as the business grows and develops, successful companies move to a different quadrant. Environmental issues, life cycle issues, but also management issues (because some CEOs are evolutionary, some are systemic) determine the strategic approach. Therefore, it is not a binary choice.

One the other hand, the first reviewer indicated that the concept presented in the findings could assist executives used to “a Stalinist five-year plan”, in dealing with an organizational structure that works with different approaches. He
occasionally detected such shifts in strategic approaches during major merger and acquisition activities, as well as during off-shoring and outsourcing of company resources. He described the multi-approach concept of this project as a useful resource to assist executives and strategists to detect gaps in the organization’s understanding of strategy.

He added that this concept also introduces a multilevel and sub-organizational discussion of how different strategic approaches can be aligned successfully, and what resources have to be allocated to initiate successful change management within a dynamic business environment.

The second reviewer placed emphasis on cultural aspects of corporate strategy development. According to his practical experience, the idea that implementation is distinct from strategy has become firmly ensconced in management. With relevance to case evidence which states that the majority of successful strategic initiatives were implemented without influence of corporate strategy development, he endorsed the notion of fostering a company culture that supports empowerment and strategic knowledge management in order to allow operational managers to make informed judgments rather than just follow a predetermined plan. In increasingly complex international organizations within a volatile and uncertain business environment, the reviewer confirmed that one single strategic approach throughout the company becomes fragmented.
5 Conclusions and implications
5.1 Introduction

The purpose of this project was to examine the reconfigurations of strategy development that have helped organizations to achieve sustained success in a changing business environment. The identified patterns of corporate strategy in the form of a management framework that emerged from the research can be used to build strategies under volatile conditions.

Chapter one outlined the background of the research and identified the research problem. The chapter also highlighted the need for further investigations within the area of corporate strategy development and justified the research agenda. A subchapter discussed the definitions that were relevant for research and associated limitations.

The objective of chapter two was to place the scope of this project within the context of existing knowledge and previous research. Three main disciplines were examined: market-oriented corporate strategy development literature, corporate organization literature, and previous work undertaken in the field of linkage between the two in terms of corporate strategy development process literature.

From this review of prior research, it was clear that in dynamically changing environments the strategy/practice gap was not readily explained by current and seminal literature (Baldridge, Floyd & Markoczy 2004; Ghoshal 2005; Lowendahl & Revang 1998; Prahalad & Hamel 1994) nor by recurrent academic debates (e.g. Academy of Management Conference 2004, Academy of Management Journal
Conclusions and implications


**Figure 52: Structure of the conclusions and implications chapter**

The desirable properties of a strategy development framework in a dynamically changing business context were described. In contrast to a purely sequential model, a more holistic framework was created, indicating proposed interaction...
Conclusions and implications

between four factors. In summary, chapter two brought to light the research question that was examined in this project:

*How can corporate strategy development be reconfigured to help organizations achieve sustained success in a changing business environment?*

Chapter three scrutinized investigation methods previously applied in similar projects, analyzed demands on research data emerging from the research question and the research propositions and carefully defined a research framework as well as the data sample. Twenty companies compiled cases for the research. Performance was strong in all cases and the group captured those competing in industries which differed in terms of regulatory issues, technology, business models, trends and competitive landscapes.

In order to understand the complex reconfigurations of strategy development that have helped organizations achieve sustained success in a changing business environment, a qualitative research method was chosen. Assumptions, interpretations, and all parts of the research process were critically reflected upon through a review of research findings with a reference group of highly experienced business strategists and academics, thereby enhancing objectivity.

Chapter four analyzed the data collected. The chapter was divided into two main sections: the first section tested the data from the perspective of the three dynamically changing dimensions (market, organization, and process) and the nine research propositions. The second section analyzed the implications of
adjustments to corporate strategy development data that emerged from the interviews.
5.2 Conclusions: The research question

The following section summarizes the conclusions drawn from the research. The overall approach was to test a series of research propositions generated from the literature within and across the cases investigated.

Figure 53 provides an overview of supported and unsupported research propositions while the following sections discuss these results in detail.

Case evidence is reflected back into the academic literature with respect to individual case findings and cross-case analogies, and support for research propositions is indicated and explanations offered when support was not apparent.

This project investigated recent adjustments to corporate strategy development in twenty of the most profitable companies in Switzerland. While strategists did not agree on common approach, they did concur on a collective picture of a business environment in which developing corporate strategy has become more complex:

Planning cycles have been shrinking, future growth trajectories have been harder to predict, business assumptions that once seemed indisputable are being questioned, and the rapid pace of economic events has been challenging strategists in their efforts to focus on the long term. Keeping the organization and its processes well aligned with shifting strategic priorities has become a core challenge.
Conclusions and implications

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<tr>
<td>RP9. To address the strategic response lag that arises from the divide between strategy formulation and implementation, there will be increased evidence of the integration of strategy decision makers at the implementation phase to facilitate immediate responses to undesirable effects of implementation.</td>
<td>YES</td>
<td>X</td>
</tr>
</tbody>
</table>

Figure 53: Overview of supported and unsupported research propositions
Four different themes have emerged from the analysis as cross-case implications: (a) improving strategic expertise, (b) a focus on strategizing resources, (c) new organizational design, and (d) ongoing change management. In the following section, practice recommendations are grouped around these four cross-case implications and arranged within a framework for considering alternative approaches to address dynamic environments and as strategic adjustments to meet emerging challenges.


5.3 **Contribution to practice**

5.3.1 **Improving strategic expertise**

Increasing dynamics in the business environment encouraged executives to examine the inherent limits of a budget-oriented and imposed strategy approach. The opportunistic nature of successful strategic initiatives in this environment was supported by continuous planning cycles, flexibility and strategic capability at all hierarchal levels of the organization.

To escape from the finiteness of an efficiency driven strategy process, strategists took “*a step back from the wall*” (Case 3) to make space for a prolonged multi-annual strategy cycle and most considered alternatives in strategic approaches. Executives accepted that the majority of successful strategic initiatives were based on ad-hoc opportunities and not triggered proactively by strategy formulation.

Proactive strategy leadership has received considerable attention in the literature, with substantial support for concepts of strategy as positioning for competitive advantage and strategy as resource re-configuration (also noted by Hooley *et al.* 1998, Porter 2006, Mintzberg *et al* 1998) was accorded significant consideration in the literature. Less attention has been given to the role of strategic opportunism in dynamically changing environments (these findings are consistent with Quinn 1980).
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By accepting the limited ability of organizations to bridge strategic formulation and implementation, strategists oriented their effort towards increasing strategic expertise throughout the organization in order to empower decision makers to achieve sustained competitive advantage in dynamic environments. Organizational alignment was established through informal networks and supported through strong culture and norms (see Case 2, Case 12, Case 13). This guidance gave the organization room to align its efforts in an ongoing change-oriented environment under clear normative boundaries.

5.3.1.1 … to enhance flexibility

Within a context of increased market volatility, both academic literature and cross-case analysis confirmed that it is important for employees throughout hierarchical levels to understand strategy and assumptions behind strategy, thereby making it possible to respond swiftly to challenges and opportunities as they occur and facilitate adjustment to changing market conditions (Morrow, Sirman, Hitt & Holcomb 2007, Nadkarni & Narayanan 2007).

There was significant evidence to suggest that market volatility has driven changes to corporate strategy development, designed to achieve strategic flexibility. Employees from different hierarchical levels developed in-house and utilized, rather than outsourced, environmental scanning and benchmarking tools to support corporate strategy development (i.e. Case 9). Consequently, the increased effort to achieve strategic flexibility was (a) triggered by the relative volatility of the business environment (also in Nadkarni & Narayanan 2007), (b)
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supported at all hierarchical levels, and (c) independent from the traditional corporate driven strategy development approaches. While the common support at all hierarchical levels and strategy fit throughout the organization has found support in recent literature (Katsikeas, Samiec & Theodosiou 2006), prior literature has contained no mention of different strategic approaches within one organization and the necessity of aligning the different strategic approaches. Nevertheless, prior literature has identified that the characteristics of these new approaches can coexist with those traditional forms (Galan, Sanchez & Zuniga-Vicente 2005, Whittington & Mayer 2000).

5.3.1.2 … with a portfolio of initiatives

To be able to employ methodologies that support the capture of emerging signals of change and especially those signals whose impact is yet to be determined, the majority of case informants argued that an in-depth understanding of corporate strategy development in the organization supports perception, understanding, and interpretation of the relevance of emerging signals for corporate strategy development. This view is consistent with that in the literature (i.e. Barlett & Ghoshal 1987). As external (especially weak) signals are a major contributor for disruption and changes in an uncertain landscape (Day & Shoemaker 2005), the perception of the strategic relevance of these signals determines whether they are identified and processed (with the help of strategic tools, i.e. PEST, SWOT) to stimulate the creation of different initiatives relating to the future (as in Fuld 2003), independently from the corporate strategy approach (consistent with Wiltbank, Dew, Read, Sarasvathy 2006, Hamel & Breen 2007).
Many successful multi-divisional companies included in the study relocated strategic initiatives to divisional level in order to increase ownership and responsiveness. Integrated companies or companies without a divisional structure aligned their strategic approach according to the uncertainty level of their business environment. In doing so, they changed not only their strategic approach, but also their strategic model (i.e. Case 20: from an entrepreneurial discounted value-oriented acquisition model to an orthodox corporate strategy development model), process (i.e. Case 15: from a five years strategic planning system to a co-creative means-oriented process orientation with peers and former competitors), and tools (i.e. Case 4: in-house developed best practice tools; Case 9: from a business to customer relationship management to in-house developed benchmarking of the global competitive landscape). Confirming the findings from scientific literature (Bain & Company 2009, Wiggins & Ruefli 2002, Zook & Allan 2001) strategists agreed that changing the strategic approach (and with it their strategy framework, model, processes, tools) required significant effort.

5.3.1.3 … through organizational adaptability

Academic literature and case informants both agreed that flatter structures, combined with greater autonomy and supporting norms and culture (i.e. Case 2: an empowered and autonomous divisional organization: “Go for it, as long as you are successful”; Case 15: the majority of executives are officers in the Swiss militia and therefore support a clear chain of commands and working in small groups independently; Case 4, Case 10: the majority of successful strategic
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initiatives are implemented without prior formulation on corporate level) lower the risk of complexity and interdependencies, and enhance organizational responsiveness to environmental change (consistent with Andersen, Denrell & Bettis 2007, Delmas & Toffel 2006). Project-oriented structures with low interdependencies helped to increase strategic expertise throughout the organization, while supporting norms and culture defined the aims and frames for corporate strategy in dynamic environments. This latter finding is consistent with recent research confirming that cultural dimensions directly and indirectly influence performance (Maerki 2009).

Case organizations that were strongly challenged by responsiveness described how flatter structures with greater (strategic) autonomy were guided by vision oriented corporate strategy development, and strong norms and culture.

5.3.1.4 … through an iterative strategy development model

Confronted with increasing dynamics in the business environment, strategists described how the effort necessary to achieve sustained competitive advantage increasingly exceeded the limits of the working diligence and analyzing accuracy of their organizations. The majority of case informants widely acknowledged the various strategic failures along the strategic process, also noted in prior literature (Kaplan & Norton 2005, Rivkin 2006). However, respondents suggested that they have been moving their strategic approach to a position where they have either been able to predict the changes ahead or have shaped the market according to their needs (as with Eisenhardt & Martin 2000).
Diversified companies that were strongly challenged by the lag-effects of an orthodox strategy process tried to reduce the sequential characteristics in order to respond to the dynamics of the business environment. In addition, they introduced further strategy development processes at lower organizational levels (consistent with Noda & Bower 2007). Corporate strategy development became more visionary with a multi-annual cycle orientation, thus ensuring sustainability with the desired business model.

The second group of companies continued to adopt a minimally structured corporate strategy development approach operating via a small corporate team. Senior executives in these cases tried to introduce structure, formalism, and process into this opportunistic strategy development approach in order to reduce the dependency on core individuals. However, conflicts arose with the opportunistic business model, particularly with respect to first mover advantage (i.e. Case 5: Increased formalism and an enlarged decision group prolonged agreement time, and reduced empowerment and ownership on the market front). The findings of Nadkarni and Narayanan (2007) similarly suggest that the focus on strategic structures during a consolidation phase fosters strategic persistence in contrast to strategic flexibility.

5.3.1.5 ... by merging hierarchies

Evidence confirmed that the integration of decision makers at the implementation phase ensured a common understanding of not only the strategy but also the
assumptions behind strategy. Bridging the disconnection between hierarchical levels through increasing the strategic expertise at all levels (a) challenged process dependencies and response lags, and facilitated an immediate response to undesirable effects of implementation (as in Gumusluoglu & Ilsev 2009), (b) was aimed at the alignment of the different strategic processes within an overall strategic approach and the use of the same strategic tools to limit misinterpretation of data patterns during synthesis and strategy formulation (consistent with the findings of Jarzabkowski & Giulietti 2006), (c) was challenged by corporate strategy development in terms of the underlying assumptions, mental models, the potential impacts on corporate product/service portfolio, and feeding back strategy control into the strategy fit (noted in Katsikeas, Samiee & Theodosiou 2006), and (d) was led by the CEO and often supported by an external mentor to reduce strategy myopia.

However, strategists claimed that challenging the divisional strategies was very difficult due to notably strong ownership of “their” strategic initiatives at divisional level (see also Delmas & Toffel 2008).
5.3.1.6 Summary: Improving strategic expertise

To summarize, evidence confirmed that companies that empowered their organizations strategically by ensuring that staff at all levels understood strategy and the assumptions behind that strategy, have been able to achieve sustained success in a changing business environment. Organizational alignment was established through informal networks and supported through strong culture and norms of behavior. This guidance gave the organization room to align its efforts in an ongoing change-oriented environment under clear normative boundaries. Collective findings include:

(a) the development of in-house analytical and strategizing capabilities to enhance flexibility

(b) the development of strategic initiatives to address anticipated futures alongside current initiatives

(c) flatter structures to support organizational responsiveness

(d) the development of iterative strategy development models to support early recognition of environmental change

(e) merging hierarchies and building autonomy to facilitate the integration of strategy formulation and implementation
5.3.2  Focus on strategizing resources

The rational planning view predicts that as the dynamics increase in the business environment, organizations that “work more diligently to analyze and predict more accurately the changing situation in which they operate will outperform those that do not” (Wiltbank et al 2006, also noted by Hamel & Breen 2009). However, only two case organizations changed their strategy development approach to an imposed one. The objective of this change was either to allocate successful initiatives more exactly (Case 7) or to consolidate an intensive growth phase (Case 20).

5.3.2.1  … to improve foresight ability

Companies that experienced accelerated change within their environment as a consequence of major disruptions argued that methodologies that facilitate the early detection of change indicators were not the key to sustained success in dynamic environments. Executives in these companies held the view that change indicators were widely recognized throughout the market, whether based on (a) internationalization issues, or (b) an increasingly political influenced environment, or (c) a diversified product portfolio exposed to market fluctuations. No company used formal weak signal tools (consistent with Fuld 2003) in a documented process, except for one company over a short period of time. That in turn led to the contention that companies with sustained profitability maintained a comprehensive understanding of their business environment that went beyond the application of weak signal tools. The drawbacks of executives utilizing simplistic
frameworks and the concurrent difficulty of strategic tools capturing soft signals have been discussed extensively in recent literature (Argyres & McGahan 2000, Worren et al 2002, Jarratt & Stiles 2010).

Instead, the challenge for the investigated organizations was more to (a) identify, understand, and process the relevance of change indicators internally, (b) overcome organizational inertia and silo-thinking and (c) ensure competitive lead times for change implementation.

5.3.2.2 … triggered by business opportunities

Contrary to the previously reviewed literature case informants generally held the view that methodologies that support continuous scanning of the business environment did not optimize the allocation of resources. They stated that such methodologies were neither necessary (i.e. because of an ambiguous environment) nor did they reduce over-analysis.

However, concentrated periods of analysis remained necessary to support a market-triggered approach in corporate strategy development (see also Jarzabkowski & Giuliani 2007), with less emphasis being placed on a budget-triggered approach within traditional planning cycles. This market-triggered approach either emphasized the positioning of the organization within an exogenously given environment or constructed a possible future in an endogenous environment (consistent with Hamel & Breen 2009).
5.3.2.3 … to support an iterative strategy development model

Confronted with increasing dynamics in the business environment, strategists revealed that the effort necessary to achieve sustained competitive advantage increasingly exceeded the limits of the working diligence and analyzing capability of their organizations. To allow creative strategies to be born, companies took full advantage of numerous tools for strategic analysis (listed in Jarzabkowski & Giulietti 2007) in order to gain key insights regarding how the industry was evolving, how competitors were changing positions, and to clarify where an individual firm’s source of competitive advantage lay (consistent with Sirmon, Hitt & Ireland 2007).

The only difference was that this analysis was carried out after defining a clear set of strategic initiatives. So, the analysis phase thereafter verified the strategic relevance of the initiative and reduced the analysis effort to a minimum.
5.3.2.4 Summary: Focus on strategizing resources

Profitable companies sustained performance through maintaining a comprehensive understanding of their business environment. However, no methodology could replace a clear strategic vision: the early detection of change indicators in a dynamic environment was less a question of methodologies but rather, perception, understanding, and processing. Instead of increasing the portfolio of scanning methodologies, case informants argued that developing executives’ and business professionals’ ability to understand corporate strategy and optimizing limited analysis resources to a portfolio of initiatives helped to take advantage of the opportunities in a changing business environment. Collective findings include that the following:

(a) in-house developed best practice and benchmarking tools support a market-oriented view and the understanding of strategy on all levels

(b) within a market-driven approach, concentrated periods of analysis remained necessary with respect to the limited working diligence and analyzing capability of the organization. Strategizing resources were therefore primarily used to assess previously developed strategic options, rather than to aid the development of strategic options

(c) driving the market (i.e. first-mover, envision or co-creative approach with market leaders, vertical integration of former customers) and clear communication of mental models with supporting norms and cultures,
enhances organizational responsiveness to environmental change, and therefore maximizes effectiveness of strategizing resources.
5.3.3 Organizational design

Sustained success provided the opportunity to grow, which in turn forced organizations to adapt to growing needs. “Growth is the main problem in developing the organization strategically” (Case 14). Companies that internationalized successfully struggled with the limited capacity of a small decision-making group and the many decisions that waited impatiently on their desktops and on their mailing lists. When a growing organization changed from a domestic SME to a global company, the demands for adaptation in their decision process and strategy development changed (Nadkarni & Narayanan 2007).

5.3.3.1 … to support organizational adaptability

Many companies invested extensive time and effort into maximizing the effectiveness of their limited analytical resources and in aligning the organization strategically. Their strategists claimed that a strategically aligned organization was able to address the changing business environment more swiftly (consistent with Andersen, Denrell & Bettis 2007, Delmas & Toffel 2008).

The communication of strong norms and culture (i.e. empowering divisional heads “Go for it, as long you are successful” (Case 2); strong ownership: middle and line managers formulate and implement the majority of successful strategic initiatives (Case 4, Case 7, Case 10); a ‘can-do’ culture: “It is interesting that companies are successful despite corporate level […] There are timely failures and wrong priorities set in corporate decisions, but nevertheless it works, because
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there are these professionals who make it work.” (Case 9)) supported and aligned a project-oriented organization towards common goals.

Additionally, the communication of strong norms and culture allowed self-directed business professionals to work autonomously with the help of modern second-generation information technology tools to enhance communication capabilities (i.e. internal communication with Video sharing, Blogs, RSS, Social Networking, Wikis, Podcasts, external communication with B2B innovation platforms to allow peers and sometimes even competitors to join in a co-creating approach, interactive B2C tools in Web 2.0 algorithms to enhance organizational responsibility), and the integration of informal networks and external partners fostered a high diversity of mental models (also noted in Capaldo 2007).

5.3.3.2 … to integrate informal networks

Within the transition from matrix organization to networks (Case 7, Case 8), the case informants indicated that reducing structural complexity, acknowledging informal networks and integrating external partners (i.e. customers in Case 14, and sometimes even competitors and peers in Case 15) helped companies to develop sustained competitive advantage in dynamic environments.

In particular, companies that established a corporate strategy development approach by assuming that the future environmental factors were not predictable and therefore co-created common futures with their peers from current means had
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to find a way to align their organizations with emerging environments (consistent with Sarasvathy 2001, Dew 2003, Sarasvathy & Dew 2003).

5.3.3.3 … to foster collaboration

The changing needs of both their employees and customers challenged the investigated companies. The requirements of a worker at the assembly line in the industrial age to become a “knowledge worker” (Drucker 1988, p.4) of today, also impacted the need for organizations to interpret and respond to the dynamics in the business environment. The empowerment of business professionals reflected a strategic shift away from strategy development at corporate level to an approach that integrated more hierarchical levels.

Companies were forced to increase inter-company communication networks in order to reduce the interface with the environment. To avoid the drawbacks of matrix-oriented organizations, companies developed alternatives for reducing structural complexity and responsiveness (consistent with Bartlett & Ghoshal 1990, Corkindale 2008). Business professionals that were able to understand strategy and the assumptions behind that strategy helped to bridge these conflicting needs (i.e. balance of competence and responsibility).

5.3.3.4 … to support an iterative strategy development model

Closing one single strategic loop of orthodox corporate strategy development required that loop to be processed four times through the organization. As a
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consequence of the extensive hierarchy four times as many interfaces, communication gaps, and political filters needed to be addressed (see also Kaplan & Norton 2005). No matter how efficiently such a process was conducted, it lacked effectiveness.

Operating under a purely sequential process approach many companies failed to meet the needs of an increasingly dynamic business environment. Strategists therefore began to search for and implement iterative and parallel models in order to increase effectiveness (also noted by Eisenhardt & Martin 2000). While corporate strategy started to plan and implement strategic initiatives, managers involved in the daily decision process had already acted according to the changing priorities of an increasing dynamic environment. This view is consistent with that in the literature (Mintzberg 1987). Some decisions made by line managers supported, while others contradicted corporate strategy necessitating strategic alignment (as discussed in Bower & Gilbert 2005).

5.3.3.5 ... to merge hierarchies

In order to optimize the allocation of resources and address process dependency and lag effects, strategists changed the structure of corporate strategy development to take advantage of the business experience of their leaders and business professionals (see also Morrow, Sirmon, Hitt & Holcomb 2007; Noda & Bower 2007) by (a) identifying the prolongation of the strategy cycle as being important for stabilizing the strategic direction and giving the organization time to understand and communicate corporate strategy as an effective approach (but
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added that the change of the CEO always led to a new strategy), (b) establishing a specific process to synthesis strategic information (as opposed to relying on consultants), which led to an opening in communication, thus making a top-led strategy development approach less necessary, and (c) establishing flatter structures that helped strategic impulses to flow up and cross-functional initiatives\(^ {14} \) to be driven top down (see also Day 1994, Isern, Meaney & Wilson 2009).

Consistent with Gumusluoglu & Ilsev’s findings (2009) strategy was formed to develop around organizational design with corporate governance, culture and norms, knowledge and skills as the key ingredients.

\(^ {14} \) In addition to formal corporate strategy development, several companies used cross-functional initiatives on major issues or mega-trends such as emerging countries (i.e. “India” in Case 9, “Near East” in Case 11) or cost reduction programs (Case 7), customer focus (Case 18), etc.
5.3.3.6 Summary: Organizational design

To conclude, evidence confirmed that opportunities emerging from an increasingly dynamic landscape were addressed through externally and internally leveraging capabilities of strategically well-informed and well-networked executives and business professionals and a strategically aligned organization that leveraged the competitive resources of firms. Collective findings include that:

(a) the organization’s matrix design is just an intermediate step to a project-oriented structure

(b) growing organizations need to adapt their strategic decision process to balance the growing number of decision makers with the available window of opportunity

(c) a modern organizational design deals with a formal structure and informal networks, inside and outside of the company, because informal networks often emerge where anomalies lie (i.e. organizational inconsistencies, gaps in the chain of command), and external networks (i.e. political lobbying, market leader as professional peers) can support a co-creative approach to be able to reach a dominant market position.
5.3.4 Change management

Effective change management through adapting competencies and successful leveraging in new markets has been a successful strategy for some companies over many years (i.e. Morrow, Sirmon, Hitt & Holcomb 2007). Within an increasingly volatile business environment, the necessary effort to leverage static core competencies increases too. Changing market opportunities forced companies to develop analysis and implementation resources (consistent with Nadkarni & Narayanan 2007). Limiting corporate strategy development to a solely internally-focused competitive advantage approach was viewed by strategists as leading to direct confrontation on the market (see also Wiggins & Ruefli 2005) and the devotion of energies to losing battles on zero-sum competition, driving down profitability (also noted by Porter 2008) or forcing the company to look for different segments or markets.

5.3.4.1 … to improve foresight ability

The majority of companies interviewed experienced accelerated change within their strategic landscape that led to major disruptions of their business model. Strategists argued that the isolation of single events within an increasingly complex business landscape did not constitute the basis on which to build corporate strategy (see also Jarratt & Stiles 2010).

Although case informants agreed that the early detection of change indicators may have helped to ensure competitive lead times, they argued that the challenge for
them was more to facilitate opportunism, decision empowerment, and efficient change management to ensure sustained growth of their organizations (consistent with Day & Shoemaker 2006).

5.3.4.2 … to support a portfolio of initiatives

Almost all strategists believed their future to be clear, or reflected alternative growth patterns or falling within a range of scenarios. Literature provides a similar classification (Courtney et al 1997).

Therefore, many strategists placed strong emphasis on knowing their business landscape they based their strategy upon. Facing uncertainty, strategists argued that following a formal corporate strategy process almost two third of all strategic decisions were made on an ongoing basis “demonstrating acceptance of, rather than challenging, the inherent assumption underpinning the Design School” (Jarratt & Stiles 2010).

Others attempted to significantly influence or control an endogenous environment as a direct reaction to an increasingly uncertain business environment (following Hamel & Breen 2009). These strategists argued that methodologies that facilitate an early detection of change indicators were not the key to sustained success in dynamic environments, as change indicators were widely recognized throughout the market.
5.3.4.3 … to support informal networks

Case organizations were challenged not only by the dynamics of the business environment but also by the transition from orthodox pyramidal hierarchies to project- and market-oriented structures. Consistent with the literature (Capaldo 2007, Dyer & Hatch 2006, Zaheer & Bell 2005) informal peers and external partners gained importance, and customers increasingly expanded their influence into the organization. On the other hand, new business models (i.e. national and later international privatization of hospitals, vertical integration of the distributors to gain direct access to the end-consumer, merger of former national consultant agencies to serve internationalizing customers), greater ease in obtaining information and developing knowledge, and expanded access to talent and labor pools contributed to the accelerating pace of change in a global business environment (see also Johnson, Christensen & Kayen 2008).

As a consequence, orthodox strategic planning was questioned in terms of its ability to successfully deliver sustained answers in this context. Simplifying structural complexity to project-oriented structures increased accountability. Accountability then accelerated the pace of strategic decision making, which in turn leveraged ownership during the implementation phase in order to facilitate immediate responses to undesirable effects of strategy execution.

5.3.4.4 … within an iterative strategy development model
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The companies studied are investing significant efforts into finding organizational and process-relevant responses to an increasingly dynamic landscape. Sometimes, multiple bypasses emerged and informal networks cleared the way and were found to be very useful in aligning organization and processes to the changing context. Ongoing change management sought to transform processes and organization successfully. Strategists identified the importance of a cooperative approach: clear, comprehensive, and compelling communication, integrating business professionals already in the strategy formulation phase, approaching resistors, paying attention to personal concerns, and pre-testing the details of change.
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5.3.4.5 Summary: Change management

Consequently, the dynamics of the business environment influenced the organizational design and corporate strategy development approach of companies seeking to establish sustained competitive growth within that environment (see also D’Aveni 1994, 1999; Wiggins & Ruefli 2005).

Finally, case informants indicated that the mutual interconnections of market, organization, and process dimensions examined through this research required a culture that incorporated flexibility and openness to accommodate major change (previously noted by Delmas & Toffel 2008, Gumusluogly & Ilsev 2007, Nadkarni & Narayanan 2007, Noda & Bower 2007). Collective findings include that:

(a) there is a tendency to reduce the application of analytic and strategizing methodologies, an alignment of strategic processes on different hierarchical levels

(b) strategy on corporate level puts more emphasis on aligning divisional strategy and challenging it in terms of consistency and stringency, as well as supporting middle and operational managers in their attempt to make strategy real

(c) change management is considered strategic to constantly minimize the emerging gaps between an increasingly volatile and uncertain business environment, limited responsiveness and increasing complexity of a growing
organization, and corporate strategy development processes with finite effectiveness.
5.3.5 Conclusions regarding practice recommendations

Independent from the corporate strategic approach that was chosen to gain competitive advantage in dynamic environments, evidence from this research suggests the following four areas for adjustments: (a) improvement of strategic expertise, (b) focus on strategizing resources, (c) organizational design, and (d) change management.

(a) Orthodox strategy analysis tools are utilized, but firms place increased emphasis on the complex factors and inter-dependencies to avoid over-simplification. Furthermore, traditional tools are generally used to assess feasibility of strategic options, as opposed to developing strategic options.

(b) Increased ownership of strategic initiatives belonging to strategic decision makers is leveraged during the implementation phase in order to facilitate immediate responses to undesirable effects of strategy execution. Following the synthesis of organizational designs that maximize empowerment and collaboration and minimize hierarchy and complexity, the strategic initiatives defined by strategists through analysis can be reformulated to address implementation issues and emerging environmental changes.

(c) The capture of emerging signals and sophisticated benchmarking tools are in-sourced to integrate the business knowledge of their organization in order to search for predominant strategic options and the definition of new strategic initiatives before analysis so as to avoid over-analysis and to reduce the cost of
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prediction. Strategists favor methodologies that take into account a more future-oriented approach (i.e. bottom-up impulses from the market front, mega-trends, a tendency to try to reach a dominant position in the market) and reduce the influence of orthodox strategic tools that mainly bias their results towards past data. Concentrated periods of analysis remain necessary, but with increasing effort to support a market-triggered approach, and less on a budget-triggered approach, while a strong focus on available strategic analysis resources supports a continuous scanning of the environment that in turn triggers focused strategic analysis of change indicators.

(d) Strategists are developing their organizations from functional to project oriented structures in order to reduce multiple and complex reporting lines, thereby increasing accountability for strategic issues, which in turn accelerates the pace of strategic decision making and thus fuels growth. Firms demonstrate increasing investment into flatter structures, and high autonomy and diversity of mental models that strongly emphasize the impact of clear, comprehensive, and compelling communication. High autonomy and diversity of mental models emphasize creativity and empowerment, framed by corporate governance structures, supporting norms, and cultures that define common means and goals.

(e) Informal knowledge sources and external networks increasingly complement organizational design to flexibly adapt to the dynamics of the business environment or to transform common means into co-created goals with business partners who commit to building a business network. Likewise,
informal structures play an important role in creatively leveraging existing approaches in prescriptive strategy development approaches, because these informal structures often emerge where anomalies lie. Thus, informal structures are able to indicate room for possible improvement in the context of organizational design and corporate strategy development.

(f) Companies changed their approach to reduce their cost of prediction by similarly reducing the cost of failure, and making strategizing more creative and entrepreneurial. They achieved this through clear, comprehensive, and compelling communication, integrating business professionals already in the strategy development phase, approaching resistors, paying attention to personal concerns, and pre-testing the details of change. Although practicing a traditional approach at the corporate level, many executives agreed that a significant part of successful initiatives result from opportunistic ad-hoc decisions. They also agreed that with this entrepreneurial approach change becomes necessary to align the organization. Finally, the mutual interconnections of the market, organization, and process dimensions require a company culture that incorporates the flexibility and openness required to accommodate major change.
5.3.6 Additional contributions to practice

Probably the most important task of corporate strategy in dynamic environments is to create a sustained customer value proposition, in order to maintain the profit formula and constantly develop the companies’ key resources and key processes (Johnson, Christensen & Kagermann 2008). Throughout history, literature provided several approaches to meet the challenges of increasing dynamism in the business environment.

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<tr>
<th>Decade</th>
<th>Solution</th>
<th>Limitations</th>
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<tr>
<td>1980 - 1990</td>
<td>The management system has to increase its complexity as a consequence of the increasing dynamics in the environment (Henzler 1998, consistent with Porter 1987)</td>
<td>(a) the allocation of the necessary resources to understand, maintain, and process these additional strategic tools become more and more extensive, (b) result in over-analysis, process dependency, misunderstanding, structural inertia, and hinder successful implementation.</td>
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<tr>
<td>1990 - 2000</td>
<td>The management system has to change the appropriate tools and therefore limited the necessary resources, with respect to the characteristics of the business environment (Courtney et al 1997).</td>
<td>This approach implicitly argues that (a) the level of uncertainty as the only measure to determine the increasing dynamism of the business environment, and (b) while uncertainty increases, organizations that analyze more diligently and predict more accurately will gain better results.</td>
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<tr>
<td>2000 - 2010</td>
<td>Prediction and control is seen as independent, that the pursuit of successful outcomes can occur through either predictive or control-oriented approaches (Wiltbank et al 2006, similar to Hamel &amp; Breen 2007, Whittington 2001)</td>
<td>The proposed framework (a) further develops and highlights mainly control-oriented approaches for dealing with the uncertainty of the business environment (b) reduces the choice on which approach to use to a single decision and therefore implicitly ignores the fact that the business environment may change and thus different approaches may be appropriate over time, and (c) that next to the dynamism of the environment, the organizational design, as well as the process architecture determines the strategic approach.</td>
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Figure 54: Prior solutions to increasing dynamism in the literature
5.3.6.1 A new meta-level understanding for practitioners

This section now integrates previous approaches with findings from the current research, providing a consolidated framework that continues the intellectual journey, presenting a practical toolbox of four different approaches. With the help of a toolbox strategists can easily assess the most appropriate approach according to their point of view (market paradigm) and dependent on the dynamism of their business environment. The approach then defines the necessary frameworks, models, and processes to increase the effectiveness of the chosen approach. Finally, through utilizing this framework, appropriate strategic tools to deliver strategic knowledge in order to achieve sustained competitive advantage in a dynamic business environment are suggested.

This project has extended prior research through articulating practice guidelines underpinning recent strategy frameworks (see also Figure 54).

A key contribution of this research is through developing the meta-level understanding founded in prior research. This extended meta-level understanding is consistent with prior research. For example:

(a) confirms with the work of Henzler (1988) who recognized that increasing dynamism in the environment had implications for which strategic tools are utilized in corporate strategy development and in what manner.
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(b) is aligned with the framework of Courtney et al (1997) that changed the strategy development model rather than solely increasing the number of tools applied, and

(c) confirmed Wiltbank et al’s (2006) and Hamel & Breen’s (2007) findings that executives have to decide which corporate strategy development approach is able to achieve sustained competitive advantage in their business environment.

Finally and most importantly, this research has confirmed that successful companies do not persist with one strategic approach. Instead, they are able to change their approach in accordance with achieving and maintaining profitability and growth. Whatever approaches a company decides to follow, for some of the most profitable companies in Switzerland, it is a temporary limited decision, as illustrated in Figure 55.

Case evidence suggested that the transformation from one approach to another binds significant resources and influences sustainability. Over the history of these companies the external approach developed differently from the internal approach, or the company reached a new life-cycle stage and therefore changed its strategic priorities. Alternatively, the organization changed its approach (i.e. due to a merger with a more dominant organization) even before corporate strategy development was able to initiate change. Unable to predict the environmental opportunities, strategy formulation consistently ignored the fact that execution favored a different approach.
Figure 55: Emphasis on prediction and control with respect to process adjustments

The most important task of corporate strategy development has been to successfully combine the opportunities of the environment with the strengths of the organization. One would suggest that using the same approach for market, organization, and process would reduce misunderstanding and paradigmatic discussions.

However, there is data pattern within this project that suggests that companies were confronted with different approaches and placed emphasis on re-aligning around the different approaches. Comprehensive change management is necessary
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to revise tools, reshape models, define new processes, and establish different frameworks.

5.3.6.2 Conclusion

Following both the meta-level pyramid top down and the proposed four quadrants framework (Figure 56), a set of four approaches is offered to assist executives in achieving competitive advantage in dynamic environments:

(a) Case companies that regard their markets as predictable, invest in detailed market analysis to impose trends and develop a corporate strategy that maintains a profitable business model with a sustainable value proposition and a stable profit formula. Suitable frameworks, models, and processes include planning and positioning, competitive analysis, and real options. They suggest their future is clear enough to use orthodox tool kits for strategic analysis (i.e. a global strategy against low-cost entrants, consolidation strategy after strong growth phase).

(b) Case companies that seek to shape their market envision their future and expand their portfolio and sales regions, and create new markets. Corporate imagination and shaping strategies structure the framework and models necessary for this approach. A range of possible outcomes and no-natural scenarios require gap analysis, latent-demand research, technology forecasting, and scenario analysis for strategic tools (i.e. entering emerging markets, developing or acquiring emerging technologies).
(c) Interestingly, no case company utilized an adaptive approach at the corporate level (see also limitations and further research section). However, some divisional heads utilized adaptive approaches to enter new markets. Subsequently, the outcomes were adopted at the corporate level. Companies that seek to enter a new market or perceive their market to be changing or as being invaded by competitors move quickly to adapt their business model, the customer value proposition, their profit formula, and their processes and resources. Suitable frameworks, models, and processes adopted included fast decision-making, incrementalism, emergent strategy, and dynamic capabilities. As there is no basis upon which to forecast the future analogies and pattern recognition, nonlinear dynamic models might also be suitable (i.e. entering markets with strong political influence and low regulatory power).

(d) Some case companies co-create the future with stakeholders and networks of relationships in order to transform their ability to shape new markets with a new business model, a shared customer value proposition and profit formula, utilizing common resources and processes. Value curve creation and effectuation structure the framework and models necessary for this approach. Further approaches identified include decision analysis and option valuation models to use as strategic tools (i.e. strategy to enter deregulated foreign markets, capacity strategies for energy production companies).
## Conclusions and implications

<table>
<thead>
<tr>
<th>Concepts</th>
<th>IMPOSE</th>
<th>ENVISION</th>
<th>ADAPT</th>
<th>CO-CREATE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Graphic</strong></td>
<td><img src="image" alt="IMPOSE graphic" /></td>
<td><img src="image" alt="ENVISION graphic" /></td>
<td><img src="image" alt="ADAPT graphic" /></td>
<td><img src="image" alt="CO-CREATE graphic" /></td>
</tr>
<tr>
<td>Future</td>
<td>Clear enough</td>
<td>Range of futures</td>
<td>True ambiguity</td>
<td>Alternative futures</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Frameworks</th>
<th>Processes</th>
<th>Models</th>
<th>Tools</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate imagination (Hamel &amp; Prahalad 1991)</td>
<td>Shaping strategies (Courtney et al 1997)</td>
<td>Latent-demand research</td>
<td>Technology forecasting</td>
<td>Scenario planning</td>
</tr>
<tr>
<td>Value curve creation (Kim &amp; Maubourgne 1997)</td>
<td>Effectuation (Sarasvathy 2001)</td>
<td>Decision analysis option valuation models</td>
<td>Game theory</td>
<td>Strategy to enter foreign deregulated markets</td>
</tr>
</tbody>
</table>

| Figure 56: Toolbox for practitioners, based on the meta-level understanding |
5.4 Contribution to theory

Specific contributions to theory have been made as a consequence of this research. The meta-level understanding developed through examination of the literature provided clarity about the concepts per se and their interrelationships and consequently provided a rigorous frame of reference for proposition development.

The following section engages with the various approaches that are frequently employed in this research domain and the findings of this research in order to clarify and draw a distinction between operational, strategic and philosophical elements, while at the same time providing an understanding of how these findings link upwards to a philosophical stance and downwards to operational activity.

By introducing the orthogonal character of prediction and control, frameworks, models, and processes are now reconfigured in a figure depicting four quadrants supporting the findings of Wiltbank et al (2006) and Hamel & Breen (2007).

This section concludes with a discussion of the importance of strategic tools used within strategy development. The research findings provide a comprehensive yet contradictory insight into the many difficulties strategy development is required to overcome today.
5.4.1 Concepts

From a conceptual point of view, this research followed the notion that strategic approaches can be understood beyond planning and adaptive prescriptions of how companies should proceed in dynamic landscapes. By conceptualizing control as being independent from prediction and introducing an orthogonal framework, four strategic approaches arose from the data that emphasized either prediction and/or control (consistent with Wiltbank et al. 2006).

In addition, this research confirmed that successful companies that were challenged by a dynamic business environment and organizational transition adjusted their corporate strategy development approach accordingly. However, the process of transition bound significant resources and influenced sustainability. Nevertheless, market liberalization, regulatory changes, and forward integration caused major disruptions in the competitive landscapes and forced changes in the strategic approach.

Increased merger and acquisition activities, offshoring and outsourcing to external partners, and greater customer influence strongly encouraged organizations to adjust their corporate strategy development approach. Movement from internal to external driven thinking accessed through professional networks led to the notion that the decision to follow one single strategic approach was temporally limited, and repeatedly questioned in dynamic business environments.
5.4.2 Frameworks, models, processes

The definition of four strategic dimensions (content, context, process, and outcome) for this framework neither suggested strategy development to be linear and prescriptive, nor separated formulation from implementation. Implementation was far too complex to be solely explained by a prescriptive approach.

A holistic perspective positioned the four dimensions as interacting with each other, with the applied model and processes supporting informed judgments, as opposed to following a predetermined recipe of ready-made solution tools (supporting Okumus 2003).

Different strategic approaches called for applicable frameworks and models that supported the respective approach. Established frameworks such as real options and scenario planning to impose, and fast decision-making and dynamic capabilities to adapt, were acknowledged to help to position in a market-driven context. Corporate imagination and shaping strategies to envision and effectuation (with the aid of decision analysis and option valuation models) to co-create helped to construct the market.
5.4.3 Tools

Orthodox methodologies to scan, organize, and process information were widely used to support corporate strategy. However, over-simplification, a bias towards binary logic, and a disregard of manager’s views down the hierarchy limited their acceptance. Consistent with the findings of Jarratt & Stiles (2010) corporate strategy development was adjusted to include ongoing strategic feedback from those at the market interface, acknowledging the importance of ongoing strategic knowledge and learning that underpin strategizing. Thus, strategic scanning was in-sourced to gain more specific insight into the competitive landscape.

This research emphasized the importance of the comprehensive market knowledge required to take advantage of ad-hoc opportunities that contributed to growth targets. While some companies emphasized an imposed strategic approach from the corporate level and invested significant resources, processes, and tools in scanning the environment, the majority of companies found themselves capable of envisioning their future while others co-created common goals and networks to drive the market. Strategic separation of hierarchical levels also affected strategic approaches, as strongly adaptive approaches were found at divisional level despite different approaches at corporate level.
5.4.4 Summary

Sustained corporate strategy development and implementation exhibited two requirements: (a) collective support throughout the organization. Thus, at the corporate level decision makers require a solid understanding not only of the business, but also its strategy, and the assumptions behind that strategy, in order to respond in a self-directed and swift manner. Strategy had to be simple and communicable, although the assumptions behind it were complex and fuzzy. (b) To increase the innovativeness of a company’s strategies, strategists emphasized a two-fold approach, in which strategic impulses ran bottom up, and initiatives were driven across the organization (supporting Schreyoegg & Kliesch-Eberl 2007).

Moreover, the findings of this research suggest, that the consideration of such bottom-up strategic impulses increased ownership in the implementation phase and aided understanding and acceptance of the strategic direction imposed from corporate level (consistent with Day 1994). Project-oriented structures supported cross-functional initiatives which enhanced corporate governance, helped to soften the autonomy of divisions, communicated common norms and culture, challenged assumptions and opened up the organization to strategic learning.
5.5 Limitations

The purpose of this research was to examine the reconfigurations of strategy development that have helped organizations achieve sustained success in a changing business environment. From an epistemological perspective, the research aim was to find and collect reconfigurations of strategy development indirectly, by reference to their implications (following Sir Karl Popper in Stoerig 2000), strongly associated with rigorous and critical examination of knowledge claims to apprehend reality as perfectly as possible. Special emphasis was placed on external objectivity with the help of the critical community, such as editors, referees, and professional peers (Guba & Lincoln 1994).

Thus an interpretative ontology, based on a critical realist epistemology, with an inductive methodology and qualitative interviews formed post-positivism as the dominant research paradigm. A comprehensive literature review resulted in a set of research propositions that formed the basis for exploring issues, coming up with tentative relationships, and deriving a future framework with the help of inductive and qualitative methods.

The reason for deciding on this approach was determined by the complexity of the research framework that investigated the complex interrelationships between the operationalized factors: market, organization, and process. While the factor market could have been assessed quantitatively, the organizational and process part, and the interrelationships between all three factors demanded in-depth analysis of the given situation. A limited basis for generalizing findings is a
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qualified criticism. But the qualitative approach relies more on analytical
generalization by striving to generalize research findings to a broader theory (Yin
2003). An alternative approach to analyzing the factors market, organization, and
process quantitatively was also evaluated; the main advantage of this method
would have been statistical generalizability.

The research field was reduced to corporate strategy development of Swiss
companies, shown as following minor deviations compared to other countries:

(a) The Swiss code of obligations defines the Board responsible for corporate
strategy development by law. This separation of formulation and execution is a
unique characteristic compared to corporate strategy development in other
countries. However, in practice and confirmed by the majority of case
informants, the influence of the Board on corporate strategy development is
reduced to an additional plausibility check before approval. Exceptions were
clearly marked and reflected upon during case analysis.

(b) The majority of the investigated companies were organized in a divisional
structure with strong empowerment (in terms of balancing responsibility and
power) of the divisional heads. Therefore, corporate strategy development
showed a more visionary approach and focused on aligning the divisions
accordingly, while on the other hand divisional strategies focused on
operational needs and execution. However, in a few cases, a dominant CEO
triggered strategy from the top, thus separating top level and operations in
terms of responsibility and power, as well as strategy formulation from
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execution. This strong autonomy of the divisions supported the finding that within one company multiple approaches were investigated (see also analysis chapter). Although this research focused on strategy development at corporate level, the divisional approach played a dominant role in defining the market approach, and influenced the corporate strategy approach accordingly as a consequence of its dynamic character.

(c) The small macro-economic Swiss context favored co-created approaches due to strong economical and political networks and the rather small size of companies relative to international competitors. Consolidation efforts due to market liberalization, increased merger & acquisition and vertical integration activities were biased towards the same macro-economic characteristics.

The selection criterion was strongly biased towards sustained profitability implicitly stating a direct and single connection between long lasting profitability and success.

(a) However, multiple perspectives define the term “success” in theory and practice. This research follows less a definition of success in terms of implementing a portfolio of strategic initiatives (project-oriented, i.e. within some reasonable budget and schedule), but more in terms of business results (business-oriented, i.e. in realizing its business goals), because reducing the definition of success to the implementation of initiatives can, within a short
Conclusions and implications

period of time, turn into failure, thus undermining sustainability (i.e. Larsen & Meyers 1999).

(b) Long lasting sustainability favors mature companies. New ventures or enterprises were therefore factored out because sustained profitability was yet to be realized. This leads to the contention that the inherent focus on adaptability in new ventures or enterprises found no application in the limited research field of this project.

The case analysis indicated that the dynamics of the business environment increased over all investigated industries in terms of volatility, speed, and uncertainty. This common threat could be argued as the reason why so many companies emphasized (Case 2, Case 4, Case 5, Case 6, Case 12, Case 16, Case 17, Case 19) or changed to either prediction (Case 7, Case 20) or control (Case 8, Case 9, Case 10, Case 11, Case 14, Case 15), and none chose an adaptive approach, not knowing where an adaptive path may lead them. This reflex action to rearrange the portfolio into a safe haven by concentrating on markets with high predictability (significantly in Case 7, Case 20) seems to be a logical reaction in these uncertain times. Other companies had already overcome major disruptions successfully and established a clear vision for their future (Case 1, Case 3, Case 13, Case 18).
5.6 Further research

Several contentions that have emerged from this project are considered worthy of further research:

(a) This research was undertaken through a qualitative approach, addressing a small sample and a strong bias on profitability. Consequently, a research project under which this concept could be analyzed quantitatively could be employed in order to statistically generalize the findings (Yin 2003) under a positivist paradigm.

(b) This research has identified key adjustments to corporate strategy development through which executives could influence sustained competitive advantage in practice. Future research could analyze quantifiable relationships between these key adjustments and sustained competitive advantage.

(c) This project concentrated on Swiss companies. The small macro-economic Swiss context favored co-created approaches due to strong economical and political networks and the rather small size of companies relative to international competitors. Since this research included several industries without identifying differences between national effects on sustained corporate strategy development, an expansion of the investigated market to other countries or continents would increase generalizability.
(d) Further research is required to highlight the importance of additional organizational characteristics to deal with strong ownership. This includes the capabilities, resources, and ownership structure of the company (Darnall & Edwards 2006), corporate identity and managerial discretion (Sharma 2000), as well as the characteristics of the individual manager (Bansal & Roth 2000, Cordano & Frieze 2000).
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Z


7 Appendix
### 7.1 Literature basis

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<tr>
<th>Dimension</th>
<th>Indicator</th>
<th>Author</th>
<th>Article</th>
<th>Item</th>
<th>Research proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>External context</td>
<td>Volatility</td>
<td>Wiggins &amp; Rueffl 2005</td>
<td>Schumpeter’s ghost</td>
<td>Foresight</td>
<td>In environments of accelerating change, strategists will favor methodologies that facilitate early detection of change indicators over traditional methodologies to ensure competitive lead times for change implementation.</td>
</tr>
<tr>
<td></td>
<td>Speed</td>
<td>Kor &amp; Mahoney 2005</td>
<td>How dynamics, management, and governance of resource deployments influence firm-level performance</td>
<td>Flexibility</td>
<td>In a context of increased market volatility, firms will place increased emphasis on strategic flexibility and less emphasis on rigidity imposing and moderating predetermined plans, to facilitate adjustment to changing market conditions.</td>
</tr>
<tr>
<td></td>
<td>Uncertainty</td>
<td>Field 2003</td>
<td>Be prepared</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Speed</td>
<td>Day &amp; Shoemaker 2005</td>
<td>Scanning the periphery</td>
<td>Portfolio of initiatives</td>
<td>To manage uncertainty, a firm’s strategy development concepts will employ methodologies that support the capture of emerging signals of change and those signals whose impact is yet to be determined with concurrently less emphasis on traditional tools that support incremental change.</td>
</tr>
<tr>
<td></td>
<td>Uncertainty</td>
<td>Wilbank, Dew, Read, Sarasvathy 2006</td>
<td>What to do next? The case for non-predictive strategy</td>
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<tr>
<td></td>
<td>Uncertainty</td>
<td>Gumsudluoga &amp; Isay 2007</td>
<td>Transformational leadership, creativity, and organizational innovation</td>
<td></td>
<td></td>
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<tr>
<td>Internal context</td>
<td>Responsiveness</td>
<td>Andersen, Demrell &amp; Bettin 2007</td>
<td>Strategic responsiveness and Bowman’s risk-return paradox</td>
<td>Adaptability</td>
<td>To enhance organizational responsiveness to environmental change, a firm will demonstrate increasing investment in flatter structures, high autonomy and diversity of mental models, combined with supporting norms and culture.</td>
</tr>
<tr>
<td></td>
<td>Structural complexity</td>
<td>Schreyogg &amp; Kliesch-Eberl 2007</td>
<td>How dynamic can organizational capabilities be?</td>
<td>Network</td>
<td>To address the increasing structural complexity in organizations, strategists will demonstrate intensified engagement with informal as opposed to formal structures and networks, with a concurrently increased emphasis on external as opposed to internal networks.</td>
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<td></td>
<td>Strategic planning</td>
<td>Ruckes &amp; Roende 2003</td>
<td>Resting on laurels: A theory of inertia in organizations</td>
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<td></td>
<td>Strategic planning</td>
<td>Kale &amp; Singh 2007</td>
<td>Building firm capabilities through learning</td>
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<td>Business professionals</td>
<td></td>
<td>Dyer &amp; Hatch 2006</td>
<td>Relation-specific capabilities and barriers to knowledge transfers</td>
<td>Collaboration</td>
<td>In a dynamically changing environment organizations will focus on corporate governance structures, knowledge sources, and organizational designs that maximize empowerment and collaboration and minimize hierarchy and complexity.</td>
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<td></td>
<td></td>
<td>Capaldo 2007</td>
<td>Network structure and innovation</td>
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<td></td>
<td></td>
<td>Cros &amp; Prusak 2002</td>
<td>The people who make organizations go—or stop</td>
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<td>Analysis of strategy</td>
<td></td>
<td>Godet 2000</td>
<td>The art of scenarios and strategic planning: tools and pitfalls</td>
<td>Opportunity driven</td>
<td>In dynamically changing environments, increasing emphasis will be observed on methodologies that support continuous scanning of the business environment to optimize allocation of resources, and less on concentrated periods of analysis to support traditional strategic planning cycles.</td>
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<td></td>
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<td>Jarzabkowski &amp; Giulietti 2007</td>
<td>Strategic management as an applied science, but not as we (academics) know it</td>
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<td>Peters &amp; Waterman 2004</td>
<td>In search of excellence</td>
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<td>Process</td>
<td>Iterative model</td>
<td>Kaplan &amp; Norton 2005</td>
<td>The office of strategy Management</td>
<td></td>
<td>To address process dependency and lag effects, increased emphasis will be placed on strategic development concepts that facilitate adjustment in response to the dynamics of the business environment and less on traditional planning cycles.</td>
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<td>Mergence</td>
<td>Eisenhardt &amp; Martin 2000</td>
<td>Dynamic capabilities: what are they?</td>
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<td>Rivkin 2006</td>
<td>Why do strategies fail?</td>
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<td>Mergence</td>
<td>Bower &amp; Gilbert 2005</td>
<td>From resource allocation to strategy</td>
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<td>Hebreniak 2006</td>
<td>Obstacles to effective strategy implementation</td>
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<td></td>
<td>Mergence</td>
<td>Zook &amp; Allan 2010</td>
<td>Profit from the core</td>
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Figure 57: Research propositions and their literature basis
7.2 Reliability in qualitative research

### Reliability as a criterion in qualitative research

<table>
<thead>
<tr>
<th>Method</th>
<th>Definition</th>
<th>Example</th>
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<tbody>
<tr>
<td><strong>Quichotic</strong></td>
<td>Means in trying to verify, whether one single method continuously delivers unchanged results. The authors decline this form of reliability as trivial and misleading. Especially during research in the field stereotypically repeating statements indicate rather consciously communicated versions of an (fictitious) event than anything like really happened.</td>
<td>After Don Quijote de la Mancha, from Miguel de Cervantes Saavedra</td>
</tr>
<tr>
<td><strong>Diachronic</strong></td>
<td>Means characterizing the stability of results in a temporal progress. The problem implies the precondition that the explored phenomena must not change over time. Rarely qualitative research concentrates on such invariable circumstances.</td>
<td></td>
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<tr>
<td><strong>Synchronic</strong></td>
<td>Means defining reliability in terms of stability and consistency at the same point in time, but with using different instruments. This criterion delivers the most informative results, when it’s not met. But there have questions to follow, concerning the different perspectives, which result in using different methods and researchers.</td>
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**Figure 58: Reliability in qualitative research (Kirk & Miller 1986)**
### 7.3 The interview guide

#### Figure 59: Interview guide

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<td><strong>I. Strategic model &amp; tools</strong></td>
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<tr>
<td>a) How does your corporate strategy development process look like compared to this scheme?</td>
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<tr>
<td>b) What level of complexity does your Strategic Management work with?</td>
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<tr>
<td>Level (1): Financial planning</td>
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<tr>
<td>Level (2): Long-range planning</td>
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<tr>
<td>Level (3): Strategic planning</td>
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<tr>
<td>Level (4): Strategic Management</td>
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<tr>
<td><strong>II. Environmental dimension</strong></td>
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<tr>
<td>a) VOLATILITY?</td>
<td></td>
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<tr>
<td>Increasing volatile environment challenges the strategy development process</td>
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<tr>
<td>b) SPEED?</td>
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<tr>
<td>Accelerating environment challenges the strategy development process</td>
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<tr>
<td>c) UNCERTAINTY?</td>
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<tr>
<td>Uncertain environment challenges the strategy assessment process</td>
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<tr>
<td><strong>III. Internal dimension</strong></td>
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<td></td>
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<tr>
<td>a) RESPONSIVENESS?</td>
<td></td>
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<tr>
<td>Challenges to your organization related to changing needs</td>
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<tr>
<td>b) STRUCTURAL COMPLEXITY?</td>
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<tr>
<td>Challenges to your organization, business, customer network, etc.</td>
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<tr>
<td>c) BUSINESS PROFESSIONALS?</td>
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<tr>
<td>Challenges to your organizational, business, customer network, etc.</td>
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<tr>
<td><strong>IV. Process dimension</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>a) ANALYSIS?</td>
<td></td>
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<tr>
<td>Challenges to the use of external &amp; internal tools, and partners</td>
<td></td>
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<td></td>
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<tr>
<td>b) SEQUENTIAL model?</td>
<td></td>
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<tr>
<td>Strong linear character, every major step depends on the step before</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>c) SEPARATION?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategy is developed on corporate level and implemented on operational level</td>
<td></td>
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</tr>
<tr>
<td><strong>V. Process improvements</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) What are aspects of current frameworks that need to be addressed as a consequence of these challenges?</td>
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<tr>
<td>b) What are the adjustments of current strategy practices to address these challenges?</td>
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<tr>
<td>c) What are the consequences of these adjustments?</td>
<td></td>
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<tr>
<td>d) What are the desirable properties of a strategy development framework that can be operationalized?</td>
<td></td>
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</tbody>
</table>
How to use the interview guide:

The interview guide was divided into five sections: The first section was designed to identify whether or not a process oriented strategy development approach was employed, and introduced the interview part. Accompanying questions included the interrelationship between the strategy process and the business model, and relative positioning of the strategy development process in the organization in terms of hierarchical level. Questions were about the level of complexity in the strategic management system, and with it the types of strategic tools were that were employed.

The second section of the interview guide focused on the specific dynamics of the business environment of the interviewed company with respect to the increasing dynamics of the global business environment.

One additional main purpose of the second part of the interview guide was to mirror the validity (Witzel 1985) of the information provided by the participants and their relative position to best practice in their firm, and to capture evidence about the balance between the dynamics of the environment and the complexity of the management system (Henzler 1988 in Lombriser & Abplanalp 2004). Following the evidence of Henzler (1988) regarding the linear relationship between the dynamics and complexity of the environment and the complexity of the management system, probing to reveal how strategists viewed the interrelationship between these dimensions and the underlying foundations for their perceptions formed the basis of the second section of the interview guide.
The third section of the interview guide was designed to capture the characteristics of the organization and provided the data to generate a second interesting indicator: The dynamics of the business environment compared to the agility of the organization. This comparison proved to be a strong impetus for further discussions during the interview on whether these two indicators show an interrelationship or not.

The fourth section sought information on the characteristics of the strategy process, and the experiences in dealing with the dynamics of the environment and the agility of their organizations.

The fifth and last part collected the recent mutations of strategy development in the interviewed companies, to find evidence from which new concepts in strategy development could emerge. The evidence was summarized along “a clear chain of evidence” (Yin 1994, p. 102) to summarize the case evidence and indicate how the focal construct was measured, thus increasing the testability of the emerging theory and creating a particularly strong bridge from the qualitative evidence to theory-testing research (i.e. Graebner 2004, Gilbert 2005, Zott & Huy 2007).
### 7.4 Interview protocols

**Interview transcript for case 1**

<table>
<thead>
<tr>
<th>Case</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Energy production</td>
</tr>
<tr>
<td>Candidate</td>
<td>Head of corporate Development &amp; Organization</td>
</tr>
<tr>
<td>Date</td>
<td>June 3rd, 2008</td>
</tr>
<tr>
<td>Starting time</td>
<td>15:30</td>
</tr>
<tr>
<td>Duration</td>
<td>60 min</td>
</tr>
<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
</tbody>
</table>
Assessment area: I. Strategic framework

Question: What does your strategic framework look like?

Level (1). Financial planning with history as basis for planning, annual budget controlling

Self assessment 1 (financial planning)
Assessment area: II. Environmental Dimension (Market)

Question: General comments

In the past ten years there was no fine structured strategy process, only a strategic directive to look for long-term trading opportunities in Eastern Europe (Poland & Hungary, Italy & France, and other South-European markets), these are very in-transparent markets.

Primary aim was to achieve first-mover advantage, use the in-transparency as an entry shield against competitors, and establish on the foreign market long before competitors; long-term agreements in two countries, which opened the possibility and confidence for a waterfall market entry strategy in other illiquid markets (fast acquisitions). In liquid markets, always the big European players (like EON, RWE, etc.) were more powerful, so our company remained a niche player in all markets. The reasons for the first-mover advantage were: fast entrance, short decision cycles, etc.

The second reason for success was the last three years sharp increase of electrical energy prices (reasons: political decisions, replacement of old energy infrastructure which reached end of life span, falling of the iron curtain and the going East and expansion of the European Union, shot down of old coal fired
electrical energy producer)

Our company had long-term electrical energy distribution contracts and own electrical energy production plants and increased thus the leverage with increasing prices.

Third reason was a lucky hand with asset based trading with focus on long-term agreements and bet on increasing energy prices"
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of VOLATILITY?</td>
</tr>
</tbody>
</table>

Our company is an asset based trader – the liberalization of the energy market in Europe thought to bring strong volatility but in opposite has stabilized the market in terms of competitiveness, since it consolidated (after large M&A activities) in some few big energy producing & distribution companies, mostly national champions (because of the big political impact of energy supply and distribution)

There is a trend into a more complex and volatile market environment."

<p>| Self assessment | 2 (extrapolative) |</p>
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of SPEED?</td>
</tr>
<tr>
<td>Reasons:</td>
<td>Liberalization of energy market, guidelines of European Union, changes in energy supply (move to alternative energy production)</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>3 (accelerating)</td>
</tr>
</tbody>
</table>
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of UNCERTAINTY?

Reasons: liberalization of energy market, guidelines of European Union, changes in energy supply (move to alternative energy production)

Self assessment: 2 (range of futures)
Assessment area: Internal dimension (Organization)

Question: General comments

Our company now stands on the border crossing from an opportunistic SME, a domestic player to a group & global player (Merger with other company). When our company wants to keep its opportunistic way of doing business, it has to have a sharp eye on the decision process, which will certainly lengthen with the growth and change from a small SME to a transnational group.
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of RESPONSIVENESS?

The liberalization of the energy market caused an increasing complex organizational structure, as risk management and portfolio management had to be implemented organizationally.

Self assessment: 2 (little)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>3 (challenging)</td>
</tr>
</tbody>
</table>

The liberalization of the energy market caused an increasing complex organizational structure, as risk management and portfolio management had to be implemented organizationally.
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?

A recently developed new business model had exactly this point as the main focus, since the old business model increasingly fought with interface problems (through integration of more complex organizational structures, parallel project management structures, etc.)

The communication within the strategy development process has to open to allow unfiltered information run through the decision process.

Self assessment: 3 (challenging)
**Assessment area:** Process dimension (Strategy)

**Question:** General comments

In the past ten years there was no fine structured strategy process, only a strategic directive to look for long-term trading opportunities in Eastern Europe (Poland & Hungary, Italy & France, and other South-European markets), in in-transparent market.

Primary aim was to achieve first-mover advantage, use the in-transparency as an entry shield against competitors, and establish on the foreign market long before competitors, long-term agreements in two countries, which opened the possibility and confidence for a waterfall market entry strategy in other illiquid markets (fast acquisitions). In liquid markets, always the big European players (like EON, RWE, etc.) were more powerful, so our company remained a niche player in all markets. The reasons for the first-mover advantage were: fast entrance, short decision cycles, etc.

The second reason for success was the last three years sharp increase of electrical energy prices (reasons: political decisions, replacement of old energy infrastructure which reached end of life span, falling of the iron curtain and the going East and expansion of the European Union, shut down of old coal fired
electrical energy producer)

Our company owned long term electrical energy distribution contracts and own electrical energy production and increased leverage with increasing prices.

Third reason was a lucky hand with asset based trading

Not fine structured, (every single) market analysis (for products and organization) based strategy, very opportunistic, with much entrepreneurship
Appendix

Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on OVER-ANALYSIS?

There is a tendency towards understanding the “pseudo accuracy” of deep and generic analysis which begins to arise on corporate level.

Often analysis based decisions tried to replace a clear vision of where the corporate journey has to lead to.

Until now the strategic analysis is done by a consulting firm externally.

Self assessment: 2 (little)
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on a SEQUENTIAL MODEL?

Primary aim was to achieve first-mover advantage, use the in-transparency as an entry shield against competitors, and establish on the foreign market long before competitors, long-term agreements in two countries, which opened the possibility and confidence for a waterfall market entry strategy in other illiquid markets (fast acquisitions).

In liquid markets, always the big European players (like EON, RWE, etc.) were more powerful, so our company remained a niche player in all markets. The reasons for the first-mover advantage were: fast entrance, short decision cycles, etc.

Self assessment: 2 (little)
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on SEPARATION of hierarchical levels?

Our company owns the advantage of being still an SME, one knows each other, and communication works through the structural levels; But there is a certain thread that with increasing growth this separation will intensify

The “W” process of strategy development (“W” means top down - bottom up, and again) runs exceptionally good at our company

But no “consensus-dictatorship” – more of a open culture (with some people involving themselves into discussions where they’d rather keep quite) and participative leadership style

This culture is very much CEO driven: what is his vision, what are his ambitions, what is his leadership style, etc.

until now, strategic analysis done by consulting firm

Self assessment: 3 (biased)
Assessment area: Process improvements

Question: General comments

Analysis part will be reduced, and the business environment know-how of the own people will gain importance, because it gets increasingly complex to integrate all these specific information for consulting firms.

So there is a need of developing an internal process to synthesize all the information of the business environment for corporate level.

This means an opening in communication of the front personnel, even for critical arguments and sights; there is a risk, that this “opening” does not happen and valuable information is kept out (or filtered out) of the strategic process, resulting in ivory tower decisions.

Partial strategies (country division strategies) are already organized through a tight integration of the market (until now with consulting companies).

Analysis goes away from numeric analysis to market-know how, customer behavior, political tendencies, etc.

The Merger causes a strong discussion about branding and vision statement, future goals, etc.
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?</td>
</tr>
</tbody>
</table>

Culture: openness in communication between headquarter – division, resp. division – division

Focus: on common goals (incentives, individual goals), CEO to create mission statement for guidance
Assessment area: Process improvements

Question: What are the adjustments of current strategy practice to address these challenges?

The change to a initiative driven strategy development model needs

- a sound cooperation between headquarter and basis/front (de-central – central),
- and a cooperation between different de-central divisions (openness)

Focus on common goals important (incentive steering, how individual goals are measured):

There was a first test to create a common business model in 2006 to align country managers with central trading which failed dramatically, because of lack of guidance (no CEO to tell were to go to)

The second test is going to happen in 2008, with a lot of lobbying for the team members in advance, a pre-survey to ask for their goals in advance
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>What are the consequences of these adjustments?</td>
</tr>
</tbody>
</table>

Strategists integrate the business knowledge of their organization to search for predominant strategic options and the definition of new strategic initiatives before analysis to avoid over-analysis and reduce the cost of prediction.

The synthesis of analysis data pattern is in-sourced to avoid over-simplification (by external consultants) and increased emphasis is placed on methodologies that support continuous scanning of the business environment to optimize the allocation of resources, and less on concentrated periods of analysis to support traditional strategy planning cycles.
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>What are the desirable properties of a strategy development concept that can be operationalized?</td>
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</table>

The present problem is to put these initiatives into implementation and guide them into the following years.

Reporting of initiatives – projects are missing

Increase the emphasis on control by changing from positioning to constructing an envisaged future. While companies that focus on positioning deal with the relative emphasis on prediction and navigate an exogenous environment we changed to a visionary approach that deals with deliberate efforts to make the environment endogenous.
# Interview transcript for case 2

<table>
<thead>
<tr>
<th>Case</th>
<th>2</th>
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</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Machinery</td>
</tr>
<tr>
<td>Candidate</td>
<td>Business Consultant, Company Business Services Ltd.</td>
</tr>
<tr>
<td>Date</td>
<td>April 16&lt;sup&gt;th&lt;/sup&gt;, 2008</td>
</tr>
<tr>
<td>Starting time</td>
<td>08:30</td>
</tr>
<tr>
<td>Duration</td>
<td>60 min</td>
</tr>
<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
</tbody>
</table>
## Assessment area: I. Strategic framework

<table>
<thead>
<tr>
<th>Question: What level of complexity does your Strategic Management work with?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mostly level (2): Long range planning with extrapolation of historical trends, variance analysis, multi-annual budget</td>
</tr>
<tr>
<td>Partly level (3): Strategic planning with anticipation of disruptions in trends, build-up of core competencies, orientation on success potentials</td>
</tr>
<tr>
<td>Self assessment 2 (Longe range planning)</td>
</tr>
</tbody>
</table>
Assessment area: II. Environmental Dimension (Market)

Question: General comments

Annual Report 2007, page 26:

Growth forecast of markets until 2011: both Americas +25%, MEA +40%, Europe +24%, Asia +52%

Revenue to grow twice the growth in markets & triple GDP growth

Total energy demand for markets +55% until 2030

Expenses for energy related infrastructure $11 trillion until 2030 (four times the expense of the last 50 years)
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of VOLATILITY?

Two different markets: 1. Energy (very stable, market liberalization shows no change in volatility), 2. automation (discontinuous, dependant on industry ups & downs, industry product cycle)

Self assessment 3 (discontinuous)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
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<tbody>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of SPEED?</td>
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</tbody>
</table>

Stable environment: In these years slight speed increases in both energy and industry automation due to globalization and emerging markets (i.e. China)

Our company is used to cycles in market behavior: ups and downs in both industry and infrastructure investment

The more distance to the end customer, the more the demands fluctuate (logistic effect)

| Self assessment: | 2 (stable) |
### Assessment area:
Environmental dimension (Market)

### Question:
How does your company respond strategically in terms of UNCERTAINTY?

The prediction of the future is not getting more difficult, it was always difficult – so it stays the same

A limited set of futures

Five years ago everything was down and it came up again

### Self assessment:
2 (range of futures)
Assessment area:  Internal dimension (Organization)

Question:  General comments

Annual report 2007, page 34:

20’000 new jobs in the next 5 years (today 112’000)

21’000 employees in the staff development program

Core competence: Excellence in manufacturing, engineering & service; focus in improving planning & execution

Strength: Quality, commitment to customers, successful innovation in R&D

Annual report 2007, page 36:

R&D: 2005 $973 Mio, 2006 $1’079 Mio (4.6%), 2007 $1’173 Mio (4%)
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of RESPONSIVENESS?

The primary challenge is to deal with the success, because with increasing success the responsiveness to the market deceases, because customers inquire at our company, and pull the products into the market.

So the challenge is to be in the market and sell the products, and with that sales process maintain contact with the changes the opportunities and threats of the market.

Sometimes there is nothing better for a company when business runs bad, because then everybody is pushed to move something towards success.

Self assessment: 4 (strong challenge)
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?

* Two strategies: 1. Corporate strategy on corporate level, 2. Company strategy under divisional level which combines both maximum responsibility and competence on very low (operational) level

* Very complex environment with a lot of little companies with a huge range of products in a lot of different countries

According to our company’s understanding there is no sense in forwarding the corporate strategy into every little company, because on corporate level is no competence in how to do the business.

* Within our company there are products that are strategic and there are products that bring margin…

* There is a common understanding in keeping divided corporate level and the companies on the basis: go for it, as long as you are successful

Self assessment: 4 (strong challenge)
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?

* Balance if competency versus responsibility, maximum power on operational level

* Close feedback loop on very low level, due to own strategy process in every division and company, problem with aligning corporate strategy with divisional and sub-company strategy. A new strategic initiative needs about two years to trickle down through the organization. Strong awareness, even defense, against new ideas from strategic level, ivory tower decisions, what for? We (sub-company level) know how to do business! Strong inertia (corporate guy comes once a year, so we got a year to respond, until he comes again)

* HR: How do we find the right people from Australia to MEA, to Europe? In the next years a lot of know-how will retire on both sides company internal as well as on customer side: It will be a future competitive advantage to gain superior knowledge of the customers’ apparatus and provide a service generated from that knowledge.

Self assessment: 3 (challenging)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>

* our company uses an analytical, sequential, and separated approach process in strategy development (Preparation, strategic foundation, strategic direction, implementation planning+ implementation: similar to Lombriser & Abplanalp 2004)

* EC (executive committee) meets twice a year on corporate level (winter retreat, summer retreat, moderated by the CEO) to find, summarize and prioritize “work streams”, which then result through the strategy process in strategic initiatives. The EC is fed with information by the corporate strategy team.
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on OVER-ANALYSIS?

* A lot of analysis, excel up and down

* On corporate level: High dependence on analysis from Business Division view as well as Market view (matrix)

* Strategic analysis is generated from within three sources:
  
  - Regional structure (Corporate [company] > Region [EU, AM, AS …] > Country [CH, USA, F …] > LBU)
  
  - Divisions (Corporate [company], DIV [AP, PS …], BU [Transformers, Substations …], BU Code [LV Systems, MV Apparatus …], LBU)

  - Work stream structure (Total scope [company], work stream categories [strategic foundation, market strategies, business strategies], work stream [North America, China, Process Automation Systems …], Initiative [Initiative 1, Initiative 2 …])

Self assessment: 3 (biased)
### Appendix

<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Question:</strong></td>
<td>Is your corporate strategy development process biased on a SEQUENTIAL MODEL?</td>
</tr>
<tr>
<td></td>
<td>Very sequential, see power-point SMT</td>
</tr>
<tr>
<td><strong>Self assessment:</strong></td>
<td>4 (strongly biased)</td>
</tr>
</tbody>
</table>
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on SEPARATION of hierarchical levels?

Strategy development on corporate level has little to do with the strategy of the companies within our company. Companies like company Turbo systems with 1’500 employees have their own strategy. So the strategic know how and understanding on operational level of these companies has little in common with corporate strategy. The managers of the companies within our company comment the corporate strategy pay less attention for the corporate strategy. I. E. one division on corporate level has $7.4 billion turnover. Within that division are some companies with 800- 2’000 employees. The strategy process shows overall similarities, but is nevertheless not forced by the strategic management team.

There are a lot of conflicts between corporate strategy and sub-company strategy, which are escalated and discussed.

Our company is not one ship with a lot of oarsmen; it’s an armada of ships, coordinated through corporate level

Self assessment: 4 (strongly biased)
Assessment area: Process improvements

<table>
<thead>
<tr>
<th>Question: General comments</th>
</tr>
</thead>
</table>

* Prolongation of strategy cycle to increase stability of strategic direction

* Sub-strategies in sub-companies parallel to corporate strategy

* Strategic competence in lowest level increases motivation in that level of the organization

* Focus on strategic fit of products and services, and growth

* Stability in the organization to give the sub-companies the time and silence to work on their business, and not on ABB internal restructure-projects
Appendix

Assessment area: Process improvements

Question: What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?

* Strategic fit between sub-company, divisional, and corporate strategy is of high importance

* Analytical expense on corporate level runs parallel to strategic gap analysis

* Consolidation of sub-company strategy as a bottom-down approach not existing, only top-down of corporate strategy to force alignment of sub-company strategy
Assessment area: Process improvements

Question: What are the adjustments of current strategy practice to address these challenges?

* Prolongation of strategy cycle to increase stability of strategic direction; annual strategic review

* Heavy bias on success: as long as sub-companies and divisions show success, the strategic and operational freedom is given

* The less success the tighter the strategic fit forced by EC and corporate level
Assessment area: Process improvements

Question: What are the consequences of these adjustments?

* Sub-strategies in sub-companies parallel to corporate strategy

* Strategic competence in lowest level increases motivation in that level of the organization

* Focus on strategic fit of products and services, and growth

* The fast growth of many sub-companies and divisions changes the strategic impact relative to the other sub-companies and divisions and corporate level

* Conflicts in internal competition on the market, competence centers in different divisions and countries that work on the same projects
Assessment area: Process improvements

Question: What are the desirable properties of a strategy development concept that can be operationalized?

- Sub strategy processes in sub-companies parallel to corporate strategy, plus alignment of the two strategies

- Intelligent distribution and management of strategic initiatives needed

- Empowerment through delegating strategy loop down the organization (business under $500 Mio is sub-company business)

- Strategists integrate the business knowledge of their organization to search for predominant strategic options and the definition of new strategic initiatives before analysis to avoid over analysis and reduce the cost of prediction

- Increased ownership of strategic initiatives belonging to strategic decision makers is leveraged during the implementation phase to facilitate immediate responses to undesirable effects of strategy execution. Following the synthesis of organizational designs that maximize empowerment and collaboration and minimize hierarchy and complexity, the strategic initiatives defined by strategists through analysis can be reformulated to address implementation issues and
emerging environmental changes.

To be able to transform the organization successfully, we identified the importance of a cooperative approach: clear, comprehensive, and compelling communication, integrating business professionals already in the strategy formulation phase, approaching resistors, paying attention to personal concerns, and pre-testing the details of change.

* Although practicing a planning approach at the corporate level, corporate level accepts the fact that a significant part of successful initiatives result from opportunistic ad-hoc decisions. We also implicitly accept the fact that with this entrepreneurial approach change becomes necessary to align the organization respectively.

* The dynamics of the business environment influence the organizational design and corporate strategy development process of companies that try to establish sustained competitive growth within that environment. The mutual interconnections of the market, organization, and process dimensions examined through this research require a company culture that incorporates the flexibility and openness required to accommodate major change.
Interview transcript for case 3

<table>
<thead>
<tr>
<th>Case</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Energy distribution</td>
</tr>
<tr>
<td>Candidate</td>
<td>Head of Corporate Development</td>
</tr>
<tr>
<td>Date</td>
<td>May 20th, 2008</td>
</tr>
<tr>
<td>Starting time</td>
<td>10:00</td>
</tr>
<tr>
<td>Duration</td>
<td>60 min</td>
</tr>
<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>I. Strategic framework</td>
</tr>
<tr>
<td>-----------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Question:</td>
<td>What level of complexity does your Strategic Management work with?</td>
</tr>
</tbody>
</table>

Level (3): Strategic planning with anticipation of disruptions in trends, build-up of core competencies, orientation on success potentials

| Self assessment | 3 (Strategic planning) |
Assessment area: II. Environmental Dimension (Market)

Question: General comments

The market is increasingly discontinuous as the Swiss energy market has to react on very long term issues (80 years for a water energy power station) and is challenged by regularities of the European Union in a European energy distribution network, which the Swiss can hardly influence.
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of VOLATILITY?</td>
</tr>
<tr>
<td>Midterm:</td>
<td>discontinuous</td>
</tr>
<tr>
<td>Long term:</td>
<td>unforeseeable</td>
</tr>
<tr>
<td>Self assessment</td>
<td>3 (discontinuous)</td>
</tr>
</tbody>
</table>
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of SPEED?

As the question of relief of fossil fuels by alternative resources increases in speed, the pressure on strategic decisions in positioning gain on importance.

The art of strategic decision making in this accelerating business environment is the question of relevancy = the separation of fashion peaks on the one side and important trends on the other side.

There was a tendency within the industry in going into multi utility (to spread risk) like electricity, water, gas, garbage handling, “tout la boutique”, about half of the industry got within and rejected it after unsuccessful starts. And all about within one strategy cycle, one year.

Now everyone runs behind “smart grid”, but our company believes that “smart grid” will be realized because of something very different.

Self assessment: 3 (accelerating)
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of UNCERTAINTY?

The main problem in strategic decisions is the long term orientation in positioning in the European energy distribution market. Fossil fuels will be replaced by alternative energy resources. The apparent open question is the way the fossil fuels will be replaced by alternative resources.

Self assessment: 3 (alternative of futures)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>Internal dimension (Organization)</td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of RESPONSIVENESS?</td>
</tr>
<tr>
<td></td>
<td>Top-headed approach, no strategy below C-level, no tight connection between centralized strategy development and operational level</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>2 (little)</td>
</tr>
</tbody>
</table>
### Assessment area:
**Internal dimension (Organization)**

### Question:
Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?

Strictly formalized and hierarchical strategic organization, antagonistic bias to internal and external organizational innovation

### Self assessment:
2 (little)
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?

The trust within the strategic management team is of low level; the team is less than five years old and the members were chosen through the M&A process and due to the high political involvement of energy processing and distribution within the national (political) energy supply system.

The effect of this corporate mistrust is a heavy dependence on strategic analysis. Gut thinking is taboo

Human constraints appear in terms of human capital: train, keep and manage the right people

Self assessment: 3 (challenging)
Assessment area: Process dimension (Strategy)

Question: General comments

The strategy development process is highly sequential with clear processes and procedures, clear responsibilities.

Strategic planning process (partly issue & weak signal management), two years cycles with possible case by case supplements

The strategy planning process lasts 9 months, is generic and is discussed with the divisions (see company charts, page 4-5)
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on OVER-ANALYSIS?

Voluptuous and time consuming character of strategy development, strategic planning: time consuming analysis of internal & external dimensions

There is a real flood of information that needs to be structured and synthesized, and the view of different parties within the strategy development process is similarly different

Self assessment: 3 (biased)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on a SEQUENTIAL MODEL?</td>
</tr>
</tbody>
</table>

Partial adaptations and advancements to classical strategy development:

* the strategy development cycle was recently extended from one year to two years, to “step away from the wall” meaning not to finalize one strategy process at the end of the year and begin with analysis again and have no or less time to manage implementation

* within the strategic process of two years, appearing new strategic initiatives can be integrated in the process without running through the time consuming analysis process (meaning the daily business replaces in some cases the analysis process)

Self assessment: 4 (strongly biased)
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on SEPARATION of hierarchical levels?

Strategy development and implementation are separated hierarchically, no feedback loop, little alignment with budget and divisional strategy

Self assessment: 4 (strongly biased)
There is no strategic need to first-mover advantage. The analysis of market trends is retrospective and very cautious (because of political involvement?)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?</td>
</tr>
</tbody>
</table>

Implementation is interrupted by new analysis process
Assessment area: Process improvements

Question: What are the adjustments of current strategy practice to address these challenges?

Prolongation of strategy development process from one to two years
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>What are the consequences of these adjustments?</td>
</tr>
</tbody>
</table>

Concentration on up to ten strategic relevant projects and monitoring through the implementation phase

We increase the emphasis on control by changing from positioning to constructing an envisaged future. While companies that focus on positioning deal with the relative emphasis on prediction and navigate an exogenous environment, we change to a visionary approach that deals with deliberate efforts to make the environment endogenous.
Assessment area: Process improvements

Question: What are the desirable properties of a strategy development concept that can be operationalized?

To be able to transform the organization successfully, strategists identified the importance of a cooperative approach: clear, comprehensive, and compelling communication, integrating business professionals already in the strategy formulation phase, approaching resistors, paying attention to personal concerns, and pre-testing the details of change.
## Interview transcript for case 4

<table>
<thead>
<tr>
<th>Case</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Logistics</td>
</tr>
<tr>
<td>Candidate</td>
<td>Head of Strategy Team &amp; Corporate Development</td>
</tr>
<tr>
<td>Date</td>
<td>June 18(^{th}), 2008</td>
</tr>
<tr>
<td>Starting time</td>
<td>14:00</td>
</tr>
<tr>
<td>Duration</td>
<td>60 min</td>
</tr>
<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>I. Strategic framework</td>
</tr>
<tr>
<td>-----------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Question:</td>
<td>What level of complexity does your Strategic Management work with?</td>
</tr>
</tbody>
</table>

Level (1): Financial planning with history as basis for planning, annual budget controlling

<p>| Self assessment | 1 (Financial planning) |</p>
<table>
<thead>
<tr>
<th>Assessment area</th>
<th>II. Environmental Dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>

The company origins from a very stable environment, which’s environment starts getting more dynamically

Self assessment
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of VOLATILITY?

The company origins from a very stable environment, but the environment starts getting more dynamically

Some years ago corporate level terminated some more sophisticated tools; because the divisions did not accept the increasing influence from the company head “we went too far, to early”

When the tendency of the market becomes more dynamically, these tools will come up again

Self assessment 2 (extrapolative)
<table>
<thead>
<tr>
<th>Assessment area</th>
<th>Environmental dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question</td>
<td>How does your company respond strategically in terms of SPEED?</td>
</tr>
</tbody>
</table>

The strategy development process itself is well implemented.

Nevertheless structural (political) restrictions force the decision makers to work with suboptimal decisions from a strategically point of view, because of political involvement.

<p>| Self assessment | 3 (accelerating) |</p>
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of UNCERTAINTY?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>3 (alternative of futures)</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>Internal dimension (Organization)</td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of RESPONSIVENESS?

Due to an important involvement of political issues (as a past state owned company, as one of the biggest companies in Switzerland) the challenge is to find political solutions for strategy decisions that have operative results (what to do with employees who loose their jobs due to rationalisation)

Self assessment: 3 (challenging)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>2 (little)</td>
</tr>
</tbody>
</table>

Strictly formalized and hierarchical strategic organization, antagonistic bias to internal and external organizational innovation
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?

The relative position of strategy itself owns a very high standard within the company. Nevertheless it’s a challenge to find every employee understanding and working with and for the strategy.

Self assessment: 2 (little)
Assessment area: Process dimension (Strategy)

Question: General comments

The strategic planning process is not very complex in terms of instruments, but has shortened down in terms of interval cycle (from 5 to 3 years)

The strategy development process is renewed every year

The vision & mission statement of the Swiss Post is very detailed in terms of strategic content (not process, some may even be part of a strategic direction)

Thus making the budget planning process an integral part of the strategic planning process
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on OVER-ANALYSIS?

See charts “Planungsprozess“

Well implemented analysis process

Self assessment: 2 (little)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on a SEQUENTIAL MODEL?</td>
</tr>
</tbody>
</table>

Well integrated strategy development process, see charts

| Self assessment: | 3 (biased) |
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on SEPARATION of hierarchical levels?

The difficulty of the strategy development process with the Swiss Post lies in the integration of all employees into the strategy idea and

Self assessment: 3 (biased)
The future strategy development will well be dependant on the next CEO for the company, as he/she defines the position of the corporate strategy development process (and the decision process within) relative to divisions and operations.

There is a wide gap (and a lot of possible nuances) between top-down strategy development and divisional strategy development with alignment on corporate level.

Today, less than 50% of all corporate improvements are rooted within strategy ("they just happen" they are mainly market driven). Meaning, all is good, when the market is good, vice versa too...

The aim is to increase the influence of strategy relevant implementation improvements within corporate improvements.
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?</td>
</tr>
</tbody>
</table>

* Decision process

* Cycle time of strategy development process

* Top-down strategy development
### Appendix

<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>What are the adjustments of current strategy practice to address these challenges?</td>
</tr>
</tbody>
</table>

The more complex and dynamic the business development process gets, the more top-headed the strategy development (and decision process) has to be.
Assessment area: Process improvements

Question: What are the consequences of these adjustments?

* Top-down strategy development process

* More strategy implementation controlling

* Increased ownership of strategic initiatives belonging to strategic decision makers is leveraged during the implementation phase to facilitate immediate responses to undesirable effects of strategy execution.
Assessment area: Process improvements

Question: What are the desirable properties of a strategy development concept that can be operationalized?

* Following the synthesis of organizational designs that maximize empowerment and collaboration and minimize hierarchy and complexity, the strategic initiatives defined by strategists through analysis can be reformulated to address implementation issues and emerging environmental changes.
### Interview transcript for case 5

<table>
<thead>
<tr>
<th>Case</th>
<th>5</th>
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<tbody>
<tr>
<td>Industry</td>
<td>Construction</td>
</tr>
<tr>
<td>Candidate</td>
<td>Business Consultant, Business Services</td>
</tr>
<tr>
<td>Date</td>
<td>July 4\textsuperscript{th}, 2008</td>
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<tr>
<td>Starting time</td>
<td>17:00</td>
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<tr>
<td>Duration</td>
<td>60 min</td>
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<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
</tbody>
</table>
Assessment area: I. Strategic framework

Question: What level of complexity does your Strategic Management work with?

From

Level (2): Long range planning with extrapolation of historical trends, variance analysis, multi-annual budget

Increasingly working with

Level (3): Strategic planning with anticipation of disruptions in trends, build-up of core competencies, orientation on success potentials

Self assessment 3 (Strategic planning)
Assessment area: II. Environmental Dimension (Market)

Question: General comments

* The market in total is regionally and country specific fragmented. Different countries work under different business environments (PEST)

* raw material prices exploded in recent times (energy prices (40% impact), copper, iron for the build up of cement factories)

* Cement price is fixed through the government, can not be increased because of higher raw material prices (i.e. India)
### Assessment area: Environmental dimension (Market)

<table>
<thead>
<tr>
<th>Question</th>
<th>How does your company respond strategically in terms of VOLATILITY?</th>
</tr>
</thead>
</table>

* Volatility is very country and regional specific

* Diversification in 80 different countries helps to equalize the regional different volatility

* Discontinuous to unforeseeable (sub prime, credit crises in USA results in major impacts for the company in USA)

<table>
<thead>
<tr>
<th>Self assessment</th>
<th>3 (discontinuous)</th>
</tr>
</thead>
</table>
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of SPEED?

Accelerating of the business environment due to globalization on the one hand, and internationalization of the company on the other hand

Self assessment: 3 (accelerating)
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of UNCERTAINTY?

* Uncertainty very country specific:
  * for Switzerland increasing
  * Russia and India alternative futures
  * Venezuela: true ambiguity

→ 80/20 rule

Self assessment: 3 (alternative of futures)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>

* Organization is very functional oriented

* Matrix approach in project organizations

* Project organizations do not work matrix-wise but are integrated into the functional organizations
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of RESPONSIVENESS?</td>
</tr>
</tbody>
</table>

* The responsiveness of the organization grew in the last twenty years as a need for the internationalization of the company

* Project and line organizations are not mixed

* Corporate level is organized in a project steering committee, who decides on project realization

<p>| Self assessment: | 3 (challenging) |</p>
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>2 (little)</td>
</tr>
</tbody>
</table>
### Assessment area: Internal dimension (Organization)

#### Question:
Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?

* Functional competence and responsibility paired with country responsibility is a big burden to bear, as the regional structure grows through acquisitions, new kind of structures have to be found.

* there are some major changes in corporate positions (retirements) in the near future.

#### Self assessment:
2 (little)
Assessment area: Process dimension (Strategy)

Question: General comments

* Branding “single brand” policy the company
* Strategy house
* World business council for sustainable development
* Road map
* Mission statement
* Strategic planning, anticipation of disruptions in trends, build up of core competences, orientation on success potentials (regional orientation)
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on OVER-ANALYSIS?

* Top triggered approach (Strategy team reports directly to CEO, see page 8 corporate profile)

* Analysis made in the divisions, reported up to corporate level, as cement is a very regional product

* Voluptuous and time consuming character of strategy development (recent problems in Russia for example)

* Ongoing process in the division, raw material prices play major role (copper, iron)

Self assessment: 4 (strongly biased)
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on a SEQUENTIAL MODEL?

* Singular and static, sequential strategy development approach, with partial adaptations because when triggered through the market

* Top headed, opportunistic approach, resulting from a much smaller company origin and a small corporate team (fast decision process)

* Management team is well introduced to the business (average time in place 10 years).

Self assessment: 3 (biased)
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on SEPARATION of hierarchical levels?

* Top headed approach due to small corporate team and fast decision process

Self assessment: 3 (biased)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>
Assessment area: Process improvements

Question: What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?

* Group operational roadmap stays the same

* The strategic decision process bases on an organization that was formed when the company was half as big as today; thus in ten years there have to be major changes in the decision process structure and/or in the corporate level on strategic basis, to be able to keep the speed in decision making on an opportunistic approach

* Functional competence and responsibility pared with country responsibility is a big burden to bear, as the regional structure grows through acquisitions, new kind of structures have to be found
Assessment area: Process improvements

Question: What are the adjustments of current strategy practice to address these challenges?

Strategy has something to do with people; the corporate team has been the same since 10 years

* decision process

* CAPEX (capital expenditure) project decisions
Assessment area: Process improvements

Question: What are the consequences of these adjustments?

* There is a tendency to delegate strategic competence into the divisions and countries

* Increased ownership of strategic initiatives belonging to strategic decision makers is leveraged during the implementation phase to facilitate immediate responses to undesirable effects of strategy execution.

* Following the synthesis of organizational designs that maximize empowerment and collaboration and minimize hierarchy and complexity, the strategic initiatives defined by strategists through analysis can be reformulated to address implementation issues and emerging environmental changes.
Assessment area: Process improvements

Question: What are the desirable properties of a strategy development concept that can be operationalized?

* Strategy development process and M&A as well as CAPEX project decision process have to be aligned and integrated

* To enhance organizational responsiveness to environmental change, firms demonstrate increasing investment in flatter structures, and high autonomy and diversity of mental models that strongly emphasize the impact of clear, comprehensive, and compelling communication.

* High autonomy and diversity of mental models emphasize creativity and empowerment, framed by corporate government structures, supporting norms, and cultures that define common means and goals
Interview transcript for case 6

Case 6

Industry Public transport

Candidate Head Information Technology Services

Date June 30th, 2008

Starting time 18:00

Duration 60 min

Interviewer Bernhard Frei
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>I. Strategic framework</th>
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</table>

<table>
<thead>
<tr>
<th>Question:</th>
<th>What level of complexity does your Strategic Management work with?</th>
</tr>
</thead>
</table>

Level (2): Long range planning with extrapolation of historical trends, variance analysis, multi-annual budget

| Self assessment | 2 (Financial planning) |
Assessment area: II. Environmental Dimension (Market)

Question: General comments

* Our company is market leader in European railway context in terms of a agile organization.

* One of the fastest moving railway infrastructure and rolling stock providers in Europe

* The deregulation of Europe’s rail freight business is gaining momentum. In January 1998, the European Union planed to introduce trans-European rail freight freeways, a move that was a turning point in introducing competition to railroads and winning back market share from road transport. The freeways opened the door to an entirely new rail business in which long-distance pan-European rail carriers run high-speed freight shuttles between major hubs while increasingly low-cost local railroads cover the regions.
### Assessment area: Environmental dimension (Market)

**Question:** How does your company respond strategically in terms of **VOLATILITY**?

* Stable to explorative (CARGO) environment

**Self assessment:** 2 (explorative)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of SPEED?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>2 (stable)</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>Environmental dimension (Market)</td>
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<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of UNCERTAINTY?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>1 (clear future)</td>
</tr>
</tbody>
</table>
Assessment area: Internal dimension (Organization)

Question: General comments

* Divisional heads strongly coin the strategic characteristics of the organization in terms of responsiveness, structural complexity and human constraints

* The gap between old official biased organization and multi-dynamic technical environment (i.e. IT) is seldom bridged.

* The dynamics of corporate Management is slowed down by old hierarchical and former state owned company thinking
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of RESPONSIVENESS?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>2 (little)</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>Internal dimension (Organization)</td>
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<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?</td>
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<tr>
<td>Self assessment:</td>
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<tr>
<td>Assessment area:</td>
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<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?</td>
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</tbody>
</table>

* Finding talented workers at all levels is a problem: the best and brightest gravitate toward the more lucrative private sector, and the tenure-based promotions common at state enterprises can conceal their best internal talent.

| Self assessment: | 4 (strong challenge) |
Assessment area: Process dimension (Strategy)

Question: General comments

* Strategy process is very vision & mission statement oriented. Divisional heads strongly coin the characteristics of the organization and strategy process

* The financial and strategic process for big infrastructure projects (i.e. tunnels) is the same as for i.e. IT projects
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on OVER-ANALYSIS?

* Top triggered approach

* Analysis made in the divisions, reported up to corporate level

* Voluptuous and time consuming character of strategy development (recent problems with division CARGO for example)

Self assessment: 2 (little)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on a SEQUENTIAL MODEL?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>4 (strongly biased)</td>
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<tr>
<td>Assessment area:</td>
<td>Process dimension (Strategy)</td>
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</tr>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on SEPARATION of hierarchical levels?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>3 (biased)</td>
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<tr>
<td>Assessment area:</td>
<td>Process improvements</td>
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</tr>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>
Assessment area: Process improvements

Question: What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?

* Our company finds it difficult to attract talented people and to motivate the high performers they already have because the environment is perceived as staid, hierarchical, and bureaucratic. Since career progression is often based on tenure rather than performance, employees with leadership skills may see little reason to shine. Redefining the talent proposition can influence these attitudes. Our company must promote the unique opportunities they provide talented people, offer competitive compensation, and intensify their efforts to manage performance.
Assessment area: Process improvements

Question: What are the adjustments of current strategy practice to address these challenges?

* To bring in outside talent, our company has to make our case stronger. After all, we offer exciting challenges and opportunities to work on projects with a much broader impact than those available in the private sector, and the possibility of pursuing careers in a vast network of public and private companies. We believe, when these largely ignored benefits are marketed, the impact can be astounding.
Assessment area: Process improvements

Question: What are the consequences of these adjustments?

* Our company’s strategic freedom is influenced by the size of their home market and current cost position. Concerning the CARGO business, for the near future, there appear to be three possible strategies: to become an industry shaper, to be a niche player, or to exit the business. Although being well established in Switzerland, our company is a small market player in Europe. Large railroads that have the good fortune to control an extensive home market and that have prepared for deregulation by refinancing themselves and improving productivity, cost structure, and quality are in a position to shape the industry.

* Our company, a small but well-prepared public transport company decides against competing head on with larger competitors, and specialize instead. We choose the niche, such as pan-European steel transport, develop an expertise in a given geographical area, and specialize in selected products.
Assessment area: Process improvements

Question: What are the desirable properties of a strategy development concept that can be operationalized?
## Interview transcript for case 7

<table>
<thead>
<tr>
<th>Case</th>
<th>7</th>
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<tbody>
<tr>
<td>Industry</td>
<td>Bank</td>
</tr>
<tr>
<td>Candidate</td>
<td>Head of Business Development, Private Equity</td>
</tr>
<tr>
<td>Date</td>
<td>June 19(^{th}), 2008</td>
</tr>
<tr>
<td>Starting time</td>
<td>18:00</td>
</tr>
<tr>
<td>Duration</td>
<td>60 min</td>
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<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>I. Strategic framework</td>
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<tr>
<td>-----------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Question:</td>
<td>What level of complexity does your Strategic Management work with?</td>
</tr>
</tbody>
</table>

Level (3): Strategic planning with anticipation of disruptions in trends, build-up of core competencies, orientation on success potentials

| Self assessment | 1 (Financial planning) |
### Assessment area: II. Environmental Dimension (Market)

### Question: General comments

* Strategic initiatives are generated in an opportunistic kind of way, through competitor moves or regulatory issues

* The strategic reactions (aka initiatives) differ with the difference of and between the markets

* The strategic understanding within our company is that a numeric model with sufficient human resources that are capable of gaining sufficient results (aka this numeric model) than the strategic model is driven by confidence and that the strategy is to be formed and executed near the market and not centralized (on corporate level), because the need for information at corporate level would be too high, and would miss operational excellence and bypass the market needs (because the gap between success and failure is small)

* In other divisions like financing of private estate there is maximum transparency and therewith a high competitive market
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of VOLATILITY?

* Macro-economical part: Dependant on economy & finance-economy tendencies, which is basis for asset under management, which is basis for the commission-business (forecast)

* Micro-economical part: stable, BRIC economies easy quantifiable, volatility on market level (still growing, still attractive)

Self assessment 1 (stable)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of SPEED?</td>
</tr>
</tbody>
</table>

* Business model is a relation model, which is based on stability, sustainable relationship to the customer and accompaniment of the customer through his/her whole life cycle

| Self assessment: | 2 (stable) |
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of UNCERTAINTY?

* Pressure on regulatory: taxes, restrictions in mobility of capital

Self assessment: 2 (range of futures)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
</tr>
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<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>
### Assessment area: Internal dimension (Organization)

<table>
<thead>
<tr>
<th>Question:</th>
<th>Is your corporate strategy development process challenged in terms of RESPONSIVENESS?</th>
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</thead>
<tbody>
<tr>
<td>Self assessment:</td>
<td>3 (challenging)</td>
</tr>
</tbody>
</table>

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Appendix
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?

* The structural complexity is increasing (current structure focuses on product oriented structure (product specialists) near the market and on functional oriented structure (hierarchical pyramid) far away from the market

Self assessment: 3 (challenging)
<table>
<thead>
<tr>
<th>Assessment area:</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>3 (challenging)</td>
</tr>
</tbody>
</table>
Assessment area: Process dimension (Strategy)

Question: General comments

* The strategy development process is established on corporate as well as divisional level, strategic tools are mainly on LEVEL #1

* The size of and expense on initial strategic position varies depending on maturity of market, comprehensive analysis only on preparing market entry decisions; in maturity markets the analysis is triggered by the occasion

* Vision & mission statement “world’s primary bank” (statement to customer, products/services, markets, costs/efficiency, and people) is established on corporate level and stable; the strategy pyramid is operationalized into the divisions (results in six priorities for private banking, similar to the “Horsching” planning. One level below in the hierarchy, the strategic business areas are situated, which convert the strategic mission into initiatives.

* On divisional level depend the size and maturity the grade of formalization of initiatives (the newer and smaller the division, the more opportunistic and less formalized the process from vision/mission statement to initiatives get)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on OVER-ANALYSIS?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>2 (little)</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>Process dimension (Strategy)</td>
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<td>-----------------</td>
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</tr>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on a SEQUENTIAL MODEL?</td>
</tr>
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</table>

* There are regular strategic discourses, not so super structured, a lot of force in the preparation and selection of schedule,

* A multiple step-wise, very analytical preparation on corporate level (1-2 times a year), on a very abstract level,

* Corporate calendar with strategy elements, through the year

| Self assessment: | 2 (little) |
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on SEPARATION of hierarchical levels?

* Maximum transparency is established via strategy controlling: Every initiative includes a group of projects with defined parameters to track. This leads of course to a certain reporting effort…

* A structured corporate discussion (business portfolio analysis, determination of status quo in business) secures a certain alignment of initiatives to prevent strategic loners (“lonely cowboy - wild west style”) and collected in and for an annual strategic meeting on corporate level and gives the division the opportunity to present its point of view of the business

* On the other side there is maximum competence on divisional level which makes it very difficult to challenge the division-borne initiatives (bottom-up)…

* Its more a kind of discrete happening than a well established process

Self assessment: 2 (little)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>
Assessment area:  Process improvements

Question: What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?

* On initiative level there is a very concrete way of dealing with changes; i.e. customers: strategic initiative: working customer focused is followed by a huge amount of tasks, and projects.

* Initiatives on corporate level: International growth, client’s intricacy, cost management, operational excellence, establish centres of excellence through near- & offshoring. Execution happens on divisional level. The division of course has its own mission statement and strategy, but the corporate initiatives are integrated into the divisional strategy development process easily. Ergo: Top-down approach

* Cost management for example is spread all over the bank, whereas customer focus is operationalized near to the market individually.

* Vision: “World’s most premier bank” on corporate level, translated to divisional level: further expand international footprint, gain market share in CH, enhance client value proposition, enhance effectiveness & efficiency, people dimension, etc.)
Assessment area: Process improvements

Question: What are the adjustments of current strategy practice to address these challenges?

* Financial planning as a basis remains; anything else is triggered by financial planning

* Increase importance of strategy controlling

* There is a certain problem of finding out, which strategic initiative is responsible for the success; especially in revenue oriented strategies (was it the new product, the new sales process?)

* There is a certain stream of revenue; the question is of that set of strategic tasks provided, what task has how contributed to?

* More obliging strategy formulation; clearer quantifying of strategic goals, clearer measurement possible;
Assessment area: Process improvements

Question: What are the consequences of these adjustments?

The sequential, phases oriented structure (as found in literature) is very difficult, hardly to execute in practise; because there are cognitive boarders for the people involved. It is almost impossible to reduce a environmental analysis to the environment and an internal competence analysis on internal competencies, and synthesize these information accordingly in SWOT, as people have much more in mind and view the appearing problems with much more complexity. Thus makes the pure view and isolation of single components (in a SWOT) which one actually would strive for in this process, almost cognitively unfeasible, and falsifies the result.
Assessment area: Process improvements

Question: What are the desirable properties of a strategy development concept that can be operationalized?

→ “Strategy is within”: The ivory tower guys come with the initial strategic position and what are the complications and what are the options to act on; this approach is partly wrong leading; because it is not possible to separate thinking and acting; and that is what people don’t like, no matter what hierarchy level

* A process more based on a discussion, synthesizing the most important issues

* The classical outside-in method may be helpful in the beginning, but it’s not sustainable. The wrong approach is to open a strategy meeting with all points prepared and sending the template with the invitation; because there is a high possibility that there are major strategic points missing, which would have been added with integration of all participants. 50 % of strategy is to believe; you have to put ownership in it; it’s normative, too; you can decide upon success afterwards.

* Strategy as a pattern may be the most probable. Next to maximising profit is the most important decision how to organize your shop.
Interview transcript for case 8

Case 8

Industry Watches

Candidate Director Business Development CEMA

Date November 5th, 2009

Starting time 07:00

Duration 60 min

Interviewer Bernhard Frei
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>I. Strategic framework</th>
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<tbody>
<tr>
<td>Question:</td>
<td>What level of complexity does your Strategic Management work with?</td>
</tr>
<tr>
<td>Level (2):</td>
<td>Long range planning with extrapolation of historical trends, variance analysis, multi-annual budget</td>
</tr>
<tr>
<td>Self assessment</td>
<td>2 (Long range planning)</td>
</tr>
</tbody>
</table>
Assessment area:  II. Environmental Dimension (Market)

Question:  General comments

* Vision oriented. Strategic decisions on corporate (VPs and owner) level
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of VOLATILITY?

* Discontinuous and depending on market segment.

* Problem source is sourcing activities, as the company highly depends on raw materials (since 2005 continuous increasing raw material costs) and forces the company to change its behavior in sourcing of raw material.

Additionally there is a departing trend on the customer side, where the end-consumer increasingly deciders, where he buys high premium (1/5) or low budget products (4/5) (means: the stomach of the market is getting thinner), thus making it harder to push through price increases to cover increasing raw material prices.

Self assessment 3 (discontinuous)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
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<tbody>
<tr>
<td><strong>Question:</strong></td>
<td>How does your company respond strategically in terms of SPEED?</td>
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</tbody>
</table>

* Accelerating and depending on market segment. Highly fragmented product portfolio increases complexity of market information

* The product chain (raw materials, company, trade partner) is accelerating in its behavior.

On the customer side, the company heavily depends on the behavior of the end-customer. And the end-customer behavior in terms of speed increases. The most difficult thing is to decide whether end-customer behavior is a fashion glimpse (short term) or a new trend to invest (opportunity) in.

| **Self assessment:** | 3 (accelerating) |
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of UNCERTAINTY?

* Interviewee claims missing effort to market analysis in segments where the company is not present and tries to step into. Hands-on approach comes from missing business experience of VPs because of too high focus on creativity of this business.

* In principal, the competitors have the same problem, as they buy on the same market. There is a basic uncertainty in what and when is the competition going to do and onto what extend does the competitive landscape change on a different (higher) landscape. And how does the reaction of the end consumer and the trade partner look like, as the trade partners in between the company and end-customer has the same problem of higher sourcing costs on the one side and more and more price sensitive end-consumers on the other side.

* The hole sourcing chain (raw materials, company, trade partner) is finding themselves new since the last five years; all of them are trying new business models, new things, etc.

Self assessment: 3 (alternative futures)
Assessment area: Internal dimension (Organization)

Question: General comments

* The classical strategy development model is challenged by a changing business environment. Swatch changes its strategy model to react faster and with more ownership (to support implementation) into an initiative forced model (hypotheses). The organizational complexity of the matrix was recently reduced to facilitate interaction and decision making
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of RESPONSIVENESS?

* Responsiveness is of great importance and a constant challenge. The organization has recently been reduced from 8 to 4 divisions (= 4 VPs) to speed up strategic decision process and increase responsiveness.

* Process and structure changes are driven through changes in positions or managers.

* The initiative driven model divides the strategy model horizontally and delivers manageable initiatives that support ownership of responsible managers.

Self assessment: 3 (challenging)
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?

* The structural complexity has been decreased recently to increase responsiveness

* Dotted line responsibility driven organization is just one step into a more project oriented organisation (on strategic issues)

* As soon as a initiative is verified through backward analysis, a strategic project is defined, and supported by (human) resources, with reverence to the matter of project initiative (whether it is business development, marketing, operational driven, etc.)

* On operational side there is no change in organizational structure foreseen

Self assessment: 3 (challenging)
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?

* The influence of business professionals is increasing, as the organization gets leaner. Business professionals participate strongly in the strategy development process. Moderate to increasing fluctuation of business professionals due to high focus on creativity and less on business experience. Trail and error business, hands-on oriented

* The balance between responsibility and competency is higher in project oriented organizations, which supports the initiative driven strategy model, Openness and confidence with in the strategy workshop is of high importance

* The selection of participating managers in the strategy workshop is very important, as they drive the initiatives. So the variance of managers through the organization bases the completeness (or missing) of initiatives

* Exogenous driven impulses help the strategy workshop to create future oriented initiatives through the organization

Self assessment: 4 (strong challenge)
Assessment area: Process dimension (Strategy)

Question: General comments

* Strategy process is very vision & mission statement oriented. Divisional heads
  strongly coin the characteristics of the organization and strategy process

* The group belongs to a family that strongly shapes the vision of the company

* In the past there was a process like the classical, sequential and analysis based
  strategy process in literature; the strategy process has been changed this year to a
  hypotheses (initiatives) process. The process is based on a yearly basis.

* Presuming there is enough experience in the room (across the value chain,
  across the functions, important is the openness in the dialogue) and a moderator
  who is able to guide the discussion through the process, and challenge the
  members of the discussion.

* Firstly find the challenges and opportunities of the business environment, and
  secondly weight, prioritize them, base hypotheses on them and find solutions for
  problems or use chances to improve and develop the business. This is the starting
  point to go into analysis and check (verification or falsification) the hypotheses.

* Thus aims the situation analysis process right to the point, towards priority and
activity (how does the competitive environment look like, what does the consumer think about that…).

* So there is no yearly and generic total business environment analysis; but there is stringent and directed analysis of strategic initiatives. And the process gets much faster, earlier understandable (what is that strategy process for?) & more concrete and the ownership on strategic initiative regarding implementation is much higher. Category manager is hosting the strategic initiatives, as he overviews the value chain totally.
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on OVER-ANALYSIS?

* The analysis process works on a long-range planning level, focusing mainly on extrapolation of historical trends

* There is a cultural change in not providing a generic analysis for every new strategy process (“boil the ocean”) but just search for deviations to minimise analytical expense (variation analysis), and focus on implementation to get the results

There is less help in just looking back (analysis of historical data) but there is also less help in looking just into the future (scenario analysis, including the possible reactions of competitors)

NOTA BENE: so the analysis process is initiative driven, not vice versa

There is a need for explaining analysis, not describing analysis

Self assessment: 2 (little)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
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<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on a SEQUENTIAL MODEL?</td>
</tr>
<tr>
<td>* Vision oriented. Strategic decisions on corporate (VPs and owner) level</td>
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<td>Self assessment:</td>
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<td>Assessment area:</td>
<td>Process dimension (Strategy)</td>
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<td>-----------------</td>
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</tr>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on SEPARATION of hierarchical levels?</td>
</tr>
</tbody>
</table>

* Vision oriented. Strategic decisions on corporate (VPs and owner) level

* Some talents are integrated in strategy workshop (but more like an incentive for the talents)

* The external moderator helped to put focus on separation

| Self assessment: | 2 (little) |
Assessment area: Process improvements

Question: General comments

* Future improvements of strategy development focus on strategy making and business experience of decision makers
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?</td>
</tr>
</tbody>
</table>

* Responsiveness and structural complexity

* Hypotheses model basically changes the root of the process (initiative driven, not analytical driven)
Assessment area: Process improvements

Question: What are the adjustments of current strategy practice to address these challenges?

* Flatter and leaner organization leads to high responsiveness and low structural complexity

* Less work load through reduction of analysis
Assessment area: Process improvements

Question: What are the consequences of these adjustments?

* Focus on resources because of a more lean organization, faster decision making due to less people involved in corporate decision making

* Better quality of analysis (There is a need for explaining analysis, not describing analysis)

* Less analysis costs (cost saver)

* Focus from beginning (no generic analysis)

* More ownership
Assessment area: Process improvements

Question: What are the desirable properties of a strategy development concept that can be operationalized?

* Change management as a constant task in an agile organization

* Implementation of initiative model happen through a range of projects with a project steering committee and a reporting network

* The aim in our company within the implementation of this initiative-idea is to create a program that spreads this strategic project organization through the company

Status report:

1. Do you believe until today that you can implement this project?

2. Is the financial aim within target?

3. How does the timeline look like?
### Interview transcript for case 9

<table>
<thead>
<tr>
<th>Case</th>
<th>9</th>
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<tbody>
<tr>
<td>Industry</td>
<td>Machinery</td>
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<tr>
<td>Candidate</td>
<td>Head of Business Development</td>
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<tr>
<td>Date</td>
<td>Aug 29th, 2008</td>
</tr>
<tr>
<td>Starting time</td>
<td>07:30</td>
</tr>
<tr>
<td>Duration</td>
<td>60 min</td>
</tr>
<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
</tbody>
</table>
Assessment area: I. Strategic framework

Question: What level of complexity does your Strategic Management work with?

Level (2): Long range planning with extrapolation of historical trends, variance analysis, multi-annual budget

And is transformed to

Level (3): Strategic planning with anticipation of disruptions in trends, build-up of core competencies, orientation on success potentials

Self assessment 2 (Long range planning)
Assessment area: II. Environmental Dimension (Market)

Question: General comments

* Strategic initiatives have to be checked regarding plausibility from the divisions (counter current analysis). But changing goals is not feasible, more the question: what do we have to do to achieve the goals with this changed parameters?

* Complex and cost-intensive benchmarking tool developed with external consultants to establish a best practice overview of the company relative to its competitors

* However, benchmarking tool is heavily criticized and suffers acceptance from internal managers due to lack of understanding and ownership
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of VOLATILITY?

See also presentation market-oriented performance.ppt

How do we know that we are good or bad performer? Until now we measured performance relative to our goals, an internal view. Currently, we are changing to an external view and measure our performance and position relative to the market and our competitors per segment globally; 70-80 peers globally, with the help of external consultants and market research data with web-based benchmarking tools. With the help of this tool we get a much better perception of: where are we and the market heading to?

Self assessment 3 (discontinuous)
<table>
<thead>
<tr>
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<tbody>
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<td>Question:</td>
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<tr>
<td>Self assessment:</td>
<td>3 (accelerating)</td>
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<td>Assessment area:</td>
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<tr>
<td>Self assessment:</td>
<td>3 (alternative futures)</td>
</tr>
</tbody>
</table>
Assessment area: Internal dimension (Organization)

Question: General comments

* divisional organization with strong ownership of divisional heads; no “one company” culture

* more like a lot of companies that carry the same name
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of RESPONSIVENESS?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>3 (challenging)</td>
</tr>
</tbody>
</table>
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?

* Strategy controlling: performance programs run orthogonal to hierarchy. Thus makes it difficult to decide, what is the reason for success

* CEO uses informal network to get information necessary to question the bottom-up initiatives from the division heads.

* A clear response from the division heads was ok and followed a laissez-faire leadership style; unclear or doubtful responses to the CEO were further interrogated and got massive attention from corporate level

Self assessment: 2 (little)
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?

* There are the experts [business professionals] on second and third level who are open to changes, who see the challenges, the potential is huge

* It is interesting that companies are successful despite corporate level […] There are timely failures and wrong priorities set in corporate decisions, but nevertheless it works, because there are professionals who make it work

Self assessment: 3 (challenging)
Assessment area: Process dimension (Strategy)

Question: General comments

* In CH, companies are managed very de-centrally from a corporate perspective

* There are three divisions (50% automotive /25%/25% turnover),

* Casting business (metal, plastic)

* See also corporate planning presentation CMT 131107.ppt

* 3-5 years cycle and/or new CEO. CEO triggers the corporate strategy development process with qualitative initiatives

* Additional to quantitative aims there are also qualitative initiatives (i.e. India: every division had to develop an India strategy, Innovation, etc.)

* Simplified scenario analysis (what if analysis)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on OVER-ANALYSIS?</td>
</tr>
</tbody>
</table>

* Bias towards analysis

* Annual strategic deviation analysis in the last quarter of the previous year. All three years new strategy and therefore generic analysis

| Self assessment: | 3 (biased) |
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on a SEQUENTIAL MODEL?

* Yes, sequential: according to corporate planning process

* Sequential in terms of yearly analysis to check how and with what means are we able to meet the communicated aims

Self assessment: 3 (biased)
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on SEPARATION of hierarchical levels?

* Divisional and corporate strategy are separated; alignment is very complex, extensive, and time consuming

* Top triggered corporate strategy development process / strong divisional thinking / no “one company” approach

* Strategic initiatives have to be checked regarding plausibility from the divisions (counter current analysis). But changing goals is not feasible, more the question: what do we have to do to achieve the goals with these changed parameters?

* In past time budget was anticipated into the future and strategy was separated now: strategy drives budget

* We have difficulties to communicate the strategy outside from the strategic decision makers: one presentation per year for the top 150 employees; each division presents its part of the strategy with respect to its portfolio

Self assessment: 3 (biased)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>

* Corporate strategy is going to be less visionary and more means oriented to stabilize the portfolio where possible and shape the future for the next 6 years accordingly.

* Always keeping early warning systems alive to be warned early enough to changes in the environment
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?</td>
</tr>
</tbody>
</table>

* Strategy has to be understood throughout the company
Assessment area: Process improvements

Question: What are the adjustments of current strategy practice to address these challenges?

* Strategy controlling: performance programs run orthogonal to hierarchy. Thus makes it difficult to decide, what is the reason for success

* More scenario analysis to be prepared (what if, hedging, etc.)

* Previous strategy was budget triggered. Not too high goals to be able to meet them and get a bonus afterwards

* Clear vision, some few initiatives that are able to be communicated and understood throughout the company

* Scenario analysis to be prepared for external events
Assessment area: Process improvements

Question: What are the consequences of these adjustments?

* Confronted with increasing dynamics in the business environment, strategists argue that the effort necessary to sustain competitive advantage increasingly exceeds the limits of the working diligence and analyzing accurateness of their organizations
### Assessment area: Process improvements

**Question:** What are the desirable properties of a strategy development concept that can be operationalized?

* We find that with increasing dynamics of the business environment, an emphasis on orientation towards creation and action results in enhanced decision quality.

* We suggest that strategies are more effective as they move beyond reacting to traditional market specifications of success toward leveraging our resources entirely toward overachieving co-created product/service features with customers, and leaving other predicted success factors out completely.
## Interview transcript for case 10

<table>
<thead>
<tr>
<th>Case</th>
<th>10</th>
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</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Healthcare</td>
</tr>
<tr>
<td>Candidate</td>
<td>Vice Director, Head of Business Development</td>
</tr>
<tr>
<td>Date</td>
<td>July 10th, 2008</td>
</tr>
<tr>
<td>Starting time</td>
<td>18:00</td>
</tr>
<tr>
<td>Duration</td>
<td>60 min</td>
</tr>
<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
</tbody>
</table>
Assessment area: I. Strategic framework

Question: What level of complexity does your Strategic Management work with?

Level (2): Long range planning with extrapolation of historical trends, variance analysis, multi-annual budget

And is transformed to

Level (3): Strategic planning with anticipation of disruptions in trends, build-up of core competencies, orientation on success potentials

Self assessment 2 (Long range planning)
Assessment area: II. Environmental Dimension (Market)

Question: General comments

* Strong dependence on political decisions, which are often unforeseeable (AErztestopp: OK from Nationalrat, NEIN from Staenderat)
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of VOLATILITY?

* National political decisions are very hard to foresee

Self assessment  3 (discontinuous)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of SPEED?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>3 (accelerating)</td>
</tr>
</tbody>
</table>
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of UNCERTAINTY?

* Strategic planning is very intuitive

Self assessment: 2 (range of futures)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of RESPONSIVENESS?

* The challenge is met via political lobbying (politicians in the advisory board) to early detect political trends and feed this information directly (almost monthly, from every canton of Switzerland) into the strategic decision process

Self assessment: 3 (challenging)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?</td>
</tr>
</tbody>
</table>

* Very slim organizational structure

| Self assessment: | 2 (little) |
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?

- A lot of strategic issues, initiatives and project are in the heads of corporate leaders, thus they are not formalized and not documented

- That makes the decision process vulnerable and dependent on individuals, as well as team character

- HR fluctuation causes a real strategic threat to the decision process, as well as strategy implementation

- There is a tough EBDIA aim to reach; but the decision on how to reach that target and when to spend (CAPEX) which part of the money on what project is free

Self assessment: 3 (challenging)
## Assessment area: Process dimension (Strategy)

## Question: General comments

* 5 years cycle – vision & mission based

* Annual revision of strategy

* Only 60% of planned implementation points are executed

* The resting 40% are opportunities

* The strategy development process is organized the classic way. In reality, the process runs much more dynamically: Sometimes, a strategic initiative needs some external triggers (specific HR: Oncology expert) to start the initiative. Such a start is not possible to be planned
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on OVER-ANALYSIS?

* In the past, opportunities were taken and invested in; which lead to unforeseeable investment calculations etc.

* Market analysis is more number-based nowadays (statistical numbers: i.e. where to the Swiss patients go to a heart clinic, where does our company need heart-centres in CH)

* The other example was the opportunity to hire a robot–operating expert chirurgery, so our company built up a ROBOTER chirurgery without primary knowing, if there is a basic need for that application

* Analysis is limited to 30%; rest is experience

Self assessment: 3 (biased)
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on a SEQUENTIAL MODEL?

Self assessment: 2 (little)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on SEPARATION of hierarchical levels?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>1 (no)</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>Process improvements</td>
</tr>
<tr>
<td>-----------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>Process improvements</td>
</tr>
<tr>
<td>----------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Question:</td>
<td>What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?</td>
</tr>
</tbody>
</table>

* The strategic decision process is reduced to a small, high experienced management group that knows each other: major fluctuations in this group would kill the competitive advantage of this group
<table>
<thead>
<tr>
<th><strong>Assessment area:</strong></th>
<th><strong>Process improvements</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Question:</strong></td>
<td>What are the adjustments of current strategy practice to address these challenges?</td>
</tr>
<tr>
<td></td>
<td>* Structuring of strategy development and implementation process</td>
</tr>
</tbody>
</table>
Assessment area: Process improvements

Question: What are the consequences of these adjustments?

* The strategic decision process gets more formalized and more structures (maybe slower?)

With increasing dynamics of the business environment, an emphasis on orientation towards creation and action results in enhanced decision quality is necessary.

Strategies are more effective as they move beyond reacting to traditional market specifications of success toward leveraging our resources entirely toward overachieving co-created product/service features with customers, and leaving other predicted success factors out completely.
Assessment area: Process improvements

Question: What are the desirable properties of a strategy development concept that can be operationalized?

* Initiative based strategy development

* Informal structures play an important role in creatively leveraging existent approaches in prescriptive strategy development approaches, because these informal structures often emerge exactly where anomalies lie.

* Thus, informal structures are able to indicate possible room for improvement in the context of organizational design and corporate strategy development

* Although practicing a planning approach at the corporate level, we accept the fact that a significant part of successful initiatives result from opportunistic ad-hoc decisions. We also implicitly accept the fact that with this entrepreneurial approach change becomes necessary to align the organization respectively
## Interview transcript for case 11

<table>
<thead>
<tr>
<th>Case</th>
<th>11</th>
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</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Construction</td>
</tr>
<tr>
<td>Candidate</td>
<td>Head of Business Development</td>
</tr>
<tr>
<td>Date</td>
<td>September 17th, 2008</td>
</tr>
<tr>
<td>Starting time</td>
<td>11:00</td>
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<tr>
<td>Duration</td>
<td>60 min</td>
</tr>
<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
</tbody>
</table>
Assessment area: I. Strategic framework

Question: What level of complexity does your Strategic Management work with?

Level (2): Long range planning with extrapolation of historical trends, variance analysis, multi-annual budget

Self assessment 2 (Long range planning)
Assessment area: II. Environmental Dimension (Market)

Question: General comments

* After merger of two big national construction companies -> our company saw no further possibility to grow in CH, thus internationalization started -> Global solutions aka business development division

* Global solution is the platform to internationalize construction services globally (i.e. Russia)

* HochTief (Germany) & STRABAG (Austria) as main competitors. Sunshine Group (Marketing for real estate, ex-partner of Donald Trump) as recent new marketing partner for us

* Turnkey solutions for the whole life cycle of a real estate business as the main product/service construct

* Market (up to 6h flight time from Zurich): 1. Russia, because there is much more demand then supply. 2. Middle East; mainly prestige real estate, prime buildings (high price level)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of VOLATILITY?</td>
</tr>
</tbody>
</table>

* Real estate and construction business mainly financed through bank loans; disruptions in banking business are followed by a new due diligence of the projects

Global interests (Bank of America) & political interests (America VS. Russia, elections in USA)

| Self assessment | 3 (discontinuous) |
### Assessment area:
Environmental dimension (Market)

### Question:
How does your company respond strategically in terms of SPEED?

* Strongly accelerating pace of change
* Russian stock market down, Chinese stock market volatile, inflation in Russia very high, main construction sites (Sochy) on hold

### Self assessment:
4 (strongly accelerating)
### Assessment area: Environmental dimension (Market)

#### Question:
How does your company respond strategically in terms of **UNCERTAINTY**?

* Alternative futures and true ambiguity

#### Self assessment:
3 (alternative futures)
### Assessment area: Internal dimension (Organization)

### Question: General comments

* Responding to the market needs in expanding the service from management solutions to full life cycle service

* Global solutions as the youngest and most exotic division within the group

* Global solution has as main goals to (1) introduce new JV, (2) knowhow transfer, (3) prove of functionality, (4) look for new markets, and (5) start with point (1) again
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of RESPONSIVENESS?

* Responding to the market needs in expanding the service from management solutions to full life cycle service

* Global solution is a small and agile organization, but resources and specialists from our company are hardly available (orientation, language)

* Thus, our company started a recruiting program within the group (including attractive incentives) to hire specialists for foreign tasks

* Nevertheless, few internal specialists agree to be hired for an international assignment → external programs, leading to much higher salary expectations

* Support for global projects from corporate level lacks (i.e. no talent development program that includes an international assignment)

Self assessment: 4 (strong challenge)
### Appendix

<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
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<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?</td>
</tr>
</tbody>
</table>

* interfaces between company and our division are very difficult

* Vision 2012 changed our division from management services to services for the whole life cycle of real estate development -&gt; much more resources from our company necessary. Needs paradigm change in how our company sees itself (from national champion to global player) starting with recruiting process (languages, relocation, internal policies), the challenge of recruiting internationally (resource and language problem for HR), judicative challenges (international laws)

* our company needs to globalize its organization and structure to be able to meet the requirements of a global business environment

| Self assessment: | 4 (strong challenge) |
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?

* Vision 2012 changed our division from management services to services for the whole life cycle of real estate development -> much more resources from our company necessary. Needs paradigm change in how our company sees itself (from national champion to global player) starting with recruiting process (languages, relocation, internal policies), the challenge of recruiting internationally (resource and language problem for HR), judicative challenges (international laws)

* internal conflicts between national and international divisions, because high potentials were recruited for international assignments which dried out the national organization

Self assessment: 4 (strong challenge)
Assessment area: Process dimension (Strategy)

Question: General comments

* Two strategic grow initiatives: 1. Prime buildings 2. Infrastructure

* Opportunistic character in internationalization, our division as a start up division for internationalization
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on OVER-ANALYSIS?</td>
</tr>
</tbody>
</table>

* Market analysis, market entry analysis, aim market definition, external research agents to collect market information

* Search for JV partners to use JV for market entry strategy

<p>| Self assessment: | 3 (biased) |</p>
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on a SEQUENTIAL MODEL?</td>
</tr>
</tbody>
</table>

* Singular and static, sequential strategy development approach

| Self assessment: | 3 (biased) |
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on SEPARATION of hierarchical levels?

* Our division shows little separation to corporate level

* Divisional issues were presented on corporate level by division manager, CEO carried issues to advisory board, advisory board answered instantly

* Our division has a 100Mio CHF EBIT aim

Self assessment: 1 (no)
**Assessment area:** Process improvements

**Question:** General comments

* Globalization triggers changes (HR, Finance, …) in our company
<table>
<thead>
<tr>
<th><strong>Assessment area:</strong></th>
<th>Process improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Question:</strong></td>
<td>What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?</td>
</tr>
</tbody>
</table>

* International influences in all divisions (experience from our division, resources for our division)
Assessment area: Process improvements

Question: What are the adjustments of current strategy practice to address these challenges?

* If our division is going to establish its own service departments for globalization (HR, Finance, etc.) the result may be an Management By-out

* own strategy development process as a division
Assessment area: Process improvements

Question: What are the consequences of these adjustments?

* National division and international division of our company to separate orientation on market behaviour

* From national orientation to a transforming kind of strategy

* Although predicting strategy on corporate level, to some extent we reduce our emphasis on prediction (i.e. formal market research, competitive analysis, etc.) by utilizing an adaptive approach on the basis of fast decision making and effectual entrepreneurship
Assessment area:  Process improvements

Question:  What are the desirable properties of a strategy development concept that can be operationalized?

* We suggest that strategies are more effective as they move beyond reacting to traditional market specifications of success toward leveraging their resources entirely toward overachieving co-created product/service features with customers, and leaving other predicted success factors out completely.

* To enhance organizational responsiveness to environmental change, we demonstrate increasing investment in flatter structures, and high autonomy and diversity of mental models that strongly emphasize the impact of clear, comprehensive, and compelling communication.

* High autonomy and diversity of mental models emphasize creativity and empowerment, framed by corporate government structures, supporting norms, and cultures that define common means and goals.
### Interview transcript for case 12

<table>
<thead>
<tr>
<th>Case</th>
<th>12</th>
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<tbody>
<tr>
<td>Industry</td>
<td>Machinery</td>
</tr>
<tr>
<td>Candidate</td>
<td>Head of Corporate Planning and Acquisition</td>
</tr>
<tr>
<td>Date</td>
<td>August 27th, 2008</td>
</tr>
<tr>
<td>Starting time</td>
<td>17:00</td>
</tr>
<tr>
<td>Duration</td>
<td>60 min</td>
</tr>
<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
</tbody>
</table>
**Assessment area:**  I. Strategic framework

**Question:** What level of complexity does your Strategic Management work with?

Level (3): Strategic planning with anticipation of disruptions in trends, build-up of core competencies, orientation on success potentials

**Self assessment**  3 (Strategic planning)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>II. Environmental Dimension (Market)</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>
### Assessment area: Environmental dimension (Market)

### Question: How does your company respond strategically in terms of VOLATILITY?

* Rather stable. All pretty long-cyclical industries, no disruptive competiveness.

Our product portfolio is just a small fraction of the whole infrastructure

* Incremental changes on innovative side

* Foreseeable trends in business environment

### Self assessment 2 (explorative)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
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</thead>
<tbody>
<tr>
<td><strong>Question:</strong></td>
<td>How does your company respond strategically in terms of SPEED?</td>
</tr>
<tr>
<td><strong>Self assessment:</strong></td>
<td>2 (stable)</td>
</tr>
</tbody>
</table>
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of UNCERTAINTY?

* Big global players, international oil companies face increasing competition from national companies

* National companies becoming more aggressive, assertive on a long term basis

* Mid to long term competition from emerging markets from Asia

Self assessment: 2 (range of futures)
<table>
<thead>
<tr>
<th>Assessment area</th>
<th>Internal dimension (Organization)</th>
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<tbody>
<tr>
<td>Question</td>
<td>General comments</td>
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<table>
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<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of RESPONSIVENESS?</td>
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<p>| | |</p>
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<tr>
<th></th>
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<tbody>
<tr>
<td>* No. As long as we are disciplined in adapting our operations and footprint and CAPEX as soon as we see an indication of the market going down</td>
<td></td>
</tr>
<tr>
<td>* There is no blindness to reality. Those plans are already in place, what are the trigger points…</td>
<td></td>
</tr>
<tr>
<td>* Not a disruptive industry</td>
<td></td>
</tr>
</tbody>
</table>

| Self assessment: | 1 (no) |
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?

* The individual divisions are independent. Innovation is an incremental thing in our industry. No disruptive moves.

Self assessment: 1 (no)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>2 (little)</td>
</tr>
</tbody>
</table>

* Not more than in comparable other organizations
Assessment area: Process dimension (Strategy)

Question: General comments

* Strategy development process level between 3 and 4: anticipation of disruption in trends, build up of core competences

* All 3 years bottom up process, where the task within every division and on corporate level is to question fundamentally the position within the market.

* In between years there is in depth questions asked: what are the key things that we think have changed, is this small change or a big change that would force us to begin a new strategy process from the beginning and earlier as we thought we do

* Classical strategy development in our company
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on OVER-ANALYSIS?

- Very little outsourced analysis, where much in house (five forces, customer service, etc.) every business unit within each division does

- Reasonable balance between analysis and cost of analysis

Self assessment: 2 (little)
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on a SEQUENTIAL MODEL?

* A little bit too sequential process. The process is already outdated when finalized, some do say. The strategic decisions are understood as a reference frame; one has to be conscious at what assumptions one does lose and do they get in conflict with what the analysis brought with it.

* It is allowed to step a few steps left or right of the strategic path

* Opportunities are questioned in terms of strategic fit and how they may base a change of strategy.

Self assessment: 2 (little)
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on SEPARATION of hierarchical levels?

* We (corporate level) do not sit around and make strategies for our divisions. They make their strategy for their own. What we do is, we challenge it: we ask them: are you right in your assessments? We make them check and re-check, we make them look at things in a different way, we think about the portfolio, we think about: is this the portfolio that we want? What happens if we buy something big, do we have to re-balance the portfolio?

* Divisional strategies are independent from each other, they are effectively silos. Upwards: there is no competence and no resource at the corporate level,

* What corporate level can help is to prevent the divisions from going blind, the ringing bell quasi: your logic is not right, etc.

Self assessment: 1 (no)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>

* Huge clean out the last 10 years; what you have got to know with our company is the 8-10 silos reduced to 4.
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?</td>
</tr>
<tr>
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<tr>
<td>Question:</td>
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</tr>
<tr>
<td>-----------------</td>
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</tr>
<tr>
<td>Question:</td>
<td>What are the consequences of these adjustments?</td>
</tr>
</tbody>
</table>
Assessment area: Process improvements

Question: What are the desirable properties of a strategy development concept that can be operationalized?

* We integrate the business knowledge of their organization to search for predominant strategic options and the definition of new strategic initiatives before analysis to avoid over analysis and reduce the cost of prediction.

* Because, confronted with increasing dynamics in the business environment, we must say that the effort necessary to sustain competitive advantage increasingly exceeds the limits of the working diligence and analyzing accurateness of our organizations.

* To enhance organizational responsiveness to environmental change, we demonstrate increasing investment high autonomy and strongly emphasize the impact of clear, comprehensive, and compelling communication.
Appendix

**Interview transcript Interview 13**

<table>
<thead>
<tr>
<th>Case</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Home equipment</td>
</tr>
<tr>
<td>Candidate</td>
<td>Head of Corporate Planning and Acquisition</td>
</tr>
<tr>
<td>Date</td>
<td>August 26(^{th}), 2008</td>
</tr>
<tr>
<td>Starting time</td>
<td>10:30</td>
</tr>
<tr>
<td>Duration</td>
<td>60 min</td>
</tr>
<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>I. Strategic framework</td>
</tr>
<tr>
<td>-----------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Question:</td>
<td>What level of complexity does your Strategic Management work with?</td>
</tr>
<tr>
<td>Level (3):</td>
<td>Strategic planning with anticipation of disruptions in trends, build-up of core competencies, orientation on success potentials</td>
</tr>
<tr>
<td>Self assessment</td>
<td>3 (Strategic planning)</td>
</tr>
</tbody>
</table>
### Assessment area: II. Environmental Dimension (Market)

### Question: General comments

* 1995 first climate conference, first approaches in Min-Energy buildings: Ventilation of housings as a new business

* An important supplier of ventilations in Netherlands as an acquisition in 1996

* Parallel to heating business build-up of new ventilation division

* 2008 additional two acquisitions in ventilation: 100Mio CHF revenue (one quarter of the total revenue)

→ Today: the plumber is the client: New buildings need both heating AND ventilation; and they would like it to have from one hand, through one sales channel

* Growth period is now exchanged by a transformation process in merging two divisions (Heating & Ventilation: production, sales) into one division
### Assessment area: Environmental dimension (Market)

### Question: How does your company respond strategically in terms of VOLATILITY?

- Inert market, disruptive innovations get introduced by evolutionary change
- Min-energy standard brings next to some energy reduction mainly comfort increase (see company presentation)
- Explorative
- Switzerland as test market, Germany and Austria just behind in evolution

### Self assessment 2 (explorative)
### Environmental dimension (Market)

**Question:** How does your company respond strategically in terms of SPEED?

- **Accelerating:** slow in the beginning, sudden high speed spread out (need for being prepared when market explodes)
- **Global energy market price increase helps to focus on heating investments**
- **Different paradigm change in different countries (comfort/ventilation more important than heating in Spain)**

**Self assessment:** 3 (accelerating)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of UNCERTAINTY?</td>
</tr>
</tbody>
</table>

<p>| | |</p>
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<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>*</td>
<td>Most important to be prepared for market entry timing in every country</td>
</tr>
<tr>
<td>*</td>
<td>Market entry in Germany happened too early.</td>
</tr>
<tr>
<td>*</td>
<td>The political regulatory also determines the right market entry timing</td>
</tr>
<tr>
<td>*</td>
<td>Nevertheless anticipative market focus necessary</td>
</tr>
</tbody>
</table>

| Self assessment: | 2 (range of futures) |
### Assessment area: Internal dimension (Organization)

### Question: General comments

* Growth period is now exchanged by a transformation process in merging two divisions (Heating & Ventilation: production, sales) into one division

* Transformation process initiated: 10 strategic sub-projects started (i.e. reporting, training, etc.)
<table>
<thead>
<tr>
<th>Assessment area</th>
<th>Internal dimension (Organization)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of RESPONSIVENESS?</td>
</tr>
<tr>
<td>Strong challenge:</td>
<td>transformation phase is basis for future increased market responsiveness</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>4 (strong challenge)</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>Internal dimension (Organization)</td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?</td>
</tr>
<tr>
<td></td>
<td>Strong challenge: will be decreased through transformation of organization from two to one division</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>4 (strong challenge)</td>
</tr>
</tbody>
</table>
### Appendix

<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
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</table>

<table>
<thead>
<tr>
<th>Question:</th>
<th>Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?</th>
</tr>
</thead>
</table>

**Strong challenge:** transformation process will maximise human constraints.

**Afterwards stabilization process necessary**

<table>
<thead>
<tr>
<th>Self assessment:</th>
<th>4 (strong challenge)</th>
</tr>
</thead>
</table>
Assessment area: Process dimension (Strategy)

Question: General comments

Classical strategy development process

Beginning of 90ies reduction to core competence, sell out of other businesses

Internationalization of heating business through acquisition and new international sales representations

Growth period is now exchanged by a transformation process in merging two divisions (Heating & Ventilation: production, sales) into one division
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on OVER-ANALYSIS?</td>
</tr>
</tbody>
</table>

* Strategic statisticals data for analysis for the environment only for Switzerland available.

* other countries: more experience based and synthesized via organization

| Self assessment: | 3 (biased) |
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on a SEQUENTIAL MODEL?

* Opportunistic decision process within the strategic cycle
* Strategy cycle of 10 years
* Nevertheless anticipative market focus necessary

Self assessment: 1 (no)
### Assessment area: Process dimension (Strategy)

#### Question:
Is your corporate strategy development process biased on SEPARATION of hierarchical levels?

| Self assessment: | 3 (biased) |

No comment
<table>
<thead>
<tr>
<th>Assessment area:</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>

* we have to act forward-looking. We have to envision our future and we have a clear picture of our future.
Assessment area: Process improvements

Question: What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?

* there will be the situation in the near future that our customers will not be willing to call two numbers for heating & climate. That is the moment when we have to be ready to be finished with our transformation process and have consolidated our two divisions
Assessment area: Process improvements

Question: What are the adjustments of current strategy practice to address these challenges?

* we have to prepare the adjustments in advance to be ready when the time is right to build a sustainable competitive advantage
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>What are the consequences of these adjustments?</td>
</tr>
</tbody>
</table>

* from a de-centralized organization to a centralized organization
Assessment area: Process improvements

Question: What are the desirable properties of a strategy development concept that can be operationalized?

* While companies that focus on positioning deal with the relative emphasis on prediction and navigate an exogenous environment we change to a visionary approach that deals with deliberate efforts to make the environment endogenous
### Interview transcript for Case 14

<table>
<thead>
<tr>
<th>Case</th>
<th>14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Electronics</td>
</tr>
<tr>
<td>Candidate</td>
<td>Managing Director</td>
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<tr>
<td>Date</td>
<td>August 4th, 2008</td>
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<tr>
<td>Starting time</td>
<td>17:30</td>
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<tr>
<td>Duration</td>
<td>60 min</td>
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<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
</tbody>
</table>
Assessment area: I. Strategic framework

Question: What level of complexity does your Strategic Management work with?

Level (3): Strategic planning with anticipation of disruptions in trends, build-up of core competencies, orientation on success potentials

Self assessment 3 (Strategic planning)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>II. Environmental Dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>

Strategic positioning is done more seriously, and leads to increased company success
### Appendix

<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
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</table>

<table>
<thead>
<tr>
<th>Question:</th>
<th>How does your company respond strategically in terms of VOLATILITY?</th>
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</table>

Explorative: competitors are the most volatile part of the market

<table>
<thead>
<tr>
<th>Self assessment</th>
<th>2 (explorative)</th>
</tr>
</thead>
</table>

Page 559/699
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of SPEED?

Stable: Forward integration: Acquisition of worldwide retailers to ensure market share

Self assessment: 2 (stable)
### Assessment area: Environmental dimension (Market)

**Question:** How does your company respond strategically in terms of UNCERTAINTY?

Biggest uncertainty is the competitor: the squeeze out of other competitors out of the market is the main challenge

**Self assessment:** 1 (Clear future)
Assessment area:  Internal dimension (Organization)

Question:  General comments

20% growth per anno and the integration of worldwide retailer into the organization

Exact processes in R&D, discipline
<table>
<thead>
<tr>
<th>Assessment area:</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of RESPONSIVENESS?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>3 (challenging)</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>Internal dimension (Organization)</td>
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<tr>
<td>-----------------</td>
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</tr>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?</td>
</tr>
<tr>
<td>Growth is the main problem in developing the organization strategically</td>
<td></td>
</tr>
<tr>
<td>Self assessment:</td>
<td>3 (challenging)</td>
</tr>
</tbody>
</table>
### Assessment area: Process dimension (Strategy)

### Question: General comments

The company utilizes the classical strategy development process on corporate level and on divisional level (2-3 years cycle)

The alignment is not always easy and forces long discussions, but is seen to be a fruitful part of strategy development

For example the two main product labels are not clearly separated from each, but compete against each other on most markets

There is a lot of strategic freedom for the divisions, as the markets are very different from each other

Ten years ago, the corporate management style was laissez-faire. In 2002, corporate board was changed and introduced a top-heavy, centralistic management style. Today, more and more empowerment is introduced, delegating responsibility down the hierarchical levels

The decision process is very entrepreneurship oriented (platform investment in 2002, 140FTE, 10Mio CHF)
Assessment area: Process dimension (Strategy)

<table>
<thead>
<tr>
<th>Question</th>
<th>Is your corporate strategy development process biased on OVER-ANALYSIS?</th>
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</table>

Porter’s diamond is a strongly used strategy tool

The analysis part will increase the coming years

<p>| Self assessment | 3 (biased) |</p>
<table>
<thead>
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<tr>
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</table>

Very sequential

<p>| Self assessment: | 3 (biased) |</p>
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</table>

Separation of strategy between division and corporate level

<p>| Self assessment: | 2 (little) |</p>
<table>
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<tr>
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<tbody>
<tr>
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<td>General comments</td>
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<tr>
<td>Assessment area:</td>
<td>Process improvements</td>
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</table>

**Question:** What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?

**Responsiveness and structural complexity**
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Question:</td>
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</tr>
</tbody>
</table>

Increased empowerment in strategic decisions down the hierarchical level
### Assessment area: Process improvements

**Question:** What are the consequences of these adjustments?

- Increased alignment in strategy process
### Assessment area: Process improvements

**Question:** What are the desirable properties of a strategy development concept that can be operationalized?

* Federalistic structure in divisional VS corporate strategy development: strategic positioning and innovation on corporate level – rest on divisional level

* With increasing dynamics of the business environment, an emphasis on orientation towards creation and action results in enhanced decision quality.

* We suggest that strategies are more effective as they move beyond reacting to traditional market specifications of success toward leveraging our resources entirely toward overachieving co-created product/service features with customers
Interview transcript Case 15

Case 15

Industry Defense

Candidate Chief Technical Officer

Date September 3\textsuperscript{rd} 2008

Starting time 16:00

Duration 60 min

Interviewer Bernhard Frei
Assessment area: I. Strategic framework

Question: What level of complexity does your Strategic Management work with?

Level (3): Strategic planning with anticipation of disruptions in trends, build-up of core competencies, orientation on success potentials

Self assessment 3 (Strategic planning)
Assessment area: II. Environmental Dimension (Market)

Question: General comments

* Former fixation on CH (now only 25%) market changed with privatisation of the company: now inquiries in different European countries are worked on

* Project time horizon up to 6 years into the future
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of VOLATILITY?

* The volatility of the market is increasing as the amount of international customers is gaining importance.

* The international customers follow other rules (as they of course are also governmental influenced) than the national CH market

Self assessment 3 (discontinuous)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of SPEED?</td>
</tr>
</tbody>
</table>

* definitely increasing

<p>| Self assessment: | 3 (accelerating) |</p>
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
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<tbody>
<tr>
<td>Question:</td>
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</tbody>
</table>

* increasing international customers that are nationally influenced (which can be an advantage or a disadvantage relative to CH)

<p>| Self assessment: | 2 (range of futures) |</p>
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>
### Assessment area:

Internal dimension (Organization)

### Question:

Is your corporate strategy development process challenged in terms of RESPONSIVENESS?

* technical specifications are very different between different international customers

* sometimes it is difficult to step away from the high technical standard and focusing on the necessary standards and needs of the international customers

### Self assessment:

3 (challenging)
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?

* integration of customers into the development process is difficult to manage organisationally (as the customer cannot be integrated into the organization)

* nevertheless, the customers influence into the innovation and manufacturing process are important

* Maximum usage of these customer innovations to be spread to all possible other customer areas

Self assessment: 2 (little)
<table>
<thead>
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<tr>
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<tr>
<td></td>
<td>* integration of customer into the development process is difficult to manage organisationally (as the customer cannot be integrated into the organization)</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>2 (little)</td>
</tr>
</tbody>
</table>
### Assessment area: Process dimension (Strategy)

#### Question: General comments

- classical, rolling 5 years strategy development process (owner strategy process on governance level, corporate strategy process to meet the government (owner) needs)

- 3x3 strategy (3 markets, 3 core competences, aka divisions)

- consulting company helps to develop corporate strategy, divisional CEOs are part of the corporate strategy development process

- business model follows a project manufacturer structure

- budget planning oriented strategy process
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on OVER-ANALYSIS?

* Analysis is important part of the strategy development process

* Yearly deviation check on corporate level (operative focus)

* Major changes in strategy development are forced by the environment (national: decrease of army, professionalism of Swiss army)

* Analysis process is done internally

Self assessment: 3 (biased)
### Appendix

<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
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</table>

<table>
<thead>
<tr>
<th>Question:</th>
<th>Is your corporate strategy development process biased on a SEQUENTIAL MODEL?</th>
</tr>
</thead>
</table>

* Classical strategy development process, SWOT very important

<table>
<thead>
<tr>
<th>Self assessment:</th>
<th>3 (biased)</th>
</tr>
</thead>
</table>
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on SEPARATION of hierarchical levels?

Separation of strategy between division and corporate level

Self assessment: 2 (little)
Assessment area: Process improvements

Question: General comments

The company is presently in the situation that the environment is changing rapidly, the processes are getting more and more too complex to successfully deliver sustainable results in the competitive environment.

What emerge are multiple bypasses that are difficult to handle as they emerge and disappear and are seldom touchable

The present question is should the firm help the company to develop these bypasses or should it forbid these mutations?
Assessment area: Process improvements

Question: What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?

* Analysis: integration of market search tools and external companies to increase international view and importance

* More substantial questions within the strategy development process (i.e. is our business model still valid?)
<table>
<thead>
<tr>
<th>Assessment area:</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>What are the adjustments of current strategy practice to address these challenges?</td>
</tr>
</tbody>
</table>

* Integration of external partners during the analysis process

* Integration of external consulting firms during strategy development to help to change towards internationalization of business
Assessment area: Process improvements

Question: What are the consequences of these adjustments?

* More focus on internationalization, tighter political lobbying both national as well as international (as they are the basis for defence investments)

* We are more effective as they move beyond reacting to traditional market specifications of success toward leveraging their resources entirely toward overachieving co-created product/service features with customers, and leaving other predicted success factors out completely

* informal knowledge sources and external networks increasingly complement organizational design to flexibly adapt to the dynamics of the business environment or to transform common means into co-created goals with business partners who commit to building a business network
* Informal structures play an important role in creatively leveraging existent approaches in prescriptive strategy development approaches, because these informal structures often emerge exactly where anomalies lie. Thus, informal structures are able to indicate possible room for improvement in the context of organizational design and corporate strategy development.
<table>
<thead>
<tr>
<th>Case</th>
<th>16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Travel</td>
</tr>
<tr>
<td>Candidate</td>
<td>Head of Corporate Communication &amp; Public Relations</td>
</tr>
<tr>
<td>Date</td>
<td>September 3\textsuperscript{rd} 2008</td>
</tr>
<tr>
<td>Starting time</td>
<td>14:00</td>
</tr>
<tr>
<td>Duration</td>
<td>60 min</td>
</tr>
<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
</tbody>
</table>
Assessment area: I. Strategic framework

Question: What level of complexity does your Strategic Management work with?

Level (3): Strategic planning with anticipation of disruptions in trends, build-up of core competencies, orientation on success potentials

Self assessment  3 (Strategic planning)
<table>
<thead>
<tr>
<th>Question</th>
<th>General comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>*</td>
<td>Travel business is in dynamic change: today people ask themselves whether they can afford travelling during their vacations</td>
</tr>
<tr>
<td>*</td>
<td>Travelling is more and more in concurrence to cars, houses, and other status symbols</td>
</tr>
<tr>
<td>*</td>
<td>Foreign all inclusive offers place an increasing competition to Swiss travel houses</td>
</tr>
<tr>
<td>*</td>
<td>Big competition through huge communication efforts from competitors that invest a lot more in communication than the company could afford</td>
</tr>
<tr>
<td>*</td>
<td>9/11 brought the company a big revenue plus as Swiss travellers suddenly were very anxious to travel abroad</td>
</tr>
<tr>
<td>*</td>
<td>The integration of EURO into countries like Italy and France brought high prices increase into beloved holiday destinations which decreased attractiveness, as a Swiss family cannot afford to spend holidays in Italy and France beaches any more</td>
</tr>
</tbody>
</table>
**Assessment area:** Environmental dimension (Market)

**Question:** How does your company respond strategically in terms of VOLATILITY?

* Discontinuous: travel

* Stable: Money checks

* Many market reactions are not explainable. A lot of customer reactions happen, but nobody can explain the reactions of the market. The single customer reaction is out of control of the company. That makes it very difficult in public relations to focus on any communication channel, as the reaction of the customer is seldom measurable.

**Self assessment** 3 (discontinuous)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of SPEED?</td>
</tr>
</tbody>
</table>

* definitely increasing; accelerating environment

<p>| Self assessment: | 3 (accelerating) |</p>
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of UNCERTAINTY?</td>
</tr>
<tr>
<td>* True ambiguity in the market</td>
<td></td>
</tr>
<tr>
<td>Self assessment:</td>
<td>4 (true ambiguity)</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>Internal dimension (Organization)</td>
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<td>-----------------</td>
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</tr>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of RESPONSIVENESS?

Focus on controlled growth of organization

Self assessment: 3 (challenging)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
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<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?</td>
</tr>
</tbody>
</table>

Little structural complexity

| Self assessment: | 2 (little) |
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?

* equally challenged compared to similar organizations

Self assessment: 2 (little)
Assessment area: Process dimension (Strategy)

Question: General comments

* 4 year strategy cycle (now strategy 2012)

* Two divisions (travel & checks), strategy overall; total different divisions:
  Travel in competition to every other travel company in Europe, check without
  competition in Switzerland (nor are there any other equivalents outside
  Switzerland

* Divisional strategy

* External consulting partner (who knows the company very well) help to
determine the divisional strategy together with the vice directors and heads of the
  divisions

* classical strategy development process
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on OVER-ANALYSIS?

* biased

Self assessment: 3 (biased)
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on a SEQUENTIAL MODEL?

* biased

Self assessment: 3 (biased)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on SEPARATION of hierarchical levels?</td>
</tr>
<tr>
<td></td>
<td>* Corporate level biased. Division managers cooperate within the strategy development process</td>
</tr>
<tr>
<td></td>
<td>* Ownership guaranteed via integration of division managers (with day2day involvement)</td>
</tr>
<tr>
<td></td>
<td>* strong relation to an external consulting firm in developing the strategy</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>3 (biased)</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>Process improvements</td>
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<tr>
<td>-----------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>
Assessment area: Process improvements

Question: What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?

* Strategy development process biased by CEO in charge (it is made like this because it has always been done like this)

* Subsequently, a new CEO may change the consulting approach and/or the strategy development process
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>What are the adjustments of current strategy practice to address these challenges?</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>Process improvements</td>
</tr>
<tr>
<td>-----------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Question:</td>
<td>What are the consequences of these adjustments?</td>
</tr>
</tbody>
</table>
Assessment area: Process improvements

Question: What are the desirable properties of a strategy development concept that can be operationalized?

* informal knowledge sources and external networks increasingly complement organizational design to flexibly adapt to the dynamics of the business environment or to transform common means into co-created goals with other business partners who commit to building a business network to be able to drive the market as a network instead of being driven by the market as an individual firm.
## Interview transcript Case 17

<table>
<thead>
<tr>
<th>Case</th>
<th>17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Bank</td>
</tr>
<tr>
<td>Candidate</td>
<td>Head of Business Development</td>
</tr>
<tr>
<td>Date</td>
<td>October 21(^{st}) 2008</td>
</tr>
<tr>
<td>Starting time</td>
<td>17:30</td>
</tr>
<tr>
<td>Duration</td>
<td>60 min</td>
</tr>
<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>I. Strategic framework</td>
</tr>
<tr>
<td>-----------------</td>
<td>------------------------</td>
</tr>
<tr>
<td><strong>Question:</strong></td>
<td>What level of complexity does your Strategic Management work with?</td>
</tr>
</tbody>
</table>

**Level (3): Strategic planning with anticipation of disruptions in trends, build-up of core competencies, orientation on success potentials**

**Self assessment** 3 (Strategic planning)
* a few years ago our company was a regional little bank and had product development centralized in our headquarters. Then we internationalized and still tried to develop products centrally (i.e. for Asia, Middle East), and we were always too late. Our industry has very fast moving products, so product development has to happen de-centrally in a globalized company.

* regulatory issues

* compliance problems

* economic turmoil
**Assessment area:** Environmental dimension (Market)

**Question:** How does your company respond strategically in terms of VOLATILITY?

* Regulatory changes national and international are very important to our industry. We face strong regulatory pressure from the EU, which will lead to legacy issues, which in turn will lead to turmoil of customer leaving the bank for whatever reason to Switzerland (for a few years) or international booking centres in Middle East or Asia

* what does that mean for us? Do we have to open alternative booking centres in Asia too (organizational impacts!)

* what does that mean to our headquarter in Liechtenstein: what if a third of customers (worst case) vanish, do we have to reduce our forces in Liechtenstein?

* and what political pressure does those job losses provoke for us as a peoples bank?

**Self assessment** 3 (discontinuous)
### Assessment area: Environmental dimension (Market)

<table>
<thead>
<tr>
<th>Question</th>
<th>How does your company respond strategically in terms of SPEED?</th>
</tr>
</thead>
</table>

* private banking is accelerating

| Self assessment | 3 (accelerating) |
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of UNCERTAINTY?

* range of futures
* there are predictable scenarios (which is my job as a strategist).
* next to the regulatory changes there is the current turmoil of the business environment which was never seen before

Self assessment: 3 (range of futures)
Assessment area: Internal dimension (Organization)

Question: General comments

* Responsiveness is a big challenge in our industry

* Regulatory changes national and international are very important to our industry. We face strong regulatory pressure from the EU, which will lead to legacy issues, which in turn will lead to turmoil of customer leaving the bank for whatever reason to Switzerland (for a few years) or international booking centres in Middle East or Asia

* what does that mean for us? Do we have to open additional booking centres in Asia too (organizational impacts!)

* what does that mean to our headquarter in Liechtenstein: what if a third of customers (worst case) vanish, do we have to reduce our forces in Liechtenstein?

* and what political pressure does that job losses provoke for us as a peoples bank?
### Assessment area: Internal dimension (Organization)

### Question: 
Is your corporate strategy development process challenged in terms of RESPONSIVENESS?

- we recently changed our organizational structure from a geographical oriented structure (managed from the headquarters) to a market – oriented structure with centralized service functions (i.e. IT, HR, Logistics, …)
- through the internationalization our setup grew tremendously
- we had to diversify our business
- we had to change our culture in communication (i.e. start to communicate oral and written in English)
- that fostered regulatory changes, which in turn led to structural changes

### Self assessment: 4 (strong challenge)
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?

* the matrix is highly criticized due to missing leadership (i.e. dotted-line responsibility)

* leadership responsibility is on site from the local managers; dotted lines from functional managers (from the headquarter etc.)

Self assessment: 3 (challenging)
<table>
<thead>
<tr>
<th>Assessment area: Internal dimension (Organization)</th>
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</thead>
<tbody>
<tr>
<td>Question: Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?</td>
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</tbody>
</table>

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* leadership responsibility is on site from the local managers; dotted lines from functional managers (from the headquarter etc.)

<p>| Self assessment: 4 (strong challenge) |</p>
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
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</table>

* Adaption of certain parts from the business model and business strategies at hand
* one can plan, but there are external events that happen, and the question is whether you are able to execute the plans despite the events that happen externally
* right now we are in the middle of our strategy formulation and evaluation of options; but because of a disruptive event we have to start from the beginning again
* the next 2-3 years will get very difficult since we are the first in our industry to get challenged by that threat
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on OVER-ANALYSIS?

* we are currently discussing our top-headed strategy approach: the corporate level is now learning it the hard way that internationalized companies have to strategize differently compared to regional companies. They were trained by a nearby university how to do strategy development and learn now how to do it right.

* our company works in a very structure oriented way; we analyse (sometimes too much), think in alternative scenarios, and sometimes do something very different

* we do analysis after collecting scenarios from our most experienced executives

* the executives of both of the two divisions (=markets) collect their strategic options (brainstorming) based on the strategic direction from the Board (up to 10 years horizon)

Self assessment: 3 (biased)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on a SEQUENTIAL MODEL?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>3 (biased)</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>Process dimension (Strategy)</td>
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<td>-----------------</td>
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</tr>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on SEPARATION of hierarchical levels?</td>
</tr>
</tbody>
</table>

Self assessment: 2 (little)
**Assessment area:** Process improvements

**Question:** General comments

* we do not change the strategy every year. We know that with opening 3 new global sites this times will become difficult, we stay, we know that all is volatile, all is more uncertain

* we stay on our strategic path

* good personnel is now difficult to be found
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
</tr>
</thead>
</table>

**Question:** What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?

* yearly gap analysis for strategic options (initiatives)
Assessment area: Process improvements

Question: What are the adjustments of current strategy practice to address these challenges?

* first initiatives then analysis (i.e. we do not analyze again if we insist in going to India, but we think about going to Afghanistan also)
Assessment area: Process improvements

Question: What are the consequences of these adjustments?

* we do not stop our internationalization strategy just because our headquarters is losing its very right of existence and therefore has to change its business model

* but we will adjust the ROI calculation on these initiatives

* we will take advantage of the opportunities of a downturn and hire now less expensive customer consultants (representatives) to be prepared for the upstream again
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
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</table>

<table>
<thead>
<tr>
<th>Question:</th>
<th>What are the desirable properties of a strategy development concept that can be operationalized?</th>
</tr>
</thead>
<tbody>
<tr>
<td>* focus on analysis resources</td>
<td></td>
</tr>
<tr>
<td>* keep strategic changes in directions low</td>
<td></td>
</tr>
<tr>
<td>* use the opportunities within crises to be prepared for the good times ahead</td>
<td></td>
</tr>
<tr>
<td>* Internationalization strategy asks for (organizational) change management from regional company to global firm</td>
<td></td>
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</tbody>
</table>
## Interview transcript Case 18

<table>
<thead>
<tr>
<th>Case</th>
<th>18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Telecom</td>
</tr>
<tr>
<td>Candidate</td>
<td>Strategy Analyst</td>
</tr>
<tr>
<td>Date</td>
<td>July 7\textsuperscript{th} 2008</td>
</tr>
<tr>
<td>Starting time</td>
<td>17:00</td>
</tr>
<tr>
<td>Duration</td>
<td>60 min</td>
</tr>
<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
</tbody>
</table>
## Assessment area: I. Strategic framework

### Question:
What level of complexity does your Strategic Management work with?

→ see graphical illustration on the interview guide for case 18

Level (3): Strategic planning with anticipation of disruptions in trends, build-up of core competencies, orientation on success potentials

### Self assessment
3 (Strategic planning)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>II. Environmental Dimension (Market)</th>
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<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
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<tr>
<td>Assessment area:</td>
<td>Environmental dimension (Market)</td>
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<tr>
<td>-----------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of VOLATILITY?</td>
</tr>
<tr>
<td>* volatility develops in an explorative kind of way</td>
<td></td>
</tr>
<tr>
<td>Self assessment</td>
<td>2 (explorative)</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>Environmental dimension (Market)</td>
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<tr>
<td>-----------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of SPEED?</td>
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</table>

* Accelerating (some peaks overseen), the company is very investment driven. If the company decides to not build up the fibre-optics net now, the infrastructure service level will not be able to hold pace with the increasing demands in electronic communication.

| Self assessment: | 3 (accelerating) |
### Assessment area: Environmental dimension (Market)

**Question:** How does your company respond strategically in terms of UNCERTAINTY?

* What is really necessary to invest, how will demands develop and what will be really important in the future in terms of communication?

**Self assessment:** 3 (alternative futures)
Assessment area: Internal dimension (Organization)

Question: General comments

* The classical sequential process was exchanged (due to change of CEO) with the 7 question model for the present strategy cycle

* Because the strategy does not change fundamentally from one year to another, the strategic initiatives can focus on special tasks
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of RESPONSIVENESS?

* The classical sequential process was exchanged (due to change of CEO) with the 7 question model for the present strategy cycle

* Because the strategy does not change fundamentally from one year to another, the strategic initiatives can focus on special tasks

* in future: the strategy development process will be prolonged to 2-3 years and supported by a more opportunistic kind of strategy process

Self assessment: 2 (little)
**Assessment area:** Internal dimension (Organization)

**Question:** Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?

* the recent re-organization helped to decrease interface-communication problems

**Self assessment:** 1 (no)
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?

The human influences in the decision process will increase, because

* Uncertainty of business environment is increasing, tools to fight uncertainty not in place

* Opportunistic and people oriented decision process is less formalized and subjectively biased.

Self assessment: 3 (challenging)
<table>
<thead>
<tr>
<th>Assessment area:</th>
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<tbody>
<tr>
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</table>

* The last “normal” annual strategy process was made 3 years ago, according to the classical process

* 2.5 years ago was a CEO exchange, consequence: new definition of strategy, resulting in a “special” strategy process

* Last year: new strategy process: more customer oriented, less division oriented

* Then followed a total reorganisation of the company (mobile and fixnet division were unified to one division, separated in terms of customer requirements: private and business customers

* There were seven questions (aka initiatives) defined within the group strategy, in an opportunistic kind of way

* Complexity of the strategy process: level (3)
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Question:</td>
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</tr>
<tr>
<td>* strongly biased</td>
<td></td>
</tr>
<tr>
<td>Self assessment:</td>
<td>4 (strongly biased)</td>
</tr>
</tbody>
</table>

### Assessment area: Process dimension (Strategy)

| Question: Is your corporate strategy development process biased on a SEQUENTIAL MODEL? |
| * Parallel strategy development processes in all divisions |
| * Syntheses of division strategy development processes on corporate level |

| Self assessment: 2 (little) |
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on SEPARATION of hierarchical levels?

* “strategy” as a term is understood as strategy development without strategic implementation

Self assessment: 3 (biased)
<table>
<thead>
<tr>
<th>Assessment area:</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>
### Assessment area: Process improvements

**Question:** What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?

- Sequential process is too rigid
- Strategy development process optimization
- 2 years cycle in strategy development
- Market dimension gets more dynamic
Assessment area:  Process improvements

Question:  What are the adjustments of current strategy practice to address these challenges?

* Change to strategic questions (aka initiatives)
Assessment area:  Process improvements

Question:  What are the consequences of these adjustments?

* Classical strategy development is prolonged into a longer cyclical period, only variance analysis

* Development process more visionary, implementation more operational, nearer to the market, more in the division

* The factors and inter-dependencies of both external and internal analysis are much more complex than PEST and SWOT are able to describe. We think that the isolation of single components (for example, in SWOT), which one actually would strive to articulate in this process, almost cognitively unfeasible and falsifies the result.

* So, the capture of emerging signals is in-sourced from consultant firms and sophisticated benchmarking and best practice tools are developed and utilized in-house
<table>
<thead>
<tr>
<th>Assessment area:</th>
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<tbody>
<tr>
<td>Question:</td>
<td>What are the desirable properties of a strategy development concept that can be operationalized?</td>
</tr>
</tbody>
</table>

- Top headed decision process on corporate level (i.e. customer focus, re-organization)

- Opportunistic way of dealing with volatile business environment on division level

- We increase the emphasis on control by changing from positioning to constructing an envisaged future. While companies that focus on positioning deal with the relative emphasis on prediction and navigate an exogenous environment we change to a visionary approach that deals with deliberate efforts to make the environment endogenous.
## Interview transcript Case 19

<table>
<thead>
<tr>
<th>Case</th>
<th>19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Consultancy</td>
</tr>
<tr>
<td>Candidate</td>
<td>Head of Corporate Communication</td>
</tr>
<tr>
<td>Date</td>
<td>October 21st 2008</td>
</tr>
<tr>
<td>Starting time</td>
<td>18:00</td>
</tr>
<tr>
<td>Duration</td>
<td>60 min</td>
</tr>
<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>I. Strategic framework</td>
</tr>
<tr>
<td>-----------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Question:</td>
<td>What level of complexity does your Strategic Management work with?</td>
</tr>
</tbody>
</table>

Level (1): History as basis for planning, annual budget controlling

| Self assessment | 1 (financial planning) |
Assessment area: II. Environmental Dimension (Market)

Question: General comments

* Services as consultants in accounting, M&A, due diligence, audit, etc; specialized on international auditing and consulting, separated from each other (Nestle, Kraft Foods, CS, UBS, etc.) In the past: Implementation of accounting software as a service; now outsourced.

* In the last seven years: Reduction on most profitable sectors; others outsourced (i.e. OSEC consulting)

* Regulatory has increased, this forces a reduction towards some special areas to guarantee specialism (USGAAP, SCC)

* Consolidation on the world market from big 8 to big 4: KMPG, Ernest & Young, Deloitte, PPC. In CH: still No. 3,

* Country companies are organized in a worldwide network (former association, now cooperative), relatively independent, like franchise system, national companies belong to the national partner

* In former times it was important to keep the country companies very independent to limit responsibility in auditing to one country (each customer who
gets bankrupt follows a liability suit an accoutre, because he should have seen it coming), since 1-2 years it has become possible to make multi-national Revisions-association (European company, shares belong to national cadre: CH, E, GB have agreed to merge in some kind of a holding that organizes mutual ownership structure, which has not been the case before)

* The trigger is not economies of scale, but customer oriented: i.e. a Swiss bank asks for auditing internationally: an integrated service from one supplier, to organize specialists internationally, international assignments necessary for business professionals, which is not possible for different countries
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of VOLATILITY?

* The big strategic shifts over the last 10 years were triggered by regulatory

* Very customer oriented: There is no difference between specialists and customer consultants, all specialists work in the field, there are partners that have audited the same (and only this) company for the last twenty years

Self assessment 2 (explorative)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
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</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>Self assessment:</td>
<td>3 (accelerating)</td>
</tr>
</tbody>
</table>
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of UNCERTAINTY?

* True ambiguity

* Regulatory: questions like: do we separate audit from all other divisions, are there limitations of liability yes or no in any or many countries (in CH OR: no limitation of liability)

* Future is driven by regulatory, regulatory is driven by USA, the company is not good in lobbying and taking influence in regulatory

* Taking influence on regulatory is something, which has got more important in recent years: there are internal discussions to get in contact with regulatory and discuss several topics and try to activate lobbyism

Self assessment: 4 (true ambiguity)
<table>
<thead>
<tr>
<th>Assessment area:</th>
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<tbody>
<tr>
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</tbody>
</table>
**Assessment area:** Internal dimension (Organization)

**Question:** Is your corporate strategy development process challenged in terms of RESPONSIVENESS?

- * There is no problem to respond to the changes in the volatile business environment; our customers are mainly company-customers.
- * And we have a long lasting partnership with our customers and an intensive personal relationship.
- * So our employees grow and change with our customers constantly.
- * Our employees are all academic, smart and used to work independently.
- * We try to develop the big picture: guidelines and regulatory, norms and culture for guidance.
- * So the employees are little entrepreneurs who make their own business.
- * Germany’s organization has more hierarchies than Switzerland, which is more democratic in terms of company culture.

**Self assessment:** 2 (little)
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?

* Germany’s organization has more hierarchies than Switzerland, which is more democratic speaking of company culture

* there is no org-chart in our company, just for the departments a structure

* thus results into a very democratic structure

* through internationalization, the structure gets an additional dimension, which makes the structure very complex and multi-dimensional

* functional hierarchy in our organization does not work

* finally, this organization just works because of personal relationships that work as an informal network

Self assessment: 3 (challenging)
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?

* Trigger: is not economies of scale, but customer oriented: i.e. CS asks for auditing internationally: an integrated service from one supplier, to organize specialists internationally, international assignments necessary for business professionals, which is not possible for different country

* Companies (GB (consulting experts) exchanges professionals with D (auditing experts) now on regular basis) better resources management, learning from each other; Market product placement and recognition is therefore different between the two countries (GB & D); Auditing is a very long lasting business (3-5 years in minimum); Services like law or M&A consulting is very sales based and project oriented, very fluctuate character

* A lot of business professionals get lost to customers, few to no business professional go to competition (same job but I know no people there, so why change?); The project oriented organization makes it difficult for business professionals to see the whole picture of the company

Self assessment: 3 (challenging)
Assessment area: Process dimension (Strategy)

Question: General comments

* implementation suffered, because the drawback of intelligent employees is that they have intelligent ideas and ask intelligent questions and constantly question in the status quo, which resulted in a blockade in the implementation phase; at last, we worked in the market and made money, but very short time oriented, very budget oriented; the idea was to introduce a strategic planning status quo

* today, there is no present strategy development, because of the merger internationally; so strategy development happens internationally and the company tries to find a model and processes to spread implementation internationally
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on OVER-ANALYSIS?

* the former structure of the corporate strategy development process was that the corporate team formulated a strategy and the Board challenged it until at last if gave the ok. This structure is very much the same in many other companies all over Switzerland

* ten years ago, we had our last national corporate strategy development process; we introduced Kaplan & Norton’s strategic tool: balanced scorecard on all hierarchical levels with less emphasis on operational level; nevertheless, we had a tool to rethink our strategy annually

* there is no strategic market data analysis

Self assessment: 2 (little)
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on a SEQUENTIAL MODEL?

* parallel and iterative

* today, there is no present strategy development, because of the merger internationally; so strategy development happens internationally and the company tries to find a model and processes to spread implementation internationally

Self assessment: 2 (little)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process dimension (Strategy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process biased on SEPARATION of hierarchical levels?</td>
</tr>
</tbody>
</table>

* there is a deep culture gap between international (Anglo-Saxon) strategy formulation and (i.e. Swiss) strategy implementation (i.e. how to define goals, metrics, controlling of strategic results)

* there are huge five years plans, but only few of the initiatives are communicated and implemented to operational level due to missing strategizing resources

* there is a real issue in the sustainability of strategic implementation due to missing ownership and strategizing resources

<p>| Self assessment: | 3 (biased) |</p>
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>
Assessment area: Process improvements

Question: What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?

- we need to develop or strategy development internationally
- strategic communication from national focus to international focus
  “internationalisation” of strategy
- customization of strategy to national needs (i.e. in England one can communicate the strategic goals very high level oriented, strategy is self explaining in the Anglo-Saxon culture
- i.e. in German speaking countries, the employees need exact formulated advises and exact metrics
- the communication culture in Switzerland is much more open than in Germany; it is not possible that a CEO communicates directly with low hierarchies
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Process improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>What are the adjustments of current strategy practice to address these challenges?</td>
</tr>
</tbody>
</table>
Assessment area: Process improvements

Question: What are the consequences of these adjustments?

* there will be a international corporate strategy development process

* Germany and England have to find a common solution how to make strategy, Switzerland will follow

* the strategy development process has to merge national and international structure

* by accepting and implementing the international and national regulatory which changes and fluctuates

* there is a very opportunistic kind of consolidation of national strategy development processes until there is one common idea of how to make strategy
Assessment area: Process improvements

Question: What are the desirable properties of a strategy development concept that can be operationalized?
## Appendix

### Interview transcript Case 20

<table>
<thead>
<tr>
<th>Case</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Healthcare</td>
</tr>
<tr>
<td>Candidate</td>
<td>Director Business Development</td>
</tr>
<tr>
<td>Date</td>
<td>September 8(^{\text{th}}) 2008</td>
</tr>
<tr>
<td>Starting time</td>
<td>19:00</td>
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<tr>
<td>Duration</td>
<td>60 min</td>
</tr>
<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
<tr>
<td>Assessment area:</td>
<td>I. Strategic framework</td>
</tr>
<tr>
<td>-----------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Question:</td>
<td>What level of complexity does your Strategic Management work with?</td>
</tr>
<tr>
<td>Level (4):</td>
<td>Strategic management: Issue &amp; Weak signal management, change management, strategy-culture fit, strategic thinking</td>
</tr>
<tr>
<td>Self assessment</td>
<td>4 (Strategic Management)</td>
</tr>
</tbody>
</table>
**Assessment area:**  II. Environmental Dimension (Market)

**Question:**  General comments

* Business model focuses on the privatization of hospitals mainly in Germany. Future internationalization in Eastern Europe on hand

* Main financier is the open hand through taxes. Thus the market entrance highly depends on the way the hospitals are financed in the relevant country
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of VOLATILITY?</td>
</tr>
</tbody>
</table>

* status quo: relatively stable and calculable market

* market chances are discontinuous

| Self assessment | 3 (discontinuous) |
Assessment area: Environmental dimension (Market)

Question: How does your company respond strategically in terms of SPEED?

With increasing grade of internationalization accelerating business environment

Self assessment: 3 (accelerating)
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Environmental dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>How does your company respond strategically in terms of UNCERTAINTY?</td>
</tr>
</tbody>
</table>

* true ambiguity: That’s why the business is privately organized; banks seldom provide money in such a market

* political influence and common interest very high

<p>| Self assessment: | 4 (true ambiguity) |</p>
<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>Internal dimension (Organization)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>General comments</td>
</tr>
</tbody>
</table>

* In terms of organizational behaviour is currently the main task to consolidate the past growth into an organization that is able to deal with the company structure itself and allow the company to grow in the near future again.
<table>
<thead>
<tr>
<th>Assessment area:</th>
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</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of RESPONSIVENESS?</td>
</tr>
</tbody>
</table>

* Sustainable responsiveness is a challenging matter as the advisory board needs too long time for some business opportunities

* after consolidation of internal structure (which is a temporal issue currently) the processes will be optimized to faster react on the business environment

| Self assessment: | 3 (challenging) |
Assessment area: Internal dimension (Organization)

Question: Is your corporate strategy development process challenged in terms of STRUCTURAL COMPLEXITY?

* The current consolidation of organization aims into build up and structuring of an organization that is able to manage growth and economies of scale accordingly.

* The structure shall be fast in the strategic decision process, lean in shape and focus on the business case evaluation of acquisitions on the one hand and restructuring and turn around of integrated hospitals on the other hand.

Self assessment: 2 (little)
<table>
<thead>
<tr>
<th>Assessment area:</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>Is your corporate strategy development process challenged in terms of BUSINESS PROFESSIONALS?</td>
</tr>
<tr>
<td>Self assessment:</td>
<td>2 (little)</td>
</tr>
</tbody>
</table>

No, one is aware of formal and informal networks
Assessment area: Process dimension (Strategy)

Question: General comments

* Opportunistically driven strategy development, as the market is in strong turmoil (multiple business case studies result in financial company structure)

* A lot of possibilities arise suddenly

* Possible new business opportunities arise from neighbouring businesses (i.e. psychiatric clinics)

* Fragments of classical strategy development process

* With increasing maturity of the company the strategy development process gets more structured and complete
### Assessment area: Process dimension (Strategy)

<table>
<thead>
<tr>
<th>Question</th>
<th>Is your corporate strategy development process biased on OVER-ANALYSIS?</th>
</tr>
</thead>
</table>

* Business case biased orientation in single case

* no long term strategy, opportunities driven

<table>
<thead>
<tr>
<th>Self assessment</th>
<th>3 (biased)</th>
</tr>
</thead>
</table>
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on a SEQUENTIAL MODEL?

No. Opportunistic decision on market chances; the only limit is the investment sum available which has to be invested in the market.

Self assessment: 1 (no)
Assessment area: Process dimension (Strategy)

Question: Is your corporate strategy development process biased on SEPARATION of hierarchical levels?

Systematization of business practise is most important. Profitability is of most importance; this means, that a structuring of how strategic investments get integrated into the organization and turned around are focused.

Self assessment: 1 (no)
Assessment area: Process improvements

Question: General comments

Systematization of strategy development process
* after consolidation of internal structure (which is a temporal issue currently)
the processes will be optimized to faster react on the business environment

Regionalization of organization
* strategic focus to form regional hospital hubs
Assessment area: Process improvements

Question: What are the aspects of current frameworks that need to be addressed as a consequence of these challenges?

* Structuring of strategy implementation

* more intensive market research to detect patient flow and regional tendencies
Assessment area: Process improvements

Question: What are the adjustments of current strategy practice to address these challenges?

* Documentation and alignment of strategy implementation

* Focus on process costs (implementation controlling)
Assessment area: Process improvements

Question: What are the consequences of these adjustments?

More rigid, more technical and process oriented strategy implementation
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Question:</td>
<td>What are the desirable properties of a strategy development concept that can be operationalized?</td>
</tr>
</tbody>
</table>

* In changing from an adaptive approach to an imposing approach, we believe that the rationale planning view predicts that as the dynamics increase in their business environment, organizations that analyze more diligently and predict more accurately the dynamic business environment gain better results.
Interview transcript Review 1

Review 1

Industry Bank / University

Candidate Director Off-shoring / Professor, Director International Management Institute

Date May 4th 2010

Starting time 08:30

Duration 60 min

Interviewer Bernhard Frei
Assessment area: II. Environmental Dimension (Market)

Question: General comments

To see, understand and process strategic relevant information: This all sounds very much about a human focus. It’s all about the human resource and the expertise of the human resource. That seems to be quite critical.

If you have them not, you have to build them up, so they have the expertise. And it also implies a continuity of personnel, because only by continuity you can keep expertise (you could stay in the same sector or with competitors) or you have an effective change management.
<table>
<thead>
<tr>
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<tr>
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</tbody>
</table>
Assessment area: Process dimension (Strategy)

Question: General comments

Very often it is entrepreneurial, it is iterative, it is evolutionary, And then, as it grows and develops, you start moving to a different quadrant. If you stay in one as you grow, and do not introduce more classical aspects (like strategic planning for example), and there is opportunity costs, and you cannot move. And that depends on the phase.

It's not one of the four necessarily. It might change because of environmental issues, live cycle issues, management (some are evolutionary some are systemic), It is not a binary choice.

So the question would be for a CEO, strategizing with a Stalinist five years plan, how do you deal with an organizational structure that has a different approach? A R&D department and the factory that has a different approach, too?

It’s a multilevel and sub-organization discussion.
Assessment area: Process improvements

Question: General comments

There are always two sides: It has implications on a number of different levels of the organization, depending on the size of the organization. And it is part of the change management.

The factory CEO has a totally different world than the R&D or the sales guy. How do you deal with that when you have to do change?

These points are very relevant.
### Interview transcript Review 2

<table>
<thead>
<tr>
<th>Review</th>
<th>2</th>
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</thead>
<tbody>
<tr>
<td>Industry</td>
<td>University / Luxury</td>
</tr>
<tr>
<td>Candidate</td>
<td>Professor for International Management / Director Business Development</td>
</tr>
<tr>
<td>Date</td>
<td>February 28th 2010</td>
</tr>
<tr>
<td>Starting time</td>
<td>17:00</td>
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<tr>
<td>Duration</td>
<td>60 min</td>
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<tr>
<td>Interviewer</td>
<td>Bernhard Frei</td>
</tr>
</tbody>
</table>
### Appendix

<table>
<thead>
<tr>
<th>Assessment area:</th>
<th>II. Environmental Dimension (Market)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Question:</strong></td>
<td>General comments</td>
</tr>
</tbody>
</table>
Assessment area: Internal dimension (Organization)

Question: General comments

* the inclusion of different hierarchical levels to increase ownership and with it better results during implementation is apparent

* company culture is a major factor in choosing the strategy development approach
Assessment area: Process dimension (Strategy)

Question: General comments

* the implementation phase in strategy development is always the weakest point in practice and needs special consideration

* the results and contentions confirm practical experience: a cyclical and hierarchical model of strategy formulation and implementation is commonly utilized
### Assessment area: Process improvements

### Question: General comments

- The dominant factor of change management is a very relevant aspect.

- The implementation phase in strategy development is always the weakest point in practice and needs special consideration.