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STRATEGY PROCESS PROCEDURES

Case Zeta Group

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ABSTRACT

The aim of this research is to explore the strategy process procedures and the linkage between strategy process and the performance in companies. The aim was also to study case company Zeta Groups strategy process procedures and determine improvement areas.

The theoretical background of the study is based on the strategic management literature. Firstly, the theoretical frameworks of classical, new, and Finnish strategy processes were analyzed, and the most critical aspects were taken into the theoretical part of this thesis. As a result of these aspects a simple strategy process framework was established. The research was conducted as a qualitative multiple case study. The empirical data was collected through interviews, observation, and the analysis of case company strategy materials.

As a result a simple strategy process was established and theoretical study findings indicated that the strategy process, when it is textbook like, affects the performance of a company. Case study results showed that two of the case companies are engrossed in the strategy work, whereas, two of the companies are partly executing a textbook like strategy, and finally, two companies are not pursuing a textbook like strategy process. Furthermore, improvement proposals were presented for the case companies.

1. INTRODUCTION

The competitive environment puts pressure on companies and enforces companies to stay alert to changes in the environment and to movement in the market in which they operate. Companies need to have effective strategies to maintain their market share and respond to the customer demand. Therefore, companies have to manage the process of making strategies, so that they are able to respond to the market development and to see the future trends and create suitable strategies to ensure success. The strategy process is therefore a critical path that the management of a company takes to form and implement a successful strategy that at least secures the company from failing, but in best cases give superior competitive advantage. When managing the strategy process the company management can create a valuable plan for the company to rise up to be a top performer in the market. Therefore, the company management needs to master the process of making successful strategies.

From the company approach it is hard to know when strategy really is an impact to the company's success. The factors that create a company's success are so vast, including market changes, customer demand and behavior, recessions, HRM practices and other factors, so it is sometimes impossible to know the real reasons behind success or failure. To find links between strategy formulation and success remains one of the 'holy grails' (Golden & Powell 2000: 373; Kaplan & Norton 2004: 52) within the strategy literature. This is why a literature analysis of previous research is done to determine the strategy process and success linkage.

1.1. Research Problem and Objectives

This research is exploring the strategy process. There are various steps or content in the different theoretical frameworks. A strategy process is usually presented as steps after another, e.g. from 1 to n (Smith, Arnold & Bizzell 1988; Thompson & Strickland 1998; Ahola 1995; see figure 1 for example). When a strategy process is not presented as steps taken after another it is a framework with strategy management content without a particular order in which the parts need to be initiated (Johnson & Scholes 1993; Steiner 1969; see figure 2 for

example). Some frameworks, though, are combinations of these two ways of making strategy (Pearce & Robinson 1985; Kamensky 2000; Andrews 1971, see figure 3 for example). The first goal in this research is to present a strategy process, which includes aspects from different frameworks and give a holistic view of the content to the strategy process of a company.

The critique to the effectiveness of the strategy process has aroused questions if the strategy process really benefits the company. Does the strategy process influence companies' success and does it improve their performance? The second goal of this research is to prove that the strategy process influences the success and performance of a company. Previous studies in this field are analyzed to prove the correlation between strategy process and success of a company. The third goal of this research is to describe the case corporation´s strategy processes and make an improvement plan for their strategy processes. The purpose of this research can be defined in one main research problem and two sub question. The main research problem of this thesis is:

"What steps/areas does the strategy process consist of?"

The research problem has two sub questions:

"Does the strategy process influence the companies' performance and success?"

"How are the strategy processes presented and how can they be improved in the case corporation?

Objectives for the research can thus be presented in the following form:

1) To make a holistic strategy process. Classic, new and Finnish frameworks are in examination to establish a strategy process with the most critical elements.

2) To find evidence to either support or disprove the influence of the strategy process to the success of a company and improvement in performance. Findings of previous research on the subject are analyzed as evidence.

3) To study a corporation in the metal industry and describe their strategy processes and make an improvement plan.

1.2. Structure and Limitations of the Study

The rest of the thesis is organized as follows: Chapter 2 provides a review of the literature on strategy process and other parts in strategic management that critically influence the strategy process. In chapter 3, pieces of research on strategy process's influence on the performance of companies are analyzed, and conclusion and findings are drawn from them. Chapter 4 presents the research methods. Chapter 5 is the case company analysis and research. Finally, chapter 6 concludes the thesis and discusses management implications.

In this thesis strategy process is studied from the perspective of the case companies´ ability to make strategy. One critical element in the strategy process for all companies is naturally the part where the company decides on strategic choices and content of a company strategy. Options for strategic choices for each company are unlimited, based upon the market, field, geographical area, degree of specialization or other company related factors. This thesis concentrates on the strategy process, in other words, the process of making a strategy for a company. Some main categorizations of strategy content and frameworks of strategic choices are presented, but strategy content in general is only somewhat presented in this research, so the focus stays on the strategy process.

Because a holistic strategy process is presented, deep analysis of each part of the strategy process is not performed. A broad picture of the strategy process and its elements is presented to show the different options a company can choose to entail in its strategy process.

Furthermore, the thesis will evaluate previous studies on the linkage between the strategy process and performance/success of a company. Though, in this examination the goal is to find evidence for the fact, that the strategy process influences the success of a company. This evaluation will be limited to 15 previous studies on the subject. These studies are a variation of different aspects of the strategy process. For more accurate results more studies should be taken into examination. This study focuses on the development of the strategy processes of the case companies. Development proposals are given and strategy process abilities are strengthened in the case companies.

2. THE STRATEGY PROCESS

Military-diplomatic strategies have existed as long as wars have raged. Companies then have taken example from wars and started to use the same kind of strategic approach in business development. A strategy process is a company's way of making strategy, and it is called a process, because strategy consists of different parts that usually are initiated in different phases. Strategic management is an ongoing process, because nothing about the process is final (Thompson & Strickland, 1996: 14). The strategy process is never a clean (Thompson & Strickland, 1996: 15) and simple process from steps to another, but an ongoing assessment of each area of the process. In successful strategy creation a company must form a prosperous strategy, execute it well and reshape it after changing needs (Kamensky, 2000: 25).

The advantages of strategic management are apparent. It makes company goals and direction clearer, it gives knowledge on how to adapt to the environmental changes, it develops skills to relate management decisions to the environment, and it gives plausible increase in performance towards competitors and the past. Disadvantages of strategic management are not so apparent, namely that it takes a lot of time and effort, that strategies done can be taken as if written in stone (never to be changed), that the errors in forecasting future are possible, and that the narrow focus on planning can leave no room for implementation (Smith; Arnold & Bizzell, 1988: 6-8.) In the group context the management set objectives on how the group works as a whole and how it creates its competitive advantages (Ahola, 1995: 3).

Different authors view the strategy process differently and stress different parts of the process. Here are three different strategy process models presented.
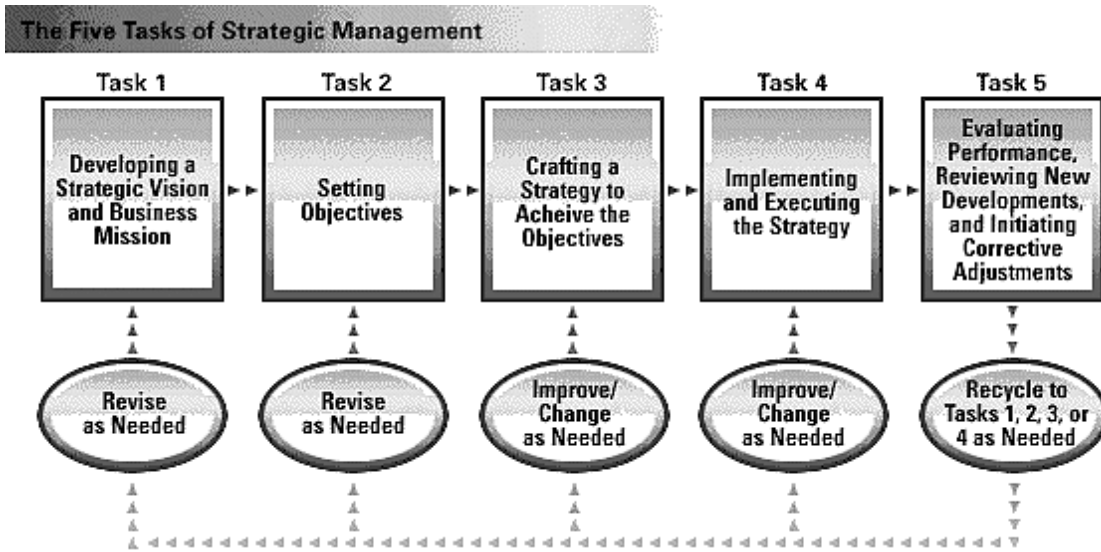
Figure 1. The Five Tasks of Strategic Management. (Thompson & Strickland 1996: 4)

In this model Thompson and Strickland present the strategy process as steps after another. They call these steps as tasks. What Thompson and Strickland emphasize is the continuous revising, improving and changing to each task. Their focus lies on the constant development of the business strategy according to the current situation.
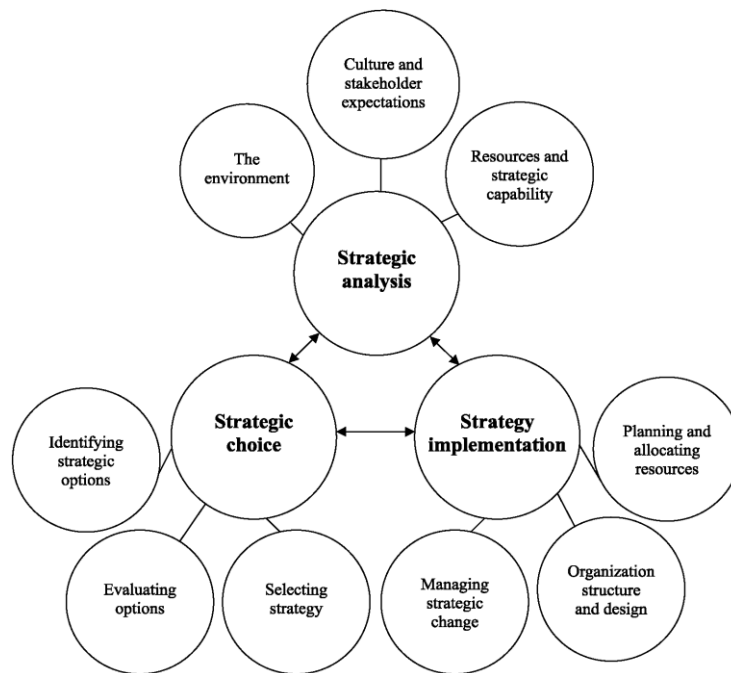
Figure 2. The Exploring Corporate Strategy Model (Johnson, Scholes & Whittington 2008: 12)

Johnson, Scholes and Whittington present their strategy process model as different areas of the strategy process. The focus lies on the topics and areas the strategy process entails. They divide the content in three: strategic analysis, strategic choice, and strategy implementation. These areas then have different focus areas, which are each important to create a holistic strategy.
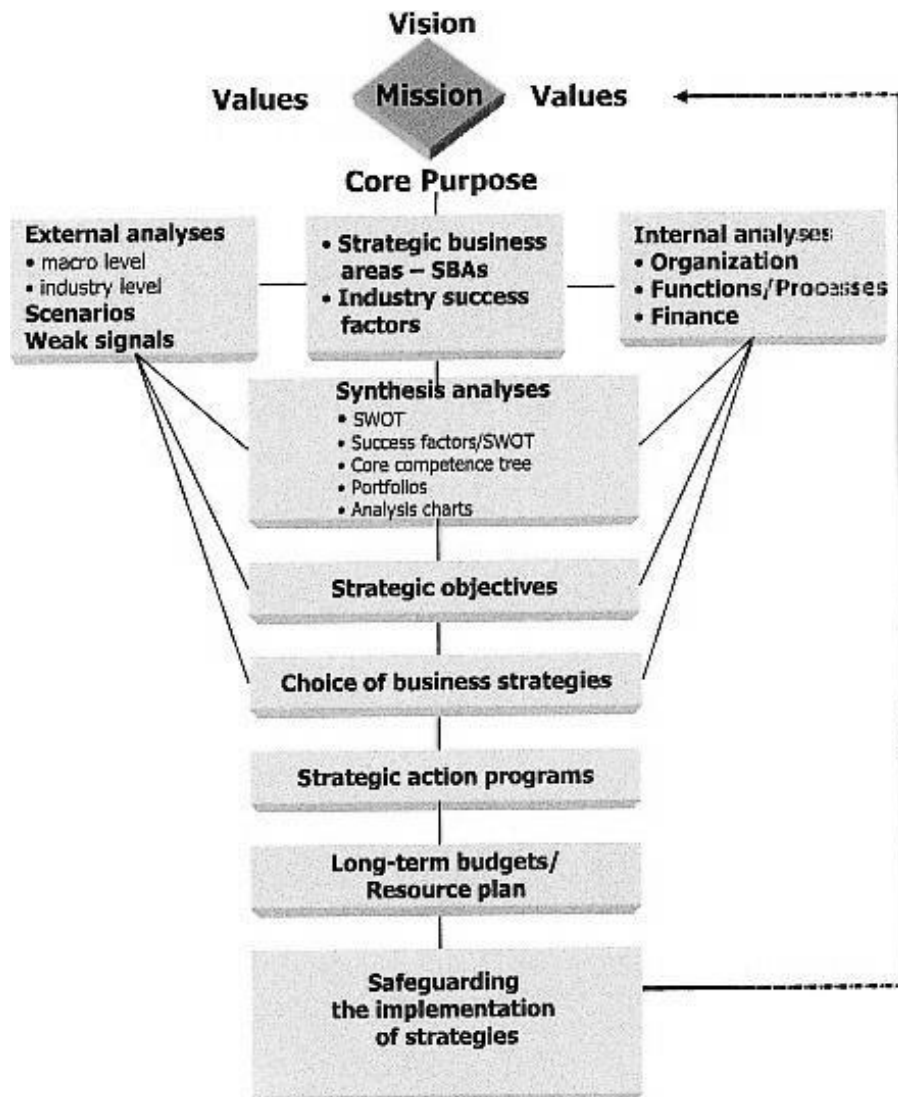
Figure 3. Company's Strategic Architecture (Kamensky Consulting Oy homepage, 2012)

Kamensky's model is special in the fact that it mixes the thinking of a process to the thinking of focus areas. It focuses the strategy process also to the same tasks as the two other models, but presents them differently.

Strategy process models that are used in this research and referred to are the following:

Table 1. Strategy Process Models Used in this Research

Author(s)	Model	Year
Steiner (1969)	Structure and Process of Business Planning	1969
Andrews (1980)	Formulation and Implementation Model	1971
Pearce & Robinson (1994)	Strategic Management Model	1985
Smith, Arnold & Bizzell, (1988)	Strategic Management Model	1988
Mintzberg (1990)	The Design School Model	1990
Johnson, Scholes & Whittington (2008)	The Exploring Corporate Strategy Model	1993
Ahola (1995)	The Continuous Strategy Process	1995
Kamensky (2000)	Company's Strategic Architecture	1995
Thompson & Strickland (1996)	The Five Tasks Of Strategic Management	1996
Hannus, Lindroos & Seppänen (1999)	Strategic Management Model	1999

2.1. Desires of a Company

2.1.1. Vision

When the management of a company starts to make the company strategy, the management has to know what they want and they have to have a vision of what the company can achieve. A vision is a desire for something in the future and gives the company and its employees the knowledge of "*who we are, what we do, and where we are headed*" (Thompson & Strickland, 1999: 22-23). This vision gives the employees the "set of mind" that they need to be united in a common target. Strategic visions should always be highly personalized to the company's industry, values and identity (Thompson & Strickland, 1996: 23). When the operational environment changes to be faster and more complex, it is of high importance for the company to form its future by having a strong vision (Kamensky, 2000: 54).

A good vision for a company has to fill 6 criteria. The vision has to be (1) clear and simple, so it can be easily communicated to the organization both in written and spoken language. It should also be visual and visible to give people

mental pictures to emphasize operational work to the right direction and to find focus in activities. A good vision is (2) believable and consistent. People in the organization have to think that the vision is reasonable and convince them to work towards it. The vision needs to be consistent with the reality and the environment of the company. Management should be committed to work towards the vision. A good vision is (3) impressive and strong. It contains a lot of ambition, hopes, dreams and even passion. Still it is real and believable. It lifts the spirit of the whole team. (4) Flexibility is also important for the vision. Ambition, long-term goals and environmental changes requires certain flexibility, so the visions should be adjusted in different circumstances. (5) Consistency with the organization and different elements of the vision should be apparent, especially the strategic plans, like goals, competitive strategy, business areas and analysis. The (6) time span of the vision should not be forever, and not too short either. It should be something in between 10 and 30 years. The vision should also be checked in yearly strategy meetings. (Kamensky, 2000: 55-58.)

A company vision should be broad, so it affects many areas of the company. In figure 4 there are some elements that visions usually entail.

Elements of a Vision

- The scope of the business

- The size and the growth of the business

- Competition or benchmarking

- Competetive advantages

- Corporate image and stakeholders relationships

- Organization (e.g. structure, resources)
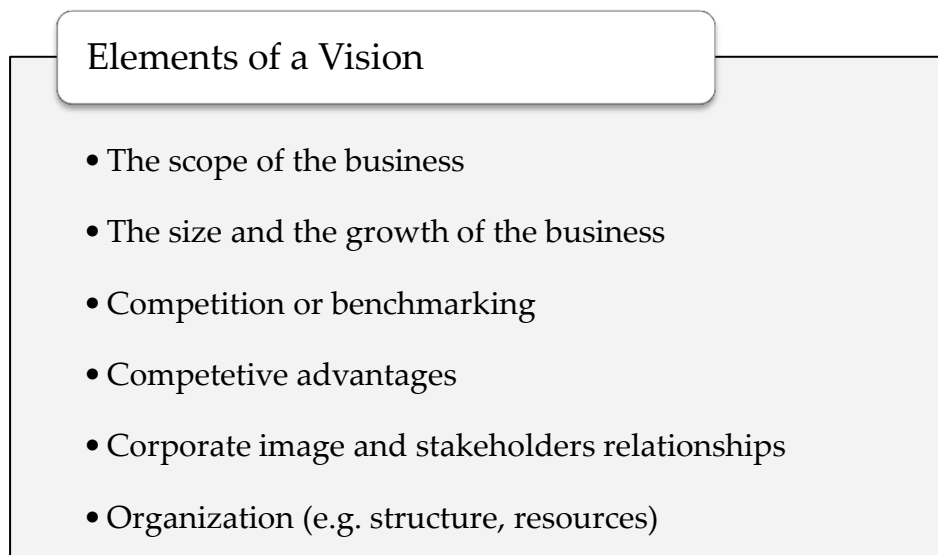
Figure 4. Elements of a Vision (Kamensky, 2000: 58-59).

In the group context it is crucial that the management has a visionary sight of the group. This includes an ability to reveal the strategy and will to the employees, eliminating any doubt, so that subsidiaries are committed to the will of the management. The main tasks in the strategy process for the group management is to formulate and maintain group values and visions, and communicate them effectively with goals and objectives throughout the group. (Ahola, 1995: 208.) These tasks can also be applied to the management of any company, because every company has to form, maintain, and communicate visions and goals to the organization. A vision should stretch the individual to achieve the known vision, and this is why communicating the vision is essential.

2.1.2. Mission

The mission of the company states the purpose and the strategic direction of the company. A mission statement differs from the vision statement by providing employees and stakeholders a clear purpose of the organization, and it should build understanding and confidence about how the strategy relates to the purpose (Johnson, Scholes & Whittington 2008: 164). The mission statement is a statement of attitude, outlook, and orientation, not measurable targets (Pearce & Robinson 1994:31). A mission statement like "making pipe lines" differs significantly from a mission statement "to be the market leader in delivering piping systems for the nuclear power industry". The latter one is more specific; however, it is flexible enough for creativity. Hannus, Lindroos & Seppänen (1999: 42-43) state that the mission and values create the core ideology of a company. They also argue that successful companies and individuals are more efficient when their actions are directed by a common ideology, and not merely financial short term objectives.

The mission statement should accomplish following:

1. Ensure unanimity of purpose within the firm
2. Provide a basis for motivating the firm's resources
3. Provide a standard for allocating the firm's resources
4. Establish the desired businesslike tone or climate
5. Serve as a focal point for those who can identify with the firm's purpose and direction

6. Facilitate translating the organizational purposes into appropriate objectives
7. Facilitate the translation of objectives into strategies and other specific activities
8. Define what the organization is and what it aspires to be
9. Distinguish an organization from all others
10. Serve as a framework for evaluating both current and prospective activities. (Smith, Arnold & Bizzell 1988: 90; King & Cleland 1979: 124; McGinnis, 1981: 41.)

The mission statement defines the ends of the company and is an important start in the formation of a strategy. Furthermore, Thompson & Strickland (1996: 27) argue that a functional mission statement influences the organization in three ways by giving the units scope to their duties and a special role to fulfill the company objectives. These three ways are: (1) to support the human resource department to contribute to the company success by developing leaders, teams, and individual, (2) to support corporate claims department to minimize cost liability, workers compensation, and property damage by control programs and techniques and, (3) to support security to provide protection for personnel and assets through measures and investigations (Thompson & Strickland 1996: 27).

2.1.3. Values

The values of a company direct the actions in the company. Values determine the ways of working and are important to the people inside the company. In the strategy process values have a significant role of giving the people the sentimental reasons for the vision and mission. In Steiner's (1969: 32) opinion the management's values influence the most in business planning.

Values concern which objectives are to be sought, which methods are to be used, and how the manager treats all stakeholders. Values also form the way the manager makes decisions, solves problems, and looks at individuals and business. Values also affect other critical strategically important factors, decisions and behavior, in other words, almost everything in the company. Values are concepts of philosophies and ideologies, (Steiner, 1969: 144) almost like a religion (Kamensky, 2000: 48). There are also possible downsides to value

statements that are publicly announced if the company does not successfully live according to the values (Johnson, Scholes & Whittington 2008: 163-164). Values need to be communicated throughout the company, so that a strong corporate culture will be established. This strengthens the commitment to objectives, missions and visions and forms a strong desire for unity.

When values are many, they need to be set in order of importance (Kamensky, 2000: 48; Johnson, Scholes & Whittington 2008: 163-164). Some of them are distinguished as **core values.** They form the heart of the company's culture and express the way a company is right now. Other values are categorized as things a company desires to be. **Secondary values** consist of concepts and beliefs by members of a sub-unit, such as the finance department or the electronics division. Secondary values need to be in consistent with core values to support them and the vision of the company. (Johnson, Scholes & Whittington 2008: 164; Smith, Arnold & Bizzell 1988: 49.) Values form the organization to work according to them. Furthermore, values affect the image of the company that influences the customer behavior as well.

2.1.4. Communicating Desires

Visions, missions and values of a company define the desires of the management of a company. These desires guide all decision making and should support also the activities to accomplish these desires. Desires should not only be guidelines for the management and middle management, but also affect the blue-collar staff. *"Managers need to communicate the vision, (mission, and values) in words that arouse a strong sense of organizational purpose, build pride, and induce employee buy-in".* (Thompson & Strickland 1996: 28.)

How to establish values in the company is different from company to company, but a thumb-rule is that enough people should be involved in the process of forming values. Definitions should be formed throughout the whole organization (Kamensky, 2000: 50), so the commitment to desires is stronger. Because employees in today's working environment need to be managed by missions and values, and not by commanding principals of the industrial age, the processes of forming visions, missions, and values should be participative and open for all stakeholders (Hannus, Lindroos & Seppänen 1999: 45). This means that the communication of desires plays a significant role in making the

visions, missions and values to become alive and a part of the identity of the organization.

2.2. Analysis

Before making strategic decisions, the current state of the organization and the environment has to be known. Therefore, analysis is done to ensure enough information for the strategic work. Smith, Arnold & Bizzell (1988: 23) present the analysis of the different factors concerning the company, both internal and external in figure 5.

2.2.1. External Analysis

A company can never work on its own; it needs customers, suppliers, partners, banks, and other relationships to run business with. All changes in these relationships affect the company and a deep knowledge of the environment helps in forming strategy of the company. A basic tool for analyzing the macro environment is the PESTEL framework. In this framework five areas are analyzed: (1) Political, (2) Economical, (3) Social, (4) Technological, (5) Environmental, and (6) Legal factors. This framework gives the company an overview of opportunities, threats and challenges in the macro environment. Also, Porter's (1980: 5) widely used framework of five forces give perspective in the task environment of the competitive forces that shape the market.

Macroenvironment
(2.2.1. External analysis)

1. Political factors
2. Economical factors
3. Social factors
4. Technological factors
5. Environmental factors
6. Legal factors

Task Environment
(2.2.1. External analysis)

1. Power of buyers
2. Power of suppliers
3. Threat of potential entrants
4. Threat of substitutes
5. Competitive rivalry

Internal Situation
(2.2.2. Internal analysis)

1. Human resources
2. Research and development
3. Production
4. Financial and accounting
5. Marketing
6. Organizational culture

Figure 5. The External and Internal Environment *edited* (Smith, Arnold & Bizzell 1988: 23)

These forces are: (1) the power of buyers, (2) the power of suppliers, (3) the threat of potential entrants, (4) the threat of substitutes, and (5) competitive rivalry.

For the environmental analysis it is also important to look into the future. Predicting future gives the company the readiness to adapt to changes in the environment. Analysis of the future gives the company the knowledge to ensure capacity for survival and provides opportunities for growth and profitability (Pearce & Robinson, 1994: 141). When predicting the future the following questions should be asked in the analyzing phase:

- What are the essential economic, technical, and physical characteristics of the industry in which the company participates?
- What trends suggesting future change in economic and technical characteristics are apparent?
- What is the nature of competition both within the industry and across industries?
- What are the requirements for success in competition in the company's industry?
- Given the technical, economic, social, and political developments that most directly apply, what is the range of strategy available to any company in this industry? (Andrews, 1980: 57-59.)

Pearce and Robinson (1994: 141-142) argue that the steps strategic managers should to take in searching future opportunities and constraints are following:
1. Select the environmental variables that are critical to the firm
2. Select the sources of significant environmental information
3. Evaluate forecasting techniques
4. Integrate forecast results into the strategic management process
5. Monitor the critical aspects of managing forecasts

2.2.2. Internal Analysis

When the strategic vision and mission have been established, the analysis of the company is essential in knowing the capabilities and strengths, so that goals and objectives are in alignment with the vision and mission. In Mintzberg's (1990: 172) design school theory mottos are to "capture success" and "find out

what you are good at and match it with what the world wants and needs". An effective basic tool for analyzing company capabilities is the SWOT –analysis tool. This tool measures: strengths, weaknesses, opportunities and threats.

Showed in figure 5 Smith, Arnold & Bizzell (1988: 45-49) claim that 6 areas are included in the internal analysis. Firstly, the human resource factors state that people provide input in the company by setting goals, implementing and controlling strategies. Secondly, the research and development factors influence the capability to lead the company in the forefront of its industry. Thirdly, the production factors determine if the company can produce competitive products cheaply and with high quality. Fourthly, finance and accounting factors influence the capacity to invest and acquire resources needed. Fifthly, marketing factors are focused on creating beneficial exchanges and relationships with customers. And finally, organizational culture guides everything in the company, e.g. decisions making.

Johnson, Scholes & Whittington (2008: 95) state that strategic capability, like company's resources and special competencies are needed for survival and prosperity. This means that in order to be successful in the market a company must seek or gain know-how for the business. To maximize the opportunities a company needs to base its strategy on rigorous consideration of its internal strengths and weaknesses (Pearce & Robinson 1994: 173). Through special and unique capabilities a company can achieve enormous competitive advantage in the market, and this is why internal analysis plays a big role in identifying these capabilities. Kamensky (2000: 149) states that all internal analyses have a common term: "internal efficiency", which divides into three forms: (1) organizational, (2) functional, and (3) financial analysis. All areas are vital, because any part of the company can have special abilities, which create the advantage towards competitors. Andrews (1980: 65-71) state that the company should (1) find the sources of capability, (2) identify strengths, (3) match opportunity and competence, and (4) make a unique strategy.

Hannus, Lindroos & Seppänen (1999: 59-63) argue that company assets are built of three components: organizational structure, competence, and physical assets. Organizational structure consists of the basic structure, the leadership style and the relationships to customers, suppliers, competitors, and partners. The

physical assets are machines, equipment, factories, warehouses, office buildings and other resources. Competence is also divided into three sub-competencies: know-how, processes, and IT. These components of company assets are equally important in the analysis and further planning for the strategy.
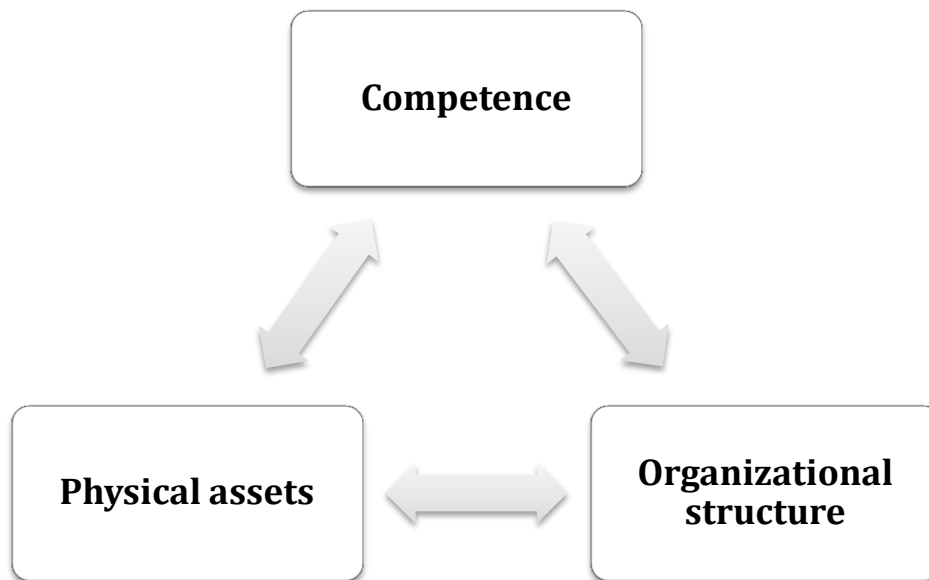
Figure 6. Company Assets (Hannus, Lindroos & Seppänen 1999:59-60).

2.3. Strategic Planning

2.3.1. Goals

When the analysis of company's competencies, capabilities, weaknesses, environmental opportunities and threats are made, the strategic planning can start. When a company has a vision and a mission to accomplish, and all relevant factors are considered, a company can start to make plans for achieving those visions. Because of the analysis the company can make realistic but stretching goals. Goals include the mission, purposes and the specific objectives that are sought by the company (Steiner, 1969: 34). By setting challenging, but achievable goals, management can better master the complexity of a company (Ahola, 1995: 156) and give measurable and specific targets for employees to work towards. Companies that set objectives for each key result area, and aggressively work towards these objectives usually

outperform those that merely work hard and hope for the best (Thompson & Strickland 1996: 30). Thompson & Strickland (1996:31) suggest that objectives have to be set on both financial and strategic areas. For financial areas goals might be revenue growth, earnings growth, wider profit margins, bigger cash flow and other measurements. For strategic areas goals might be bigger market share, higher product quality, lower costs, stronger reputation, superior customer service, and other strategic areas. On the other hand, Pearce & Robinson (1994: 218-219) suggest that when a company wants to achieve long-term prosperity they need to establish goals in seven areas: (1) profitability, (2) productivity, (3) competitive position, (4) employee development, (5) employee relations, (6) technological leadership, and (7) public responsibility.

2.3.2. Strategy Content

When objectives are set, the plans for achieving those objectives have to be made. Companies need these plans for guidance of how to achieve the objectives and how to pursue the company's mission. There are many choices of strategy programs that a company can choose to follow. Some of these strategy making tools are presented next.

The basic strategy choices bases on **Porters generic strategies.** The alternatives on choice of strategy are: (1) cost leadership, (2) differentiation, and (3) focus. By choosing one of these strategies a company can focus its capabilities on producing products and services, that are either, cheap, different, or for specific customer segments. This way of choosing a strategic plan is to gain competitive advantage by providing customers what they want, or need, better or more effectively than competitors (Johnson, Scholes & Whittington 2008: 224).

Pearce's (1982: 29) **Grand Strategy** (see figure 7) gives 12 different choices of grand strategy. The basic idea in the matrix is to choose from two variables: (1) the purpose of a grand strategy and, (2) either internal or external emphasis for growth or profitability, or both. The twelve choices of grand strategy give a company the focus on the strengths and opportunities. The matrix is a 2-by-2 and gives 4 different general ways of strategy. The first and second quadrant strategy focuses on overcoming weaknesses. In the first quadrant strategies focus on one business. (1) *Vertical integration* is a solution where the company reduces risks by reducing uncertainty about inputs. (2) *Conglomerate*

diversification provides an investment alternative to another business, which is costly, because investments to new business take time and money. The second quadrant gives an alternative to a (3) *turnaround or retrenchment,* which gives strength from streamlining of the operations and eliminating waste. Also (4) *divestiture,* which helps to recoup the investments, or (5) *liquidation,* which is a fair choice if bankruptcy is the other choice, can be choices of overcoming weaknesses. The other two quadrants focus on maximizing strength. (6) *Concentrated growth* is commonly used, where the company strategy is to focus on penetrating the market with current products. A company can also use (7) *market development* and (8) *product development.* These strategies focus on the development of operations. When a company's strength is in creative product designs or technologies, the strategy might be (9) *Innovation.* The last quadrant focuses on aggressive expanding to maximize its' strengths. (10) *Horizontal integration* increases the output capability, and (11) *concentric diversification* gives the power of two similar businesses to facilitate smooth, synergic, and profitable expansion. (12) *Joint ventures* are a choice when a company would not enter a market alone. (Pearce & Robinson 1994: 259-264.)
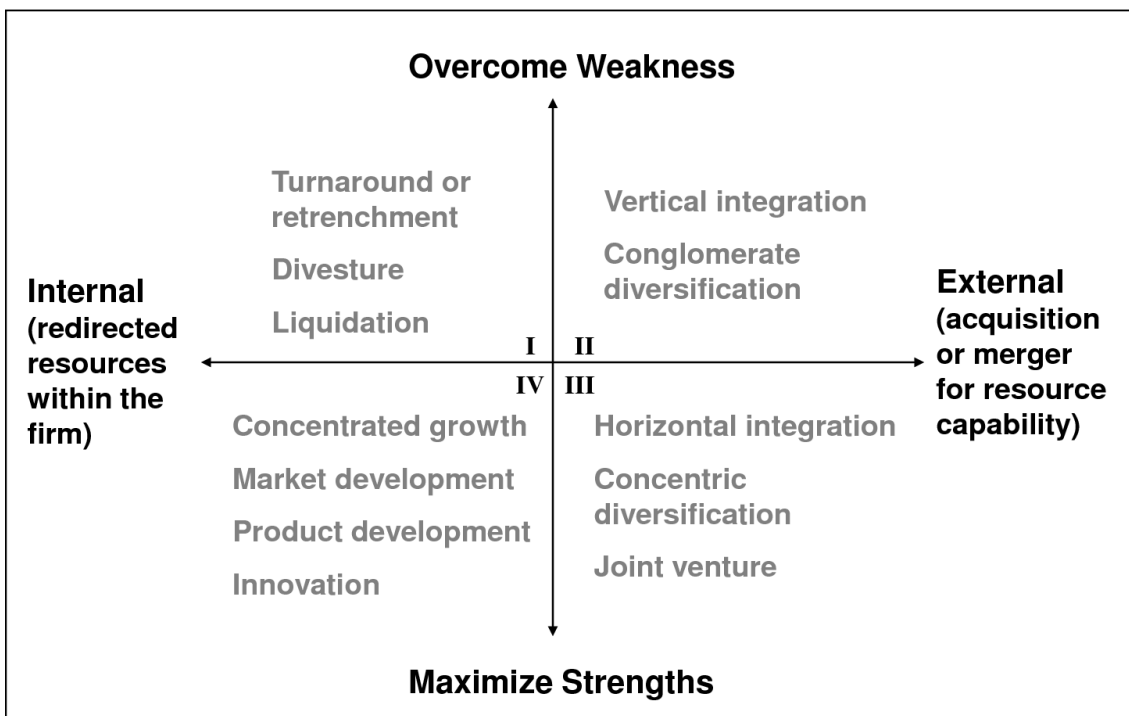
Figure 7. Grand Strategy Selection Matrix (Pearce 1982: 29)

The **Boston Consulting Group matrix** is plotted to market growth rate and market share. This framework presents these two factors in the company's situation. Market growth is usually measured by the volume increase in last two years. Market share is the percentage share a company has of the market in comparison to its competitors. (Pearce & Robinson 1994: 269.)

Ansoffs market/product matrix gives simple alternatives for strategic directions and development. The other side of the matrix is divided into existing products and new products and the upper side with new markets and existing markets. So it gives four alternatives on how the company wants to focus its actions: (1) Market penetration or consolidation (existing markets/existing product), (2) product development (existing markets/new products), (3) Market development (new markets/existing products), and (4) diversification (new markets/new products). This framework focuses on the growth options. (Johnson, Scholes & Whittington 2008: 257-258.)

Another matrix called **the directional policy matrix** (GE-McKinsey) was originally made for General electric by McKinsey & Co. to help GE to manage business units. This matrix is divided into business unit strength and long-term market attractiveness. These are measured by three measures: strong, average and weak. This tool gives the management a way to position the business units. This matrix suggests that businesses that are weak and have low market attractiveness should be merely harvested, and those that are strong and have high market attractiveness should be invested in. (Johnson, Scholes & Whittington 2008: 280.)

2.4. Strategy Implementation

When all plans and preparations are made, the strategy is nothing if it is not implemented into the organization. One could argue that this is the most important part of the whole strategy process, because implementation is the phase where the whole strategic work is actualized.

Thompson & Strickland (1996: 240-319) present an implementation strategy that has eight focus areas. The authors argue that the work of implementing is for the whole management team and not merely for a designated few. The

implementation strategy starts with the concentration on core competencies and structure, and then continues with budgets, policies and practices, and concludes with culture and leadership. The eight areas are following:

(1) *Building a capable organization* entails selecting people for key positions, building core competencies, training employees, structuring the organization, selecting critical activities, reporting coordination, determining authority and independence, and other critical decisions. (2) *Linking budgets to strategy* is important, because units need resources to carry out the intended strategic plan. By (3) *creating supportive policies and procedures* the management ensures implementation, because practices aid the fulfillment of strategy. The policies and practices provide top-down guidance, help aligning actions and behavior with strategy, help enforcing consistency, and help altering the internal climate.

A company needs to (4) *institute best practices and a commitment to continuous improvement.* This means that by benchmarking a company can find the best practices and evaluate its performance against best performers. Also total quality management (TQM) is important to retain customers by concentrating on production quality, delivering excellent customer service. A company should also (5) *install support systems* to control main areas of the business, like computerized flight reservation systems, maintenance systems, inventory, payroll, cash flow and other systems. This helps the managers to concentrate more on the critical activities like supervision, customer service, and business development. The employees are important in implementing strategy and (6) *designing strategy-supportive reward systems* help employees to be committed to the strategies of the company. Motivational practices, like incentives, rewards, company activities and independency inspire employees to do their best. Furthermore, linking assignments to performance targets and rewarding performance motivates employees to concentrate on the essential.

(7) *Building a culture that supports strategy* is critical, because the culture has power to influence the activities and performance of the company. We discussed values already (see part 2.1.3.) and concluded that they influence employees significantly giving them reasons to work towards goals and according to company strategy. (8) *Exerting strategic leadership* is the last area of management, which entails managers' ability to foster a strategy-supportive climate, to manage by walking around (MBWA, to know what is going on), to

keep the organization responsive and innovative, to deal with company politics, to enforce ethical behavior, and to make corrective adjustments.

A well-known framework for the management in institutionalizing strategy is the McKinsey 7-s framework. The six areas that the management has to focus their efforts on to ensure the strategy to root in the daily life of the firm are: structure, systems, shared values (culture), skills (management), staff (management), and style (leadership). These areas are presented in figure 8 as equally important factors considering the implementation of strategy.
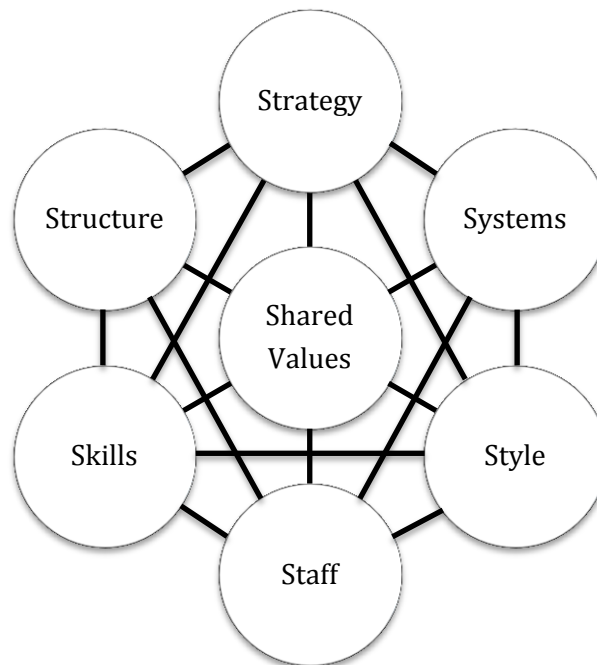
Figure 8. McKinsey 7-S Framework (Pearce & Robinson, 1994: 339; Peters & Waterman, 1982: 11)

Pearce and Robinson (1994: 339-372) organize McKinsey's 7-S' into four basic elements through which managers can implement strategy. These are structure, leadership (entails style, staff, skills), culture (shared values), and systems.

Structure of the company is very important as a supporting factor in strategy implementation. The "Structure Follows Strategy" thinking, which is based on Chandler's (1962) pioneering concept, implies that the strategy is in the focus of the management and structure is merely a factor that needs to be adjusted to

strategy. This means that when strategy is formed and changed to respond the market development, the structure is afterwards adapted to support the strategic framework. Leadership has a crucial role of implementing strategies. The role of the CEO is, firstly, to be a symbol of the new strategy. CEO's actions influence significantly subordinate managers' commitment to implement new strategies. Secondly, the personal goals of the CEO influence the mission, values, and objectives of the company notably. Also key managers have to be identified who are in the right positions and have the characteristics needed to ensure effective implementation of the strategy.

Culture plays a big role also in the implementation process. Values are a part of culture and when an individual recognizes the company values and understands that they are to guide him/her to appropriate behavior, then they mean more for the individual. When everyone is complying with these values, it is called shared values. Other cultural factors are the content of culture and the managing the strategy-culture relationship. Rewarding is an effective tool for motivating to strategy execution. Rewarding systems can include one or more of the following: compensation, raises, bonuses, stock options, incentives, benefits, promotions, demotions, recognition, praise, criticism, more (or less) responsibility, group norms, performance appraisal, tension, and fear. Rewards can be positive and negative, short run or long run. If strategy accomplishment is a top priority, then the reward system must be clearly and tightly linked to strategic performance. (Pearce & Robinson, 1994: 339-372.)

2.5. Strategy Review

When the strategy of the company is formed and implemented, it must be evaluated, controlled, and developed. Different reporting systems assist in this.

Plans and strategies for the companies set the course of the company. When plans are made it is the management who should control that the plans are followed. The first question, when starting to plan for control, is to ask: *What should be controlled?* Smith, Arnold & Bizzell (1988: 228) suggests that there are three areas that should be controlled. **Strategic control** focuses on the strategy formulation and strategy implementation. **Management control** focuses on the major subsystems that support the company objectives to be accomplished.

Operational control focuses on the individual and group work processes and their performance. (Smith, Arnold & Bizzell 1988: 228.) Furthermore, Pearce & Robinson (1994: 381-389) present four controlling types, that focus on internal and external events: (1) **Strategic surveillance**, that monitors a broad range of events in the internal processes and in the environment; (2) **premise control,** which controls the validity of the premises for the strategy; (3) **implementation control** assesses the whole strategy validity in light of the information from implementation and; (4) **special alert control,** comes in question when unexpected events take place and replanning might be necessary.

The main goal for strategic control is to produce relevant information for the management about the environment, competition and operations. This information should lead to continuous questioning of the present course of action. Information should be gathered from the critical elements of the business activities and should be analyzed to give usable knowledge to the management when needed. (Ahola, 1995: 193). When annual goals are set they have to be monitored and controlled. The operational control systems like budgeting, scheduling, and key success factors can assist management in evaluating the controlling development throughout the year. In addition, controlling needs to start with setting standards of performance, and measure actual performance, after this should deviations from standards be identified, and finally, corrective actions should be initiated. (Pearce & Robinson 1994: 386-392).

Continuous issue assessment is presented to be essential throughout the whole strategy process of Ahola (1995: 216). This means that, from the analysis part all the way to implementation; assessment, evaluation, and control should be a part of the planning. Also, Thompson & Strickland (1996: 14) argue that strategic work is never a one-time exercise, but continuous evaluation of performance and development. Findings of evaluation force the management sometimes to change objectives, modify strategies, shift long term directions, or merely seek for better strategy execution. In addition, changes in the market and the business environment may force changes. (Thompson & Strickland 1996: 14.) This is why evaluation and control are necessary in the strategic work of the management.

2.6. Summary of the Strategy Process Models

As a summary, a simple strategy process model is presented with the most critical elements. This strategy process model consists of the parts that many authors use in their process models, but also aspects that the author of this thesis finds critical in the process of making strategy.

Desires	Analysis	Planning	Action	Review
•Vision •Mission •Values	•Internal analysis •External analysis	•Goals •Strategy content	•Strategy implemen-tation	•Control •Evaluation •Development
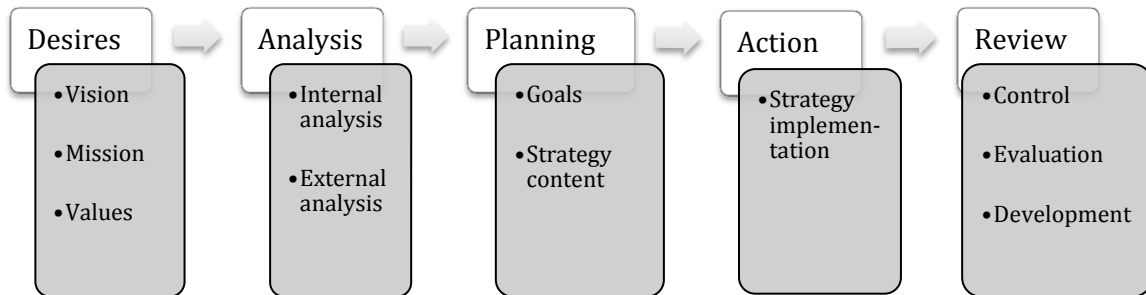
Figure 9. Simple Strategy Process.

In making strategy the management needs to start with acknowledging the desires they have. So, in the beginning the vision needs to be communicated and written. For knowing how the vision is achieved a mission statement has to be formulated to determine the purpose and orientation of the company. Also, the values play vital role in creating the climate in the company. Important is to evaluate the current state business. So, deep analysis of the internal factors and external environment is crucial so that the new strategy can be built on the current situation.

In the planning phase goals are set to establish the short term and long term financial and strategic objectives. These help to make the complexity of a company manageable. Strategic content part, of the planning, is then the actual planning for the actions for the company to take. As mentioned before, options for the strategy content are limitless. When choices of strategy are made, also an implementation plan needs to be formulated, so that the intended strategies come to life. A good plan is nothing, without the implementation of it. Finally, strategies are never "written in stone", but constantly controlled, evaluated, and developed. A successful strategy is formed when all aspects are thoroughly taken into consideration.

3. THE INFLUENCE OF THE STRATEGY PROCESS TO THE SUCCESS OF A COMPANY

Different studies are presented in this chapter to prove the strategy process and success linkage. Table 1 presents the pieces of research with definitions, setting/hypothesis, data and findings. Finally, the findings are analyzed and conclusions are drawn.

Table 2. Articles Concerning Strategy Process – Performance Linkage

Article	Research question & hypothesis	Data	Findings
1 **A Causal Analysis of Formal Strategic Planning and Firm Performance. Evidence from an Emerging Country.** Glaister, Dincer, Tatoglu, Demirbag & Zaim (2008)	H1: For Turkish firms there is a positive and direct relationship between formal strategic planning and firm performance. H2: In the Turkish context the positive effect of formal strategic planning on firm performance is greater when environmental turbulence is high than when environmental turbulence is low. H3: In the Turkish context the positive effect of formal strategic planning on firm performance is greater when the firm's organization structure is more organic than mechanistic. H4: In the Turkish context the positive effect of formal strategic planning on firm performance is greater among large firms than among small firms.	Survey questionnaire. To 500 largest Turkish manufacturing companies of which 135 usable questionnaires were returned.	A strong and positive relationship was formed between formal strategic planning and firm performance. The moderating roles of environmental turbulence, organization structure and firm size on the strategic planning-performance link were verified.
2 **Firm Performance and Complementary Strategy Development Processes.** Gunby (2009)	H1: Capability in the enforced choice strategy development process is positively related to capability in the political strategy development process. H2: Capability in the enforced choice strategy development process is positively associated with firm performance in a constrained environment. H3: In conjunction with the enforced choice strategy development process, capability in the political strategy development processes is positively associated with firm performance in a constrained environment.	Survey questionnaire. The research population consisted of senior long-term care administrators serving in skilled nursing facilities. To 700 members of a major association of which 72 responded.	The results infer that, in conjunction, the enforced choice and political strategy development process modes are superior to other strategy archetypes in generating return on assets within constrained environments in not-for-profit firms. No significant differences in firm performance were found for not-for-profit firms or for firms employing four other strategy development process modes prevalent in the current strategy process literature.

3 **The Impact of Inclusive and Fragmented Operations Strategy Processes on Operational Performance.** Brown, Squire & Lewis (2010)	Strategically inclusive plants will have: (H1) superior quality performance, (H2) superior inventory performance, (H3) superior supplier performance, and (H4) a faster new product development process.	Semi-formal questionnaire. 15 longitudinal case studies of operations within assembly plants in the personal computing industry.	All hypotheses were fulfilled.
4 **Simplicity as a Strategy-making Process: The Effects of Stage of Organizational Development and Environment on Performance.** Lumpkin & Dess (1995)	H1: A simplistic strategy process is an important strategy mode that an organization may exhibit. H2: The relationship between performance and the simplicity of strategy processes will be moderated by stage of organizational development. Organizations that use a simplistic strategy process in their early stages will have higher performance than those that use a simplistic strategy process in later stages. H3a: Use of a simplistic strategy process will be negatively related to the performance of organizations in a dynamic environment. H3b: Use of a simplistic strategy process will be negatively related to the performance of organizations in a heterogeneous environment.	Interviews and questionnaires. Heterogeneous groups of nondiversified firms (banks, engineering firms, department stores, manufacturers, food distributors etc.) Total of 96 executives from 32 firms.	Simplistic strategy process was positively associated with performance during early stages of organizational development, but bad to performance as organizations grew and matured. Simplicity was also found to be negatively related to performance in dynamic environments; in heterogeneous environments, it seemed to be adversely related to performance only in later stages of organizational development.
5 **Strategic Decision Processes and Firm Performance Among Truckload Motor Carriers.** Snyman (2006)	H1: Trucking companies using a complex or similar decision process will experience higher performance than companies that employ only a single process or no definable process. Modes are: Command, Symbolic, Rational, Transactive, and Generative	Survey questionnaire. Small TL carriers with assets of less than $10 million. To 374 TL carriers of which 82 responded.	Organizational size was a significant control variable for the process-performance link. Strategic decision processes, low in complexity, can make a difference. The processes that motor carriers use to develop their strategies can be a significant source of competitive advantage in a deregulated industry.

6 **Strategic Planning and Corporate Performance Relationship in Small Business Firms: Evidence from a Middle East Country Context** Aldehayyat & Twaissi (2011)	The strategic planning of small firms in Jordan. The first set of questions involves the attention to internal and external aspects. The second set of questions involves the use of strategy techniques. The third set of questions involves the functional coverage. The fourth and fifth sets of questions examine the participation of top and line managers in strategy.	Survey questionnaire. To 105 small industrial firms that are registered on the Amman Stock Exchange (ASE) Jordan, of which 60 responded.	The research findings show that these companies give less importance to internal scanning than external scanning, that the analysis of world-wide competitive trends is related to smaller companies, that there is relatively little focuses on the use of strategy techniques, and that top management are highly participative in all strategic planning activities. The research finding shows all strategic planning dimensions and overall strategic planning had a significant relationship with corporate performance.
7 **Strategy Formulation, Strategy Content and Performance. An empirical analysis**. Andrews, Boyne, Law & Walker (2009)	The formulation variables include rational planning, logical instrumentalism and strategy process absence. The strategy content variables are prospecting, defending and reacting. H1: Rational planning is positively related to organizational performance. H2: Logical incrementalism is negatively related to organizational performance. H3: Strategy process absence is negatively related to organizational performance. H4: A prospector and a defender stance are positively related to organizational performance. H5: Prospectors outperform defenders and reactors. H6: A reactor stance is negatively related to organizational performance.	Survey Questionnaire. The study is done with 47 service departments in Welsh local government. To 198 service and 830 informants of which 90 services and 237 informants responded.	The statistical results provide mixed results for the hypotheses on strategy formulation and performance, H1 is therefore rejected. These results support hypotheses H2 and H3, indicating that logical incrementalism and strategy process absence are detrimental to the achievement of higher levels of organizational performance. The results provide support for H4 on strategy content and performance. H5 is not supported: while prospecting out-performs reacting, the coefficient for defending is also statistically significant and positive. The results for reacting do not support H6: although the coefficient on the reactor variable is negative, it is statistically insignificant in this model.

8 **Strategy Process-Content Interaction: Effects on growth Performance in small, Start-up Firms.** Olson & Bokor (1995)	Strategy process and content effect on performance in the interaction effect: H1: The sales growth rate (performance) of small, rapidly growing firms is influenced by the interaction (cross product) of planning formality (process) and product/service innovation (content).	Survey questionnaire. 91 small US fastest growing small firms between 1982 and 1986.	The study supports the hypothesis that the performance of small companies is influenced by the strategy process and content.
9 **Linking Strategic Practices and Organizational Performance to Porter's Generic Strategies.** Allen & Helms (2006)	H1: Specific strategic practices (or tactics)can be identified which are associated with each generic Porter strategy. H2: There are specific strategic practices which are more strongly associated with higher levels of organizational performance within each generic strategy.	Survey questionnaire. Sample of 221 working adults with at least 6 months of working experience.	Examining each specific generic strategy indicates a relatively small number of strategic practices were significantly correlated with organizational performance. For the differentiation strategy, innovation and building high market share are factors for success. For focus/differentiation: producing products or services for high price market segments and providingspecialty products and services. For cost-leadership: minimizing distribution costs. For focus-cost: Providing outstanding customer service, extensive training of front-line personnel, controlling the quality of their products or services.

10 **The Marketing Strategy-Performance Relationship in an Export-driven Developing Economy. A Korean illustration.** Lee & Griffith (2004)	Export performance of Korean exporters will be positively influenced by (H1) the use of an adaptation product strategy, (H2) the use of an adaptation pricing strategy, (H3): the use of a direct rather than indirect export channel, (H4) overseas advertising expenditures, and (H5) the use of promotional support provided to foreign distributors/retailers.	A self-administered questionnaire to managing directors of the export department of 180 members of the Electronic Industries Association of Korea, whose exports accounted for more than 20 percent of total sales.	Results indicate that the adaptation of products to foreign customers' tastes, adjustment of export prices to foreign market conditions, direct exporting, and trade promotions toward overseas distributors positively influence the performance of Korean exporters. Expenditure on overseas advertising was not found to influence export performance.
11 **Manufacturing Practices and Strategy Integration: Effects on Cost Efficiency, Flexibility, and Market- Based Performance.** Swink, Narasimhan & Kim (2005)	H1: Manufacturing practices are positively associated with manufacturing cost efficiency capability, (H2:) process flexibility capability, and (H3:) new product flexibility capability. H4: Strategy integration is positively associated with cost efficiency capability, (H5:) with process flexibility capability, and (H6:) with new product flexibility capability. H7: Cost efficiency capability, (H8:) process flexibility capability, and (H9:) new product flexibility capability are positively associated with market-based performance. H10: This association of strategy integration with market-based performance is mediated by manufacturing capabilities.	Survey questionnaire. 57 manufacturing plants in north America.	The results suggest that strategy integration plays a strong, central role in the creation of manufacturing cost efficiency and new product flexibility capabilities. Strategy integration moderates the influences of product-process development, supplier relationship management, workforce development, just-in-time flow, and process quality management practices on certain manufacturing capabilities. Manufacturing cost efficiency and new product flexibility capabilities mediate the influence of strategy integration on market-based performance.

12 **Strategy-making Process and Firm Performance in Small Firms.** Verreynne (2006)	H1: Small firms will employ all or some of the simplistic, adaptive, entrepreneurial and participative strategy processes. H2: The simplistic or participative modes of strategy will have a positive relationship with firm performance.	Survey questionnaire. 477 small firms in New Zealand.	The simplistic mode exhibits the strongest relationship with firm performance.
13 **The Strategic Planning Process and Performance Relationship: Does Culture Matter?** Hoffman (2007)	H1: Strategic planning processes will be positively related to performance among multinational firms representing a variety of social cultures. H2: Managers from Anglo and Nordic cultures will place a stronger emphasis on various strategic planning processes than those from the German cultures. H3: Culture will moderate the relationship between strategic planning and firm performance. H4: Formal strategic planning processes will be positively related to firm performance given the following cultural values: higher levels of power distance, lower levels of uncertainty avoidance, higher levels of individualism, and/or lower levels of masculinity.	Survey Questionnaire. 75 responses from multinationals.	This study found that the general planning-performance model is relevant across the cultures sampled. While there appears to be little direct relationship between culture and planning, culture did moderate the planning-performance relationship. Specific cultural values were found to account for some of the cross-cultural differences in the planning-performance relationship.
14 **The Impact of Alignment Between Supply Chain Strategy and Environment Uncertainty on SCM Performance.** Sun, Hsu & Hwang (2009)	H1: SCM performance will be higher when the efficient SC strategy is followed within companies dealing with low demand and low supply environmental uncertainty. H2: SCM performance will be higher when the responsive SC strategy is followed within companies dealing with high demand and low supply environmental uncertainty. H3: SCM performance will be higher when the risk hedging SC strategy is followed within companies dealing with low demand and high supply environmental uncertainty. H4: SCM performance will be higher when the agile SC strategy is followed within companies dealing with high demand and high supply environmental uncertainty.	Survey questionnaire. 243 manufacturing companies in Taiwan.	The results of the study verify that the alignment between SC strategy and environmental uncertainty is positively associated with SCM performance.

| 15 The Engagement of Employees in the Strategy Process and Firm Performance: The Role of Strategy Goals and Environment. Tegarden, Sarason, Childers & Hatfield (2005) | H1a: The use of multi-level strategy processes is positively related to the achievement of strategic goals. H1b: The achievement of strategic goals mediates the relationship of multi-level strategy processes and financial performance. H2: The indirect relationship between multi-level processes and firm performance is stronger when the strategic goal is quality rather than when the strategic goal is innovation. H3a: The strength of the relationship between multilevel strategic processes and the strategic goal of quality is greater when environmental dynamism is high compared to when environmental dynamism is low. H3b: The strength of the relationship between multilevel strategic processes and the strategic goal of innovationis greater when environmental dynamism is low compared to when environmental dynamism is high. | Survey questionnaire. 335 of technology companies. | Findings suggest that the link between strategy processes and financial performance may be underestimated unless strategic goals are included as a mediator. Also environmental dynamism moderates the relationships. Under conditions of low dynamism, there is a stronger relationship between the engagement of employees and strategic goals related to innovation than under conditions of high dynamism. Conversely, strategic goals related to quality have a stronger relationship with engagement of employees under conditions of high dynamism when compared to conditions of low dynamism. |

3.1. Analysis of the Prior Research

In the analyses part, the articles are firstly divided into 11 categories. These categories are divided by settings and are presented in table 3. The findings are then analyzed separately by setting. These categories are mainly about the strategy process and performance linkage, with different settings (e.g. small company strategy process). Some of the categories are not, however, directly about the company business strategy process, but a crucial element of the strategy (e.g. manufacturing strategy). These categories surely demonstrate the strategy field, and point out the strategy process and performance linkage, as well as, the categories that represent the company business strategy process and performance linkage.

Table 3. Research Settings

Setting	Article/Research
Formal Strategic Planning (FSP)	1, 7, 8, 12
Strategy Process Types	5, 4, 12
Small / Start-up Businesses	1, 6, 8, 12
Simple Strategy	4, 12
Strategy Content (e.g. Porter)	7, 8, 9
Operations/Manufacturing Strategies	3, 11
Employee Involvement	6, 15
Not-for-profit Strategies	2
Export Strategies	10
Cultural Effect	13
Supply Chain Management	14

Formal Strategic Planning (FSP)

Formal strategic planning is the opposite of informal planning. Informal strategic planning means that the strategic work does not take place in formal strategy planning sessions or as a process. It occurs in desires, activities, and focus of the top management. Formal strategic planning is structured planned meetings and sessions where strategy is formed. Early studies imply that FSP enhances performance, but in later studies this is not fully confirmed (Gleister,

Dincer, Tatoglu, Demirbag & Zaim, 2008: 366). Also, when evidence is mixed, the results lean towards a positive relationship between planning and performance (Andrews, Boyne, Law & Walker, 2009: 4).

The findings of the studies concerning the formal strategic planning and performance linkage seem to be mixed, but different factors and variables do matter. A strong and positive relationship was found between formal strategic planning and performance in some of the studies, but in other it was not strong enough to draw the conclusion that it is completely necessary. However, there were factors that indicate on better performance. For example, environmental turbulence moderates the performance, so when the markets are stable FSP makes better impact. Also, more organically structured and bigger companies benefit more of the FSP. Studying the opposite of FSP, like logical incrementalism and total absence of a strategy process imply that strategic planning is needed to achieve higher levels of organizational performance. (Gleister, Dincer, Tatoglu, Demirbag & Zaim, 2008: 377-383; Andrews, Boyne, Law & Walker, 2009: 12-15; Olson & Bokor, 1995: 38-42; Verreynne, 2006: 218-220.)

Strategy Process Styles

Strategy process styles as named in this research bases on Hart's (1992) strategic management patterns that are: command, symbolic, rational, transactive, and generative. The responsibility of strategy making can be from the top management (command) to the whole organization (generative) and everything in between. Earlier studies imply that combining these types gives superior performance, especially in turbulent environment. Also, superior performance was found by banks that used complex strategic decision process combinations. (Snyman, 2006: 266.)

The styles of strategic management are suitable for different situations of the company. When the company is in an early stage, the simplistic and commanding strategic management is the best choice, but when the company has matured, it is bad for the performance of the company. So, a managing style more generative is better for a larger and matured company. Companies with dominant strategic managers who behave like commanders in a complex environment could not achieve high performance in the trucking industry. In

the trucking industry the size did not matter when the performance was high. One study implies that the combination of command and symbolic styles is a style that affects performance the most. In this style the culture aspects also come to focus. (Verreynne, 2006: 218-220; Lumpkin & Dess, 1995: 1402-1405; Snyman, 2006: 269-270.)

Small / Start-up businesses

When strategy-making and company performance is studied, it often refers to large companies. How are these studies then applicable to small companies? Strategy-making in small companies is different from larger companies. Some strategy scholars claim that strategy processes are not for small companies, because of their lack of management and financial resources. Some studies imply that small and growing companies´ planning is increasing, because of the desire to enhance corporate performance. (Aldehayyat & Twaissi, 2011: 255.) Other scholars argue that strategy-making in small companies is mainly emergent, adaptive, and reliant on personal relationships (Verreynne, 2006: 211.)

In smaller companies the focus on inner analysis is not so vast; this means that they focus more on the outer analysis and the competitive trends, rather than on core strengths. Findings of studies in this research imply that strategic planning is significantly influencing the company performance. The simplistic strategy-making mode is the commonly used method. Also, when small companies perform well, they usually focus on the strategy process as well, when the financial resources are available. (Gleister, Dincer, Tatoglu, Demirbag & Zaim, 2008: 377-383; Aldehayyat & Twaissi, 2011: 258-259; Olson & Bokor, 1995: 38-42; Verreynne, 2006: 218-220.)

Simple Strategy

Early studies imply that simple strategy is found effective during early stages of organization´s growth. With a simple strategy process, decisions will be made that reflect a set of highly constrained values and strategies. A simple strategy process may be an effective means of focusing organizational activities in the early stages of growth. (Verreynne, 2006: 208.)

Simplicity was found in this study also to be associated with small company performance. When the organization is larger the link between strategy-making and performance was not strong. In dynamic environments simplicity was found to be a negative way of making strategy, because it did not take everything into consideration. Also, in heterogeneous environments it was badly influencing performance in later stages of organizational development. In conclusion, the relationship between simplistic strategy-making and performance is strong in small companies. (Verreynne, 2006: 218-220; Lumpkin & Dess, 1995: 1402-1405.)

Strategy Content

Strategy content research can be categorized into frameworks single or multiple factors. Multiple factors are e.g. Miles and Snow typologies and Porter´s generic strategies. Single ones are e.g. the service/product innovations. Of Miles and Snow typologies research suggests that prospecting influences performance the best, and reacting worst (Andrews, 1980: 5). In studies about Porter´s generic strategies many researchers argue that a combination of the strategies offers the best choice for a company to achieve competetive advantage. But Porter suggests that the company must make a choice between one of the generic strategies rather than end up being "stuck in the middle". (Allen & Helms, 2006: 434.)

Strategy content-performance studies imply that in Miles and Snow typologies "prospectors" and "defenders" are positively related to company performance. Companies should then use these two strategic alternatives when forming strategy. The strategy process-content linkage to company performance was confirmed, especially, to influence small rapidly growing companies. This result is not applicable to all companies. Porter´s generic strategies indicated that not many of the practices have significant influence on the company performance. Though, strategic practices like innovation and building market share was important for companies with a differentiation strategy. Producing high priced and special products and services is important for companies with a focus/differentiation strategy. Minimizing cost is crucial for companies with a cost-leadership strategy. And for focus/cost strategy it is important to provide excellent customer service. (Andrews, Boyne, Law & Walker, 2009:12-15; Olson & Bokor, 1995: 38-42; Allen & Helms, 2006: 446-449.)

Operations/Manufacturing Strategies

Operations and manufacturing strategy-making category represent the strategies that do not entail the whole business strategy. Operations and manufacturing strategies have developed to become more important in the whole business strategy making, and this is why it is important to take this category into consideration in this research as one setting in strategic management. Following findings of previous research:

> Tunälv (1992) found that firms with a formulated operations strategy achieve higher business performance than firms without such a strategy, with respect to return on sales. (Tunälv, 1992; Brown, Squire & Lewis, 2010: 4181.)

> Papke-Shields and Malhotra (2001) extended this research by explicitly testing the alignment between business and manufacturing strategies and firm performance. (Papke-Shields & Malhotra, 2001; Brown, Squire & Lewis, 2010: 4181.)

> Sun and Hong (2002) examined the relationships between alignment, business performance and manufacturing performance. They found that alignment has a positive, although not linear, relationship with four subjective measures of business performance. (Sun & Hong, 2002; Brown, Squire & Lewis, 2010: 4181.)

In the empirical studies the results were very strong and similar. Findings of the studies were that strategically inclusive plants have better quality performance, inventory performance, supplier performance, and a faster new product development process than strategically fragmented. The strategies made for operations and manufacturing, play a big role in business performance. Manufacturing cost efficiency and new product flexibility capabilities rises when strategies are formed and implemented. Other factors in a company that are influenced by the manufacturing strategies are: workforce development and just-in-time flow. Also, in this category the strategy-making influences performance significantly. (Swink, Narasimhan & Kim, 2005: 445-449; Brown, Squire & Lewis, 2010: 4189-4193.)

Employee Involvement

Employee involvement in strategy formulation and implementation has its benefits in giving the employees reasons and motivation for doing according to the strategies. Earlier studies imply that communication variables like information access increase the number of innovations for example. Also, if decision making happens in collaboration with the employees it results in better performance. And in general, participative management practices have become popular, because of the success reports of numerous companies. However, employee involvement in strategy-making usually increases the strategic performance, rather than financial performance. (Tegarden, Sarason, Childers & Hatfield, 2005: 78.)

The findings in this study show that the involvement of the top management in strategy making is naturally very important. The entrepreneures are in a critical role in small companies to engage startegic management. The findings suggest that middle managers participate in strategic work, but not in making strategic proposals. Findings suggest that strategic goals have to be included in the multi-level strategy processes, so that a link between strategy processes and financial performance can be made. Results proves that when employees are included in the goal setting the goals are achieved more successfully. More importantly, results give evidence that the engagement of employees in startegy-making processes are related to the company performance. (Tegarden, Sarason, Childers & Hatfield, 2005: 91; Aldehayyat & Twaissi, 2011: 258-259.)

Not-for-profit Strategies

The same strategic frameworks can be used in all different businesses. One category in this research is the not-for-profit organizations where one piece of research studied the strategy processes in administrators serving in skilled nursing facilities. The findings show a correlation with political strategy development processes in a not-for-profit organization. Other modes did not indicate in performance increase. Finally, this means that if the right strategy-making mode is chosen for not-for-profit organizations it influences performance. (Gunby, 2009: 814.)

Export Strategies

Export marketing strategies are a company´s way of planning the internationalization of the business. A lot of studies have been made in the field of marketing strategies and export performance, but findings are contradictory. This is mainly because of the diversity of frameworks used. A framework by Cavusgil and Zou (1994) provide an integrative framework, on which the following findings are based upon. In a Korean study, that was examined, the findings indicate that the adjustment of export prices, direct exporting, trade promotions, and adaptation for foreign markets influenced the performance of the companies. In these findings it is apparent that the right strategies influence performance, so strategy-making makes an impact on company performance. (Lee & Griffith, 2004: 321-332.)

Cultural effect

When planning for strategy a multinational company faces challenges with culture and differences it makes in practices and beliefs. Culture affects many aspects of the company, also, strategy making. Earlier research show e.g. that German and British companies take more time for strategy-making in a long-term approach than the French. Other studies imply also that strategic planning processes and performance relationship differ from culture to culture. Findings of in this thesis show that culture matters in strategy planning and performance linkage. More interestingly, the strategy process and performance linkage was moderated the strongest for the Nordic countries in the cultural aspect. Culture does make a difference for strategy process and performance relationship. (Hoffman, 2007: 42-45.)

Supply chain management

Supply chain management is one crucial aspect of a manufacturing company. By managing the supply chain the company can gain a lot of competitive advantage and increase its performance. Previous research found that the fit between logistics and supply chain is important for organizational performance. Also, strategic alignment must exist between environmental, strategic and operations factors to ensure company performance and that strategic supply chain management have positive impact on company success.

The results confirm the earlier studies that supply chain management strategy-making influence company performance. Especially, the supply chain strategy must be aligned with environmental uncertainty to ensure supply chain management performance. (Sun, Hsu & Hwang, 2009: 201-210.)

4. EMPIRICAL RESEARCH

The previous chapters examined the strategy process and the linkage between the strategy process and company performance, according to strategic literature and previous research perspective. The aim of this chapter is to present the research strategy including the chosen methods to conduct the empirical study. First the research strategy and approach are being introduced and explained why they were chosen. The procedures used in this thesis are explained including case study procedures and data collection and analysis. Finally, the reliability and validity of this study is presented.

4.1 Research Approach and Strategy

Research approach is often either qualitative or quantitative. Quantitative approach will give generable results that can be applicable for all subjects in the field of study. Qualitative approach usually gives complex results of single cases or multiple cases. They cannot be generalized to all subjects, but can explain complicated patterns and behavior. The aim of the empirical part in this research is to gain a holistic view of the strategy processes of the case corporation with six companies, and possible development needs. This is the reason why a qualitative approach is chosen. Research strategy is a general plan of how the researcher will go about answering the research question (Saunders, Lewis & Thornhill 2007: 610). Based on the information of the analysis, proposals for improvement are given to the companies. Therefore a qualitative case study has been used as the research strategy in this multi case study about strategy process.

Robson (2002: 178; Saunders, Lewis & Thornhill 2007: 139) defines **case study** as

> "a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence".

The case study approach was selected as the strategy, because it was considered suitable for this research that focuses on a corporation of six companies in their real life context. The research was done in the corporation by the author in

different settings, meetings, interviews, in participation, and with observation. This ensured the broad scope of different perspectives that enabled extensive data from the multiple case study.

Qualitative research approach was chosen to conduct the empirical part of the research. This approach was suitable for this research, so the complexity of the strategic management can be understood. The data for this research has been collected from several sources using method triangulation. Triangulation refers to the use of different data collection techniques within one study in order to ensure that the data are telling the researcher what they think they are telling (Saunders, Lewis & Thornhill 2007: 139). This study contains a part from the action study approach. Conclusions are drawn after the case study analysis and comprehensive knowledge of the current strategy processes are established. Improvement proposals are then given for the companies to develop their strategy work, so the proposals should activate action in the companies for improvement in the strategic management of the case companies.

4.2 Case Study Procedures

The empirical investigation of this study is a qualitative case study. It is based on face-to-face interviews with the companies´ CEOs to examine the strategy processes of the companies. Interviews have been conducted as semi-structured interviews, the theoretical strategy process framework (that was presented at the end of chapter 2) as a guideline. This framework was a summary of the strategy literature of the main strategy process frameworks. The CEO and the head chairman of the board of the corporation were also interviewed to confirm the data of interviews and validate the statements and findings. Strategy materials of the case companies were also examined to affirm the formality and participative style of the strategy processes. In the data analysis triangulation, observation was chosen as the third procedure in the study.

4.3 Data Collection and Analysis

The data collection types that are normally used in researches are primary data and secondary data. In this research primary data was collected through

interviews with the case companies′ CEOs and the corporation board head chairman. The interviews were conducted as semi-structured interviews, and they gave primary data of the strategy processes. Method triangulation was used to gain comprehensive knowledge of the current strategy processes. Second data collection of primary data was observation. Through observation in the daily work gave a sense of reality of what really is done and what is not done concerning strategic work. Observation of the strategy process was done in monthly CEO meeting, yearly strategy days and informal discussions of the strategy with the CEO of the corporation. Observation gave knowledge, also, of the strategic capabilities of the case corporation. The third source of data was the secondary data of strategy materials that had been done earlier by the companies as results of the strategic work. This data gave knowledge of how formal the strategic work is. By these three methods wide-ranging knowledge was established of the current situation of the strategy processes in the companies.

Analysis of the research data was done from all the collected data. Every company in the group was analyzed separately, and then a cross-case analysis was made concentrating on the strategy process steps. All aspects of the strategy process were analyzed separately from every company. The interview notes were analyzed together with the strategy material. Also, through observation the final conclusions could be drawn to state the reality of the strategy processes. Furthermore, the interview with the corporation CEO confirmed the analysis results. In the cross-case analysis a comparison was made with the case companies. Every step of the strategy process was compared within the 5 case companies. In this way, strengths and weaknesses of the strategic work could be found. The corporation strategy process was analyzed separately at the end of the case research.

4.4 Reliability and Validity of the Study

The reliability and validity of a case study, like in this thesis, contains unique procedures, data collection types, and analysis. This means that there is no other study similar to this one. Thus, the traditional reliability and validity evaluations are unsuitable. (Hirsjärvi, Remes & Sajavaara 2004: 217.)

To improve the reliability of the research, the way of making this research is described in detail. In this case study, the pattern of data collection and analysis is simple; however, the interaction with the organization has been from time to time informal and without any written material. Therefore, the data collection has been gathered during a long period of time, informally and with observation, so the exact time and place cannot be determined. The reliability of the interviews has been improved by open questions to ensure that the respondents have told what they are experiencing with the strategic work of the company. Also, specific process related questions have been asked to ensure the understanding of the strategy process steps and procedures that the strategy literature presents. Also, the analysis of the companies´ strategy processes were presented to the corporation CEO and the head chairman of the board, to confirm the reliability of the study findings.

The validity of this research was pursued through method triangulation. The internal validity has been supported by the strategy process literature and the previous studies of the subject. This literature was the foundation whereon this study is the based upon. This theoretical material was collected from classic, new, and Finnish strategy process literature, and studies concerning the linkage between the strategy process and performance. Method triangulation improves also the external validity of the research. When, interviews, observation, and written material analysis are combined, the validity of the findings increase. These three methods were used in this particular research. The interviews were directed and done to the persons (CEOs) in the organizations who are responsible for the strategic management. So, the validity of the answers can be confirmed. These answers were also analyzed through written material and observation to ensure the correctness of the answers and statements of the respondents.

5. CASE ZETA GROUP

This chapter presents empirical research data and findings of the case company Zeta Group. Zeta Group consists of 6 companies of which one is the corporate company, four companies are subsidiaries, and one company is an ownership company. In this case group, two different levels of strategy processes are apparent. The Zeta Group strategy is a corporate level strategy and other companies are business level strategies. This thesis works as an analysis of the current situation of strategic work and improvement action is expected as a result of this analysis.

Firstly, the case group and case companies are introduced. Secondly, the business level case companies are analyzed as cases, describing the strategic work in the companies. The second section is called "within case study", where business level cases are taken individually and the strategy processes of the companies are presented. In the third section a cross case study is performed for the business level companies, where strategic steps of companies are compared with each other. In this analysis the result is to find strengths and weaknesses compared to other companies in the group. The fourth part of this study is to present the corporate (group) level strategy and strategy process. In the final part of this chapter the improvement proposals for the strategy processes are presented.

5.1. Case Company Introduction

Zeta Group is a corporation consisting of 6 companies that offer customers a large variety of service systems in the field of metal. The corporation has extensive experience and vast professional know-how in air conditioning solutions, metal products and applications, and insulation products and services. Zeta Group operates in the energy, off-shore, nuclear, and marine industries. Zeta Group's main clients are large Finnish companies in the energy industry. This thesis focuses on the whole group of companies, from the corporation to the subsidiaries and their strategy processes.
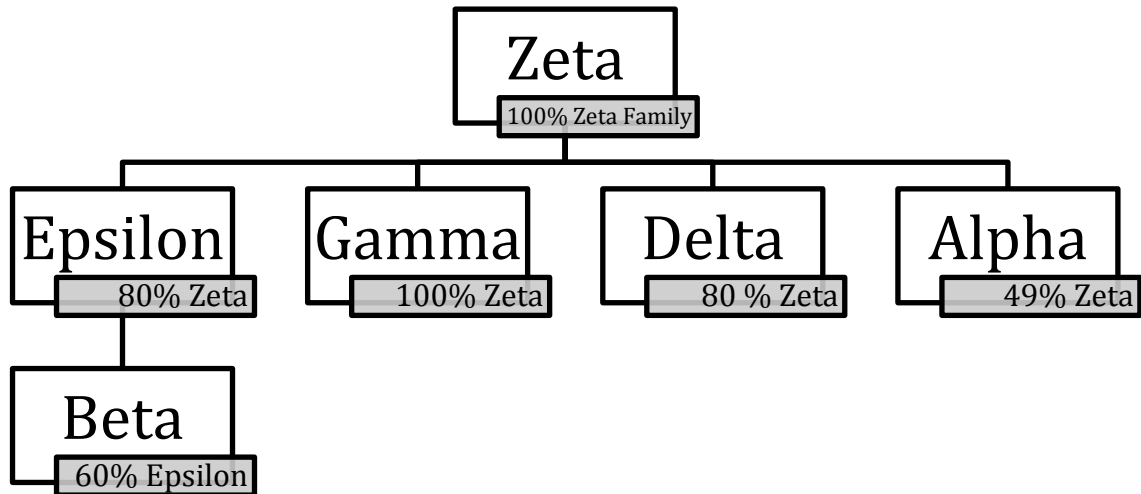
Figure 10. Zeta Group Ownership Chart

5.2. Within Case Study – Companies´ Strategy processes (business level)

In this part of the thesis the strategy processes are presented as within case studies, meaning that every company is taken as cases and their strategy processes are presented and described. This will give an overlook of the companies´ way of making strategy and the depth of the strategic work in the company. The whole strategy process is presented from desires to review, however, detailed descriptions of every part of the process is presented later in part 5.3. in the form of tables and the cross case analysis of the companies. Comparison between companies will then be made from each area of the strategy process.

Table 4. Strategic Style

Company	Command	Symbolic	Rational	Transactive	Generative
Alpha		X			
Beta	X	X			
Gamma		X			
Delta	X				
Epsilon	X	X			

Strategy styles that are shortly presented in 3.1. are taken into consideration in analyzing the companies´ strategy processes. This shows how much the

management involves employees in the strategic work of the companies. We can see in table 4 that the companies are somewhat similar in the way of making strategy. Companies in the group are small- and mid-sized companies and the command and symbolic styles are common in these kinds of companies. This means that the processes of strategy-making are not far from each other in style, however, the depth of strategic work can differ significantly. Beta, Delta and Epsilon engage in command style of strategic leadership, so the management in co-operation with the board of directors form the strategy wherefrom the strategy is impelled on the organization. Beta and Epsilon are partly also using the symbolic style to present appealing visions and strong corporate culture, and then motivating the organization for the strategy. Alpha sets appealing goals and motivates employees to achieve these strategic goals as a strategic style.

5.2.1. Alpha Strategy Process

Alpha makes strategy very thoroughly. The strategy process is very textbook like. The vision of the company is very clear and the mission is stated also very clearly. The vision and mission consist of clear desire to enter and to be the leading solution provider for a specific market. Values are not defined and are not seen as important to include in the strategy, because the company is small and the working environment is an open-plan office type, where everyone is closely working together. Communication of strategies is done in weekly meetings in some part, and the open-plan office supports open communication.

The external analysis of Alpha is vast and comprehensive. For example Finnish political choices of the energy policy are always shaping the strategy of Alpha. Also, the environmental aspects are taken into consideration from the life-cycle point of view, and also thinking of materials, costs and other factors. Legal factors like safety are core principals in strategy formulation of Alpha. Also, task environment analyzes byers, suppliers, and competition. In internal analysis the knowledge of employees and their capabilities are formed informally in the small company environment. Also, production, R&D, and finances are analyzed to ensure continues improvement. In the planning phase, Alpha has very specific goals in different time-spans. For example, 5 year goals, 2020 goals, 2025 goals, and 2030 goals are set with specific targets and areas of

improvement. The strategic choices focus on the specialized products that are new to the existing markets, and partly new products for new markets.

Strategic implementation is very well planned in Alpha. Especially budgets are linked directly to strategy. The strategy is implemented also through policies and procedures, best practices, and continues improvement. The policies and bureaucracy ensure that action is taken in the right direction, and that action is done more according to strategy. However, building a corporate culture and values are not widely thought about in implementing strategy. The last or the continuous part of strategy is control, evaluation, and development. Alpha is reviewing strategy all the time. The management evaluates and develops it to the right direction on a continuous basis. The board of directors is very much involved in the strategic work of Alpha. Controlling of the strategy is done in Alpha merely by budgets.

5.2.2. Beta Strategy Process

The strategy process of Beta is mainly informal and partly participative. Beta makes strategy mainly with the board of directors. The vision is established long time ago by the family of Beta. The main vision is to grow and keep profitability and the mission is to keep up with the development in the industry. Here we can see that the vision and mission is not quite textbook like. Values in Beta are strong, which are honesty, willingness to be of service, and long-term commitment. The communication of these desires is not sufficient. The blue-collar work force does not know the strategies or visions of the company. The communication of these is mainly for the management of the company.

In Beta´s strategic work the external analysis is merely based on the experiences and knowledge from the field of metal. The analysis is not done officially or in participation with anyone. The knowledge, however, seems to be adequate for the company to pursue with the strategic choices. The analysis of suppliers comes through requests of quotations and buyer power through negotiations with customers. Internal analysis is based on the CEO´s interpretation of the current situation. Training is planned to ensure capability, development is ensured with the right systems, and a SWOT analysis is made to present internal success factors, weaknesses, opportunities, threats. By these means the

CEO can analyze the internal factors. Strategic choices are planned by the CEO and board of directors. Goals are set informally and they can be revised through the year. Some specific goals are made e.g. in year 2017 to double the turnover of the company. Beta is executing a cost leadership strategy, but in the near future pursuing for a differentiation strategy. The company operates with existing products for existing markets.

Implementing strategy is mostly done with systems and development in quality issues and building a capable organization is essential when recruiting new employees. Because the strategy is not well communicated into the organization, exerting leadership is not quite strategy oriented. Beta would benefit from building a strategy supportive culture and also from a reward system. A quality certification company had said that continues improvement and best practices are improved in Beta in the last few years. Control of the strategy is measured with quality certificates and new customer relationships. The development of strategy is mainly concentrated on quality issues rather than strategic issues. Also customers´ needs for improvement are taken into consideration in development needs assessment.

5.2.3. Gamma Strategy Process

The strategy process of Gamma is informal. Gamma is a new company that was established from the old corporation. It took over the production unit of the corporate company. This means that the old strategy was transformed to Gamma. The vision for Gamma is to internationalize through new markets in the field of sheet metal. Vision and mission statements are not formulated, but informally pursued. The values of Gamma are transformed from the old family company and the values are commitment and taking care of colleagues. The communication of the desires occurs in weekly meetings, where strategic and financial matters are discusses. Also strategic communication occurs in informal occasions.

The analysis of the environment is informally made and not comprehensive. Some of the environment analysis occurs informally in the corporate level, and then streams down to Gamma (and also other companies in the group). The analysis of buyers and suppliers takes place mostly in the daily routines of requests of quotations, orders, quotations, and other interaction with the buyers

and suppliers. Competition is analyzed through informal discussions of the current situation of the competitors and their capabilities. Internal analysis of the human resources is done through capability/training charts. Financial and accounting analysis is done by the corporation. Goals of Gamma are set and followed yearly, so no strategic or financial goals are set for long-term. Gamma is pursuing mostly a market penetration strategy and partly a market development strategy. The strategic orientation in Porters generic framework Gamma has a cost focus strategy that it is implementing.

In implementing strategy Gamma is building a capable organization and sometimes it is pursuing strategy according to the capabilities. The concentration on linking budgets to strategy is strongly emphasized as well as creating supportive policies and support systems. Gamma is partly focusing on instituting best practices and commitment to continuous improvement. Reward systems are linked to the budgets which are linked to strategy. Building culture in the company and exerting leadership for strategic leading is not seen as important. Strategic control is mainly achieved by controlling financial targets and also in discussions in meetings with the board of directors. Strategy is evaluated and developed in the yearly strategy meeting held by the corporation.

5.2.4. Delta Strategy Process

The strategic work of Delta is thin. The CEO together with the board of directors establishes the strategy, where the board of directors plays the bigger part. Also, the HQ plays a part of the implementing of the strategy. The vision and the mission in this company are not formally formulated, but growth and quality are key elements in strategic long term goals. Values of the company are established through many years (same as Zeta Group), but they are not formally communicated to the organization, but informally in daily work and discussion. Also, the vision and mission are informally emphasized in some degree to the organization.

The analysis prior to the strategic work of the company is informal in all aspects, but still contains a big part of the aspects needed in the strategic work of the management. This analysis is partly done by the CEO of the company and partly by the board of directors. In the daily installation projects the

organization works closely with customers and other organizations where the market knowledge intensifies in many of the aspects. Aspects that are not analyzed are political aspects, threat of substitutes, R&D, and marketing. The analysis is not done formally. Strategic planning in the company is mainly done by the board of directors. They set the strategic and financial goals and push the strategies to the CEO and into the organization. Also, the HQ plays a big role in the direction of the company and strategic implementation. The strategic content entails cost leadership and offering mainly existing products for existing markets.

The implementation of the strategy is done through daily activities; however, strong strategic direction is not established. The management of the company is not active in strategy implementation that goes beyond daily routines. Delta controls strategy merely with reclamations analysis. Also, evaluation and development of the strategy in the company are thin.

5.2.5. Epsilon Strategy Process

Epsilon strategy is established mainly by the management of the company. The vision and mission are formulated and they are very textbook like. The vision is *"To be a world class supplier"*. And in the mission is *"We produce as efficient as possible, and deliver whole entities"*. The vision and mission are clear, but values are not as clearly formulated. The communication of desires is done to the top management, in some occasions in weekly meetings, but they become apparent in the goals and action in the company. The difficulty however is to communicate these visions to the whole organization appropriately.

The analysis of the environment and internal factors are made if new markets are considered to be entered. The most of the analysis is done with the market experience and knowledge. Environmental factors are analyzed through market enforcement of environmental qualifications. Competition, suppliers, buyers are analyzed informally with participation with the management and the board of directors. A SWOT analysis is done, which includes external factors and internal factors. The skills and know-how of the employees is analyzed as well as the need of new employees. Also, R&D and production analysis is done in the individual level and team level. Furthermore, organizational culture is highly valued in the company and it is also analyzed. Numerical and strategic

goals are set in Epsilon, but not to the extent what the strategic literature prefers. Goals are for example to develop ROI through increase in volume and improvement in efficiency, and also to develop total quality management. Other goals are: to create new customer relationships internationally and develop new products. Some of the goals are informal strategic directions that are pursued in the whole group, but specific numerical and strategic goals are not set in different time-spans, as the strategic literature suggests. The content of strategy is well planned. The chosen field of focus is clear. Epsilons strategy is differentiation in focused industries. Epsilon focuses on producing existing products for existing markets, but partly also existing products for new markets.

The implementation of the strategy in Epsilon is well organized. There are specific action plans to achieve the wanted goals. For example to increase volume Epsilon wants to concentrate on new customers, new products, acquisitions, and more sales to existing customers to reach this goal. To improve efficiency, Epsilon focuses on production management, automation, and the improvement of processes and procedures. Epsilon is using implementation strategies as: building capable organization, instituting best practices and continues improvement, exerting leadership, and support systems. Control of strategy is done by a balanced scorecard, budgets, and specific targets in the operative level. Evaluation is based on the controlled measures. Development is then carried on in yearly strategic sessions by the group and in monthly CEO meetings held in the group.

5.3 Cross Case Study – Comparison of the Strategy Processes (business level)

The cross case study is analyzed by this 2-by-2 diagram (table 5) in the way that every step of the strategy process is evaluated if it is either participative or non-participative oriented strategic work; and either formal or informal oriented strategic work. Chapter 3 concluded that many factors in the strategy process influence the performance of the company. Formal strategic planning (FSP) and employee participative strategic work have been chosen to the analysis of these case companies, because they are mostly relevant in this light analysis of the strategy processes. We concluded in chapter 3 that FSP and employee participation in the strategy process are greatly influencing the success of the

company. The suggestions for improvement are based on these studies, that companies should do FSP and employee participation in order to achieve high strategic performance. Case companies are now compared with each other in this manner.

Table 5. Analysis of the Strategy Processes

i = improvement need – = no strategic work	Formal	Informal
Participative	FP	IP
Non-participative	FN	IN

FP means that the strategy process part is done formally and with participation with employees, management or board of directors. **FN** means formal and non-participative strategic work. **IP** means informal, but participative strategic work, and **IN** means informal and non-participative strategic work. Companies should use the formal and participative (FP) way of making strategy. The sign (–) indicates that no strategic work is done.

5.3.1. Desires

Desires are differently established in the case companies. Table 6 presents the analysis of the strategy work for desires. Alpha and Epsilon mostly establish the vision and mission formally and participative. Alpha, Epsilon and Beta formally present the vision and the mission in the strategic material. Beta does not do create desires in participation with others. Delta and Gamma have visions and missions, but they should be more precise and formally established. Values are important for Beta and Epsilon, even though, they are not formally and participative established. Because the companies are smaller in size they do not concentrate on the communication of the strategies to the organization enough. If strategic communication to lower levels in the organization takes place it occurs mostly informally in team meetings, in daily work and random discussions.

Table 6. Desires

Desires	Alpha	Beta	Gamma	Delta	Epsilon
Vision	FP	FN	IP	IN	FP
Mission	FP	FN	IP	IN	FP
Values	–	FN	IP	–	IN
Communicating desires	I	I	I	I	I

5.3.2. Analysis

The strategic analysis in the companies seems to be more alike than the desires part. Mostly the macro environment analysis takes place informally in discussions, experiences, local business organization meetings, papers, and following the Finnish and European trends in economical, technical, and social matters. Some of the companies formulate parts of the analysis formally in the strategy material. Alpha and Beta mention economical and environmental issues in their strategy material. The companies take the environmental and legal issues seriously, because the market enforces quality standards. This is of course formal strategic work that takes place in the companies. In the task environment Alpha and Beta make competition analysis, mostly formally. Gamma, Epsilon and Delta analyze informally and follow competition within the company participative with colleagues. Analyzing buyers and suppliers is done in participation in Epsilon, Alpha, and Beta. Other areas are not analyzed very deeply.

Internal analysis is made more formally throughout the whole group. Alpha, Epsilon, and Beta have done a SWOT analysis, which also contains external factors, but the internal analysis is deeper. Furthermore, in small organizations like these case companies the knowledge of the internal situation is well known through informal discussions and daily work. In Epsilon, Alpha, and Beta human resources, production, R&D, financial and accounting are analyzed formally, but in Alpha and Epsilon also participative with the organization. Marketing is also somewhat analyzed, but not as deep as other internal factors.

Organizational culture is not analyzed and not seen as very important to analyze, but to Epsilon. If it is analyzed to some extend it is analyzed informally. Gamma analyzes human resources and financial factors informally and participative. Table 7 shows a complete analysis of the strategic analysis of the case companies.

Table 7. Strategic Analysis

	Alpha	Beta	Gamma	Delta	Epsilon
Macro environment (Pestel analysis)					
Political factors	IP	IN	–	–	–
Economical factors	FN	FN	–	IN	IP
Social factors	IP	IN	–	IN	–
Technological factors	IP	FN	–	IN	IN
Environmental factors	FP	FP	–	IN	FP
Legal factors	IP	IN	–	IN	FP
Task environment (Porters 5 forces)					
Power of buyers	FP	IP	IN	IN	IP
Power of suppliers	IN	IP	IN	IN	FP
Threat of potential entrants	IN	IN	–	IN	IN
Threat of substitutes	IN	–	IN	–	IN
Competitive rivalry	FP	FN	IP	IN	IP
Internal Situtation					
Human resources	IP	FN	IP	IN	FP
Research and development	IP	FN	–	–	FP
Production	IP	FN	–	IN	FP
Financial and accounting	FP	FN	IP	IN	FP
Marketing	FP	FN	–	–	IP
Organizational culture	–	–	–	IN	IN

5.3.3. Planning

In planning strategy the goals are set and the strategic choices are made. Table 8 shows the goal setting procedures in the case companies. The goals of Alpha are set in all time-spans. They have short-, mid-, and long-term goals in their

strategy that they focus on achieving. Epsilon and Beta have short- and mid-term goals that they want achieve. Beta has set them for the top management as well as Epsilon too. Short term goals are yearly goals that are pursued to be achieved. Delta and Gamma have only budgeted financial short-term targets for yearly turnover and key ratios. Specific financial and strategic goals should be formulated for all companies for all time spans.

Table 8. Goals

Goals	Alpha	Beta	Gamma	Delta	Epsilon
Short-term goals	X	X	X	–	X
Mid-term goals	X	X	–	–	X
Long-term goals	X	–	–	–	–

X = yes

– = no

Table 9. Strategic Orientation I. Ansoffs Market/Product Matrix.

	Existing products	New products
existing markets	Market Penetration Epsilon, Delta, Beta, Gamma	Product development Alpha
new markets	Market Development Epsilon	Diversification Alpha

Table 10. Strategic Orientation II. Porters Generic Strategies.

	Cost	Differentiation
Broad scope	Cost leaderhip Delta	Differentiation Gamma
Narrow Scope	Cost Focus Beta, Epsilon	Differentiation Focus Epsilon, Alpha

In table 9 and 10 companies are categorized into the different strategic orientation groups. In Anssoffs market/product matrix there are four strategic orientation groups. Epsilon, Delta, Beta and Gamma pursue a market penetration strategy. They try to find new customers in the market where they already operate. Alpha tries to market its products to existing as well as new

markets. The solution they are providing is a new product on the market, so they strive to execute a product development and a diversification strategy. Epsilon tries also to market their products into other industries, so they pursue a market development strategy also.

Porters generic strategies –framework is used to analyze the case companies. In this framework Epsilon and Alpha both are placed in the differentiation/focus part. They are offering their products for specific segmented markets with differentiated products. Alpha, especially, does not directly compete with price, when Epsilon does with some of their products. Beta and Gamma are focused on segmented markets with a cost leadership strategy, and Delta is driving a cost leadership strategy in a specific area of Finland.

5.3.4. Action

The implementation part of the strategy is usually the hardest part. Often in large multinational corporations the top management that is doing strategy is not implementing strategy. But in small companies like the case companies, when implementation strategies are formed they should be successfully executed, because the people who form strategy are partly implementing the strategy. All case companies try to build a capable organization, but formal plans how to do this are not formulated. All of the companies´ top managements are actively striving to keep the employees capable. Only Alpha has actively tried to link budgets to strategic goals. Creating supportive policies and procedures is strongly established in Epsilon and Alpha. Also, Beta and Gamma pursue to formulate policies and procedures for the production to focus on the strategic targets. These are executed partly by the supportive systems. Systems play a big part in almost all of the companies.

Best practices and commitment to continuous improvement is very important to all companies. Alpha, Beta, Epsilon, and Gamma strive to sustain best practices and development. Reward systems are established formally in the companies and in participation, but if they are strategy supportive, is not clear. Building a culture that supports strategy or exerting leadership for strategic communication and leadership is not mainly focused on. It is done mostly informally and in some degree in participation with the organization. Table 11

shows the complete analysis of the strategy implementation in the case companies.

Table 11. Strategy Implementation

Strategy implementation (Thompson & Strickland 1996)	Alpha	Beta	Gamma	Delta	Epsilon
Building a capable organization	IP	IN	IN	IP	IP
Linking budgets to strategy	FP	–	FP	IN	–
Creating supportive policies and procedures	FP	FP	IP	IN	FP
Institute best practices and a commitment to continuous improvement	FP	FP	IN	–	FP
Install support systems	FP	FP	FP	FP	FP
Designing strategy-supportive reward systems	FP	–	FP	–	FP
Building a culture that supports strategy	IN	IN	–	IN	IP
Exerting strategic leadership	–	IP	–	IN	FP

5.3.5. Review

Table 12. Review

	Alpha	Beta	Gamma	Delta	Epsilon
Control	X	–	-	–	X
Evaluation	X	P	P	P	X
Development	X	P	P	–	X

X = yes

P = partly

– = no

Strategic review is usually continuous work done in the business environment. When a strategy is established it needs to be revised and developed. Firstly, the strategies have to be controlled. Companies need to measure the success in strategic aspects, as well as, financial aspects. In the case companies this is partly done. Some control measures are set in each of the companies, but strategic measures are set in Epsilon and Alpha. Evaluation of case company

strategies takes place at least in the yearly strategy meetings held by the corporation together with all the CEOs of the companies, and the board of directors of the corporation. Development in strategy takes actively place in Alpha and Epsilon, and somewhat in Beta. These companies are actively revising and developing the strategies.

5.4. Zeta Group Strategy Process (corporate level)

The strategic style of the corporate company is symbolic. The way of making strategy is within the board of directors and the CEO. The strategic work with the CEO′s from the subsidiaries is open, but still lacking of common ground and understanding. All are included in the analysis and the strategy analysis and discussions are held in meetings and daily work with the subsidiaries.

The vision of the group is to provide service entities, which is leading the company to think more towards customer orientation and services. The vision is also to minimize the subcontractor role. The vision is good, because it gives direction and is simple, believable, and flexible. Another vision, which has been a wish of the management for a longer time is: 100 million at 100 years (the company is now fifty years old). A mission for the corporate level is formed to be the continuity of the Zeta brand. Values of the company have been established during many years. These are responsibility and equality. Zeta has always taken responsibility of their own employees and companies in the same field. The care of the own and the care of others has created a strong reputation of the company. The communication of these visions and values is not so formal though. In a small company like this the informal discussions have a strong role in the leadership style and communication of the desires. The desires are communicated in daily decisions and actions.

We see in table 5 that the analysis for the strategic work is not so vast in all aspects. The external analysis is continuous, and it is done in different networks, e.g. customers, confederations, chamber of commerce, and other networks. The analysis is mainly done in the business sector, where economical factors, technological factors, and competition place a big role. So the changes in the market are taken well into consideration. The group strategy analysis consists of bought services, as well, as own formal research. The internal

analysis is done through interviews, research, management meetings, and sales/quality management meetings. In year 2010 the corporation bought an analysis that gave the management internal familiarity. The internal analysis is not largely done formally, because in a small organization the strengths and weaknesses are well known. In hiring new people to the organization the corporation makes sure that they hire only experts.

In the planning phase budgets are focused on. The company has set yearly goals, but also short-term goals. The strategic plans are also adjusted along the way. Goals for the strategic development are set, but they lack specific time-span targets. The long-term strategy is to gain revenue in volume; the strategy is then pursued with mergers and acquisitions, and other development processes. The company is focusing mainly on a growth strategy. This is also pursued with a market development strategy. The products and services are pursued to bring to new markets by the whole group.

For implementing strategy the group leadership has created procedures and action in how to make strategy in daily work. The company tries to build a capable organization, focusing on recruitment and training. Sometimes scarce resources prevent this kind of activity. Budgets are linked for investments, which they are strategy supportive. The company pursues to create policies and procedures that support the strategy. For example the sales team and sales management is improved, also the total quality management is heavily invested in. By installing support systems the group unites the companies in systems. Reward systems are also established for the management that are strategy supportive, but the reward systems for employees are not focused on in the corporate level. The culture in the organization is built by informal and formal discussions in CEO meetings, daily interaction, and by uniting visions and goals. Exerting of leaderships pursued in trainings for strategic leadership and in monthly meetings.

Controlling of the strategy is done once a year in a strategy meeting that is a strategy control and evaluation meeting. The development of the strategy is partly done in the same meeting, but extensive strategy review and development work is not done, partly because the organization is smaller.

5.5. Summary and Improvement Proposals

Table 13. Summary of Strategy Processes

Company	Desires				Analysis		Planning		Action	Review
	Vision	Mission	Values	Communication	Internal analysis	External analysis	Goals	Strategy content	Strategy implementation	Control, Evaluation, Development
Zeta	M	P	M	P	M	M	P	M	M	P
Alpha	M	M	N	P	M	M	M	M	M	M
Beta	P	P	M	P	M	P	P	P	P	P
Gamma	N	N	P	P	N	N	P	P	P	N
Delta	N	P	N	N	N	N	P	N	N	N
Epsilon	M	M	P	P	M	M	P	M	M	P

M = mostly textbook like strategic work

P = partly textbook like strategic work

N = no textbook like strategic work

Table 13 presents the current strategy processes in the case companies. Alpha and Epsilon are strong in making strategy compared to the other companies in the group. Strategic work exists in all the case companies, but textbook like strategic work in only a part of the companies. Improvement proposals are based upon this evaluation of the strategy processes. According to the evaluation of the strategy processes, improvement proposals are given to the case companies. The strategic work in general differs from each other significantly in the case companies. CEOs of the companies come from very different backgrounds, which makes the strategic capabilities and focus different from each other. Therefore, improvement proposals are company specific. The improvement proposals are given considered the current state of the strategic work in the company, and the priorities seen by the author.

Alpha

The strategic capability of Alpha is already on a very high level. The CEO together with the board of directors formulates the strategy, which is comprehensive from desires to development. Only a few comments of improvement areas are made. Values of Alpha are clearly established through its years of existence, but acknowledging the values and focusing on determining right kind of organizational values could bring even more unity in the organization and clarity in way of working. Also, the company image and customer relationships could benefit from this. Alpha could, also, benefit from formulating a simple plan of how the desires are communicated to the organization throughout the year. This helps the employees see the big picture.

Beta

Beta´s strategic work is part textbook like, but not that comprehensive while the organization is very small. The CEO has made some plans for the future and development, but not with the organization. The strategic work is very informal and strategy discussions are rare. Beta should establish clear visions and missions for the company, and also communicate them to the organization properly, so the whole organization understands the development needs that Beta has in quality and process issues. The internal analysis is properly done, but external analysis could be more formal. In strategic planning specific goals for different time spans could help the whole organization of Beta to focus on

the relevant activities and the development actions. The strategy content and strategic choices could be more exact, of course the specific visions and goals would make this easier. In strategy implementation Beta could link budgets to strategy so there is a clear link between goals, budgets and strategy. Beta could also try to build an organizational culture that is supportive to the strategy. The employees do not always understand the need for change in Beta; this is why building culture would make a difference. Also exerting strategic leadership would help in the same issue. Strategy is not measured directly in Beta, so more specific measures for strategy implementation could be beneficial. In other words Beta has many parts in the strategy that could be improved, but also strong parts like values and internal analysis.

Gamma

Gamma is partly pursuing a textbook like strategy process. These areas are values, communication, goals, strategy content, and implementation. The improvement proposals for Gamma consist of the whole strategy process. Gamma should formulate strong vision and mission for the company. This would improve the strategic direction for the whole organization. Values of Gamma are strong, but they could be adjusted to the new direction of the company. Communication of strategy is partly done to the organization, but formal plans of the communication could benefit the company. Internal and external analysis is done, but formal and participative analysis could form stronger knowledge of current aspects to consider. Goals are sets formally, but they could be more precise to different time spans. They could be set for strategic aspects and not only as financial targets. Strategy content is somewhat clear, however, the clarification on which customers or segments are prioritized, could clarify the action. Also, strategic plans for segments and customers could be formulated to improve customer orientation. The present strategy implementation could additionally include more focus on creating strategy supportive policies and procedures, best practices and commitment to continuous improvement, building a culture that supports strategy, and exertion of strategic leadership. The control is done only in budgets, but also strategic control measures could be beneficial. Also the strategic evaluation and development should be done formally in touch with the yearly group strategy days.

Delta

The strategic work in Delta is poor. The improvement for this company is to take the whole strategy process and execute a comprehensive strategy process, from desires to development. The stronger parts of the company are mission, values, and goals. The mission of the company is very clear to everyone, the values have been formed through many years and goals consist of merely budgets. All other parts are weak and a complete strategy process should be planned.

Epsilon

Epsilon´s strategy process is one of the groups most thorough. Many of the parts of the strategy process are textbook like, but some parts need improvement. The values are known, but the clarification and imposition of them could benefit the organization, and improve unity. Also the communication of the desires could be increases, so the organization knows of the desires and can be more committed to them. Internal and external analysis is mostly textbook like, but goals could be improved so the concrete strategic and financial goals are set for the different time spans. Goals are well set, but this could improve the strategic focus. Strategy content and implementation are on a sufficient level, but control, even though it is mostly textbook like, could set control measure for strategic factors such as new customer sales.

Zeta Group

Zeta Group strategy process is somewhat vast. Mostly the strategic work is done informally, but participative. The strategy process is mostly textbook like, but some issues are now addressed. The mission of the group could be more precise. This would give the whole group of companies a deeper understanding of the decisions made by the group leadership. Also the communication of the desires could be more formal and clear so the organization gets the needed information. The analysis parts are done mostly textbook like. The most valuable sources are the different organization that the company is involved in. Goals and strategy content could also be precisely defined. Goals could entail strategic targets that are more specific time wise. Strategic content and

implementation is on a high level. The evaluation and development of the strategy could be more integrative with the CEOs in the group and more extensive, meaning that the development could be more solution and participative oriented.

6. CONCLUSIONS

In this thesis the main objective was to make a holistic strategy process. Classic, new and Finnish frameworks have been examined and the main research question: *"What steps/areas does the strategy process consist of?"* has been answered.

Figure 9 that was presented at the end of chapter 2 shows the main steps of the strategy process. These steps are the most critical steps of the strategy process. As a conclusion the simple strategy process is presented. The simple strategy process model consists of the parts that strategy gurus present in their strategic literature, but also aspects that the author of this thesis finds important in the strategy process.
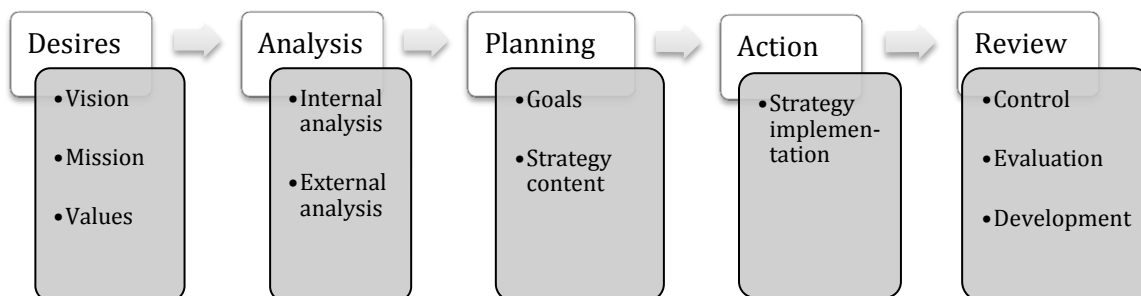
Desires	Analysis	Planning	Action	Review
• Vision • Mission • Values	• Internal analysis • External analysis	• Goals • Strategy content	• Strategy implementation	• Control • Evaluation • Development

Figure 9. Simple Strategy Process.

Case companies were studied and analyzed in the light of this strategy process model. Some of the case companies have strong strategic management, meaning that they include most parts of this strategy process in their strategic work. Some case companies concentrate partly on the strategy process and the presented parts of the strategy process, but some companies do not focus extensively on strategic planning in general. Improvement proposals were presented for the case companies in light of the simple strategy process.

The second problem of this thesis was to find evidence for the linkage between the strategy process and company performance. The second research problem of this thesis is:

"Does the strategy process influence the companies' performance and success?"

This thesis made, also, research concerning the linkage between the strategy process and company performance. Various studies were examined with various results but a conclusion can be drawn that the strategy process does affect the performance and success of a company. Many of the authors of the articles in chapter 3 explained how prior to their studies the evidence on the strategy process and performance linkage –studies gave somewhat contradicting results, even though, evidence was clear on positive results. In this thesis studies that were presented gave even stronger evidence on the strategy process and company performance linkage than before.

The strategy process was examined in this thesis from different settings. There are many different factors that influence, first of all, company performance and, also, the strategy process. So, the findings are drawn from a variety of different viewpoints that give a broad range of results. The results indicate that strategy is a very important part of the success of a company. Also, the findings of a variety of factors and settings, that were included in the study, indicated that the right choices in the right situation really give the company a boost in the performance. This results in the success of a company towards competitors.

More specifically the findings indicated that formal strategic planning results in success even for small companies. Naturally, different ways of making strategy become apparent to companies. Simplistic ways of making strategies are for small companies, but when companies are larger the way of making strategy has to be more complex. Also, in dynamic and heterogeneous environments the simple strategy process is not suitable. Because the companies are different they have to make choices that fit to their strategies. In the strategy content-performance studies, the most important thing is to fit strategic practices to the company strategy to achieve success. Furthermore, for manufacturing companies strategically inclusive plant have better performance than the strategically fragmented plants.

People are always involved in everything in the company, so the human factor has to be included in the strategy process as well. This thesis found that it is very important to involve employees in strategy processes, because results proves that when employees are included in the goal setting the goals are

achieved more successfully. Also, findings of other settings (not-for-profit organizations, exports, culture, and supply chain management) of the strategy process indicated that when the right choices for strategies are developed they influence the company performance.

The third problem of this thesis was to examine a metal corporation and its strategy process. Moreover, the strategy processes have been defined and improvement suggestions are given for the case corporation. The third problem is:

"How are the strategy processes presented and how can they be improved in the case corporation?

In the case corporation six different strategy processes are used. All the different companies in the group make their own strategies independently. The strategic work of the companies differs from each other significantly. There are two companies that focus on the strategic work and make it very determined, three make it occasionally and one does not put almost any effort into it. These strategy processes, when they are done, focus more on operational, quality and customer/sales decisions and not so much on desires, visions, and values, or on effective strategy implementation. The case companies were analyzed by two factors that were chosen: formal strategic planning (FSP) and employee involvement in the strategy process. The analysis resulted in the findings on how formal and participative the strategy processes are. Also, the improvement suggestions were based on these key success factors.

Because the case corporation's strategic work is dispersed and there is no shared way of doing strategy, the obvious suggestion for the whole case corporation is that there would be common ground on strategy. There would be one strategy process that would be used by the whole group to establish a common way of doing strategy. The headquarters of the corporation would make a clear strategy and clear definitions for the direction of the whole group. Visions, values and strategic choices are clear and well communicated to the organization; above all a complete implementation plan is done. In addition, the sub units would make their own strategies according to the HQ's plan and through the common strategy process. The proposal for the strategy process that would be used is the simple strategy process (figure 9) that is presented in

this thesis. It consists of the most critical aspects of strategy and it could still be flexible to the specific needs of the companies. Furthermore, this process is simple enough for the smallest units, but also extensive for the larger units that need complex plans.

In conclusion, this thesis gives improvement suggestions for the case corporation and general argumentation on the importance of the strategy process. This thesis strongly argues that:

- The strategy process, as an entity, affects the company performance and enables as one key factor in the success of a company,

- A formal and participative strategy process results in better strategic performance,

- The simple strategy process (figure 9) consists of the most critical aspects of the strategy process.

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