

STRATEGIC MANAGEMENT

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Strategy Process



EDITED BY

Paul Olk

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Edited by

Paul Olk

Professor of Management

Daniels College of Business, University of Denver, USA



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Introduction¹

Paul Olk

Strategy process research has remained for years in the shadow of strategy content research. While there have been periodic attempts to encourage the strategy field to focus more on the process of developing a strategy rather than on the content of the strategy, the field is still dominated by content research. Nevertheless, while not in the spotlight, a tremendous amount of knowledge and insight have been gained from strategy process research. The purpose of this volume is to summarize these insights by profiling foundational work and highlighting theoretical and methodological issues so that researchers can help to shine a brighter light on strategy process research.

As will be seen in this volume, some of the motivation for researching strategy process comes from dissatisfaction with content research. Numerous authors have noted that content research overlooks elements of strategic management that are important to managers. As described by Chakravarthy and Doz (1992) in their introduction to a Strategic Management Journal special issue on strategy process, strategy content research focuses more on company positioning within a competitive environment, while strategy process research addresses how a firm's administrative systems and decision processes influences its strategic position. In particular, Chakravarthy and Doz (1992) distinguished the two subfields along three dimensions: focus, disciplinary bases, and methodologies. For focus, they noted that while strategy content research examines company positioning and the effective allocation of resources, it does not describe how firms achieve and maintain such positioning through either deliberate or unintended actions. Content research generally focuses only on the 'what' while process research addresses the 'how' of strategy to explain the 'what'. Second, the discipline bases for strategy process are much broader. While much of strategy content research is focused on the company–environment interface, strategy process research also includes interactions between individuals, intraorganizational units, and broader environmental considerations. Finally, Charkavarthy and Doz noted that many of the issues under the focus of strategy process research cannot be captured through an arm's length investigation, using secondary data. Rather, it requires more intrusive methodologies (e.g., interviewing, survey questionnaires, historical narratives, longitudinal designs, action research). While I believe that the observations of Charkavarthy and Doz (1992) are still relevant, the field also has evolved in the almost two decades since they wrote their article. In particular, a variety of issues related to strategy process have increased in popularity, including knowledge management, dynamic capabilities, and interorganizational collaboration, among others.

Given the relatively broader focus, wider range of underlying disciplines, and different methodologies associated with strategy process research, numerous options exist in organizing a volume on the topic. Before turning to the way this volume is organized, it is worth noting what topics or types of articles were not considered for inclusion. First, several research streams relevant for strategy processes were not directly incorporated into the text. This

includes organizational change research and organizational learning. While each stream informs how organizations can evolve, they do not explicitly address how these processes may affect a company's strategic decision making process or alter a company's strategic positioning. Second, I excluded those studies that stated that they were considering the process but did not get inside the black box of the process. Not included, for example, were studies that focused on new venture formation patterns, but only looked at the formation process as an event and not a process. Third, although many insights have been gained from introductory articles for special issues dedicated to strategy process research (e.g., Chakravarthy and Doz, 1992; Van de Ven and Huber, 1990), they were not included because much of the material in such articles focuses on papers not included in this volume. In addition, although many of the articles included in this volume are considered 'classics' and have been heavily cited, the goal was not just to include the 'greatest hits'. Several of the articles included offer unique perspectives and may not be highly referenced. Finally, for each of several authors (e.g., Burgelman, Mintzberg, Pettigrew and Van de Ven) who have produced an impressive stream of research on a particular aspect of strategy process, there were several articles to consider for inclusion. When selecting an article, it was not always the most cited one but rather the one that provided, in my opinion, the best overview of the research stream or fit with the other articles in the section.

Having clarified the decision criteria for exclusion of articles from the volume, I now turn to how I organized the volume. The volume begins with several articles that provide a broad introduction to the topic. I then adapt Van de Ven's (1992; Chapter 5 in this volume) distinction of four types of process theories to strategy process. Each of the next four parts focuses on one of the four types: stage models, goal oriented models, dialectical models, and evolutionary/selection models. For some of the above noted reasons, my orientation to each of these four types varies slightly from Van de Ven's (1992) explanation. These four parts are followed by one on methodology. Because of the high coupling between strategy process research questions and the types of methods that help answer these questions, I include several papers that address the unique challenges of strategy process research or described methodologies that were not illustrated in some of the earlier papers. Finally, I conclude this volume with two recent papers that provide some direction for future strategy process research.

Overview of Articles Contained in this Volume

Introduction

The volume begins with five introductory articles that discuss themes which are repeated throughout the remaining articles in the volume. Chapter 1 by Farjoun (2002) begins with a discussion of the mechanistic and organic perspectives, which model the aforementioned differentiation between strategy content and strategy process. After reviewing each of these two perspectives, Farjoun develops the OESP (organization, environment, strategy and performance) model. The goal is to provide an overall coherent view of strategy that incorporates strategy content and process, as well as strategy formulation and implementation. The paper concludes with several suggestions for conducting future research as well as implications for strategy theory development.

This is followed by Frederickson's (1983; Chapter 2) article where he draws from earlier research to describe the differences between synoptic and incremental strategy formulation processes. The former represents a more 'rational' process where end goals are identified, multiple alternatives are evaluated and after an analytically exhaustive process, the best decision is made. The latter, meanwhile, is not as comprehensive or time consuming, but rather acknowledges that decision makers have limited information processing skills and often seek just a modification in the current state, after evaluating a relatively smaller number of alternatives. This is sometimes referred to as a more political process in which it accounts for the influence of key stakeholders in making the decision. This paper, and the focus on the strategic decision making process, is representative of much of the initial strategy process research.

Chapter 3, by Huff and Reger (1987), builds upon the distinction made by Frederickson in categorizing strategy process research in the late 1980s along three dimensions: synoptic vs. individual political, formation vs. implementation, and normative vs. descriptive. This $2 \times 2 \times 2$ leads to eight types of research which are complemented by a ninth, integrative, type.

A different approach at summarizing the strategy process research appears in Chapter 4 by Mintzberg and Lampel (1999). Summarizing the work found in an overview book on strategic management (Mintzberg, Ahlstrand and Lampel, 1998), they review 10 different schools of strategy formation along multiple dimensions and leave the reader with the question of whether these different schools can be integrated into an overall understanding of the entire strategy formation process or if they represent fundamentally different schools.

The final submission in the introduction part is the aforementioned Van de Ven (1992; Chapter 5) article, which appeared in a special issue dedicated to strategy process. Van de Ven first focuses on the different meaning that researchers have used in defining the term 'process'. Then, as noted, he categorizes theories of process into four approaches, before concluding with comments on how to conduct strategy process research. As stated earlier, Van de Ven attempts to categorize process research in general, while the specific focus in the present study is on strategy process. As such, there are differences in his terms and the citations of articles and those in the present volume.

From this selection of articles, it is hoped that a reader will gain a broader understanding of the development of the strategy process research as well its potential contributions and the challenges that will have to be overcome in achieving this potential.

Stage Models

The papers in Part II on stage models focus on identifying the activities that make up the strategic process. Their contribution is that they attempt to get inside the proverbial 'black box' of the strategy process by identifying the set of activities that make up the process. These process papers have in common a sequential or stage model of development. For each, the strategy process is a series of activities that occur in order. As the process unfolds, it progresses from stage to stage in order. This approach has been used by a variety of researchers to capture different strategy processes, including strategic decision making, strategy implementation, consensus building, strategic alliances, and merger and acquisition. The articles selected provide a range of applications and methods for testing and evaluating a stage model, and draw from case studies and survey questionnaire data.

Chapter 6, by Narayanan and Fahey (1982), provides a stage process model of strategic decision making. Rooted in the tension between rational and incremental decision making, their paper seeks to build a model of decision making which incorporates a political perspective and the evolution of coalitions. They model the process as consisting of two phases – gestation and resolution – and five stages: activation, mobilization, coalescence, encounter and decision. They conclude by noting researchers and managers need to understand how the internal dynamics of this process affects the content of a strategic decision.

In Chapter 7, Woodridge and Floyd (1989) also build from the rational and incremental decision making to focus on consensus in strategic processes. They argue that reaching consensus will depend upon the mix between the rational and incremental approach taken, and the stage of the decision making process. For example, in the three decision making stages of the rational approach – focusing first on the environment, followed by goals and then means – they argue that decision making outcomes will vary by whether a consensus emerges first on environment, or on goals or on the means.

Chapter 8, by Doz, Olk and Ring (2000), moves away from strategic decision making to focus on the stages through which companies proceed in forming an R&D consortium. Drawing from prior research, the authors separate the formation process into eight stages and then map the relationships among the stages. They find evidence for two types of formation processes: emergent and engineered. The two formation processes differ in terms of which stages are present and important during the formation. This paper is also noteworthy because it uses survey questionnaire data from over 50 observations and uses structural equation modeling to evaluate the processes.

The final stage model paper, Chapter 9, is by Stubbart and Smalley (1999). The authors point out some untested assumptions one can find in stage model research, identify different types of stage models of strategic processes, and finally offer criteria for using stage models to understand strategic processes.

After reading these articles one will recognize a number of research issues worthy of future inquiries. Some possible research questions to address include:

- Are there clear demarcations between one stage and another or are these identifiable only after the fact?
- What leads to the timing of the transition from one stage to another?
- If actors revert back to an earlier stage in the process, when and why do they do so?

Goal Oriented Models

The second type of process papers are goal seeking or teleological papers. In these papers, the process is designed to achieve some overall goal. Consistent among these papers is that they show that the process is often quite messy. As was discussed in the aforementioned incremental perspective, these goal seeking studies reveal that the original goal or strategy is not realized. Rather, the goals evolve over time, in an incremental manner, or new ones emerge. The result is that the outcome is different than that which was originally intended. The contribution of these studies is that they answer the basic question of ‘Does the strategy process matter’ with a resounding ‘yes’. Similar to some of the papers in the earlier sections, these studies have generally focused on strategy formulation and the decision making process and the methods

used in studying goal seeking models have been mostly rich case studies and conceptual articles.

Chapter 10, by James Brian Quinn (1981), describes the logical incrementalism approach to formulating strategy. This is a continuous, flowing and consensus-building process which starts with a general direction for a company's strategy and through information sharing, building awareness, creating political support and incorporating new information and perspectives, the overall goals shift. This approach is argued to be more effective because it allows for making modifications in the overall strategy to accommodate unexpected environmental events, or changes in overall strategy.

Chapter 11, by Mintzberg and Waters (1982), tracks the strategy in an entrepreneurial firm over 60 years. Using archival data, they show that the intended strategy separates into deliberate strategy and unrealized strategy while the realized strategy consists of the deliberate strategy and emergent strategy. In a very detailed methodology that consists of examining 50 distinct strategies by the firm, the authors demonstrate the following: the degree to which an initial strategy changes, that there are waves or cycles of strategy, and that an entrepreneurial mode of decision making – which is highly personal and adaptive – is replaced by more formal planning procedures.

Marginson (2002; Chapter 12) focuses on the role managerial control systems have on the overall planning process. Centering on middle- and lower-level managers in a large corporation, he argues that the type of control (e.g., belief and boundary systems, administrative controls, performance measurement systems) used by a company affects the development of new ideas and initiatives, which are critical in the strategy development process. In particular he finds that managerial perceptions of the controls were influential in determining the effectiveness of these controls on managers' strategic activities.

Chapter 13, by Ring and Van de Ven (1994), proposes a process of how interorganizational relationships emerge, evolve and dissolve. Recognizing that these relationships cannot be fully specified a priori, they argue that these relationships come from a developmental process. They propose a three part framework of negotiations, commitments and executions and argue that these relationships emerge from continuous interactions among the actors involved. The formal and the informal processes interact in a cyclical process and not sequentially, but with an eye towards achieving overall equitable and efficient outcomes.

In showing that the process will matter for forming strategies and making strategic decisions, studies using goal seeking models provide a foundation for why strategy process research is important. As scholars continue to build upon these ideas, some possible questions to consider include:

- Now that we know the strategy process does matter, how does the impact vary by the context or the strategy content that is being formed?
- To what extent is the impact of the process affected by factors under the control of management versus those which are determined by external forces?
- Which managerial actions during these processes are likely to have the most impact on the outcome?

Dialectical Models

The third category of strategy process papers consists of papers approaching strategy process not as a series of stages, nor as the attempt to attain a goal, but rather as a dialectical process. In this perspective, strategy stems from the process of the interaction between two competing forces. While the following papers differ in terms of the forces they examine and consider a range of issues including strategic change, strategic decision making and resource acquisition, each identifies competing forces in tension with one another and shows through mostly rich case studies that the resulting strategy emerges from the interplay of these forces. In Chapter 14, Pettigrew (1987) focuses on the role of context and action in creating change within an organization. Initially providing a summary of research into leadership during strategy change, the paper then describes the patterns found in a longitudinal study of the process of strategic change at the chemical company ICI. The summary reveals that strategic change occurred in a series of incremental and revolutionary adjustments in which the dominating ideas and power groups of an organization are periodically challenged by outsiders.

This is followed by Hendry (2000; Chapter 15), who views strategic decision making as part of a larger discourse. Seeking to integrate insights from traditional, action and interpretative perspectives on strategic decision making, Hendry argues that strategic decisions are part of a discourse that operates at both the structural and communicative levels. He draws from structuration theory and discourse psychology to conceptualize strategy as an ongoing change process.

Chapter 16 focuses on the tension between inductive and deductive strategy making. Regnér (2003) draws from longitudinal case studies to show that strategy involves the interaction between actions in the organizational periphery and in the organizational center. At the periphery, strategy making is more inductive, involving trial and error, heuristics, and experiments. At the core, however, it is more deductive. The strategy making process involves more planning, formal analysis and the use of standard routines. The location and embeddedness of these two approaches leads to different types of strategic knowledge and it is their interaction that leads to companies developing the capability to initiate incremental or exploitative change and more radical or explorative change.

Chapter 17 focuses on the dialectics of competency acquisition. Marcus and Geffen (1998) address the interaction between system-wide properties (e.g., governments or markets) and firm-level properties (e.g., ability to search for and harmonize what they learn). Drawing from a case study of the US electrical utility industry's responses to the 1990 amendment of the Clean Air Act, the authors argue that the system-wide properties of government and markets interacted and forged a new and unanticipated synthesis that served to forward or retard progress. These macro-level activities directed the paths firms took to acquire new competencies.

Strategy research using a dialectical model has highlighted the importance of investigating what might be determining how the strategy process unfolds. Researchers continuing to investigate this issue may want to consider pursuing such issues as:

- In any given strategic process, what are the primary forces which will be in tension?
- Will the forces always be in opposition to one another or over time might one force become dominant? Further, can the two forces co-exist without the tension?

- Might there be more than two forces present and, if so, what is the nature of the tension when there are additional forces?

Evolutionary and Selection Models

The fourth category of strategy process research adopts an evolutionary approach showing how one strategic alternative becomes the preferred option over others. Examined mostly under high uncertainty conditions where there is no clear goal or competing forces, and focusing on a range of processes including strategic decision making, resource allocation and strategy selection, these studies generally use rich case studies to show how the one choice emerges. The process is typically viewed from the variation-selection-retention model of change. Here, a strategy is considered along with a series of alternatives. Each of these are tried and over time some become dominant or are selected over others. This perspective differs from earlier ones in that the process does not occur in a sequential order (as in the stage model), is not always directed towards a clear end result (as in the goal-oriented approaches), and is not a considered a tension between two competing forces (as in the dialectical approach). Rather, it follows the flow of activities as the strategic process unfolds.

This part's first two articles are both by Burgelman. In Chapter 18, written in 1983, he develops a grounded, multi-level process model of internal corporate venturing. The resulting model, while showing that the process involves a sequence of activities in the process, takes on the form of experimentation and selection. The process begins with highly autonomous individuals initiating a number of projects. Since these actors are not well coordinated with each other, the result is that they collectively produce a variety of different innovations that need additional funding. In making the decision to fund a project, middle-level managers then either link these projects to the overall corporate strategy or help to modify corporate strategy to accommodate these projects. Since not all projects are selected, the internal corporate venturing process is not considered part of an overall, rational strategic plan but rather part of the process of experimentation.

Burgelman (1991; Chapter 19) continues this argument by examining the evolution in Intel Corporation's corporate strategy. The paper differentiates between induced and autonomous strategic processes. The former are those which are aligned with current strategic efforts and correspond to internal selection pressures to engage in activities that fit with the strategic vision of the firm. These processes tend to reduce the number of variations in the firm. The latter processes, meanwhile, develop outside the scope of the present strategic efforts. They develop typically at the operational level as part of an effort to develop new learning, and are considered variation-increasing. Successful organizations are characterized by simultaneously exercising both types of processes that provide adequate choice in how the company adapts to environmental changes.

Chapter 20, by Noda and Bower (1996), builds from the 'Bower-Burgelman process model' in which strategy in large firms consists of multiple activities occurring simultaneously and sequentially across multiple levels in both bottom-up and top-down processes. Strategies emerge through the interaction of lower level initiatives with the structural and strategic context as defined by top management. Drawing from two case studies, the authors show that by modeling strategy as an iterated process of resource allocation, they provide an understanding of why firms in the same environment respond with different strategic commitments.

Chapter 21 is by Lovas and Ghoshal (2000). In this paper they map the experiences of Oticon, a Danish hearing aid company, and show that strategy is best thought of as guided evolution in which top management plays a role in shaping the process. They further argue that social capital plays more of a critical role in the selection of a strategy than some of the earlier work has noted.

Similar to the other strategy process types, research in this area has provided insights into the process of selecting a strategy. Still, there is room for more research that can help address a variety of unanswered questions including:

- Many of the models emerge from detailed case studies and are relatively complex and descriptive. Can these models be made simpler or even normative?
- Do these models easily generalize to other situations?
- What are the specific sources of experimentation in an organization and who or how is a selection made?

Methodology

As the above parts suggest, research into strategy process has a strong connection to specific research methods. For the most part, much of the research in this area is either conceptual work or involves longitudinal case studies that track changes in a company's strategy. This part seeks to further researchers' methods about strategy process research in two ways. First, it discusses how to conduct better process research using the more common methods. Second, it then focuses on two methods that are applicable to strategy process research but are not represented in the articles included in the volume: narratives and simulations.

Chapter 22, by Pettigrew (1990), provides an overview of how to conduct longitudinal methods, primarily comparative case studies, as well as how to solve some of the practical problems that arise while using these methods. The paper summarizes five major research implications: when to begin or end a longitudinal study, how to choose and gain access to a research site, how to collect data and to what degree of involvement should one have with the research site, how to generate outputs from the research and for which audience, and, how to avoid being overwhelmed by too much data. Similarly, Chapter 23, by Monge (1990) provides a framework for developing dynamic theory and hypotheses. The framework focuses on how to represent dynamic processes in individual variables. Monge argues that six dimensions of process exist in each variable: continuity, magnitude of change, rate of change, trend, periodicity, and duration. Researchers should focus on the dynamic relations between sets of variables, including the rate of change, the magnitude of change, lags, permanence and feedback loops. The paper concludes with a typology of analytical alternatives.

Chapter 24 (Pentland, 1999) presents guidance on how to conduct a narrative, a methodology that is not found in the other articles in this volume. Narratives are argued to provide particularly useful information for understanding process theories because they capture not only description of activities but, as is shown in this paper, can be used by analyzing deeper structure to provide well-supported explanations. Chapter 25, by Dutton and Stumpf (1991), shows how to use behavioral simulations to study strategic processes. They begin by reviewing five challenges of conducting process research: measuring variables at multiple levels of analysis, controlling or measuring the context, dealing with history effects, capturing process differences across

issues, and linking processes to outcomes. They then review seven simulations and discuss how such methods can address these five challenges. It is hoped that this part will help strategy process researchers refine their skills in conducting process research or develop new skills that produce findings that further the field.

Future Direction

The book concludes with two recent articles that summarize the field on strategy process research. Chapter 26, by Hutzschenreuter and Kleindienst (2006) reviews the progress that has occurred in the field. Paralleling what has already been discussed in this chapter, the authors argue that the field has moved beyond a focus just on strategic decision making to address a variety of other strategy topics. They develop an integrated framework to connect the various prior studies and separate the research into six perspectives: rational mechanistic, cognitive, upper echelon, middle management, organic, and micro. They provide suggestions for further insights in each of the areas as well as some benefits from cross-fertilization between different areas. Of note, they incorporate a discussion of the role of individual strategists' characteristics in understanding strategy process, and argue that future research should explore in more depth the impact of the individuals involved in developing and implementing strategy.

This is followed by Sminia (2009; Chapter 27) who focuses on the process work of three of the researchers already discussed, Mintzberg, Pettigrew and Van de Ven. These research efforts are compared in terms of: the overall research question(s), the theoretical roots of the research efforts, the methodology and methods used, the nature of the explanation provided, and, finally, the practical implications. The paper concludes with a discussion of how current research findings can be made more relevant for management practice.

Conclusions

As this overview suggests, and I hope this volume demonstrates, strategy process research is rich and tremendous progress has been made in understanding different views of process and in developing the understanding within any one area. While the framework adapted from Van de Ven (1990) permitted us to organize the various approaches to strategy process research, it is worth noting some of the other themes that one sees throughout these studies.

One theme has been the focus on strategic decision making. In particular, earlier research heavily emphasized decision making processes. Important for the field's development has been the movement beyond decision making. Process issues related to product innovation, acquisitions and strategic alliances have all been studied. For the future, one would hope that researchers can extend the study of strategic processes to additional domains.

A second theme that comes up in reviewing these studies is the overlaps among the different perspectives. While Van de Ven (1992; Chapter 5) noted that there are four approaches, in practice some of the differences among them appear to be relatively minor, and some authors may see their work differently than was framed here. In fact, Mintzberg and Lampel (1999; Chapter 4) address this specifically when they present ten differing views of strategy process and proposed that they might be connected via an overarching diagram. Still, the question remains whether these are significant differences between the approaches, whether they can

be combined in a meaningful way, or whether we have multiple approaches towards understanding strategy process. If the former, then what does an integrative model look like? If the latter, then are the proposed four approaches the best classification or are there other ways that may shed greater insight into understanding strategy process?

Finally a third theme, which was noted in the beginning, is the continued intertwining of strategy process theory and strategy process methodology. The ability to develop and further strategy process theory generally remains dependent upon using 'intrusive methodologies', and in particular, longitudinal case studies. As has been noted in many of the papers in this volume, these case studies reveal great insights but require a tremendous commitment of time and resources on the part of researchers. This in part explains the attractiveness of strategy content research, in which the data can be collected from archival sources cheaper and more quickly. The pace of the development of strategy process research will be greatly increased by the ability to use simpler or cheaper methods (like simulations) which may still capture process activities.

In conclusion, although tremendous strides have been made in understanding strategy process research, the potential remains for greater and more substantive insights. Researchers considering studying strategy process will find ample room to enhance and further our understanding of the 'how' which leads to the 'what' of strategy. I hope and anticipate that the contents of a book on strategy process research in 20 years will provide an even richer and deeper understanding of the topic.

Note

1. This book is dedicated to Lisa Ladaw and the late Rod Poole, whose music not only accompanied the writing of this chapter but whose approach to life of eschewing the easy and beaten path for the more interesting but less popular one mirrors the topic of this book.

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Contents

<i>Acknowledgements</i>	ix
<i>Introduction</i> Paul Olk	xi

PART I INTRODUCTION

1. Moshe Farjoun (2002), 'Towards an Organic Perspective on Strategy', <i>Strategic Management Journal</i> , 23 , 561–94	3
2. James W. Fredrickson (1983), 'Strategic Process Research: Questions and Recommendations', <i>Academy of Management Review</i> , 8 (4), October, 565–75	37
3. Anne S. Huff and Rhonda Kay Reger (1987), 'A Review of Strategic Process Research', <i>Journal of Management</i> , 13 (2), 211–36	48
4. Henry Mintzberg and Joseph Lampel (1999), 'Reflecting on the Strategy Process', <i>Sloan Management Review</i> , 40 (3), Spring, 21–30	74
5. Andrew H. van de Ven (1992), 'Suggestions for Studying Strategy Process: A Research Note', <i>Strategic Management Journal</i> , 13 , Summer, Special Issue, 169–88	84

PART II STAGE MODELS

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