

**STRATEGY-AS-PRACTICE:  
IMPLEMENTING AN EXTERNAL GROWTH STRATEGY  
WITHIN A SUBSIDIARY**

**BY**

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## **ABSTRACT**

The recent practice turn in strategy research treats strategy as something people “do” (Jarzabkowski & Spee, 2009; Whittington, 2006a). This study investigates how an intended corporate-wide external growth strategy is actually put into practice in the subsidiary of a multinational corporation, an area that hitherto has been given little attention to. Using a Strategy-as-Practice (S-a-P) lens of investigation, as well as drawing on extant research into multinational organisations, the study examines subsidiary strategising activities, such as strategy meetings and tools, and is also interested in both the locus of strategising and the roles and interactions of strategising actors from different hierarchical levels.

Consistent with methodological suggestions for S-a-P research, the study adopted a qualitative single-case study approach based on the German subsidiary of MultiCo. MultiCo is a large, publicly traded, multinational corporation that is headquartered in the USA. The data collection was based on three different sources: 14 semi-structured interviews with subsidiary strategising actors from senior, middle and operational-level management; three participant-observations of strategising meetings, and the analysis of documentary evidence. The multiple sources of data were used for triangulation; likewise, other measures, such as interview transcription reviews and a member-checking process, were included to increase validity and reliability. However, the study must be considered in the light of some limitations, as the findings are grounded in the specific context of a single-case study.

Based on the research findings, the study contributes further insights into the practice of strategising and develops a “subsidiary implementation framework” that is of interest to both strategy theory and practice. The framework argues that putting strategy into practice in an MNC subsidiary is a highly interrelated interplay of four elements: (1) strategy dissemination, (2) strategising processes and activities, (3) strategising interactions and (4) strategising actors. Reflecting on this framework in the day-to-day strategising work can enable practitioners to enhance strategy execution in a subsidiary of a multinational corporation.

## **DECLARATION OF ORIGINALITY**

This portfolio and the work to which it refers are the results of my own efforts. Any ideas, data, images or text resulting from the work of others (whether published or unpublished) are fully identified as such within the work and attributed to their originator in the text, bibliography or in footnotes. This thesis has not been submitted in whole or in part for any other academic degree or professional qualification. I agree that the University has the right to submit my work to the plagiarism detection service TurnitinUK for originality checks. Whether or not drafts have been so-assessed, the University reserves the right to require an electronic version of the final document (as submitted) for assessment as above.

Joerg Dederichs, July 2010

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## LIST OF ABBREVIATIONS AND GLOSSARY

### Abbreviations

<b>BAR</b>	Before-Acquisition Review
<b>BSD</b>	Business Segment Directors
<b>CEO</b>	Chef Executive Officer
<b>e.g.</b>	exempli gratia
<b>et al.</b>	et alii
<b>EVP</b>	Executive Vice Presidents
<b>GDP</b>	Gross Domestic Product
<b>i.e.</b>	id est
<b>ISP</b>	International Strategic Plan
<b>M&amp;A</b>	Mergers and Acquisitions
<b>MD</b>	Managing Director
<b>MM</b>	Middle Manager
<b>MNC</b>	Multinational Corporation
<b>MultiCo</b>	Code name of case study organisation
<b>OLM</b>	Operational-level Manager
<b>R&amp;D</b>	Research and Development
<b>S-a-P</b>	Strategy-as-Practice
<b>SM</b>	Senior Manager
<b>SOC</b>	Subsidiary Operating Committee
<b>USA</b>	United States of America

### Glossary

<b>Corporate Centre</b>	The headquarters of a MNC. The study uses the notions “corporate centre” and “headquarters” interchangeably
<b>External Growth</b>	Strategy of achieving growth via mergers and acquisitions. The study uses the notions “mergers and acquisitions” (M&A) and “external growth” interchangeably

# 1 INTRODUCTION

## 1.1 Research Background

Strategy remains to be one of the most intensively discussed topics in management (Bowman et al., 2002; Breene et al., 2007; Hambrick & Chen, 2008; Rigby & Bilodeau, 2007). Whereas for much of the early days of strategy research formalised strategic planning seemed to be the essence of strategic management (Ansoff, 1965; Steiner, 1979), this understanding was increasingly challenged in later years (Mintzberg, 1994; Mintzberg & Waters, 1985; Pettigrew, 1985). The recent practice turn in strategy research - the so-called Strategy-as-Practice perspective - treats strategy as something people “do”, understanding strategy as a highly interwoven social activity of strategising practitioners (Jarzabkowski & Spee, 2009; Johnson et al., 2007; Whittington, 1996, 2006a). Drawing on Bourdieu’s (1992) “theory of practice”, Strategy-as-Practice (S-a-P) seeks to connect theoretical ideas with empirical research that is grounded in everyday strategising work. Thus, the S-a-P perspective is particularly interested in the actual day-to-day strategising activities that strategising actors engage in, arguing that in an ever more dynamic environment, the mastery of formal and informal strategising routines and activities becomes increasingly important (Balogun et al., 2003; Whittington et al., 2006). S-a-P’s research interest goes across different management levels and contends that relevant strategising work is not exclusive to senior management but is prevalent throughout organisational hierarchies (Floyd & Lane, 2000; Jarzabkowski, 2005).

Related to the S-a-P perspective, this study is interested in how strategy implementation takes place in the praxis of the subsidiary of a multinational corporation (MNC). The study investigates how a corporate-wide external growth strategy - that was formulated in the corporate centre - is actually put into practice in the subsidiary of a globally operating MNC. In line with extant literature, this study understands external growth - as opposed to organic growth - as the strategy of achieving growth via mergers and acquisitions (Dalton & Dalton, 2006; Gulati et al., 2004). However, essentially being interested in the execution of strategy - not in the content or formulation of strategy - the research addresses an area whose relevance sometimes seems to be underestimated (Hrebiniak, 2006; Kaplan & Norton, 2008).

As MNC subsidiaries are understood to be semi-autonomous entities with entrepreneurial potential, there is little doubt that within multinational organisations both

the centre and the periphery play important roles for strategising (Birkinshaw et al., 2005; Harzing et al., 2002; Johnson & Huff, 1998; Regnér, 2003). Thus, in MNC research the roles of subsidiaries and the relationships between the corporate centre and subsidiaries have been examined in various studies (Boojihawon et al., 2007; Ghoshal et al., 1994; Gupta & Govindarajan, 1991; Jarillo & Martinez, 1990). However, little is known about actual strategising activities within subsidiaries in the context of implementing an intended corporate-wide strategy. Accordingly, this study takes a so-called “nodal” approach and focuses its investigation on understanding the strategising praxis of an individual subsidiary (Gupta & Govindarajan, 2000).

Taking a single-case study approach the study examines the German subsidiary of a large, publicly traded and diversified multinational technology company that has its corporate centre in the USA and operates globally across six different business segments. Throughout the study the parent company will be called “MultiCo” whereas the German subsidiary is referred to as “the subsidiary” or as “MultiCo Germany”. Whereas MultiCo was found to be a fully integrated multinational organisation and not a conglomerate of separated units, it likewise was found to pursue a basic international strategy of having strong subsidiaries that are responsive to local market and customer needs. The worldwide annual sales of MultiCo accounted for approximately US \$ 25 billion while having more than 75,000 employees and wholly owned subsidiaries in 65 countries. The German subsidiary that served as the research site was the second largest subsidiary of MultiCo with about 5,000 employees and annual sales of close to US \$ 2 billion. MultiCo’s corporate centre launched external growth as an intended corporate-wide strategy in the beginning of 2006 and it remained an explicit strategy since that time. The execution of the corporate-wide strategy affected particularly MultiCo’s subsidiaries as the strategic intent was to acquire small and medium-sized companies; thus, local market insights that resided within the subsidiary were relevant for strategy implementation.

## **1.2 Objectives of Research**

The aim of this study is to contribute to the understanding of how a corporate-wide strategy is put into practice in the subsidiary of a MNC. Using an S-a-P lens of investigation, the study addresses actual subsidiary strategising activities, such as strategy meetings and tools, as well as being interested in the locus of strategising and in the roles and interactions of strategising actors. In line with S-a-P research the study is not concerned with the rationale or performance of external growth as a strategic

choice for corporations (Hodgkinson & Clarke, 2007; Jarzabkowski et al., 2007) but examines how the subsidiary executed the corporate-wide external growth strategy that was initiated from the corporate centre. In other words, the effectiveness of external growth strategies is not the scope of this study; the study solely uses external growth strategy as a vehicle to examine how an intended corporate-wide strategy is implemented locally in a MNC subsidiary. Thus, in contrast to many strategy studies, this research is more interested in the actual work and social interactions of strategising actors than in a quantitative strategy-performance relationship. Consequently, the objective of the study is not to establish fundamental laws but to contribute to the qualitative understanding of actual strategising roles, interactions, and activities, as well as formal and informal processes.

Based on extant S-a-P and MNC research, the study develops a theoretical framework of four theoretical propositions that outline strategising phenomena that are assumed to be relevant for implementing corporate-wide strategy in a MNC subsidiary. These propositions focus the objectives of the study towards examining four main areas related to subsidiary strategising: (1) Strategising activities occurring within the subsidiary and in interaction with other MNC units; (2) strategising actors from different organisational levels and their interactions; (3) the relevance of strategising meetings and, finally, (4) the conceptual background and usage of strategising tools. However, while these propositions guided the study, the design of the study as a qualitative single-case study research also allowed additional findings to emerge and did not limit the discussion exclusively to the theoretical propositions.

Thus, the aim of this study is to contribute to the S-a-P perspective by investigating how a MNC subsidiary actually implements corporate-wide strategy; an area that has hitherto received little interest in both S-a-P and MNC literature. Likewise, based on the research findings, the study will suggest areas for further research. However, as the S-a-P research lens provides a strong opportunity for translating empirical findings more directly into organisational action (Johnson et al., 2003), the study equally aims at providing implications for strategising practice. In particular, the study will use the research findings to discuss practical recommendations related to how practitioners can further improve their strategy implementation efforts.

### **1.3 Research Methodology**

Consistent with methodological suggestions for S-a-P research (Chia & MacKay, 2007; Dörrenbächer & Geppert, 2009; Johnson et al., 2007) this study adopts a qualitative single-case study approach allowing the research to investigate strategy implementation in depth and in context (Eisenhardt & Graebner, 2007; Hartley, 2004; Yin, 2003b). In strategy research, single-case studies have proved to provide rich and enduring insight, in particular when a unique access to the case organisation was given (Johnson et al., 2003; Siggelkow, 2007). Thus, as within this study, an extraordinary depth and breadth of access to the purposefully chosen single organisation was given applying case study research seemed particularly appropriate.

Whereas case study research can be highly structured or very open (Hartley, 2004; Silverman, 2005), this study draws on a rather structured case study approach locating the study in prior research and developing theoretical propositions to guide the study (Perry, 1998; Yin, 2003b). This structured research approach facilitated the data collection and analysis process and helped relating the findings to extant literature whilst considering the context and being sufficiently broad-minded to integrate emerging constructs.

As expressed in the research objectives, this study aims to investigate the strategising work of implementing a corporate-wide strategy in a MNC subsidiary. Accordingly, the unit of analysis is MultiCo's German subsidiary. MultiCo's worldwide organisation outside Germany - i.e. the global network of other subsidiaries and the corporate centre (Birkinshaw et al., 2005; Ghoshal & Bartlett, 1990) - provides the internal context in which the German subsidiary is embedded.

As is common in case study research, the data collection was based on qualitative methods, using basically three different data sources of data. Firstly, 14 semi-structured interviews with subsidiary strategising actors from senior, middle and operational-level management. Secondly, three participant-observations of strategising discussions as they took place in subsidiary strategising meetings. Thirdly, approximately 100 pieces of documentary evidence. With regard to data analysis, the study drew on the analytical strategy of relating the empirical data to previously developed theoretical propositions (Hartley, 2004; Yin, 2003b). The analysis was aided by using NVivo 8.0; a computer software for qualitative data analysis (Bazeley, 2007). To increase validity and reliability, the study provided a detailed description of all research procedures, derived propositions from prior theory, used the multiple data

sources for triangulation and included measures such as interview transcription reviews and member-checking (Gibbert et al., 2008; Silverman, 2005; Yin, 2003b).

However, the research outcome must be considered in the context of some limitations of the study. These limitations arise primarily from the design as a single-case study. Even though triangulation and various measures to increase reliability and validity strengthen the study, it remains a single-case operating within its specific context; thus, the results are not suitable for statistical generalisations (Bryman, 1988; Yin, 2003b). Yet, within these limitations the study results add interesting conceptual insights to understanding the practice of strategising in MNC subsidiaries, offer various starting points for further research and provide practical implications for actual strategising practice.

#### **1.4 Structure of Thesis**

The study is structured as follows. The first chapter outlines the research background, highlights the objectives of the study and provides concisely the methodological approach. Chapter 2 deals with the theoretical foundations of the study; it reviews extant strategy, S-a-P and MNC literature and develops a framework of theoretical propositions that guide the study. Chapter 3 provides the research design and methodology, including a justification of the methodological approach and a discussion of the philosophical underpinnings. This chapter also identifies the unit of analysis, presents the methods of data collection and analysis and discusses validity and reliability issues. In chapter 4, the research context of the study is provided, particularly focussing on introducing the case study organisation.

Chapter 5 reports the empirical data that was collected, which indicate how strategy implementation occurs in a MNC subsidiary in an interplay of strategising activities, formal and informal interactions and strategising actors from different hierarchical levels. Chapter 6 integrates extant literature with the findings and develops a “subsidiary implementation framework”. Chapter 7 summarises the conclusions of the study, discusses the implications for theory and practice and considers improvement opportunities for the case organisation. This chapter also provides suggestions for future research.

## **2 LITERATURE REVIEW AND DEVELOPMENT OF THEORETICAL PROPOSITIONS**

### **2.1 Introduction**

Reviewing the literature and developing theoretical propositions, prior to conducting any data collection, is a point differentiating case study research from related methods such as ethnography (Yin, 2003b). Creswell (2003) suggests that a literature review - also in qualitative research - can provide an orientating framework for a study. Moreover, a theoretical framework helps not to be overwhelmed by the large amount of data often being collected in qualitative research (Hartley, 2004; Miles & Huberman, 1994).

This study investigates how corporate-wide strategy is put into action in the subsidiary of a multinational organisation and discusses how this praxis can be improved. Accordingly, the literature review aims to provide the theoretical background of strategic management, Strategy-as-Practice and multinational corporations. Building on these foundations, a framework of theoretical propositions will be developed. These theoretical propositions will serve to guide the study and facilitate the data collection and analysis processes; likewise, they will assist in relating the findings to extant theory.

Primarily this research draws on the field of strategic management theory and in particular on the so-called Strategy-as-Practice (S-a-P) perspective. Arguably, strategy is one of the most intensively discussed topics in both management practice and theory (Breene et al., 2007; Hitt et al., 2007; Rigby & Bilodeau, 2007). Whereas the initial discussion of strategy and business policy emerged in the 1930s predominately driven by Harvard Business School in the USA, strategic management has ever since increased its worldwide relevance and continues to be an important part of management research (Hambrick & Chen, 2008; Hungenberg, 2006; Mintzberg & Rose, 2003; Müller-Stewens & Lechner, 2001; Williamson, 1999).

Yet, recently a “practice turn” in strategy research can be observed treating strategy as an activity; thus understanding strategy as something people “do” rather than as something organisations “have” (Jarzabkowski, 2005; Johnson et al., 2007; Johnson et al., 2003; Paroutis & Pettigrew, 2007; Whittington, 1996, 2006a). Accordingly, instead

of using the noun “strategy”, the practice perspective of strategy research prefers the verb “strategising” indicating that strategy work is in practice a continuous, non-static activity (Whittington et al., 2006).

This emerging research field has come to be known as “Strategy-as-Practice” (Whittington, 1996) and is interested in what strategy practitioners actually do in their day-to-day strategising work (Jarzabkowski et al., 2007; Whittington, 2003; Whittington et al., 2006). However, whereas the S-a-P research domain is growing rapidly, little attention has hitherto been given to the question how - at a micro-level - strategy is put into practice.

That the practice perspective of strategy is gaining momentum can be seen in the increasing attention it gets in scholarly publications (e.g. special issues in the *Journal of Management Studies*, Vol. 40, Issue 1, 2003; the *Long Range Planning Journal*, Vol. 39, Issue 6, 2006; or *Human Relations* Vol. 60, Issue 1, 2007). Likewise, there is a considerable interest from academic associations such as the Strategic Management Society (SMS) which dedicated an interest group specifically to “The Practice of Strategy” or the European Group for Organizational Studies (EGOS) where one of the 2008 conferences themes was “Strategy as Practice - Stability and Change in Strategizing”.

Besides strategic management literature and the S-a-P perspective, this study is informed by research into multinational corporations (MNC). In terms of the MNC research classification developed by Roth and Kostova (2003), this study investigates phenomena that are specific to multinational firms as it focuses particularly on MNC subsidiaries. Whereas a variety of MNC subsidiary phenomena such as the different roles of subsidiaries in terms of knowledge flows (Gupta & Govindarajan, 1991; Gupta & Govindarajan, 1994; Harzing & Noorderhaven, 2006), the entrepreneurial capacity of subsidiaries (Birkinshaw et al., 2005; Boojihawon et al., 2007) and the headquarters-subsidiary relations (Ghoshal et al., 1994; Harzing et al., 2002; Hong Chung et al., 2006) have been investigated, the understanding of the actual strategising work of practitioners in subsidiaries remains ambiguous.

Thus, consistent with extant S-a-P and MNC research, this study attempts to link the S-a-P perspective with the literature on MNC subsidiaries with the purpose of shifting the attention closer to strategy actors and their actions. By positioning the research within



the context of a MNC, the study aims to contribute further insights into the roles of a MNC subsidiary with regard to the micro-processes of contextual strategy implementation; hence, this study is interested in an area that both strategy and MNC research have hitherto given little attention to. The study intends – as requested by Baden-Fuller (2006) – to integrate strategy thinking and execution.

In order to discuss relevant strategic management, S-a-P and MNC research - which provide the foundation for the research question and the theoretical propositions of this study - this chapter is structured as follows. The section following this introduction (2.2) discusses the foundational works of “traditional” strategy research and locates S-a-P within strategic management theory. Within the next section (2.3) the S-a-P perspective is examined in more detail and critically reflected. Section 2.4 outlines MNC theory giving particular attention to the role and importance of MNC subsidiaries. The study proceeds with section 2.5 which draws primarily on S-a-P and MNC research to develop four theoretical propositions and closes with providing a framework of theoretical propositions that will guide the remainder of this study. The chapter ends with a conclusion (2.6) which considers and summarises major arguments from the discussion of the literature.

## **2.2 Locating Strategy-as-Practice in Strategic Management Theory**

This section aims to locate the S-a-P perspective within the wider research area of “traditional” strategic management. Whereas there is no clear-cut point in time at which strategic management research established itself as an academic discipline, it is widely acknowledged that a more systematic, academic investigation into strategy started in the 1960s and 1970s (Hungenberg, 2006; Mintzberg, 1994; Pettigrew et al., 2002; Rumelt et al., 1994; Spender, 1992).

Major early works of strategy research include the “Theory of the Growth of the Firm” in which Penrose (1959) argues - based on a detailed case study of the Hercules Powder Company - that the quality of a company’s resources determine its uniqueness. A seminal work published by Chandler established the claim that “structure follows strategy” (Chandler, 1962). He investigated strategy (in form of diversification) and structure (in terms of corporate organisation) by sampling 50 leading North American companies. Chandler (1962, p. 314) found that when companies change their strategies they need to adopt their structures accordingly: “Unless structure follows strategy, inefficiency results.” Chandler’s work has initiated decades of research

dedicated to establish a relationship between diversification and performance. However, Grant (2002) concludes that even 40 years after Chandler's publication no simple and consistent answer to the question "Does diversification enhance firm performance?" has been found.

The work of Andrews and other leading Harvard scholars extends Chandler's findings (Andrews, 1971; Learned et al., 1965). They were the first to argue that strategy is composed of two interrelated but separate aspects: formulation (deciding what to do) and implementation (realising strategy). Within their framework, the implementation of strategy was understood to comprise of a series of subactivities which are primarily administrative (Mintzberg, 1990). Whereas there is an increasing critique of such a strict separation between formulation and implementation (Baden-Fuller, 2006; Jarzabkowski, 2005; Pye & Pettigrew, 2006), this framework has been extremely influential and is still a premise of many research projects in strategic management (Hoskisson et al., 1999; Müller-Stewens & Lechner, 2001).

Ansoff's (1965) groundbreaking book "Corporate Strategy" outlined a strongly rationalist and planning-oriented view of strategy, introducing formalised phases of strategy formation. He introduced formal planning to coordinate and control the strategies of different units within multidivisional corporations. The primary driver of this planning process was understood to be the top management. Likewise, Ackoff (1970) and Steiner (1979) recognize planning as a formal and rational process.

Drawing on these early works of influential strategy scholars, two research streams developed: strategy content research and strategy process research (Bowman et al., 2002; Hungenberg, 2006; Pettigrew, 1992).

Content research is concerned with what constitutes an effective strategy, investigating how, together with its business context, strategy determines a firm's performance (Chakravarthy & White, 2002). Strategy content research is understood as "...research work which addresses the scope of the firm (the combination of markets in which a firm competes) and the ways of competing within individual markets (business-level, competitive strategies)" (Montgomery et al., 1989, p. 189). Traditional, content-oriented strategic management research has been primarily associated with formal, centralised, top-down planning emphasising the role of top management and the relationship between strategy and performance (Balogun et al., 2003; Bowman et al., 2002; Johnson & Huff, 1998). Particular relevance in this research stream has the work of

Porter (1980; 1985), who - based on the theory of industrial organisation economics - investigated competitive advantages and differences in organizational performance. Together with industrial organisation economics Porter brought econometric tools to the research on strategic management and amplified the use of quantitative research methods (Hoskisson et al., 1999).

A variety of aspects have been investigated in this tradition such as the economies of scope and diversification strategies (Teece, 1980, 1982). A major critique of content research is that it describes attractive destinations but provides only limited insight on how to get there (Chakravarthy & White, 2002; Pettigrew, 1992).

Besides content research, a second major research stream which emerged is commonly referred to as strategy process research. While content research describes attractive destinations, process research describes the way to get there (Chakravarthy & White, 2002); thus, process research treats strategy as a process rather than as a state (Pettigrew, 1992; Van de Ven, 1992). Process research has challenged the content perspective and argues that practical strategic management processes in organisations are less dominated by formalised top-down planning than by social and political behaviour (Chakravarthy & Doz, 1992; Johnson, 1987; Pettigrew, 1985, 1992; Vaara et al., 2004). The process perspective moves away from viewing strategy only at a macro-level and understands strategy as an organisational phenomenon acknowledging aspects such as internal politics and tensions (Johnson et al., 2003). Process studies have addressed questions such as strategic decision-making and change. Pettigrew et al. (2002, p. 12) argue that the process perspective – based on Mintzberg's work (1973; 1978) – began to humanise the field of strategic management and write: "Strategy was no longer to be seen just as rationally intended purposeful thought....Strategizing could now be thought of as reconstructions after the fact rather than rationally intended plans." Within the process perspective, Quinn (1980) investigated the incremental development of strategy and Mintzberg and Waters (1985) argued that strategies can be intended, emergent and unrealised. Likewise, process research argues that the strategy process is not always top-down but often a mix of bottom-up, top-down, middle-up and middle-down (Nonaka, 1988).

The core elements of strategy process research include strategising decisions and actions, i.e. the understanding that strategy is realised through both emergent as well as planned actions designed to implement prior decisions (Chakravarthy & White, 2002). Traditionally, strategy implementation is defined in terms of control, ensuring

that priority strategic options shape action-taking and initiate specific projects (Schendel & Hofer, 1979). Yet, the execution of strategy is increasingly understood to be more than the mere making of plans and budgets as it involves thoughtful and timely communication across and by different management levels (Bourgeois III & Brodwin, 1984; Hrebiniak, 2006; Kaplan & Norton, 2008; Sull & Spinosa, 2007; Valmra et al., 2006). In particular in multi-business corporations, strategy implementation is found to be a complex challenge that should not adopt a standardized, uniform approach but should adopt a flexible approach with the approach being tailored to the strategy of the individual business units (Govindarajan, 1988). Research showed that putting strategy into action involves not only senior management but also middle and operational-level management (Balogun & Johnson, 2004; Floyd & Wooldridge, 1992) and that middle management, in particular, can not only redirect strategy but also sabotage its implementation (Guth & MacMillan, 1986). Nutt (1987; 1989) developed four different implementation approaches called intervention, participation, persuasion, and edict. He found that effective strategy execution requires the interaction between different strategising actors. In general, research suggests that a compelling strategic vision and strategic intent enable the alignment of strategising actors throughout the organisation and facilitate strategy implementation (Govindarajan, 1988; Hrebiniak, 2006; Hrebiniak & Joyce, 2001; Kotter, 1995; Sull & Spinosa, 2007).

Resourced-based theories – which have their roots in Penrose's (1959) work which is referred to at the beginning of this section – argue that a firm's resources such as tacit skills and intangible assets, are the origin of competitive advantage (Barney, 1991; Grant, 1991; Wernerfelt, 1984). Hence, the resource-based view – while maintaining the "classical" strategy interest in competitive advantage - increased the emphasis on internal strengths and weaknesses relative to external opportunities and threats (Collis, 1991; Pettigrew et al., 2002; Prahalad & Hamel, 1990; Whittington, 2001). Whilst the resource-based view has been criticised for not sufficiently including the demand-side (Priem & Butler, 2001), it has been influential in strategic management theory.

Overall, the seminal works by Penrose, Chandler, Ansoff and Andrews and his colleagues provide the foundation for the field of strategic management (Hoskisson et al., 1999). In an early stage these scholars already identified a variety of key aspects that are still discussed in today's strategy research, including the relevance of external opportunities and internal strengths, the relationship between structure and strategy, the distinction between formulation and implementation and the critical role of managers (Hoskisson et al., 1999; Rumelt et al., 1994). Interestingly, many of these

early findings were based on qualitative, non-positivist research (e.g. Chandler, 1962; Penrose, 1959). However, due to various influences, notably the industrial organisation economics based interest in linking strategy with measurable performance, and likewise the quest of the Strategic Management Society for more quantitative, empirical research, strategic management became dominated by positivist research paradigms (Hoskisson et al., 1999; Montgomery et al., 1989; Pettigrew et al., 2002; Spender, 1992). A large influence to focus strategic management research on one predominant objective and research approach emanates from Porter (1980; 1985), who concentrated his research on economic performance as the most important dependent variable. Likewise, Rumelt (1974) investigated explicitly the link between corporate strategy and financial performance. In opposition to this traditional approach, S-a-P frequently asks for qualitative, non-positivist research approaches investigating a variety of different dependent variables (Balogun et al., 2003; Jarzabkowski, 2005; Jarzabkowski & Spee, 2009; Johnson et al., 2007).

Using the model presented in exhibit 1 (adapted from Whittington, 1996), the S-a-P perspective can be located within the different streams of strategy research. Exhibit 1 describes on the vertical axis strategy research concerned with “where” strategies are directed and the stream of research investigating the “how” of getting there. The horizontal axis is divided between those streams who concentrate on organisational units as a whole and those that are more interested in individual actors.

**Exhibit 1: Locating S-a-P within Strategy Research**

(Adapted from: Whittington, 1996)

		Levels	
		Organisations	People
Issue	Where	Policy and Strategic Direction Perspective	Planning Perspective
	How	Process Perspective	Practice Perspective

Whereas the development of the strategy research domain can be illustrated using a variety of approaches (Bea & Hass, 2005; Bowman et al., 2002), the advantage of this model is that it allows to map the different research streams in relation to S-a-P.

### Policy and Strategic Direction Perspective

The policy and strategic direction perspective – located in the top left quadrant of exhibit 1 – is influenced by economic theory and represents much of the strategy research of the 1970s and beyond which was concerned with investigating the performance of organisations when following different strategic directions. As discussed earlier, this strategy-performance interest has been so dominant that performance became a standard dependent variable in strategy research (Barney, 2002; Grant, 2002; Johnson et al., 2007). In terms of strategic direction, diversification of a corporation is the traditional strategy being considered within this strategy perspective. However, over time many other strategic directions have been examined including the performance of mergers and acquisitions strategies (Morrow Jr et al., 2007).

Research within this quadrant is more concerned with the organisational level and less concerned with the people carrying out an activity. In contrast to the S-a-P perspective, the main focus is not on “how” strategy is done but on where it is directed.

### Planning Perspective

In the top right corner of exhibit 1 the planning perspective is shown. This approach is concerned with formalized tools and techniques to help managers set the direction of their organisation (Whittington, 1996). Examples for such techniques include the “Product-Market Growth Matrix” supporting managers to consider different ways to grow their firm (Ansoff, 1965) and the “Five-Forces” framework for industry analysis (Porter, 1980). Besides methods for the analysis of external environment, also the concept of core competencies (Hamel & Prahalad, 1994) falls into this quadrant. Whereas this research area includes a people perspective – in contrast to a purely organisational view – it is less concerned with the process of how these people carry out strategic activity.

### Process Perspective

Within the bottom left corner of exhibit 1 the process perspective is located, giving attention to the strategic management process within organisations. Process research - as discussed earlier - is traditionally concerned with choice processes and implementation processes (Chakravarthy & Doz, 1992; Van de Ven, 1992).

Extending this view, Pettigrew (1992) argues that process research investigates context-specific choice and change processes but also examines strategy processes

that go beyond this narrow focus like, for instance, the process of internationalisation. The process research stream is closely connected to the S-a-P perspective but tends to put a stronger focus on organisational processes and systems than on the micro-level practice that is inside such processes (Chakravarthy & White, 2002; Chia & MacKay, 2007; Johnson et al., 2007).

Johnson et al. (2003, pp. 11-12) argue that many process research studies rely on second-hand retrospective reports of senior executives, whereas S-a-P aims to bring the level of analysis more closely to action and practice. They provocatively state: "Process research might tell us a good deal about the overall process of organizational decision-making and organizational change, but it has been less interested in the practical activity and tools necessary to make these processes happen. What managers actually do, and with what techniques, is left obscure ... If we want to grasp the micro activity of practice, we shall need to get off our 'verandas' and get a good deal closer to the actual work that makes up the organizational systems and processes of the process tradition."

### Practice Perspective

The practice perspective – located in the bottom right quadrant – is the theoretical foundation of S-a-P. This research perspective is more concerned with people than with organisations and is interested in how these people actually "do" strategy. The praxis of strategising is the main interest of this new research stream. S-a-P extends the established field of strategy research: "... while the field of strategy has traditionally concentrated on the macro-level of organizations, it needs now to attend to much more micro-level phenomena. We propose an activity-based view of strategy that focuses on the detailed processes and practices which constitute the day-to-day activities of organisational life and which relate to strategic outcomes." (Johnson et al., 2003, p. 3).

Within the practice perspective, the attention is close to people and activities and is less concerned with the organisational level and strategic directions. Consequently, S-a-P has its specific theoretical foundation and research agenda which will be discussed in the following sections.

## **2.3 The Strategy-as-Practice Perspective**

Having discussed where S-a-P resides within strategic management research, this section - consisting of six subsections - will examine the practice perspective in more detail. Whereas traditional strategy research helps to frame possible strategic directions and processes on an organisational level, it has limited ability to help understanding the strategising activities related to how strategies are actually implemented in subsidiaries of MNCs. Thus, the relatively new and rapidly increasing research field of S-a-P, which focuses on answering activity-related questions (Jarzabkowski & Spee, 2009; Paroutis & Pettigrew, 2007; Whittington, 2006a), is a central theoretical perspective of this study.

After an introduction of S-a-P (2.3.1), an integrated framework of strategy praxis, strategy practices and strategy practitioners is presented (2.3.2). Subsection 2.3.3 then discusses the need for a practice perspective and is followed by subsection 2.3.4 which explicitly positions the study within the S-a-P research field. In subsection 2.3.5, a critical reflection of S-a-P is provided. Building on both section 2.2 and section 2.3, a summary of the key clusters and perspectives in strategic management research and S-a-P is provided in subsection 2.3.6.

### **2.3.1 Introducing Strategy-as-Practice**

Research in strategic management has traditionally used theories from a number of disciplines (e.g. economics, sociology, psychology) to understand the phenomena under investigation (Bowman et al., 2002; Williamson, 1999). However, for many years economic theory and sub-theories of economics, like transaction cost analysis, have had a predominant influence in strategy research (Pettigrew et al., 2002). Recently, there is growing recognition among scholars and practitioners that a singular reliance on economic theories has important limitations to understanding strategy; thus, the sociological and psychological dimensions of strategy formulation and implementation are an increasing area of strategy research (Barney, 2002; Whittington, 2006a, 2007).

In contrast to being dominantly based on economic theories, the S-a-P stream of research is embedded in a wider turn towards practice in social science (Bourdieu, 1992; De Certeau, 1984; Giddens, 1984; Schatzki et al., 2001). Whereas the approaches of the different social science theorists differ in detail, the common label of “practice theories” expresses that the diverse authors are tied to an interest in the “everyday” and “life world” (Reckwitz, 2002). Practice theories treat practices as the



“smallest unit” of social analysis (Reckwitz, 2002); they put a particular emphasis on the capabilities of people and how they use their resources in day-to-day life (De Certeau, 1984). For practice theorists, it is the internalised practices or schemata of action that are the real “authors” of everyday action (Chia & MacKay, 2007); thus, practice theory in social science shifts bodily movements, things, practical knowledge and routine to the centre of its vocabulary (Reckwitz, 2002). Drawing on these theoretical developments in social science, S-a-P seeks to connect theoretical ideas with an empirical research that is grounded in everyday life (Chia & MacKay, 2007; Johnson et al., 2007).

The social theory of practice approaches phenomena not as properties of particular organisations or groups, but fundamentally as things that people “do” (Whittington et al., 2006). Consequently, S-a-P takes the work and talk of practitioners seriously (Whittington, 1996). The S-a-P perspective argues that many strategy questions are rooted in a day-to-day activity and should be examined at an activity level which is largely unfamiliar to traditional strategy researchers (Balogun et al., 2003; Johnson & Huff, 1998). Whilst the S-a-P perspective has been emerging since the mid 1990s, also prior to the S-a-P discussion, sporadic studies have been aimed at understanding what strategists actually do (Barley, 1986; Eisenhardt, 1989b). However, these studies were exceptional and were not embedded in an explicit theoretical framework. S-a-P advances the practice perspective of strategy research systematically and aims to provide a theoretical underpinning.

A logical starting point for discussing S-a-P is considering a definition of strategy. Mintzberg (1994, p. 23) presents a widely used characterisation of strategy which is determined by two aspects. Firstly, “... strategy is a plan, or something equivalent – a direction, a guide or course of action into the future, a path from here to there...”. And secondly, “...strategy is also a pattern, that is, consistency in behaviour over time.” The first of Mintzberg’s aspects views strategy as an intelligible plan that an organisation *has* and that can be understood to relate more to the traditional strategy perspective. Whereas the second aspect - accentuating the consistency of behaviour over time - is more concerned with the *doing* of strategy and relates stronger to the S-a-P perspective. Here strategy is understood to be a pattern in a stream of action. Chakravarthy and White (2002) have a similar understanding and interpret strategy as a stream of decisions made by multiple levels of decision-makers over time. Jarzabkowski (2005, p. 40) defines - from a S-a-P perspective - strategy as a: “goal-directed activity over time”. In doing so, she combines both aspects of Mintzberg’s

(1994) definition while explicitly referring to “action”. Including the outcome-related aspect of strategy, strategy can be defined as a situated, socially accomplished and goal-directed flow of activity that has consequential outcomes for an organisation (Jarzabkowski et al., 2007). Whereas this definition includes both the goal-oriented and the action-oriented nature of strategy, it is not suggesting that strategic activities will necessarily attain their goals. Still, intended strategies can be realized as intended; or realized strategies can diverge from expressly intended strategies and take the form of emergent strategies (Balogun & Johnson, 2005; Mintzberg & Waters, 1985).

In the S-a-P perspective strategy is an activity and S-a-P is interested in investigating this activity. S-a-P puts the focus on strategy as social strategising, particularly on the work and talk of “practitioners” (Whittington, 1996), whereby it aims to investigate how people are doing “real work” (Jarzabkowski, 2003).

For instance, Johnson et al (2007, p. 3) state that: “... differentiation strategies involve people doing things differently and in ways difficult to imitate; strategy processes involve people making strategies.” Thus, S-a-P is not examining the traditional link between strategy and performance, but asks for a plurality of variables (Johnson et al., 2007). In doing so, S-a-P aims to go beyond established dichotomies that Jarzabkowski (2005, p. 7) refers to as “false dichotomies”. These so-called false dichotomies divide the world artificially - in part for the practical reason of reducing complexity - and include the differentiation between formulation and implementation, between process and content, and between thinking and acting. In contrast, within S-a-P research strategy and strategising are understood as a flow of organisational activities that are intertwined, incorporated and indistinguishable parts of a whole (Baden-Fuller, 2006; Jarzabkowski, 2005; Johnson et al., 2003; Pye & Pettigrew, 2006).

S-a-P argues that in practice strategising is more integrated than in the theoretical models of traditional strategy research. Likewise, in contrast to classical strategy research (e.g. Porter, 1985), S-a-P is not predominately concerned with top executives developing macro strategies at the corporate centre but moves more closely to the actual strategising activities of practitioners in both the centre and the periphery of organisations (Paroutis & Pettigrew, 2007; Regnér, 2003). The key concepts of an integrated S-a-P framework are discussed in the next subsection.

### 2.3.2 The Strategy Framework of Praxis, Practices and Practitioners

Based on Reckwitz' (2002) conceptualisation of “practice theory”, the S-a-P perspective proposes an interrelated conceptual framework for the study of S-a-P consisting of strategy praxis, strategy practices and strategy practitioners (Hodgkinson & Clarke, 2007; Jarzabkowski, 2005; Jarzabkowski et al., 2007; Whittington, 2006a, 2007) - see exhibit 2. It is the purpose of S-a-P research to provide a better understanding of the interplay between these three concepts (Hodgkinson & Clarke, 2007).

#### Strategy Praxis

“Strategy praxis” is the whole of strategising action people actually do in practice; it comprises the interconnection of the actions of different individuals within an organisation including interactions across different levels (Jarzabkowski et al., 2007). It describes all the intra-organisational activities involved in the formulation and implementation of strategy (Whittington, 2006a). In other words: “Praxis refers to the actual work of strategizing, all the meeting, consulting, writing, presenting, communicating and so on that are required in order to make and execute strategy” (Paroutis & Pettigrew, 2007, p. 104). Praxis includes formal and informal activities as well as strategising work at the corporate centre and the organisational periphery (Johnson & Huff, 1998; Regner, 2003); thus it naturally includes subsidiaries of multinational organisations.

#### Strategy Practices

Whittington (2006a, p. 619) refers to the concept of “strategy practices” as the routine types of behaviour, including traditions, norms and the procedures for thinking, acting and “using things”. The use of practices such as tools and artefacts is intrinsically connected to “doing” as they enable multiple actors to interact and accomplish a collective activity (Jarzabkowski, 2004; Jarzabkowski et al., 2007). Strategising practices include rational, administrative practices (e.g. budget planning), discursive practices that provide artefacts for interacting about strategy (e.g. the use of strategy tools and the related strategy discourse), and practices that organise direct strategy interaction episodes (e.g. meetings, workshops, or away days) (Blackler et al., 2000; Hendry, 2000; Jarzabkowski, 2005; Whittington, 2007). Strategy practitioners draw on several of these practices in their day-to-day strategising activities. Yet, these practices are not only influenced by the organisation itself but also by the environment in which the organisation is embedded (Whittington, 2007); which includes - in the case of

international organisations - the context of multiple nations (Abrahamson & Fairchild, 1999; Knights & Morgan, 1991; Rosenzweig & Singh, 1991).

### Strategy Practitioners

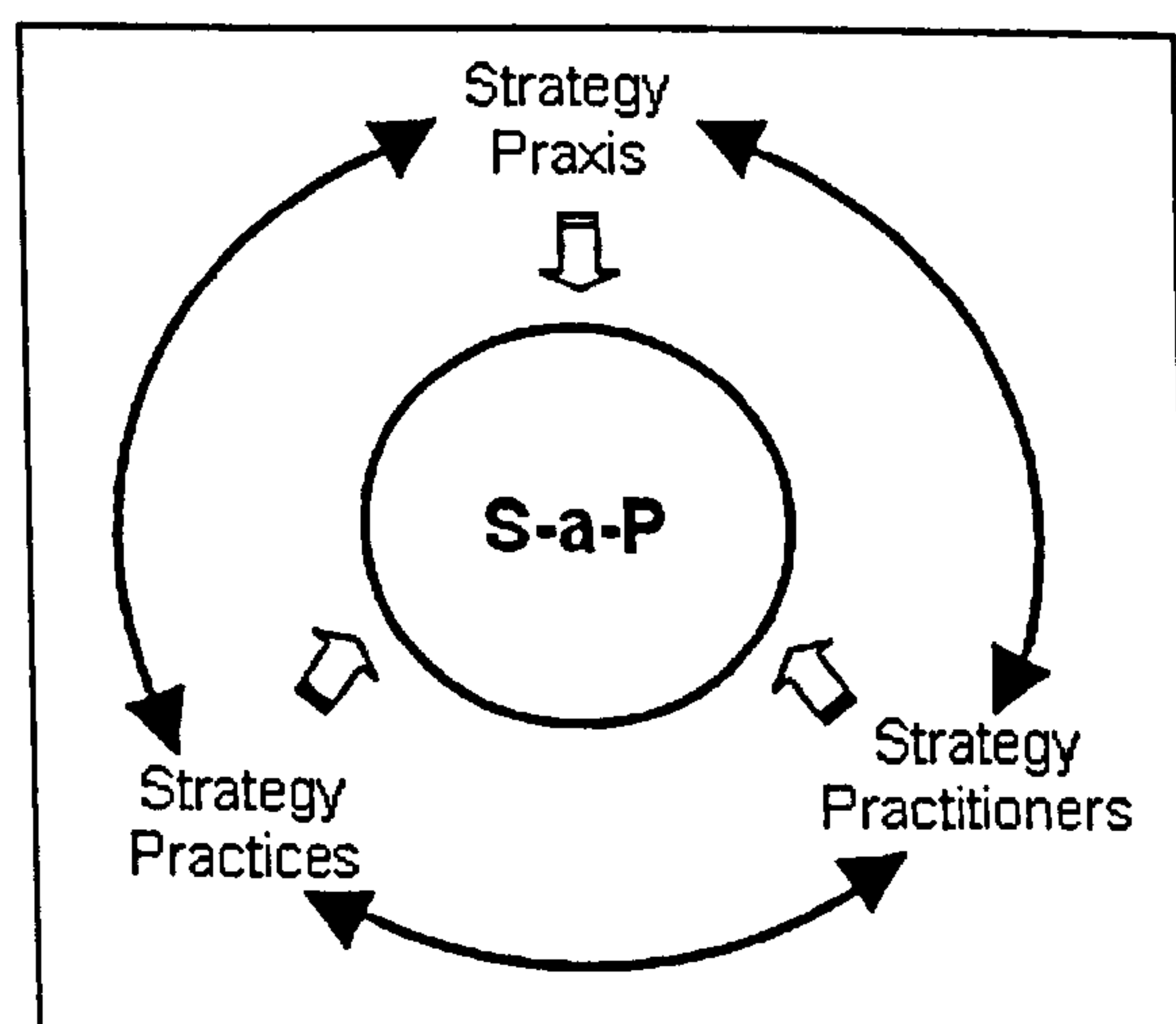
“Strategy practitioners” are the actors of strategy; the strategists who both perform strategy activity and carry its practices (Whittington, 2006a). These practitioners include managers, consultants and internal change agents (Paroutis & Pettigrew, 2007) as well as other actors who do the work of “... making, shaping and executing strategies ...” (Whittington, 2006a, p. 619). It is an important conjecture of the S-a-P perspective that these strategy practitioners not only consist of top and middle managers but include a variety of operative employees (Jarzabkowski, 2005; Mantere, 2005). Likewise, within multinational organisations relevant strategising actors are also located in subsidiaries (Almeida & Phene, 2004; Bower & Gilbert, 2007; Kim & Mauborgne, 1993).

### Integrating the Framework

Whilst all three concepts provide distinct ways to approach S-a-P phenomena, they are all interconnected with each other and one cannot be examined without also drawing on aspects of the others. Strategising occurs in the context of praxis, practices and practitioners (Jarzabkowski et al., 2007). As illustrated in exhibit 2, the three concepts of praxis, practices and practitioners inform each other, and together they create a conceptual framework that informs the practice perspective.

### **Exhibit 2: Integrating the Framework of Praxis, Practices, and Practitioners**

(Source: Exhibit developed by author)



### 2.3.3 The Need for a Practice Perspective

The need for the practical usefulness of management research has been a frequently addressed request (Abrahamson & Eisenman, 2001; Mowday, 1997). Various special issues of leading academic publications have discussed questions related to the practical relevance of strategy and management research. For instance, the Academy of Management Journal (Vol. 44, No. 2, 2001) dedicated a special forum to the relationship of academic research and the managerial work of practitioners; a special issue of the British Journal of Management (Vol. 12, Special Issue, S3-S80, 2001) offers a controversial discussion of the future of management research questioning whether strategy research has sufficient practical implications; the Journal of Management Studies (Vol. 40, Issue 1, 2003) discusses the micro perspective of strategy and strategising proposing an activity-based view; the Long Range Planning Journal (Vol. 39, Issue 6, 2006) dedicated an issue to strategising and organising; and Human Relations (Vol. 60, Issue 1, 2007) published a special issue on the practice perspective of strategy.

Hence, there is little controversy that strategy research needs to be connected to strategy praxis; in particular, as researchers will address people, usually managers, who actually “do” strategy (Johnson et al., 2007). A promising way to increase the usefulness of academic research for practitioners is joint research; as Amabile et al. (2001) argue, academic-practitioner research collaborations are rare but may be the best way to strengthen the link between research and management practice. Within collaborative research approaches, the value for practitioners is - among other aspects - related to joint forums and mutual perspective taking as these facilitate the process of recognizing and understanding each other’s thought-worlds (Mohrman et al., 2001). These interactions between researcher and practitioners have the power to lead to new, practical knowledge (Rynes et al., 2001). Consequently, S-a-P research prefers academic-practitioner research partnerships (Balogun et al., 2003) and qualitative research approaches such as case studies (Jarzabkowski, 2005; Johnson et al., 2007).

A vivid discussion regarding the future of management research was initiated by a report from Starkey & Madan (2001) which argues that a relevance gap between academia and practice exists, requiring management research to address the issues of research content, research process and research dissemination. The starting point of the discussion is the assertion that management research lacks relevance for managerial practice (Starkey, 2001; Starkey & Madan, 2001). Based on the seminal work of Gibbons and co-authors (1994) Starkey and Madan (2001) argue that

management research should be more concerned with the so-called Mode 2 knowledge than with the classical scientific approach to knowledge. Mode 2 knowledge transcends traditional disciplinary boundaries and is concerned with knowledge as it works in practice in the context of application (Nowotny et al., 2001). S-a-P is closely linked to this thinking and proposes to move strategy research closer to practitioners and practice (Balogun et al., 2003; Whittington et al., 2003). Therefore, S-a-P is interested in all actors who do the work of developing and executing strategies, both in the centre and in the periphery of organisations (Johnson & Huff, 1998; Regnér, 2003; Whittington, 2006a).

Whereas several scholars agree with Starkey and Madan (2001) regarding the need for a better alignment of management research with managerial practice, there are a variety of critical comments associated with the shift towards Mode 2 knowledge. These authors point out that even though management research should be interested in practice it still needs to be credible (Hodgkinson et al., 2001; Pettigrew, 2001). Management research needs to meet the twin imperatives of theoretical and methodological rigour on the one hand, and applied relevance on the other hand (Hodgkinson et al., 2001). Even when research moves towards a practice perspective, it still needs to go beyond the surface, investigating underlying concepts instead of developing simplified “temporary fashion models” (Weick, 2001).

In moving towards a practice perspective, researchers are more interested in strategising and organising than in strategy and organisation. Traditional research views strategy as something organisations *have*. In this sense, strategy is a property of organisations. S-a-P takes a different approach and understands strategy as something people *do* (Jarzabkowski, 2004; Valmra et al., 2006). Therefore, instead of using the respective nouns, S-a-P scholars commonly use the verbs *strategising* and *organising*, indicating that in environments that request frequent change, strategising and (re-)organising become constant activities rather than orderly separated sequences (Whittington et al., 2006). Organising refers to the creation and use of organisational structure and coordination processes, whereas strategising refers to planning, resource allocation, monitoring of practices and processes (Jarzabkowski & Fenton, 2006). In other words, strategising is the search for the best choices and organising has an impact on which choices are considered and how they eventually implemented (Rivkin & Siggelkow, 2006).

Contrary to many traditional strategy approaches, the practice perspective argues that strategising and organising are practical activities that are interlinked with each other (Price et al., 2006; Rivkin & Siggelkow, 2006). That within strategy praxis organising is often preceding strategising is found by Rivkin and Siggelkow (2006, p. 610) who argue that: "...one major role of organizing is to set the stage for strategizing.". Their findings include that the right organisational structures facilitate the search and implementation of strategies.

Whittington et al. (2006) share Rivkin and Siggelkow's (2006) point of view that the way an enterprise is organised affects its ability to strategise. However, their focus is on strategising and organising activities concerned with communication, coordination and control. They argue that in organising and strategising: "... it is mastery of the tools and procedures that matters ..." (Whittington et al., 2006, p. 615). Combining different approaches Pye and Pettigrew (2006, p. 587) argue that strategising and organizing is best depicted: "... as two interwoven threads, not unlike a double helix, which twist and turn, bringing each to the foreground from time to time, as they work in tandem to bring about change, held together by leadership ...".

Overall, three important pillars emphasising the relevance of the S-a-P perspective can be identified. Firstly, the S-a-P perspective promotes the practical usefulness of management research, preferring academic-practitioner approaches and qualitative research methods such as case studies (Balogun et al., 2003; Jarzabkowski, 2005; Johnson et al., 2007). Secondly, S-a-P crosses traditional disciplinary boundaries and is interested in all strategising actors who do the work of developing and executing strategies, while not compromising on scientific rigor (Nowotny et al., 2001; Price et al., 2006; Whittington, 2006a). Thirdly, the practice perspective examines strategising rather than strategy (Chia, 2004; Whittington, 2006a); understanding strategising and organizing as interwoven activities (Pye & Pettigrew, 2006; Rivkin & Siggelkow, 2006). Thus, in the S-a-P perspective, the processes and activities of strategy formulation and implementation are inseparable and intertwined (Baden-Fuller, 2006; Jarzabkowski, 2005). S-a-P is concerned with strategy-relevant activities on a micro-level that did not attract substantial academic interest before.

#### 2.3.4 Positioning the Study within Strategy-as-Practice

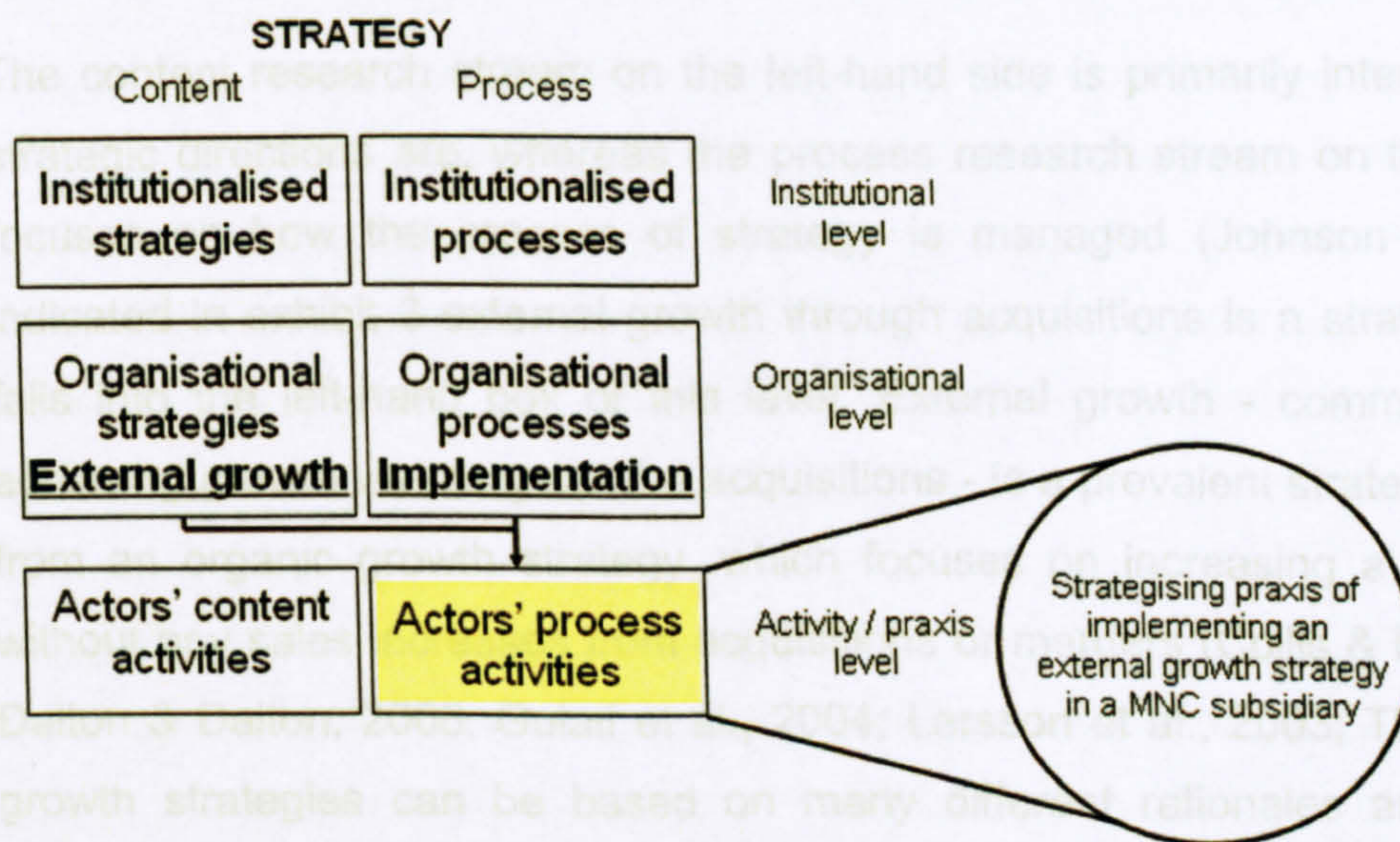
After locating S-a-P within strategic management research and discussing its concepts and relevance, this subsection will discuss to which area of the S-a-P perspective the

study aims to add understanding. While S-a-P draws upon strategic management research as a “parent theory”, it offers a genuine opportunity for establishing an alternative perspective that is distinct from traditional strategy research (Chia & MacKay, 2007). As an organising framework for positioning this study within S-a-P, a figure developed by Johnson et al. (2007) is advanced to depict the scope of this study. This advanced figure is presented in exhibit 3.

It shows three horizontal levels which - while being interrelated - indicate three different levels from which an organisation can be looked at ranging from micro perspectives at an activity level to macro perspectives at an institutional level. The two vertical perspectives refer to the two research streams in strategic management which were discussed earlier: content research and process research. The circle on the right-hand side highlights the area this study aims to investigate. Within the next paragraphs exhibit 3 will be discussed in more detail.

**Exhibit 3: Positioning the Study within S-a-P Research**

(Based on: Johnson et al., 2007)



The upper level of boxes acknowledges that organisations operate in a broader environment and are influenced by this environment. Based on institutional theory, this macro level is referred to as institutional level. Even though this level is not commonly discussed in classical strategy research, studies have shown that, for example, many businesses end up having similar organisational structures because they are influenced by their macro environment. Institutional theorists call this phenomenon “institutional isomorphism” (DiMaggio & Powell, 1983). Likewise, Chakravarthy & White



(2002, p. 198) argue that strategy is a multi-level process, going beyond the context of an organisation's hierarchy: "Cognition occurs within individuals, individuals interact with other members of their work group, work groups function within organizational structures and routines, organizations compete within industries and industries rise and fall within the broader political economy." As a consequence of this, micro activities in organisations can be dominated by macro societal factors (Abrahamson, 1996; Abrahamson & Fairchild, 1999; Knights & Morgan, 1991). Thus, this theoretical framing suggests that there are interrelated macro- and micro-contexts in which strategising practice occurs (Jarzabkowski, 2004). Accordingly, in an international environment an MNC is influenced by its multinational contextual dimensions such as institutions, culture, and politics (Almeida & Phene, 2004; Geppert, 2003; Rosenzweig & Singh, 1991).

The middle level of exhibit 3 represents the organisational perspective. Traditional strategy research would tend to look at this middle level, investigating organisational strategies and their link to organisational performance (Hoskisson et al., 1999; Rumelt et al., 1994; Spender, 1992).

The content research stream on the left-hand side is primarily interested in what the strategic directions are, whereas the process research stream on the right-hand side focuses on how the process of strategy is managed (Johnson et al., 2007). As indicated in exhibit 3 external growth through acquisitions is a strategic direction that falls into the left-hand box of this level. External growth - commonly described as achieving growth via mergers and acquisitions - is a prevalent strategy which is distinct from an organic growth strategy, which focuses on increasing a company's growth without any sales increases from acquisitions or mergers (Collis & Montgomery, 2005; Dalton & Dalton, 2006; Gulati et al., 2004; Larsson et al., 2003; Tilly, 1982). External growth strategies can be based on many different rationales and are a common strategic phenomenon pursued in business praxis (McShane, 2007; Öberg & Holtström, 2006; Vermeulen, 2005).

Still on the organisational level but related to the process perspective on the right-hand side, the process of strategy implementation can be located. Already Ansoff (1965) and Andrews (1971) acknowledged that strategic planning takes place in an integrated process with steps that range from formulation to implementation. Yet, whereas the academic interest in strategy implementation has been limited originally, its relevance increased in the beginning of the 1990s (Prahalad & Hamel, 1994). However, whilst the

interest in strategy execution gained momentum, the strict separation between formulation and implementation is increasingly challenged, arguing that the process of strategising is interlinked and intertwined (Baden-Fuller, 2006; Gioia & Chittipeddi, 1991; Jarzabkowski, 2005; Pye & Pettigrew, 2006). The execution of strategy is increasingly understood to be more than the mere making of plans and budgets as it involves thoughtful and timely communication across and by different management levels (Hrebiniak, 2006; Kaplan & Norton, 2008; Sull & Spinosa, 2007; Valmra et al., 2006).

S-a-P research can be located in the lower level of exhibit 3 focussing on the praxis and activity perspective, investigating “what is actually done by whom” (Johnson et al., 2003, p. 5). As the level and perspective from which strategising activities are analysed have an impact on the findings and conclusions drawn from research (Jarzabkowski, 2005), the circle on the right-hand side aims to illustrate the scope of this study and position it explicitly within the S-a-P perspective. It is the focus of this study to analyse how the strategy of external growth is implemented at the praxis level of a subsidiary of a multinational organisation. The interest of this study is to investigate process-related activities of practitioners involved in strategising, not to analyse whether external growth is a promising corporate strategy. In other words, the strategic content defined as external growth strategy provides a frame that enables the study to investigate concrete activities of putting strategy into action; but the rationale and performance of external growth strategies are not the focus of this study. The study aims to understand the *how* of strategising and will discuss the actual work of strategy implementation in an MNC subsidiary.

Although many different perspectives to approach strategic management are imaginable, traditional strategy studies have primarily investigated high-level, macro-driven corporate centre strategy. In contrast, this study sets out to illuminate the underdeveloped subsidiary perspective of strategising. The research is not focussed on the macro issues of the corporate centre but on the more operational level of MNC subsidiaries, which are recognized to play an important role in strategising (Birkinshaw et al., 1998; Bower & Gilbert, 2007; Harzing & Noorderhaven, 2006; Regnér, 2003). Thus, the central strategising actors of this study are actors within the MNC subsidiary. The activities which are examined relate to the strategising praxis of implementing an intended corporate-wide external growth strategy in a MNC subsidiary, including strategy meetings and tools as well as practitioner interactions within the subsidiary and between the subsidiary and other units of the MNC network.

### 2.3.5 Critical Reflection of Strategy-as-Practice

Whilst S-a-P is a rapidly growing research field, some limitations need to be addressed. This subsection covers briefly three main areas of critique. One first and evident observation is that the majority of leading S-a-P contributors such as Balogun, Jarzabkowski, Johnson, Melin, Pettigrew, Seidl and Whittington reside and operate primarily in a European context with a strong presence in the United Kingdom. Only a limited amount of work has been done in the USA, Canada or other areas of the world. A geographically broader dissemination of the field would increase its richness and would offer new perspectives (Wilson & Jarzabkowski, 2004).

Secondly, in discussing the S-a-P perspective, it needs to be acknowledged that there is a need for more empirical work to strengthen S-a-P as a robust research field (Kind & Knyphausen-Aufseß, 2007). Whereas several good theoretical papers exist (e.g. Jarzabkowski et al., 2007; Whittington, 1996, 2006a), there is only a limited amount of empirical S-a-P studies being published (e.g. Paroutis & Pettigrew, 2007; Samra-Fredericks, 2003; Vaara et al., 2004). S-a-P research is related to Giddons' Mode 2 approach which expects knowledge to be generated in the context of application (Gibbons et al., 1994). Accordingly, S-a-P asks for qualitative research methods such as case studies (Jarzabkowski, 2005; Johnson et al., 2007; Whittington, 2006a) which are, however, generally understood to be more difficult to generalise (Silverman, 2005; Yin, 2003a, 2003b).

Whilst S-a-P research tends to be qualitative, context- and praxis-oriented, establishing the field as a well-recognised area of strategy research requires applying theoretical and methodological rigour (Hodgkinson et al., 2001; Mantere, 2005; Weick, 2001). As Hambrick and Chen (2008) point out, to establish itself, a new academic field should be differentiated, mobilise sufficient resources and build legitimacy. Thus, as the S-a-P research field continues to emerge, it needs to add solidly designed and conducted empirical studies, while continuing to define its research agenda in order to further extend its academic credibility.

Thirdly, S-a-P has to face the challenge that traditional strategy research is typically related to company performance; focussing on the organisational level of strategy (Barney, 2002; Hungenberg, 2006; Rumelt et al., 1994; Zott & Amit, 2008). Even though the claim of establishing strategy-performance links could not always be demonstrated by traditional strategy research too (Grant, 2002) - which is due to factors such as the difficulties of excluding external influences and timing issues (Brock

& Barry, 2003; Mintzberg, 1994) - linking strategy with financial performance is still a common request for strategy studies.

In S-a-P research - considering the strategising activities S-a-P is interested in - it tends to be difficult to link these activities directly to measurable macro outcomes such as return of investment. This lack of explicit connections to performance-related strategy outcomes is also an extant criticism of strategy process research (Chakravarthy & White, 2002). However, S-a-P scholars argue that: "It makes little sense to try and explain the performance of firms as wholes if we do not understand well the components of that performance" (Johnson et al., 2007, p. 14). From their point of view: "... the problem with traditional strategy is not that it is formal or deliberate, but that it can be too analytical and too detached" (Whittington et al., 2006, p. 624).

Therefore, S-a-P scholars propose to identify dependent variables other than company performance (Jarzabkowski et al., 2007; Johnson et al., 2007; Johnson et al., 2003; Whittington et al., 2006). Thus, the objective of S-a-P research is to investigate strategy-related activities which are considered consequential at the chosen level of analysis; accepting that direct links to overall financial outcomes are difficult to establish (Jarzabkowski et al., 2007). S-a-P aims to measure organisational performance at the disaggregated levels which strategising activities impact on. For example, the debate on competitive advantage informed by the resource-based view (Barney, 1991; Priem & Butler, 2001; Wernerfelt, 1984) is concerned with how resources in the form of routines, assets and processes are configured to provide sustainable advantages (Johnson et al., 2003).

Hence, S-a-P research should provide an explanation of something proximal to the phenomena under investigation, linking the examined strategising activities to realised outcomes (Ambrosini et al., 2007; Wilson & Jarzabkowski, 2004). Ideally, S-a-P research should discuss how the "micro" is consequential for the "macro"; thus, the strategising activities investigated at a micro-level should be linked to strategy content or strategy processes at an organisational or institutional level (Jarzabkowski, 2005; Jarzabkowski et al., 2007; Johnson et al., 2007; Whittington, 2006a). Likewise, Hendry (2000) points out that with all focus on micro issues it is important to keep the strategy relatedness in mind and focus on individual action that is strategically relevant. Without connecting micro research to superordinate strategy levels, S-a-P risks being considered as meaningless.

### 2.3.6 Summary of Key Clusters and Perspectives in Strategy Research

The discussion of strategic management theory - specifically of the S-a-P perspective - contributes decisively to the study as it provides its theoretical and conceptual foundation. Exhibit 4 depicts the key clusters of strategic management theory that have been discussed, presenting their key perspectives and identifying relevant scholars and academic publications that have contributed to the respective perspective. In particular, S-a-P research informs both the content of this study and its methodological approach.

#### Exhibit 4: Key Clusters and Perspectives in Strategy Research

(Source: Exhibit developed by author)

Clusters in Strategic Management Theory	Key Perspectives	Key Authors
Foundational works of strategy research	Structure follows strategy. Strategy is based on the analysis of strengths, weaknesses, opportunities and threats. Strategy consists of two interrelated but separated aspects: formulation and implementation. Strategy is a rational, formal, and top down planning process.	Chandler, 1962 Andrews, 1971 Learned et al., 1965 Ackoff, 1970 Ansoff, 1965 Steiner, 1979
Large influence of the macro perspectives of industrial organisation economics. Focus on strategy content.	Economic performance as pivotal dependent variable. Industry-based competitive position and market forces as key drivers of strategy.	Porter, 1980, 1985 Rumelt, 1974 Teece, 1980, 1982
Interest in the "human" aspects of strategy. Focus on strategy processes.	Strategic management is a process that involves social and political behaviour. Strategy is concerned with strategic destinations but also considers how to get there.	Mintzberg, 1978 Mintzberg & Waters, 1985 Johnson, 1987 Pettigrew, 1985, 1992 Quinn, 1980
Resource-based theories	The basis for competitive advantage of a firm lies primarily in internal resources such as tacit skills and intangible assets.	Barney, 1991, Grant, 1991 Penrose, 1959 Prahalad & Hamel, 1990 Wernerfelt, 1984
Strategy-as-Practice; interest in strategy praxis, practices and practitioners.	Based on a "practice turn" in social science it is argued that organisations "do" strategy (instead of "having" a strategy). "Strategising" is shaped by activities of strategy practitioners who span many different organisational levels. Formulation and implementation are interwoven, hard-to-separate strategising activities.	Bourdieu, 1992 Schatzki et al., 2001 Reckwitz, 2002 Whittington, 1996, 2003a, 2006a Jarzabkowski, 2005 Jarzabkowski et al., 2007 Johnson et al., 2007 Jarzabkowski & Spee, 2009

## **2.4 Multinational Corporations and Subsidiaries**

This section will discuss research related to multinational organisations with a particular interest in MNC subsidiaries. Consistent with extant S-a-P and MNC theory, this study attempts to link the S-a-P perspective with MNC research, being interested in strategy praxis, strategy practitioners, and strategy practices occurring in subsidiaries of multinational organisations. MNC theory is closely related to strategic management, as strategy content research has traditionally distinguished between three levels of strategy: business, multibusiness, and multinational (Chakravarthy & White, 2002; Peng & Zhou, 2006; Venkatraman & Subramaniam, 2002). Similar to research into strategic management, MNC theory has usually been concerned with industry structure and different strategic choices. In this tradition, the focus of MNC inquiry has normally been on the corporation's headquarters (Jarillo & Martinez, 1990; Wiersema & Bowen, 2008).

Yet, there is little doubt that within a multinational organisation both centre and periphery play important roles in strategising (Birkinshaw et al., 1998; Harzing et al., 2002; Johnson & Huff, 1998; Regnér, 2003). Consequently, this study follows Gupta and Govindarajan's (2000) approach and takes a subsidiary perspective. Gupta and Govindarajan's (2000) identify three potential levels of analysis when investigating MNCs. Firstly, the "nodal" level where the focus is on the behaviour of individual subsidiaries; secondly, the "dyadic" level which focuses on the joint behaviour of unit pairs; and thirdly, the "systemic" level where the area of interest is the entire network. Due to a highly complex phenomenon under investigation and the relative shortage of empirical S-a-P work on MNC subsidiaries, this study focuses primarily on the "nodal" level. The importance of this perspective is underscored by Porter (1998) who argues that sustainable competitive advantages in a global economy lie increasingly in local aspects such as knowledge, relationships and motivation.

Yet, it is important to acknowledge that a foreign subsidiary is not an independent entity but a unit that receives obligatory directions from the parent organisation. However, drawing on active agency and institutional theory, Kostova and Roth (2002) found that when the parent requires a specified behaviour or action, subsidiaries will vary in their adoption response. Different adoption responses a subsidiary might engage in include acquiescence, compromise, avoidance, defiance and manipulation (Oliver, 1991; Stensaker & Falkenberg, 2007). Thus, whilst an MNC subsidiary is linked to and somehow dependent on directions and decisions it receives from hierarchically more powerful units of the MNC network (e.g. the corporate centre), it also shapes its

response to these strategies in a unique way to meet its own specific needs and interests (Bower & Gilbert, 2007; Kostova & Roth, 2002).

The fact that the unit of analysis for this study is a MNC subsidiary should move the study more closely to the actors and actions the S-a-P perspective is interested in. It should provide a lens to increase the understanding of how strategy is practically executed in a subsidiary context. The next subsections will start with an introduction into MNC theory (2.4.1) followed by a presentation of different strategic options in international management (2.4.2) and concluded by a discussion of the role and relevance of MNC subsidiaries (2.4.3).

#### 2.4.1 Introducing Multinational Corporations

The high interest in MNCs is not at least rooted in the tendency of multinational organisations to outperform nationally focused firms (Grant, 2002). MNCs frequently outperform national firms because of their ability to transfer and exploit knowledge more effectively and efficiently in the intra-corporate context than through external market mechanisms (Gupta & Govindarajan, 2000; Wiersema & Bowen, 2008).

While much of the early MNC research was interested in entry choices of corporations into foreign markets (Dunning, 1958, 1980; Hymer, 1976), the research focus changed over time. Since Porter (1986, p. 17) argued that: "... we know more about the problems of becoming a multinational than about the strategies for managing an established multinational.", the research emphasis has shifted towards the strategic management of MNCs and the investigation of multinational competition (Birkinshaw et al., 1998; Geppert, 2003; Kogut, 1989).

The essential distinction between a domestic company and an MNC derives from the social, political, and economic context in which each exists (Bartlett et al., 2006). Generally there are various forms of international activities companies can engage in, ranging from indirect export to wholly owned subsidiaries (Contractor & Lorange, 1988; Kim & Hwang, 1992; Quack, 1995, 2000; Root, 1987).

However, Bartlett et al. (2006) ask internationally active firms to meet two requirements to be regarded as an MNC. Firstly, an MNC should have a substantial direct investment in foreign countries, not just limited export business. Secondly, an MNC should actively manage their international assets rather than holding them in a passive

investment portfolio. Hence, within this definition, not all companies that engage in international activities, e.g. source raw material abroad or have revenues from export business, are considered as MNCs. In order to classify as a MNC the company should have a substantial direct investment abroad, actively manage its international operations – strategically and organisationally - and regard those as integral parts of the corporation.

Within this understanding of an MNC - emphasising that the international operations are an integral part of the corporation – a multinational organisation is embedded in a complex network of actors, whereby the interactions within multinational corporations are more than a dyadic relationship between headquarters and subsidiary (Ghoshal and Bartlett, 1990). Thus, MNCs account for a high degree of complexity and interdependencies, which is mirrored in Ghoshal and Bartlett's (1990, p. 603) network theory-based characterization of MNCs: "A multinational corporation consists of a group of geographically dispersed and goal-disparate organizations that include its headquarters and the different national subsidiaries. Such an entity can be conceptualized as an interorganizational network that is embedded in an external network consisting of all other organizations such as customers, suppliers, regulators, and so on, with which the different units of the multinational must interact." Hence, multinational organisations are a network of capital, product, and knowledge transactions among units located in different countries (Gupta & Govindarajan, 1991; 2000).

From a S-a-P perspective, the network theory-based model of MNCs is important as S-a-P has been related to an "after modern" context in which the individual, fragmented and localised activities dominate and not the standardised work of the corporate centre (Lowendahl & Revang, 2004; Pettigrew, 2001; Whittington, 2004). Since multinational organisations are distributed across different time zones, geographic regions and national cultures, as well as different products, markets and customers, their strategic activities are extremely distributed and highlight the dispersed and fragmented nature of strategy (Dörrenbächer & Geppert, 2009; Jarzabkowski, 2005). The network model of MNCs reinforces the relevance of strategising praxis in the periphery of organisations. It is in the subsidiaries where much of the fragmented strategising work is actually done.



## 2.4.2 International Strategies

As illustrated, MNCs consist of a group of geographically dispersed and goal-disparate organisations including headquarters and the different national subsidiaries (Ghoshal & Bartlett, 1990). The extent to which the goals of subsidiaries are disparate depends on the international strategy pursued by the MNC. Depending on these international strategic objectives, the competencies required at the centre and within the subsidiaries vary (Markides, 2002). Focusing on cognitive orientations of MNC managers, Perlmutter (1969) established three seminal categories of international strategies (ethnocentric, polycentric, geocentric). These three different categories imply different balances of power between headquarter and subsidiary and different strategic approaches. Whereas an ethnocentric orientation gives much influence and power to the corporate centre, polycentric orientations give more decision autonomy and power to subsidiaries. The geocentric orientation is a world-oriented approach to attitudes and decision-making where headquarters and subsidiaries see themselves as parts of an organic worldwide entity.

Perlmutter's geocentric approach found support from an influential paper of Levitt (1983, p. 92) who argued that: "Companies must learn to operate as if the world were one large market - ignoring superficial regional and national differences." Increasing economies of scale in many industries, improvements in transportation and communications, and the homogenization of tastes and market structures among countries, have contributed to the globalization of markets. Thus, in Levitt's (1983) point of view, the world was to become a unified marketplace with similar needs across countries asking companies to develop globally standardised products. He proposed that the core of a global strategy is to develop standardised products to be sold the same way throughout the world.

However, many practitioners are unconvinced by the simplistic global formula of standardisation, rationalisation, and centralisation (Bartlett & Ghoshal, 1998; Ghemawat, 2003). Even though globalisation is steadily increasing, the responsiveness towards local markets has proved to be a strategic requirement that is still relevant (Doz, 1986; Festing et al., 2007; Hong Chung et al., 2006; Prahalad & Doz, 1987). In contrast to Levitt (1983), his critics argue that technological, social, and economical differences across countries still exist and require companies to think transnational.

Influential insight on how to manage an MNC "transnationally" is based on research by Bartlett and Ghoshal who developed a seminal typology of international strategies

(1989; Bartlett et al., 2006). They present four different strategies of managing an MNC which are briefly discussed in the next paragraphs.

### Multinational Strategy

Multinational companies tend to focus on national differences, usually customising products and services in response to local customer preferences, industry characteristics and government regulations. Subsidiaries typically not only identify local needs, but also use their own local resources to respond to those needs. The national units are independent, flexible and responsive to their local environments. Consistent with their “customisation-approach” multinational strategies typically do not allow for the achievement of economies of scale and tend to result in an accordingly high cost structure (Connelly et al., 2007).

### Global Strategy

For global companies, the key issue is developing global efficiency. An efficient organisation leading to superior cost structure is the backbone of this strategy, as is the centralisation of resources (like for example centralised manufacturing or R&D). In contrast to a multinational company, product and service offerings are standardised and oriented toward a global unitary customer (Levitt, 1983). Standardisation and centralisation allow global companies to realise economies of scale and develop a favourable cost structure. In industries with strong pressures for cost reductions and a low demand for local responsiveness, the global strategy is most suitable (Hitt et al., 2007).

### International Strategy

International companies focus on exploiting home-country innovations, knowledge and expertise to develop a worldwide competitive position. An international strategy has similarities with a global strategy in that it transfers competencies and resources from the headquarters to foreign markets, but it is distinct as it also decentralises these capabilities and resources to subsidiaries. The headquarters retain considerable influence but less than in global companies and more than in multinational companies. While subsidiaries can undertake some customisation of product and service offerings, customisation is limited in scope. Companies pursuing this strategy typically are headquartered in large and advanced economies. The international strategy allows to market home-country innovations in foreign markets but is only useful when the pressures for local responsiveness are fairly weak (Connelly et al., 2007).

## Transnational Strategy

The transnational strategy - referred to by Harzing and Nooderhaven (2006, p. 212) as an “ideal-type” - is the strategy Bartlett and Ghoshal (1998, p. 18) argue to be best suited for: “... the highly competitive, volatile, and changing business environments of the present and the future.” Within a transnational company, international operations are coordinated and interlinked to retain economic efficiency, but in a way that is responsive to national needs. In contrast to the global model, the transnational model recognises the importance of flexible and responsive country-level operations.

Transnational corporations build global efficiency through a worldwide infrastructure of distributed but specialised assets and capabilities that exploit comparative advantages, scale economies, and scope economies simultaneously (Bartlett et al., 2006). They create an integrated network of subsidiaries with shared vision and commitment. Such networks allow MNCs to manage their interactions with customers, suppliers or other parties more efficiently (Doz et al., 2001). Competencies and resources of the transnational corporation can reside in any of the international units, and knowledge transfer occurs between subsidiaries as much or more than between headquarters and subsidiaries (Connelly et al., 2007; Inkpen, 2008). The role of direct inter-subsidiary interaction becomes especially important in this model (Gupta & Govindarajan, 2000).

As balancing between global efficiency and local responsiveness is one of the key challenges in the international arena (Chakravarthy & White, 2002; Ghemawat, 2003; Porter, 1986; Prahalad & Doz, 1987), Bartlett and Ghoshal (1998) ask transnational companies to satisfy both requirements simultaneously. However, Connelly et al. (2007) identify this balance as a potential obstacle for transnational companies because global efficiency and local responsiveness tend to be conflicting targets. While also Bartlett and Ghoshal (1998) acknowledge that a transnational company is not easy to build and manage, they reinforce their argument that a transnational strategy is a promising approach to face the challenges of a highly dynamic business environment.

### 2.4.3 The Role and Relevance of MNC Subsidiaries

The role of subsidiaries of MNCs continues to attract considerable academic interest and is of great importance to executives in multinational companies (Hong Chung et al., 2006; Saka-Helmhout, 2007; Vora et al., 2007). Kim and Mauborgne (1993, p. 11)

argue that: "... subsidiary top managers are the key catalysts for, or obstacles preventing, global strategy execution ...".

Various research has focussed on investigating the headquarters-subsidary relationship (Harzing et al., 2002; Nohria & Ghoshal, 1994; Raynor & Bower, 2001). However, to what extent the corporate centre influences a subsidiary strategy is controversy discussed. Bower and Gilbert (2007, p. 74) provocatively state: "What we have found in one research study after another is that how business *really* gets done has little connection to the strategy developed at corporate headquarters." That not only the corporate headquarters are the single source of competitive advantage has at least been acknowledged since Hedlund argued that MNCs are heterarchies and Bartlett and Ghoshal initiated the MNC-network discussion (Bartlett & Ghoshal, 1989; Ghoshal & Bartlett, 1990; Hedlund, 1986). Consequently, it is argued that subsidiary strategy can be formulated at the level of the subsidiary, the headquarters, or jointly between different MNC units (Birkinshaw et al., 1998; Boojihawon et al., 2007). Thus, contemporary research should be interested in how firms organize strategy work in the centre and in the periphery of organisations (Campbell et al., 1995; Johnson & Huff, 1998; Orlikowski, 2002; Whittington, 2003).

Depending on the international strategy and the environment of a MNC, the roles of subsidiaries differ (Geppert, 2003; Harzing & Noorderhaven, 2006). In the sense of a "differentiated fit", MNCs are found to implement different strategies selectively in their subsidiaries, depending on the environmental and resource contingencies faced by their national subsidiaries (Ghoshal & Nohria, 1989; Nohria & Ghoshal, 1994). Subsidiaries are simultaneously embedded in two contexts; besides the external environment of their host countries, they operate in the internal context of an MNC network comprised of headquarters and subsidiaries (Almeida & Phene, 2004; Rosenzweig & Singh, 1991). These two contexts can be regarded as two competitive environments; the external host country competition and the MNC-internal competitive environment where subsidiaries compete for resources. Birkinshaw et al. (2005) found that both competitive environments influence the role and performance of a subsidiary.

Thus, the MNC subsidiary has been conceptualised as a semi-autonomous entity with entrepreneurial potential, within a complex competitive arena, consisting of an internal environment of other subsidiaries, internal customers and suppliers, and an external environment consisting of customers, suppliers and competitors (Birkinshaw et al., 2005). This broad understanding of the role of subsidiaries is based on the

transnational network approach discussed earlier (Bartlett & Ghoshal, 1989; Ghoshal & Bartlett, 1990) in which subsidiaries are significantly more than mere subordinate elements of parent MNCs.

Hence - as strategies and environments vary - different roles, responsibilities and attributes of MNC subsidiaries exist and have been investigated. The aspects frequently examined in the context of MNC subsidiaries include integration (Brock & Barry, 2003; Kobrin, 1991; Prahalad & Doz, 1987), coordination (Grant, 2003; Martinez & Jarillo, 1991; Porter, 1986) and local responsiveness (Bartlett, 1986; Festing et al., 2007).

Prahalad and Doz (1987) state that integration refers to the centralized management of geographically dispersed activities. It is concerned with how much a subsidiary is integrated with other units of a MNC. An integrated subsidiary could be integrated with the headquarters but could also be highly integrated with any other unit of the corporation. As the integration level of a subsidiary increases, the level of coordinating increases (Martinez & Jarillo, 1991). Centralisation is the extent to which the locus of decision-making lies in the higher hierarchical levels of a MNC. In contrast, localisation is the extent to which activities (e.g. marketing or manufacturing) are performed in a country. Local responsiveness refers to the resource commitments taken autonomously by a subsidiary in response to primarily local or customer demands (Prahalad & Doz, 1987).

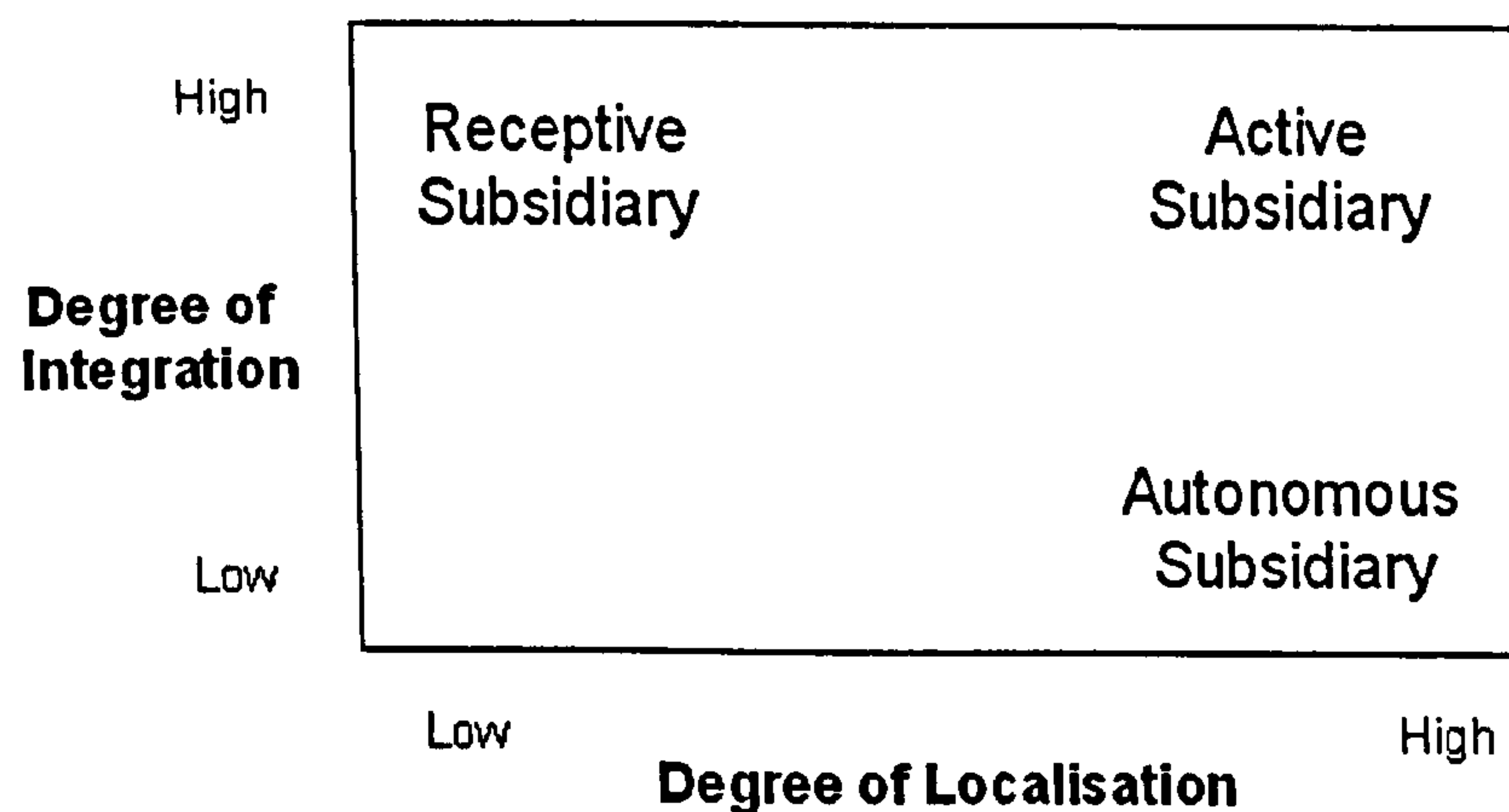
Whereas Porter (1986) discusses the coordination and configuration of MNC activities mainly at industry level and Bartlett (1986) focuses his coordination/integration and national responsiveness analysis on company level, Jarillo and Martinez (1990) developed a framework to analyse strategy at a subsidiary level.

Their framework (see exhibit 5) differentiates various strategic roles a subsidiary can play within a MNC; presenting two dimensions. Dimension one is the geographical localisation of activities (e.g. whether activities such as R&D or manufacturing are carried out in a subsidiary). Dimension two is the degree of integration of the activities that are performed in the country with the activities of other parts of the MNC. Both dimensions are independent of each other. Hence, a subsidiary that carries out a specific activity (e.g. R&D) can still be highly autonomous from the centre and other subsidiaries or be very integrated. Building on these dimensions, three different roles are developed. Firstly, the "autonomous" subsidiary which carries out most of the

functions of Porter's (1985) value chain in a manner that is relatively independent of the headquarters or other subsidiaries. Secondly, the "receptive" subsidiary which performs only a few of these functions (typically either marketing and sales or manufacturing operations). Finally, an "active" subsidiary which performs many activities of the value chain itself and does so in close interdependence with the corporate headquarters or other units of the MNC. Even though Jarillo and Martinez (1990) tested their framework only in foreign-owned subsidiaries in Spain - acknowledging a large national influence due to political changes - their findings are valuable as they reinforce that the degrees of localisation and integration are relevant when investigating international subsidiaries.

### Exhibit 5: Different Roles of Subsidiaries

(From: Jarillo & Martinez, 1990, p. 503)



Similar, but focussing on knowledge flow patterns, is a typology provided in a seminal article by Gupta and Govindarajan (1991), identifying four different roles a subsidiary can take. The "global innovator" is a unit of an MNC that is the dominant source of knowledge for other subsidiaries. Traditionally this role is played by the domestic unit the MNC originates from. Yet, increasingly, foreign subsidiaries have begun to turn into major knowledge creators for the entire corporation themselves (Bartlett & Ghoshal, 1998). These so-called "integrated players" create knowledge that can be utilised by other subsidiaries while at the same time receiving knowledge transfers from various other units. In contrast, subsidiaries taking an "implementor" role engage in little knowledge creation on their own and rely heavily on knowledge inflows from either the headquarters or other subsidiaries. "Local innovators", on the other hand, have almost complete local responsibility for the creation of relevant knowledge in all key areas. Their knowledge is not used much outside the subsidiary and the local innovator receives little input from other organisational units of the MNC.

The different roles developed by Gupta and Govindarajan (1991) were mainly based on extant literature and theoretical reasoning. A later empirical study tested the typology and reinforced the different strategic roles a subsidiary can take (Gupta & Govindarajan, 1994). The findings included that the role of “Global Innovator” is not necessarily assigned top down from the headquarters to a subsidiary but is frequently a bottom-up process initiated from an “autonomous” subsidiary.

However, in testing the typology, Gupta and Govindarajan (1994) only distinguished two opposite subsidiary roles and assumed the remaining two roles to fall in between. In a study conducted by Harzing and Noorderhaven (2006) all roles developed by Gupta and Govindarajan (1991) were examined. Their findings support the assertion that subsidiaries can take different roles within a MNC and they reinforce the predictive validity of Gupta and Govindarajan’s (1991) typology based on knowledge in- and outflows. In comparing their findings to earlier studies, they identify that more and more companies are getting closer to the transnational MNC type described earlier (Harzing & Noorderhaven, 2006).

## **2.5 Theoretical Proposition Framework**

To investigate how subsidiaries of MNCs use strategising activities to put a strategy into action, this study adopts a case study methodology which is guided by theoretical propositions (Eisenhardt, 1989a; Yin, 2003b). Drawing on the above literature review, this section will develop theoretical propositions that are related to the overall research question of how an intended corporate-wide external growth strategy is actually put into practice in an MNC subsidiary.

It seems by now to be widely accepted that strategising is not an activity that can be located in the single dominance of a specific function such as top managers or strategic planners, but is distributed across different levels, organisational units and locations (Bower & Gilbert, 2007; Brock & Barry, 2003; Laine & Vaara, 2007; Regnér, 2003).

Consequently, investigating strategising can be ambiguous as many functions and a myriad of different activities are involved (Denis et al., 2007; Mantere, 2005; Mintzberg et al., 2003; Whittington, 2006a). Therefore, as presented in exhibit 3, this study is explicitly located within S-a-P research and aims to investigate the strategising praxis of implementing an external growth strategy in a MNC subsidiary.

Since this research aims to add insights to the practice perspective, the study will align itself to the S-a-P research agenda which has been discussed by leading scholars of the field (Jarzabkowski, 2005; Jarzabkowski et al., 2007; Johnson et al., 2007; Pye & Pettigrew, 2006; Whittington, 2003; Whittington et al., 2003). Whilst the different S-a-P advocates highlight different aspects for advancing S-a-P research, some common perspectives across the different authors can be identified. The principle research interest is concisely described in an early paper from Whittington (1996, p. 734) who argues that: "The research agenda is to find out more about the work of strategizing ...". His key argument is that how strategising actors - not organisations – *do* strategy includes practical actions such as meetings, conversations and form-filling and, therefore, requires practical competence to successfully complete these day-to-day strategising activities. Thus, S-a-P research can only be advanced by studying different groups of strategy practitioners and different strategy practices, examining their influences and interdependencies (Jarzabkowski, 2005).

Whittington (2007) offers five touchstones for practice research to be aware of:

(1) the attention to strategy individuals and their relationships; (2) the recognition of strategy as being embedded in a wider context; (3) the interest in commonly neglected tools and techniques such as the concrete use of PowerPoint presentations; (4) the acknowledgment that strategy outcomes are broader than just organisational performance; (5) the respect for continuities such as yearly planning cycles. Whereas Whittington (2007) points out that these touchstones should be understood as guiding indicators for S-a-P studies, not as static rules, they provide an accommodating framework for designing and carrying out S-a-P research.

Common S-a-P research themes address questions such as: "How and where is strategizing and organizing work actually done?"; "What are the common tools and techniques of strategizing and organising and how are these used in practice?"; and "How is the work of strategising and organising organised itself"? (Whittington, 2003, pp. 119-121). Taken as a whole, the interest of the S-a-P agenda could be summarised in the question: "What strategising work gets actually done; where by whom and how?" Thus, the following subsections (2.5.1 - 2.5.5) develop and formulate theoretical propositions along these research priorities and are based on the discussed S-a-P touchstones.



### 2.5.1 The Strategising Locus Proposition

If strategising activities are important in everyday strategy praxis, it is of relevance to understand what these activities are, where they take place and what the roles of the subsidiary and other MNC units are.

As discussed earlier, the understanding of MNCs and their subsidiaries has been considerably influenced by Ghoshal and Bartlett's network approach (Bartlett & Ghoshal, 1989; Ghoshal & Bartlett, 1990). Within developed MNCs - especially if they carry the characteristics of what was depicted earlier as a transnational corporation - subsidiaries tend to have not only relations with one MNC unit such as the corporate headquarters but with various parts of the MNC network. Such subsidiaries receive knowledge and provide knowledge (Gupta & Govindarajan, 1994; Harzing & Noorderhaven, 2006; Kogut & Zander, 2003; Orlikowski, 2002); hence, are in a give-and-take situation. Examining activities related to the creation and development of strategy, Regnér (2003) found - based on a longitudinal case study - that these strategising activities occur in both the centre and the periphery of corporations, whilst the process is different within the two units. Strategy making in the periphery tends to be inductive, including activities like trial and error, as well as experiments, whereas strategy making in the centre is more deductive involving activities like planning, analysis and formal intelligence. Interpersonal relationships between different MNC units which can be developed through networking mechanisms such as joint work in teams and meetings have positive effects on both subsidiary-headquarters and inter-subsubsidiary communication (Ghoshal et al., 1994).

It is widely acknowledged that a peripheral perspective is beneficial because subsidiaries and divisions are closer to their customers and markets than the corporate centre. However, Raynor and Bower (2001) emphasise that the corporate headquarters must play an active role in defining the scope of division-level and country strategies. On the other hand, Kim and Mauborgne (1993) argue that subsidiary top managers are the key determinants in global strategy execution. Overall, the degree of central involvement and the extent to which intended strategies get implemented in the intended form in a MNC subsidiary have been controversially discussed, but there is little evidence that MNC subsidiaries should be neglected in the process of strategising (Brock & Barry, 2003; Goold & Campbell, 2002; Harzing et al., 2002; Markides, 2002; Mintzberg & Waters, 1985; Quack, 1995). Describing the ways in which senior executives, divisional managers, and country managers play a role in the execution of a company's strategy, Bower & Gilbert (2007, p. 74) argue that: "how

business *really* gets done has little connection to the strategy developed at corporate headquarters." Their observation is that strategy is crafted and implemented, step by step, as managers at all levels of a company commit resources to policies, programs, people, and facilities.

Drawing on strategy implementation research (Govindarajan, 1988; Hrebiniak, 2006; Nutt, 1987, 1989), it can be argued that most forms of strategy implementation require interaction between different strategising actors in different parts of a dispersed multinational organisation.

The challenge for MNCs is to encourage local strategy implementation based on specific cultures and environments throughout the network of subsidiaries, while maintaining global coherence (Hong Chung et al., 2006; Vora et al., 2007) and subsidiary entrepreneurship (Birkinshaw et al., 2005; Boojihawon et al., 2007).

Having presented the argument that the strategising praxis of putting an intended corporate-wide strategy into action is an activity that is embedded in subsidiaries, while likewise requiring interactions of the subsidiary with other units of the multinational organisation, the following proposition emerges.

#### Theoretical Proposition # 1:

The work of implementing a corporate-wide external growth strategy in an MNC subsidiary requires strategising activities of the subsidiary but also interaction of the subsidiary with other units of the multinational network.

### 2.5.2 The Strategising Actors Proposition

Closely related to the "where" of strategising praxis is the question of "who" the strategising actors are. Whereas traditional strategy research is primarily concerned with top management and their role, it is increasingly acknowledged that strategising involves more than mere top management decisions combined with a rigid implementing process (Floyd & Lane, 2000; Grant, 2003; Whittington, 2006a). Drawing on strategy process research, it can be argued that the practical strategising process is not only influenced by formalised top-down planning but also by the social and political behaviour of various management levels (Chakravarthy & Doz, 1992; Costanzo & Tzoumpa, 2009; Johnson, 1987; Mintzberg, 1994; Pettigrew, 1985, 1992).

In large multinational organisations the strategising process seems to be carried out by a mix of top-down, middle-up, middle-down and bottom-up activities and their respective actors (Chakravarthy & White, 2002; Denis et al., 2007; Floyd & Lane, 2000). Analysing the concepts of "top-down" and "bottom-up" management based on interaction and information flow, Nonaka (1988) particularly recognises the key role of middle managers. Top-down management emphasises the process of implementing and refining strategies made by top management as they are transmitted to the lower levels of the organization. In contrast, bottom-up management emphasises the influence of activities coming up from lower level actors. Whereas these are two distinct approaches, Nonaka (1988) argues that in practice, often a central role is assigned to middle managers who actively resolve the contradiction between the visionary, but abstract, concepts of top management and the experience-grounded concepts originating from lower level actors. To illustrate this phenomenon he coined the phrase "middle-up-down management".

Likewise, in situations of strategic change and restructuring, middle managers are found to be key actors having a significant impact on the realised outcome of change (Balogun, 2007; Mayer & Smith, 2007). However, in terms of strategy formation, Hodgkinson et al. (2006) argue that strategy workshops typically do not include middle managers but rather reinforce elitist approaches to strategy development - which is a course of action that can lead to dissatisfaction among middle managers (Westley, 1990).

Yet, other research has found that middle managers modify the implementation of deliberate strategy by drawing upon features of inner and outer context of the organisation and by questioning strategy content (Balogun & Johnson, 2005; Currie, 1999; Mintzberg & Waters, 1985). In particular, lateral social interactions of middle managers are a significant element for middle managers when shaping strategic change (Balogun & Johnson, 2004). For multinational organisations, the role of managers at different levels – not only top executives at the corporate headquarters - is essential as these managers guide the global deployment of strategy (Almeida & Phene, 2004; Boojihawon et al., 2007; Kim & Mauborgne, 1993). Bartlett and Ghoshal (2003) identify three different groups of middle managers that are relevant for strategy implementation within an MNC: business managers, country managers, and functional managers. Through a flexible management process, in which business, country, and functional managers provide different perspectives that balance one another, complex MNCs can manage their strategising processes (Bartlett & Ghoshal, 2003). In

particular, subsidiary managers are faced with complex strategising roles involving both the interests of the MNC and the subsidiary; requiring these actors to develop a dual organisational identification towards both entities (Vora et al., 2007).

However, an important conjecture of the S-a-P perspective is that the strategising praxis involves many different actors; embracing not only top and middle management but also a variety of other actors in lower management and operational functions (Jarzabkowski, 2005; Jarzabkowski et al., 2007; Whittington, 2006a). Accordingly, Bower and Gilbert (2007) argue that knowledge and power span organisational levels and actors at each level are likely to have an impact on strategy. Consequently, in praxis, strategising actions should take place across multiple levels from macro-institutional and competitive contexts to different within-firm levels involving various individuals (Jarzabkowski, 2004; Luff & Heath, 2009). Mantere's (2005) research confirmed that top managers, middle managers and operative employees are involved in strategising; however, he also found that the nature of strategising activities differs across different organisational levels. Whittington (2007) particularly emphasises that practitioners carrying out strategising activities are not only individuals but also have connections and relationships that need attention too.

Summarising extant research, it seems necessary to take a broad look at the community of strategising actors in order to get a detailed insight of the situated, concrete labour of strategising in an MNC subsidiary. Yet, it is important to focus on strategising action that is strategically relevant (Johnson et al., 2003; Whittington, 2003), to avoid observing "individuals flipping hamburgers" (Mantere, 2005, p. 158). Drawing on the previous discussion, the following proposition is developed.

#### Theoretical Proposition # 2:

The strategy implementation praxis of a MNC subsidiary involves strategising actors from various organisational levels who interact with each other.

### 2.5.3 The Strategy Meeting Proposition

While much of actual strategising work tends to be diffuse, a large part of it can be seen as taking place in more or less extended episodes or sequences of episodes (Hendry & Seidl, 2003; Whittington, 2006a). Hendry and Seidl (2003) draw on Luhmann's social system theory (Luhmann, 1990, 1995) and in particular on his concept of an "episode" as a sequence of communications structured in terms of its

beginning and ending. In this understanding, strategy episodes are the locus of strategising practice, offering occasions to structure, organise and implement strategy as well as to shape the future direction of an organisation and formulate strategy. These praxis episodes take place deep inside organisational processes and create the opportunity for practical strategising work (Whittington, 2006b). Typical examples of such an episode are ordinary strategy meetings, where the communication process is structured in terms of a beginning, an ending and during which the meeting conduct is an important element (Hendry & Seidl, 2003; Jarzabkowski & Seidl, 2006).

Practical strategising is a situated and concrete activity which takes place in form of activities such as the work in boardrooms, meetings or in front of computer screens (Pye & Pettigrew, 2006; Whittington, 2003), of which strategy meetings are arguably among the most prevalent means of how strategising is done in praxis (Hendry, 2000; Hodgkinson et al., 2006; Vaara et al., 2004). Strategy meetings are based on discourse practices which are a key theme in strategising praxis providing linguistic, cognitive and symbolic resources for interacting about strategy (Jarzabkowski, 2005). This study follows Hendry's (2000) broad understanding of discourse as any language-based communication, however organised. Thus, elements of discourse include formal and informal strategy meetings as well as written or verbal forms of communication.

Grant (2003) - examining the oil industry - found that since the mid-1990s, strategic planning systems became more informal with less emphasis on written documentation and formal presentations, therefore with more interest in open discussions and exchange of ideas. He identified a balance shift from a focus on formal analysis, forecasting and processes to a greater emphasis on communication, discourse and coordination. These findings are supported by other research which argues that strategising involves a myriad of discursive processes, transcending organisational and hierarchical boundaries; playing a central role in organisational strategising (Laine & Vaara, 2007; Vaara et al., 2004). Hodgkinson et al. (2006) found that workshops play an important part in strategic planning processes and that they rely on discursive rather than analytical approaches. Likewise, communication and discourse in the form of strategy meetings have repeatedly be found to be a major determinant in MNC subsidiaries, especially with regard to inter-network co-operation (Ghoshal et al., 1994; Gupta & Govindarajan, 1994; Harzing & Noorderhaven, 2006; Regnér, 2003).

Despite their pervasiveness and importance, in and for, strategising praxis, strategy meetings, "away days" or, similar strategising activities have attracted limited academic

attention (Jarzabkowski & Seidl, 2006). However, the findings of the research that exists consistently indicate that strategy meetings seem to be an influential means of strategising and managing change (Hodgkinson et al., 2006; Hodgkinson & Wright, 2002; Jarzabkowski & Seidl, 2006; Mezias et al., 2001; Rivkin & Siggelkow, 2006). Whereas the focus of most extant studies related to strategy meetings has been on developing and formulating strategy content, there has been little interest in the role of strategy meetings in implementing strategy. Yet, building on the argument that formulation and implementation are intertwined strategising activities (Baden-Fuller, 2006; Jarzabkowski, 2005; Pye & Pettigrew, 2006), strategy meetings should likewise be a key strategising component when putting strategy into action. Thus, it can be reasoned that strategy meetings are a crucial element of strategy implementation praxis, which is expressed in the following proposition.

#### Theoretical Proposition # 3:

Strategy meetings are used as a central strategising activity to put strategy into action in the strategy praxis of a MNC subsidiary.

#### 2.5.4 The Strategising Tools Proposition

Strategy research has traditionally used “static” nouns such as formulation and implementation, describing strategy as a sequential approach where step one is orderly followed by step two. However, as Whittington et al. (2006) argue, in an ever more dynamic environment there is less fit for static strategy processes. On the contrary, strategies must be continually adjusted to a changing environment; and thus strategising and organising become constant activities. Whittington et al. (2006) therefore reason that the mastery of strategising tools is increasingly important for the work of strategy practitioners. These strategy tools guide cognition and are amongst the most visible parts of strategy practices (Valmra et al., 2006). Whereas conceptually, strategy tools get considerable attention in both strategy literature and management praxis (Bea & Hass, 2005; Bowman et al., 2002; Hambrick et al., 1982; McCabe & Narayanan, 1991; Rigby, 2001; Rigby & Bilodeau, 2007), there has been little interest in how these tools are actually used by strategy practitioners. Yet, for S-a-P scholars, this perspective is of particular interest and Jarzabkowski (2005, p. 179) argues accordingly: “A particular focus that requires empirical investigation is what use practitioners make of strategy tools and frameworks provided from academic theory.” Whittington (2003, p. 121) asks the concrete question: “How do managers actually use such common-or-garden techniques as SWOT analysis, portfolio matrices or

organization charts?” He argues that tools such as PowerPoint strategy presentations and flipcharts must be mastered by practitioners and may shape strategy in unexpected ways (Whittington, 2007).

Whilst it is known that managerial tools are subject to management fashion and disseminate over time and across borders (Abrahamson, 1996; Abrahamson & Fairchild, 1999; McCabe & Narayanan, 1991), the concrete usage of strategising tools and techniques by strategy practitioners is a creative and improvisatory strategy praxis that gains meaning through particular contexts (Jarzabkowski, 2004). It is acknowledged that strategy tools developed by strategy scholars are used in praxis (Rigby & Bilodeau, 2007; Rigby & Gillies, 2000), but frequently these tools are used without reference to the original concept (Jarzabkowski & Wilson, 2006). Orlikowski (2000; 2007) draws the attention to the phenomenon that many times everyday strategising and organising practices are connected with the use of technology, arguing that organisational practices are not only “social practices” but “sociomaterial practices”. She provides examples such as using the internet search engine Google as a tool for information search (Orlikowski, 2007). Research by Fenton (2007) demonstrates how a tool such as process mapping, which visualises workflow processes and models the relationships between inputs and outputs, can play an essential role in managing and implementing strategic change.

Hodgkinson and Clarke (2007, p. 244) state that strategy practitioners are “... artfully engaged in a series of improvisatory performances, variously adapting existing practices, synthesizing new practices and, on occasion, introducing entirely new practices ...”. Similarly, Bowman et al. (2002, p. 37) argue that: “A significant feature of work in strategy has been the development of tools for analysis in the world of practice, with parallel development taking place in the world of academia.” Hence, it seems to be appropriate to assume that a variety of strategy tools developed by academia make their way to strategy praxis but might get altered by practitioners to meet their specific requirements, whereas practitioners also develop their own strategising tools and techniques. This reasoning is summarised in the following proposition:

**Theoretical Proposition # 4:**

Strategising tools used in praxis are a mixture of academia-designed resources and adapted or tailor-made resources developed by practitioners.

## 2.5.5 The Theoretical Proposition Framework

Building on the S-a-P perspective (Jarzabkowski, 2005; Johnson et al., 2007; Whittington, 2006a) and informed by the MNC-network approach (Bartlett & Ghoshal, 1989; Ghoshal & Bartlett, 1990), the strategising praxis of implementing a corporate-wide external growth strategy in a MNC subsidiary is argued not to be a strictly separated, meticulously rational management process. Rather than being purely formal and straight-forward, it is contended that putting strategy into action seems to be a social and political phenomenon, with different levels of strategising actors being involved, occurring within and across different units of the MNC and being influenced by, and making use of various day-to-day activities such as strategy meetings and strategising tools and techniques.

### Exhibit 6: The Theoretical Proposition Framework

(Source: Exhibit developed by author)

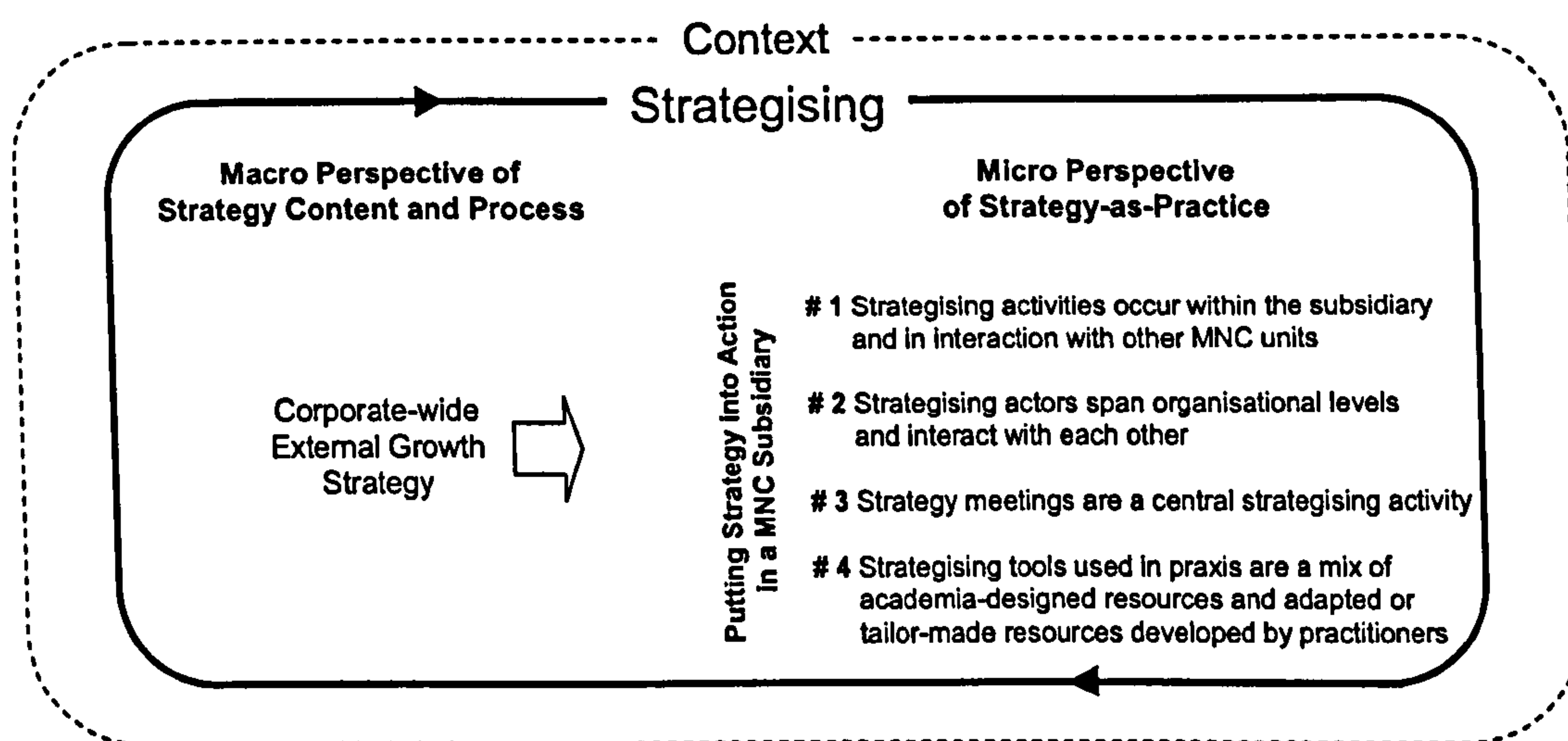


Exhibit 6 provides a framework that visualises the theoretical propositions developed in this chapter; relating the macro to the micro perspective of strategy. However, as indicated by the arrows in the circular line titled "strategising", this framework is not meant to be static and not trying to demarcate elements of strategy from each other. On the contrary, the strategising praxis of putting strategy into action is understood to be interwoven with the macro-related strategy perspectives of content and process; both – micro and macro -influencing each other (Jarzabkowski, 2005; Pye & Pettigrew, 2006; Rivkin & Siggelkow, 2006). Moreover, strategising praxis, including strategy implementation, takes place, in and is influenced by, a wider context that includes the institutional level (DiMaggio & Powell, 1983; Johnson et al., 2007), as well as the societal, political and economical environment (Chakravarthy & White, 2002; Whittington, 2007) which - in the case of MNC subsidiaries - is particularly related to



the respective country in which the MNC operates (Almeida & Phene, 2004; Ghoshal & Nohria, 1993; Rosenzweig & Singh, 1991). In exhibit 6 this “context-embeddedness” is indicated by the dotted line.

## **2.6 Conclusion**

In this chapter it has been discussed that strategic management theory is influenced by seminal works of early strategy scholars such as Penrose, Chandler, Ansoff and Andrews (Andrews, 1971; Ansoff, 1965; Chandler, 1962; Learned et al., 1965; Penrose, 1959). Whereas many of these early publications were based on qualitative, non-positivist research (e.g. Chandler, 1962; Penrose, 1959) strategic management became – largely influenced by Porter (1980; 1985) - dominated by positivist research paradigms and industrial organisation economics. Within this tradition, strategy research has been primarily concerned with the macro perspectives of strategy, focusing on top executives at the corporate centre, treating the formulation and implementation of strategy as subsequent activities and measuring economic performance as the standard dependent variable (Hoskisson et al., 1999; Mintzberg, 1990, 1994; Pettigrew et al., 2002; Spender, 1992). Two major research streams emerged in traditional strategic management research: strategy content research and strategy process research. Whereas content research focuses on attractive strategic directions and destinations, process research is concerned with choice and implementation processes, thus, treating strategy as a process rather than as a state (Bowman et al., 2002; Chakravarthy & White, 2002; Van de Ven, 1992).

However, both content and process research are primarily interested in the organisational level and less concerned with the actual strategising activities of practitioners (Johnson et al., 2007). In contrast, the emerging S-a-P research field focuses on strategising activities on a micro-level that did not attract substantial academic interest before. Embedded in a broader “practice turn” in social science (Bourdieu, 1992; Reckwitz, 2002; Schatzki et al., 2001), S-a-P is interested in what strategy practitioners really “do” (Paroutis & Pettigrew, 2007; Whittington, 2006a). S-a-P extends established strategy research: “... while the field of strategy has traditionally concentrated on the macro-level of organizations, it needs now to attend to much more micro-level phenomena. We propose an activity-based view of strategy that focuses on the detailed processes and practices which constitute the day-to-day activities of organizational life and which relate to strategic outcomes” (Johnson et al., 2003, p. 3).

Thus, the S-a-P perspective enlarges the group of actors that is understood to be relevant in strategizing going beyond the mere consideration of top and middle management. Likewise, it amplifies the role of strategising tools and it argues that strategy formulation and implementation are inseparable and intertwined strategising activities (Jarzabkowski, 2005; Pye & Pettigrew, 2006; Whittington, 1996, 2006a). Whilst the relatively young S-a-P perspective has its clear limitations, such as a limited amount of empirical studies that have been published so far, it provides a framework – based on strategy praxis, strategy practices and strategy practitioners (Hodgkinson & Clarke, 2007; Jarzabkowski et al., 2007; Whittington, 2006a) – that is useful for investigating the strategising praxis of strategy implementation in a MNC subsidiary.

Thus, this study is explicitly positioned with S-a-P theory. Its focus is to investigate the strategising activities of practitioners in a MNC subsidiary when putting a corporate-wide external growth strategy into practice. It is not focused on analysing whether external growth is an effective corporate strategy for multinational organisations.

As MNC theory suggests, multinational organisations are – especially if they follow a so-called transnational strategy – a complex network which includes headquarters and different national subsidiaries and in which the different units of the network interact with each other (Bartlett & Ghoshal, 1989; Ghoshal & Bartlett, 1990). Consequently, the MNC subsidiary has been conceptualised as a semi-autonomous entity with entrepreneurial potential, operating within a complex competitive arena, consisting of an internal environment of other MNC units and an external environment consisting of customers, suppliers and competitors (Birkinshaw et al., 2005; Rosenzweig & Singh, 1991). Even though subsidiary roles can - depending on international strategy and environment (Bartlett et al., 2006; Geppert, 2003; Gupta & Govindarajan, 1991; Harzing & Noorderhaven, 2006; Jarillo & Martinez, 1990; Perlmutter, 1969) - be substantially different, there is little doubt that both the centre and the periphery of an MNC play a role in strategising (Bower & Gilbert, 2007; Harzing et al., 2002; Johnson & Huff, 1998; Prahalad & Doz, 1987; Regnér, 2003). Hence, when implementing a corporate-wide strategy, interaction between different strategising actors in different parts of a dispersed MNC occurs (Kim & Mauborgne, 1993; Nutt, 1987). Yet, it is important to acknowledge that when the headquarters require a specified behaviour or action, subsidiaries will vary in their adoption response and might engage in responses such as acquiescence, compromise, avoidance, defiance and manipulation (Kostova & Roth, 2002; Oliver, 1991; Stensaker & Falkenberg, 2007). Thus, a subsidiary might

shape its response to strategic directions in a unique way to meet its own specific needs and interests (Bower & Gilbert, 2007; Kostova & Roth, 2002).

In connecting the S-a-P perspective with MNC theory while being interested in the praxis of putting strategy into action, this study examines an area that both S-a-P and MNC research have so far given little attention to. By linking S-a-P and MNC perspectives, a theoretical framework of four propositions has been developed that is grounded in extant research and provides the guidance for the remainder of this study. Within these theoretical propositions, it is argued that implementing a corporate-wide strategy occurs within the subsidiary, but also requires interaction of different MNC units; that putting strategy into action involves strategising actors of different organisational levels; that strategy meetings are a pivotal activity for realising strategy; and that strategising tools used in praxis are developed and shaped by both academics and strategy practitioners. Overall, this chapter has defined the scope of the inquiry and provided the relevant theoretical background on strategic management, S-a-P and MNC.

### **3 RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Introduction**

Having discussed the literature and developed theoretical propositions in the previous chapter, this chapter presents the overall research design of the study, as well as the methods of data collection and analysis. Since one of the most frequent weaknesses to be encountered in qualitative research is an insufficient account of the research procedures (Lee, 2001; Miles & Huberman, 1994) this chapter aims at providing detailed and transparent information about the methods and procedures used in the present study.

The chapter starts with section 3.2, which discusses the aims of the study, followed by section 3.3, which provides the overall research design of the study, briefly introducing the major methodological elements of the study which are discussed in more detail in the subsequent sections. Section 3.4 presents the philosophical underpinning of qualitative research providing the foundation for discussing the case study methodology in section 3.5. In section 3.6 details about the case selection are provided. Section 3.7 presents the methods of data collection and is followed by a discussion of the methods of data analysis (3.8). The chapter is concluded by considering validity, reliability and limitations of the study (3.9), discussing ethics and access (3.10) and providing summarising comments (3.11).

#### **3.2 Aim of Study**

Every research should state its scope and its objectives (Kuckartz et al., 2008). The overall aim of this study was to contribute to the S-a-P perspective by investigating how an intended corporate-wide external growth strategy is put into action at a local, subsidiary level. The study is concerned with explaining the actual strategising praxis of how a corporate-wide external growth strategy is implemented in an MNC subsidiary, focussing on strategising activities such as strategy meetings and tools, as well as being interested in formal and informal interactions and the roles of different strategising actors. As such, the study is not concerned with analysing the rationale or performance of strategies, but is, instead, interested in actual strategising praxis, practices and practitioners (Hodgkinson & Clarke, 2007; Jarzabkowski et al., 2007; Whittington, 2006a) of day-to-day strategy implementation. In other words, the study is less interested in the strategy-performance relationship examined in many traditional

positivist strategy studies than in the actual work and social interaction of strategy practitioners.

Much of the focus of this study is to understand what and how things related to strategy implementation are happening. Therefore, as common in case study research, the aim is to understand and explain different formal and informal strategising interactions, activities, tools and processes, rather than to establish fundamental laws (Carson et al., 2001; Hartley, 2004). Moreover, the study seeks to embed the research in the complex context of a MNC subsidiary, considering the internal environment of the multinational organisation, as well as the host country and institutional context (Birkinshaw et al., 2005; DiMaggio & Powell, 1983; Rosenzweig & Singh, 1991).

Accordingly, the study aimed to interpret the empirical evidence collected on the foundation of extant literature and in association with its context, in order to develop a starting point for additional or new theory (Eisenhardt, 1989a; Siggelkow, 2007). In particular, the study was guided by four theoretical propositions that have been developed from prior theory, each of which represented strategising elements related to putting an external growth strategy into action in an MNC subsidiary. Importantly, the study also aimed at identifying implications and recommendations for strategising praxis. The study allowed for new findings to emerge and did not limit the discussion to the theoretical propositions.

### **3.3 Research Design and Justification of Methodology**

Research design refers to the overall plan of relating a conceptual research problem to practicable empirical research (Ghuri & Gronhaug, 2005; Royer & Zarlowski, 1999). The present study is designed as an explanatory, cross-sectional single-case study using qualitative research methods of data collection and analysis (Eisenhardt, 1989a; Eisenhardt & Graebner, 2007; Mintzberg, 1979; Siggelkow, 2007; Yin, 2003b).

Consistent with methodological suggestions for S-a-P research (Chia & MacKay, 2007; Johnson et al., 2007) and coherent with its research aims, a case study approach was chosen. This research approach was preferred as, in case study research, phenomena are explored in depth and in context, allowing theory development to occur through systematic piecing together of detailed evidence (Eisenhardt, 1989a; Eisenhardt & Graebner, 2007; Hartley, 2004; Yin, 2003b). On grounds explicitly discussed in section

3.6, an important rationale for choosing a single-case approach was the unique access to the case organisation.

Case study research can be highly structured or very open, depending on the research questions and the amount of prior research that is available (Hartley, 2004; Silverman, 2005). The present study draws on a rather structured case study research approach (Eisenhardt, 1989a; Yin, 2003a, 2003b) locating the study in prior research and using theoretical propositions to guide the study. The purpose of this approach is to place the case study in an appropriate research literature, so that lessons from the case will more likely advance knowledge and understanding of the investigated topic (Yin, 2003a). Moreover, this structured research approach facilitated the data collection and analysis process, whilst helping to relate the findings to the literature (Eisenhardt, 1989a; Miles & Huberman, 1994; Perry, 1998; Yin, 2003b). Thus, a chain of evidence relating the initial research question with the case study conclusion could be established (Hartley, 2004).

Often case study research is only linked with exploratory research. However, case studies are also useful as an explanatory research strategy investigating “how” questions (Perry, 2001; Stake, 1995; Yin, 2003b). Accordingly, this case study is asking a “how” question and seeks to investigate how the strategising work of implementing an external growth strategy is actually done in a MNC subsidiary. The study takes a cross-sectional – not a longitudinal – approach as it investigates a particular phenomenon at a particular time (Saunders et al., 2003).

Whereas the research followed a structured research approach drawing on prior theory, the study is embedded in an interpretivist paradigm, using qualitative methods to investigate and understand the actors, actions and processes of putting strategy into action (Baumard & Ibert, 1999; Carson et al., 2001). The study emphasises the interpretation of strategising processes as they occur in their context because behaviour and processes are understood to be influenced by their context and - vice versa - influence their context (Lincoln & Guba, 1985).

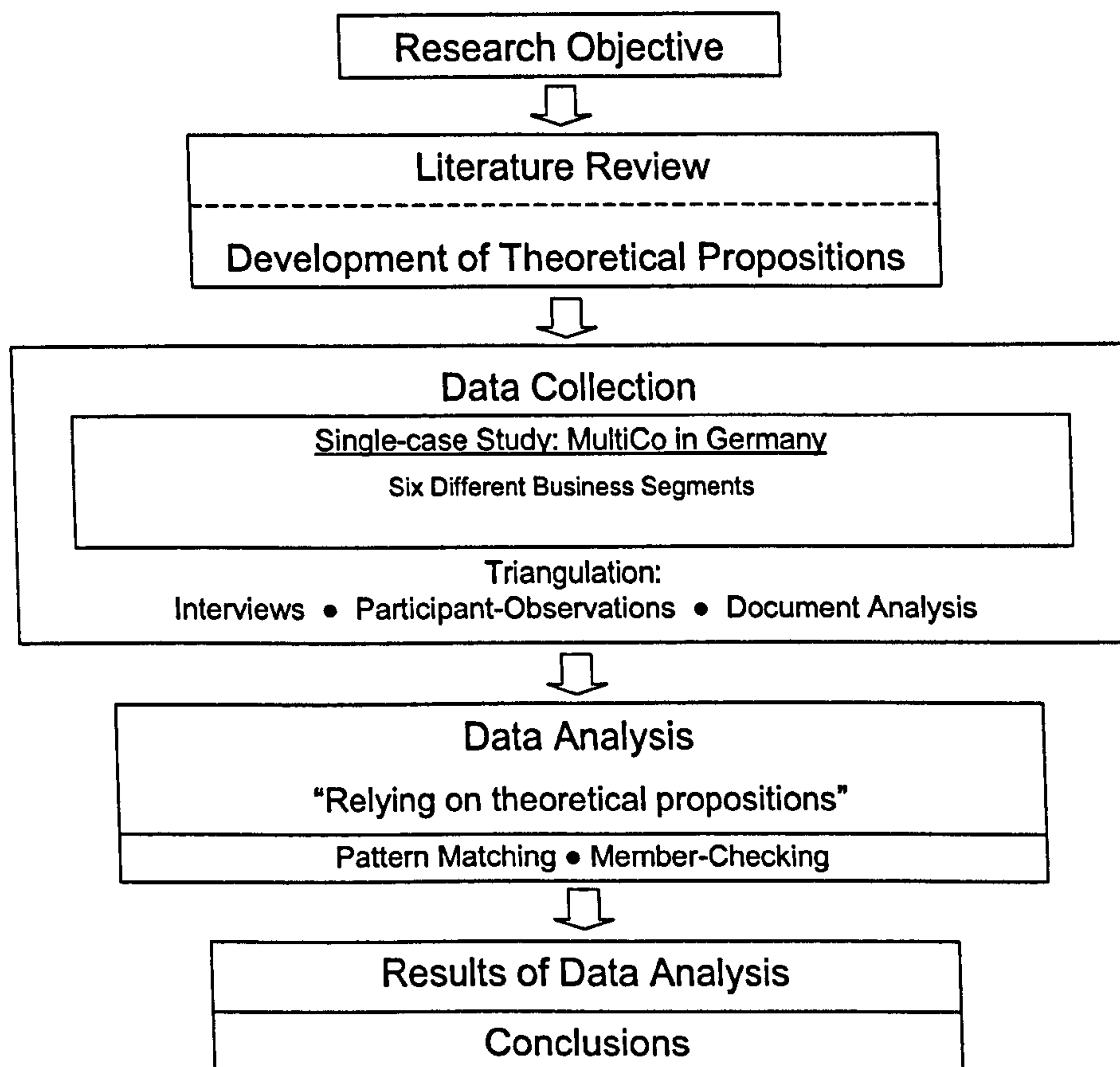
The data collection was based on semi-structured interviews, participant-observation and document analysis (see section 3.7), all of which are methods commonly used in case study research (Eisenhardt & Graebner, 2007; Patton, 2002; Yin, 2003b). In terms of data analysis, the analytic strategy of “relying on theoretical propositions” (Yin, 2003b, p. 111) was applied, aided by the use of NVivo 8.0, a computer software for

qualitative data analysis (Bazeley, 2007). In order to increase the trustworthiness of the study, the concept of triangulation was applied and measures such as “member-checking” have been included (see section 3.9).

The overall research design, depicting the logic that links the data to be collected and the conclusions to be drawn to the initial questions of study is presented in exhibit 7. The next section (3.4) will discuss the philosophical underpinnings of qualitative research before a more detailed account of the case study research method is provided in section 3.5.

### Exhibit 7: Research Design

(Source: Exhibit developed by author)



### 3.4 Philosophical Underpinning of Qualitative Research

Burrell and Morgan (1979) argue that every view on an organization is influenced by basic assumptions. Accordingly, Remenyi et al. (1998, p. 102) suggest that prior to undertaking any research activity, researchers should consider “...the epistemological, ethical and ontological assumptions of their research.” Thus - as this study is designed as a case study using qualitative methods and being based in an interpretivist paradigm - this section will discuss the underpinning of qualitative research, including a

consideration of the primary emphasis of both quantitative and qualitative research approaches.

This section will structure the discussion of philosophical underpinnings into three sub-themes, which are discussed separately even though they are largely intertwined and interrelated with each other. The three sub-themes are listed below; the fourth topic provides a brief summary.

- (1) Positivist and Interpretivist Research Paradigms
- (2) Deductive versus Inductive Approaches
- (3) Quantitative versus Qualitative
- (4) Summary

#### (1) Positivist and Interpretivist Research Paradigms

In terms of the philosophical underpinnings of research, two concepts - ontology and epistemology are widely considered (Burrell & Morgan, 1979; Creswell, 2003; Thiétart, 1999). Ontology is asking the basic question about the nature of reality. To a researcher, relevant ontological questions are whether the reality which is investigated is external to the individual and of objective nature or whether the investigated reality is a product of individual cognition (Burrell & Morgan, 1979). Complementarily, epistemology is the theory of knowledge and is interested in when and if it is acceptable to claim to know a particular fact. Essentially, ontology is concerned with reality and epistemology considers the relationship between that reality and the researcher (Carson et al., 2001; Silverman, 2005).

Related to ontology and epistemology, different research paradigms are discussed; the “classical” positivist paradigm which has its roots in natural sciences, as well as “non-positivist” paradigms which are related to a more subjective view of the world (Baumard & Ibert, 1999; Girod-Séville & Perret, 1999). The positivist paradigm is based on the ontological perspective that researchers can have an objective view on reality in conjunction with the epistemological belief that observers can be independent of the social situation they observe. Thus, positivism assumes that individuals have direct access to the real world and that it is possible to obtain hard, secure, and objective knowledge about a single external reality (Carson et al., 2001; Silverman, 2005). Positivism reflects the philosophy that causes probably determine effects and can be reduced to a small, discrete set of variables which can be tested through collecting measurable evidence in an objective reality. In positivism “... there are laws or theories



that govern the world, and these need to be tested or verified and refined so that we can understand the world”(Creswell, 2003, p. 7).

In contrast, a subjective view on reality, with an understanding that the observer socially interacts with the situation being observed, relates to non-positivist paradigms such as interpretivism and constructivism (Baumard & Ibert, 1999; Saunders et al., 2003). Whereas different non-positivist paradigms are discussed in the literature, this study draws on the understanding of Carson et al. (2001) who present interpretivism as a broad term that takes account of the most important characteristics of the research paradigm on the opposite side of the continuum from positivism. Interpretivism views all knowledge as a matter of interpretation, arguing that realities cannot be understood in isolation from their contexts (Lincoln & Guba, 1985). This stance assumes that individuals develop subjective meanings of their experiences, and that research should rely as much as possible on the participant view of the situation being studied (Creswell, 2003). Interpretivism argues that entities are in a state of mutual, simultaneous shaping, so that it is difficult to distinguish between cause and effects (Lincoln & Guba, 1985). Rather than explaining reality with limited variables, interpretivists aim at understanding a situation through exploring individual actors and their actions in a given social context. They argue that social phenomena are relative to each other, in contrast to positivist approaches which seek to isolate variables. Typically, interpretivist research is less focused on generalisation and abstraction (Carson et al., 2001; Miles & Huberman, 1994).

In summary, interpretivists focus their research on understanding what is happening in a given context, including the consideration of multiple realities, different actor's perspectives and the researcher's involvement (Carson et al., 2001; Lincoln & Guba, 1985). Girod-Séville and Perret (1999) argue that within this paradigm the reality will never be independent of the mind and consciousness of the person observing - the reality (object) is dependent on the observer (subject). Interpretivists are searching for meanings and understandings rather than for objective facts, providing models to understand situations but not in a mathematical sense (Patton, 2002; Remenyi et al., 1998). Thus, in general, non-positivists would argue that rich insights into complex situations are lost if positivists reduce such complexity to law-like generalisations (Lincoln & Guba, 1985; Saunders et al., 2003).

Within the S-a-P perspective, scholars ask for ontological and epistemological approaches that are different from traditional positivist strategy research, arguing that

S-a-P research requires an interpretivist paradigm (Chia & MacKay, 2007; Jarzabkowski, 2005; Johnson et al., 2007). For S-a-P research it is important to: "...'go out and look', i.e. find ways to capture such activity as it occurs so that it can be examined closely and understood" (Johnson et al., 2007, p. 52). Hence, the interpretivist's aim of understanding a situation in its context through exploring the activities of individual actors - rather than collecting quantitative data from distance - tends to be the preferred research paradigm of S-a-P researchers. Consequently, this study is located in an interpretivist paradigm.

## (2) Deductive versus Inductive Approaches

Typically, positivist research tends to be associated with deductive approaches and quantitative methods, whereas interpretivist research tends to be associated with inductive approaches and qualitative methods. The discussion whether research is deductive or inductive is intertwined with the question whether the research undertaking aims to be theory building (inductive) or theory testing (deductive) (Carson et al., 2001; Eisenhardt, 1989a). Theory testing occurs where an existing theory - often in the form of a hypothesis - is taken to guide research and is then tested. Hence, in deductive approaches the study develops a hypothesis or research question based on prior theory, and subsequently verifies whether the hypothesis can be substantiated by using empirical methods. An assumed strength of deduction is that it allows law-like generalisations similar to those in physical science. However, as deduction is based on existing theories and concepts, it is less likely to bring up findings that are entirely new to the area of investigation (Remenyi et al., 1998; Saunders et al., 2003).

In contrast, purely inductive studies are concerned with building theory without being based on prior research (Punch, 2006; Remenyi et al., 1998). Hence, inductive reasoning is a "bottom-up-approach" where the researcher moves from observation to theory, allowing the research to develop entirely new theories. The strength of an inductive approach is that it allows alternative explanations of particular phenomena and that it looks beyond the details of a situation to understand reality. An extreme form of induction is grounded theory, which generates theory only from the data collected (Glaser & Strauss, 1967; Strauss, 1987). In sum, induction might prevent the researcher benefiting from existing theory, whereas deduction might prevent the development of new and useful theory (Carson et al., 2001).

While case studies can be used to accomplish various aims such as providing description, testing theory, or generating theory, they mainly draw on inductive

approaches which aim at building theory and generating hypotheses rather than having the primarily focus on testing them (Eisenhardt, 1989a; Hartley, 2004). However, in practice it is unlikely that any researcher could genuinely separate the two processes of induction and deduction (Miles & Huberman, 1994; Perry, 1998). Therefore, Carson et al. (2001) suggest a balance of inductive and deductive elements in research, for instance by deductively deriving a conceptual framework from existing literature which may then be evaluated by means that allow for rich and new insights to emerge. Similarly, Ghauri and Gronhaug (2005) write that also non-positivist, qualitative research often departs from prior theory, developing assumptions that guide the study. Hence, also an interpretivist paradigm allows to develop a framework based on existing theory which helps to guide a study (Carson et al., 2001; Eisenhardt, 1989a). In line with this reasoning, the present study has adopted an interpretivist paradigm but is guided by theoretical propositions that are based on extant theory.

### (3) Quantitative versus Qualitative Research

As stated earlier, usually positivism is associated with deductive and quantitative research, whereas non-positivist paradigms tend to be associated with inductive and qualitative research. The most important differences which separate quantitative research from qualitative research are the discrete approaches taken in relation to the understanding and application of data collection and analysis methods (Denscombe, 2003; Silverman, 2005). Rooted in an objective, positivist tradition, the emphasis of quantitative research is typically on quantifiable observations that can be statistically analyzed (Ghauri & Gronhaug, 2005; Saunders et al., 2003). Surveys using standardized questionnaires and large sample sizes are a common data collection method used in quantitative research. Typically taking a deductive approach, most quantitative research is concerned with the measurable testing of a hypothesis.

In contrast, the evidence collected in qualitative research typically consist of words rather than numbers (Lincoln & Guba, 1985; Miles & Huberman, 1994; Strauss, 1987). Qualitative research prefers inductive approaches and small sample sizes. Unlike the fixed-choice questions prevalent in quantitative survey-research, qualitative research includes methods such as interviews with open-ended questions - allowing probing questions - aiming at gaining the fullest possible understanding of a specific phenomenon. A major feature of qualitative data is that it is collected in close proximity to the situation, with emphasis on the specific case and embedded in its context, rather than being collected from "distance" through mail or telephone (Miles & Huberman, 1994). Accordingly, qualitative data is concerned with meanings and the way people

understand things and should therefore provide a deeper understanding of social phenomena than purely quantitative data does (Denscombe, 2003; Silverman, 2005; Strauss, 1987). As a result, the opportunity of understanding latent, underlying, or non-obvious issues is stronger in qualitative research than in quantitative research (Miles & Huberman, 1994; Mintzberg, 1979). Moreover, one of the strengths of qualitative approaches is that they allow alternative explanations of particular phenomena.

Among the most frequent critique of qualitative approaches is that their findings are - due to a lack of statistical methods - less trustworthy and generalisable (Lincoln & Guba, 1985; Miles & Huberman, 1994). However, while qualitative research does not allow for statistical generalisation, it provides in-depth insights that might be used for “analytical generalisation” (Yin, 2003b). Section 3.9 provides a more detailed discussion with regard to external validity.

However, conducting a qualitative research project does not rule out the collection of quantitative data (Silverman, 2005; Yin, 2003b). There is a considerable number of scholars who advocate that the combination of qualitative and quantitative approaches can strengthen the research design of a study (Creswell, 2003; Tashakkori & Teddlie, 1998). Ultimately, the quality of a study is a question of the logic and coherence of the research approach, not whether a quantitative or qualitative approach has been taken (Royer & Zarlowski, 1999).

In line with its research objectives, the present study draws on qualitative research. While traditional strategy research is often concerned with establishing strategy-performance links on the basis of quantitative approaches, in S-a-P research the collection of in-depth and largely qualitative data is a central recommendation (Jarzabkowski & Spee, 2009; Johnson et al., 2007). Accordingly, the investigation of the social phenomena of strategising that S-a-P is interested in demands qualitative research methods that allow capturing complex and dynamic human interactions.

#### (4) Summary

Exhibit 8 summarises the philosophical underpinnings of research that have been discussed in this section. In theory, a positivist paradigm prefers a deductive approach, aims at theory testing and applies quantitative methods, whereas an interpretivist paradigm is associated with an inductive approach, theory building and qualitative methods. However, as has been indicated throughout the discussion, the different approaches cannot be understood as being fully separable. On the opposite, many

studies combine elements from both routes aiming at making use of the respective benefits of each method or approach. Consistent with the S-a-P perspective (Chia & MacKay, 2007; Jarzabkowski & Spee, 2009; Johnson et al., 2007) and its research objectives, the research design of this study lends itself to the right hand side of the rectangle presented in exhibit 8, being located in an interpretivist paradigm and using qualitative methods to allow an in-depth investigation of the complex social phenomena of implementing strategy in praxis. However, drawing on Carson et al. (2001) and Ghauri and Gronhaug (2005), the study develops a conceptual framework based on extant literature to guide the research.

### **Exhibit 8: Philosophical Underpinning**

(Source: Exhibit developed by author)

<p><b>Positivist</b>  <b>Deductive</b>  <b>Theory Testing</b>  <b>Quantitative Methods</b></p>	<p><b>Interpretivist</b>  <b>Inductive</b>  <b>Theory Building</b>  <b>Qualitative Methods</b></p>
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### **3.5 Case Study Research**

The previous section has discussed the philosophical underpinnings of research to provide the framework for the case study methodology. However, whereas much of the philosophical underpinning and many of the data collection and analysis methods commonly used in case study research are rooted in qualitative research, Yin (2003a) argues that - apart from the quantitative versus qualitative discussion – case study research has its own method and rationale. Even though a great many publications by qualitative researchers are written in the form of case studies (Stake, 1995; Strauss, 1987), the two notions “case study research” and “qualitative research” cannot be used interchangeably. In contrast, case study research can include qualitative as well as quantitative methods. As Hartley (2004, p. 332) argues: “... the key feature of the case approach is not method or data but the emphasis on understanding processes as they occur in their context.” Thus, this section aims to describe the case study methodology in more detail and will present the case study approach this research takes.

Case studies are widely used in organisational research and there is growing evidence that the case study research is a rigorous research strategy in its own right (Eisenhardt & Graebner, 2007; Gibbert et al., 2008; Siggelkow, 2007). Reinforcing this assertion, Rynes (2007) reports from an annual meeting of the Academy of Management in which

a workshop on qualitative and case study research was so well attended that the crowd overflowed outside the conference room.

Basically case study research has been described as the idea of studying one or more cases in detail, aiming at developing the fullest possible understanding of that particular case (Punch, 1998; Silverman, 2005). Yin (2003b) argues that the case study method allows retaining holistic and meaningful characteristics of real-life events such as managerial processes. In other words, case studies are rich empirical descriptions of particular instances of a complex phenomenon, typically based on a variety of data sources (Eisenhardt & Graebner, 2007; Kezar, 2006). Multiple sources of data – particularly if they can be used for triangulation – are frequently used in case study research to increase the trustworthiness of a study (validity and reliability are discussed in more detail in section 3.9). Usually drawing on interpretivist and qualitative research traditions, case studies typically have a particular emphasis on understanding processes as they occur in their context, because behaviour and processes are influenced by, and influence context (Gibbert et al., 2008; Halinen & Törnroos, 2005; Lincoln & Guba, 1985).

Whereas case study research can be associated with exploratory research, it can, likewise, be valuable as an explanatory research strategy investigating “how” and “why” questions (Perry, 2001; Stake, 1995; Yin, 2003b). Within explanatory case studies, operational links are investigated in detail (Yin, 2003b). Accordingly, this case study is asking a “how” question and seeks to explain how the strategising work of implementing an external growth strategy takes place in the actual strategising praxis of a MNC subsidiary. The case is explicitly located, examined and discussed in its context, both with regard to the internal MNC network and, likewise, with regard to the external environment of the subsidiary. Like other S-a-P and strategy process research, this study takes a cased-based approach (Balogun & Johnson, 2005; Pettigrew, 1992), using a single-case study design to capture contextual richness and complexity.

In the literature, case studies are often considered a forum for theory building rather than testing and have typically (but not exclusively) an inductive approach (Eisenhardt, 1989a; Hartley, 2004; Schwartz & Jacobs, 1979). However, single- and multiple-case studies have also been used for theory testing, with propositions being stated up-front (Bryman, 1988; Ross & Staw, 1993). Yet, as case studies are particularly useful for in-depth exploring and explaining complex social processes and behaviours as they occur

in their context, they are more frequently applied to generate hypotheses and build theory (Eisenhardt, 1989a; Gibbert et al., 2008; Hartley, 2004). Drawing on this strength of case research, the present case study focuses on theory building rather than on theory testing. The study examines the different aspects and discusses the causal associations related to the phenomenon of strategy implementation in a MNC subsidiary, resulting in an subsidiary implementation framework that is of interest to the particular circumstances of the case but likewise should allow analytical generalisation (Yin, 2003b). However, the study is not pursuing a grounded theory approach generating theory only from the data collected (Glaser & Strauss, 1967; Strauss, 1987), but bases its research on prior theory. Hence, the study aims at building a framework that is based on the examination and interpretation of the case evidence while being associated with existing research. By using this approach the study can extend previous research.

In case study research, prior theory can help to focus the data collection and analysis phases in the form of propositions that conclude the discussion of extant theory, providing a theoretical framework to guide the study (Perry, 1998; Yin, 2003b). Whereas the extent to which a case study uses prior theory may vary, in some phase of the case study theoretical frameworks need to be developed (Hartley, 2004). However, as a case study is ideally suited for the investigation of issues in depth and may follow leads into new areas or new construction of theory, "...the theoretical framework at the beginning may not be the same one that survives to the end" (Hartley, 2004, p. 328).

The present study aims to proceed with a well defined focus, allowing to collect and analyse the empirical evidence systematically. As the study is based on extant strategic management theory as well as on S-a-P and MNC theory (Bartlett & Ghoshal, 1998; Birkinshaw et al., 2005; Ghoshal & Bartlett, 1990; Gupta & Govindarajan, 1991; Jarzabkowski & Spee, 2009; Johnson et al., 2007; Mintzberg & Waters, 1985; Pettigrew, 1992; Whittington, 2006a), it draws on a structured case study methodology presented by Yin (2003a; 2003b) and Eisenhardt (1989a). Within this approach, the case study is located in prior research and develops theoretical propositions to guide the study. These theoretical propositions will be compared with the empirical evidence collected. The purpose of this approach: "... as in any other empirical study, is to place the case study in an appropriate research literature, so that lessons from the case will more likely advance knowledge and understanding of a given topic." (Yin, 2003a, p. 3). The study examines four theoretical propositions that have been derived from extant

theory (see chapter 2) and considers causal associations. As discussed, these propositions guide the study, both in the data collection and in data analysis phases. In the data collection phase, the propositions helped particularly to develop the interview and observation guides. In the data analysis phase the analytical strategy of “relying on theoretical propositions” (Yin, 2003b, p. 109) was pursued and the primary analysis technique was that of pattern-matching, comparing the patterns found with the propositions derived from theory (section 3.8 discusses data analysis in more detail). Thus, the study is in line with the suggestions for strategy research put forward by Montgomery et. al (1989), i.e. it is based on interviews and observations and uses theory to discuss and interpret the evidence collected.

Admittedly, this structured case study approach has some attributes of hypothesis-testing research and is therefore occasionally accused of neglecting the context and rich background of a case (Dyer et al., 1991). However, the structured approach helped to establish a chain of evidence relating the initial research question to the study’s conclusions while at the same time - due to the qualitative research methods applied - allowing for new constructs to emerge. Thus, the structured case study approach facilitated the data collection and analysis process and helped relate the findings to extant literature whilst considering the context and being sufficiently broad-minded to integrate emerging constructs (Hartley, 2004; Perry, 1998; Yin, 2003b).

Whereas the selected research design serves the research objective well and is in line with recommendations for S-a-P research, it needs to be recognised that case study research also carries limitations. Frequently case study research is critiqued on the grounds that a small number of cases can offer no foundation for establishing reliability or generalisability of findings. Moreover, due to the primarily qualitative evidence being collected in case research there is lack of statistical indicators such as regression analysis making it difficult to judge which are the most important relationships discussed in the findings and which tend to be idiosyncratic to this particular case (Eisenhardt, 1989a; Gibbert et al., 2008; Patton, 2002). Accordingly, it has to be acknowledged that even though different measures to address these limitations have been included, the findings only allow to expand and generalise theories (analytical generalisation) and offer no basis for statistical generalisations (Yin, 2003b).

Another prevalent critique of case research is that researchers find what they want to find and that the intense exposure to the case study organisation can bias the findings (Eisenhardt, 1989a; Hartley, 2004). The demands of working closely with a variety of



informants in an organisation require attention to the researcher's own behaviour and its possible effect on others, a phenomenon that is probably amplified by the fact that the researcher of this study is a senior manager of the case study company. To address these threats measures such as a rigorous case study protocol, a "member-checking" process and a "presupposition list" have been included (see section 3.9).

Summarising this section, the research approach of this study can be described as a cross-sectional case study approach using qualitative research methods and a variety of data sources, drawing on prior research and being guided by theoretical propositions (Eisenhardt, 1989a; Hartley, 2004; Yin, 2003b). The study aims to examine its research questions and issues within their context emphasising the study's interest in understanding strategising processes and activities as they occur in the social situations of actual strategising praxis. The findings of the study will not provide the basis for statistical generalisations, but provide conceptual insights in the form of analytical generalisations (Gibbert et al., 2008; Yin, 2003b).

### **3.6 Case Selection and Unit of Analysis**

After providing the theoretical foundations for case study research, the next two subsections will discuss the rationale of the case selection, in particular the justification for selecting a single-case approach, as well as the unit of analysis that has been chosen for this study.

#### **3.6.1 Case Selection and Rationale for Single-case Approach**

The objective of this subsection is to discuss the rationale for choosing a single-case study approach. Whereas in quantitative research the purpose of sampling is usually to study a representative subsection of a defined population in order to make inferences about the whole population, such sampling procedures are, however, unavailable in qualitative research (Eisenhardt & Graebner, 2007; Patton, 2002; Silverman, 2005). The objective of qualitative case study research is typically not to choose representative samples; or, as Siggelkow (2007, p. 21) states: "... to say something representative, you need to pick a different methodology." In qualitative case research the evidence is often derived from one or more cases which are chosen for different reasons than representativeness such as a unique access to the case (Silverman, 2005; Yin, 2003b).

For this study a purposeful sampling method was preferred as generalisation in a statistical sense was not one of the study objectives. In purposeful sampling a sample is selected from which a maximum can be learned (Miles & Huberman, 1994; Patton, 2002). The logic and power of purposeful sampling is derived from selecting information-rich cases that allow learning many details about the issues of central importance to the purpose of the study (Eisenhardt & Graebner, 2007; Patton, 2002). Silverman (2005) suggests that considering purposive sampling is one aspect of improving the generalisability of qualitative case study research. Drawing on Patton (2002, p. 234) the present study applied a purposeful sampling approach that used "intensity sampling", i.e. it selected a case that is a information-rich example of the phenomenon of interest, but not a highly unusual case.

Cases selected via purposeful sampling in case study research can be single cases (a single organisation) or multiple cases (a number of organisations). Whereas both approaches are applicable, multiple-case studies are frequently understood to be stronger than single-case studies (Eisenhardt, 1991; Ghauri & Gronhaug, 2005). However, similarly, the purposeful sample of a single-case can be appropriate (Costanzo, 2004; Dyer et al., 1991; Mintzberg, 1979; Punch, 1998; Yin, 2003b). As Siggelkow (2007) argues, single-cases can be interesting and convincing - even desirable - because the particular organisation might be very special in the sense of allowing to gain certain insights that other organisations would not be able to provide. Examples of influential studies examining a single organisation include Pettigrew's (1985) investigation of continuity and change at Imperial Chemical Industries (ICI). For S-a-P research single-case studies can be particularly valuable because they allow to understand in-depth the context-driven and socially influenced micro activities of actual strategising praxis in one organisation (Jarzabkowski, 2005; Johnson et al., 2003).

Likewise, Yin (2003b) argues that a single-case study can be an appropriate research design. He specifies five particular rationales - listed below - each of which can justify or even advocate the use of a single-case approach.

- Critical case
- Extreme or unique case
- Representative or typical case
- Revelatory case
- Longitudinal case

For this study the single-case approach was chosen for three main reasons. The primary reason is the unique access the researcher had to the organisation. Such an exceptionally strong access can make a single case interesting and powerful (Dyer et al., 1991; Eisenhardt & Graebner, 2007; Johnson et al., 2003; Siggelkow, 2007; Yin, 2003b). For the researcher as a senior manager of the case study company, the research allowed unusually deep research opportunities, which made the study qualify for what Yin (2003b, p. 42) calls a “revelatory case”. A revelatory case describes a case study situation where the researcher has the opportunity to investigate a phenomenon usually inaccessible to scientific investigation.

Whilst doubtlessly other MNC subsidiaries also allow access to researchers, it was the extraordinary depth and breadth that was viable in this case that made the single-case approach particularly interesting. With the researcher being a practitioner of the case study organisation this research allowed an exceptionally strong collaboration between academia and practice which is often argued to be a promising approach to management research (Amabile et al., 2001; Mintzberg, 1979; Mohrman et al., 2001).

Particularly in S-a-P research, it is almost inevitable to engage practitioners in some way. Accordingly Johnson et al. (2007, p. 78) argue that: “If we take the practice turn in its most literal sense, we need to consider the possibility that in-depth knowledge of a practice can only be properly acquired by participating in it ... This argument leads us to consider whether the best way to capture such knowledge might actually be to become a practitioner.” Thus, through the single-case approach combined with the researcher being a practitioner of the case organisation, the study provided a unique opportunity of exploring the social actions of strategising as they occur in practice and in context.

A second aspect of Yin’s (2003b, p. 41) list of arguments that justified the single-case approach for this research is that of the case being a “typical case”. A “typical case” is an organisation that is assumed to be similar to other organisations of its kind (Yin, 2003b). Within this study, the single-case being investigated has a corporate structure that tends to be prevalent among MNCs. With its divisional structure and worldwide subsidiaries, the characteristics of MultiCo are arguably similar to that of many other diversified, multinational corporations (Ghoshal & Bartlett, 1990; Sawhney, 2001). Thus, as MultiCo’s organisational structure carries elements that tend to be typical for many MNCs, the findings of this single-case research might be informative for other multinational enterprises.

Moreover, as a third rationale, MultiCo constituted an interesting case to investigate as MultiCo pursued a corporate-wide external growth strategy which – due to its focus on small and local acquisitions – requires particularly the strategising involvement of subsidiaries. This particular setting made it possible to in-depth insights on how a corporate-wide strategy is realised in a subsidiary environment.

As has been discussed in the last section, a major critique of case study research is that the small number of cases make a case study not suitable for statistical generalisations; a limitation that certainly is true for single-case research (Dyer et al., 1991; Eisenhardt, 1989a; Patton, 2002). However, statistical generalisation was not intended in this study. In contrast, the study aimed at providing a rich background and deep insights into the organisation which was only possible with an exceptionally strong access to the organisation and its actors. The limitations of single-case study research as associated with issues of validity and reliability have been addressed in the research design by including provisions such as a process of member-checking and a comprehensive case study protocol. However, limitations of single-case research clearly exist and are discussed in more detail in section 3.9.

In summary, it can be argued that for the research objectives of this study and the methodological suggestions of S-a-P research, the purposeful sampling approach using a single-case study was beneficial and justified for this study. The case study company was chosen for three main reasons. Firstly, the exceptionally good access the researcher had to the organisation helped to make the research revelatory, interesting and valuable, allowing to gain in-depth insights that other methodological approaches would probably not have been able to provide (Dyer et al., 1991; Johnson et al., 2003; Siggelkow, 2007; Yin, 2003b). Secondly, as MultiCo's corporate structure is similar to that of other MNCs, the study examined a "typical case" (Ghoshal & Bartlett, 1990; Jarzabkowski, 2005; Sawhney, 2001; Yin, 2003b). Thirdly, MultiCo provided an interesting research opportunity as the corporation pursues a corporate-wide external growth strategy which - due its focus on small and local acquisitions - requires a strong strategising involvement of subsidiaries. Hence, the unique opportunity of analysing a single organisation in great breadth and depth was seen to outweigh the limitations of single-case research.

### 3.6.2 Unit of Analysis

Related to the selection of a case is the framing of the unit of analysis. The unit of analysis refers to the level of aggregation of the data collected during the data analysis stage; or, in the words of Yin (2003b, p. 22) to "...what the 'case' is...". Possible units of analysis include single individuals, various forms of social entities, as well as particular events. Sekaran (2003) differentiates between five units of analysis: individuals, dyads, groups, organisations and cultures. Thus, the unit of analysis describes which level the study is interested in. One important gain of defining the unit of analysis is to distinguish the immediate interests of the case study from the context of the study (Shrivastava, 1987; Yin, 2003b).

As expressed in the research objectives of the study, this research desired to study the strategising work of implementing an external growth strategy in an MNC subsidiary. Accordingly, the unit of analysis is the subsidiary of a multinational organisation. The investigated single-case is MultiCo in Germany, a wholly owned and fully integrated subsidiary of the diversified multi-technology company MultiCo, which is publicly listed and headquartered in the USA. MultiCo's German subsidiary consists of six large business segments all of which serve different markets as well as various staff functions such as finance and human resources.

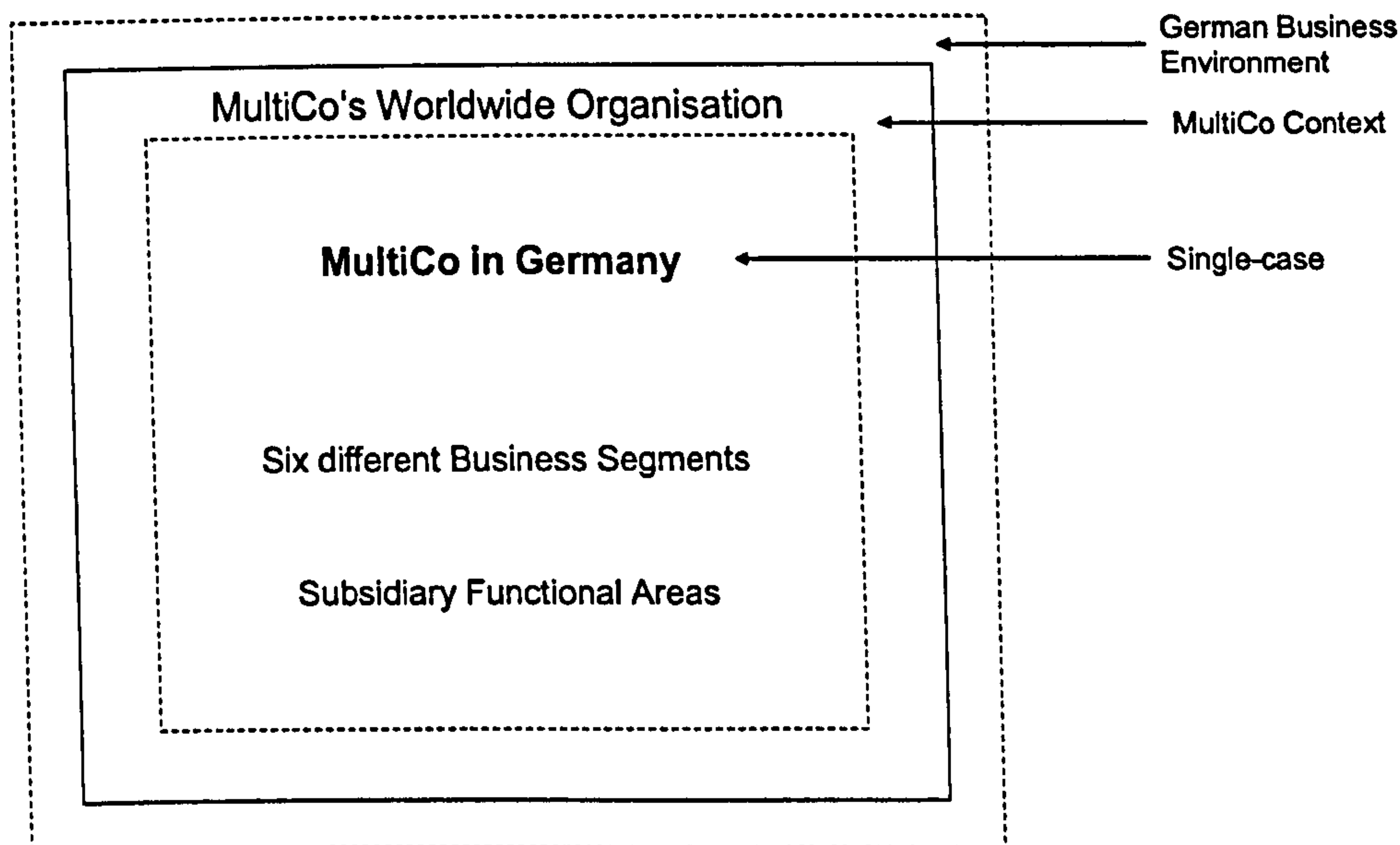
Whereas the unit of analysis is the organisation of MultiCo in Germany, the study draws on the S-a-P perspective and is primarily interested in the activity level of this organisation, i.e. the actual strategising activities of strategising actors (Chia & MacKay, 2007; Johnson et al., 2007; Whittington, 2006a). The study aimed to understand the *how* of strategising and discusses how the actual strategising work of strategy implementation in an MNC subsidiary is done in praxis. Thus, this study was interested in the activity perspective of strategy that has been the focus in many S-a-P studies such as Paroutis and Pettigrew's work on strategy teams (2007) or Regnér's (2003) investigation on how managers create and develop strategy in practice.

MultiCo's worldwide organisation outside Germany - i.e. the global network of the MNC (Ghoshal & Bartlett, 1990) - provides the context of the case but is not considered the unit of analysis. In addition, the German business environment is understood to provide the context of the study. Hence - as a study's context has a relevant influence on case study research (Lincoln & Guba, 1985; Yin, 2003b) - the contextual aspects are discussed in chapter 4. In carrying out the study, the research focused on the unit of analysis but also returned to the context of the study in order to increase the

understanding of the phenomenon under investigation. Exhibit 9 presents the unit of analysis and the related context of this study.

### Exhibit 9: Unit of analysis

(Source: Exhibit developed by author)



## 3.7 Methods of Data Collection

After providing the relevant background of single-case research, this section is concerned with the methods of data collection. Whereas the research design provides the overall plan for relating the research objective to practicable empirical research, the methods of data collection specify how the evidence is gathered. The evidence collected in the present study consisted of interviews, observations and documents. This section will discuss in subsection 3.7.1 the preparations performed for the data collection phase, while subsection 3.7.2 will consider the different methods of data collection.

### 3.7.1 Preparation of Data Collection and Data Management

Due to the multi-methods frequently used in case study research, a preparation for the data collection process is necessary to gather valid and reliable data. As in quantitative research, case study research needs to apply a rigorous research design, identifying research questions and develop well-designed instruments such as interview guides (Lee, 2001; Spiggle, 1994). Therefore, a systematic data management in terms of data collection and documentation of proceedings is particularly important in case study research that builds on qualitative methodologies (Miles & Huberman, 1994).

A case study protocol is frequently recommended as an effective way of addressing the challenges of data management and increasing the reliability of case studies (Perry, 1998; Yin, 2003b). Case study protocols contain instruments such as interview guides, but also organise the general procedures and documentation of the evidence. Moreover, case study protocols are a prerequisite for allowing other researchers to repeat the case study and therefore strengthen the reliability of the study (Gibbert et al., 2008; Yin, 2003b).

Consequently, this research used a case study protocol covering the elements presented in exhibit 10, structuring and documenting the procedures followed in the study. Even though the case study protocol was dynamic and changed deliberately over the course of the research, the protocol was valuable to develop the research evidence systematically. It was useful to make explicit the propositions being explored, the data to be collected, the methods used and the informants involved, the time periods and the respective organisational settings (Yin, 2003a, 2003b). The case study protocol was informed by the theoretical proposition framework, which assured that the data collection involved converging lines of inquiry and triangulation of the evidence (Yin, 2003a). It also helped the researcher to run through the entire data collection process without being tempted to come to premature conclusions being based upon particularly vivid or strong evidence. Whereas the data collection periods overlapped, in general, it started with collecting documentary evidence and was followed by conducting the interviews and observations. The use of this approach made it possible to use emerging themes as input for subsequent data collection.

However, even though orderly procedures are necessary in case studies a common feature of qualitative case study research is also the overlap of the different methods data collection and analysis, which has also been the case in this study. Moreover, whilst this study followed a systematic data collection process it also included ad hoc and opportunistic data collection (Hartley, 2004; Miles & Huberman, 1994).

Drawing on advice from Denscombe (2003), all evidence that was collected was identified with a unique serial number and filed accordingly. For instance, the interview data collected from the 14 interviews was numbered from 1.1 to 1.14. This allowed the researcher – when analysing the data – to return easily to the points in the data which were of interest and make the material available for reference. Field notes, as a running commentary to the researcher himself, were taken as they compel the

researcher to reflect and document whatever impressions occur in the research, involving both data collection and analysis (Denscombe, 2003; Lincoln & Guba, 1985). Overall, the case study protocol served to collect, label, edit and organise evidence from all sources and was the central resource to enable a systematic analysis phase. The qualitative data analysis software NVivo 8 helped to organise the data.

### Exhibit 10: Case Study Protocol

(Source: Exhibit developed by author)

<b>Case Study Protocol</b>
<b>A. Introduction</b>
1. Study Objective
2. Theoretical Propositions
3. Case Organisation and Context
4. Data Collection Schedule
<b>B. Data Collection</b>
1. Interview Guides and Protocols
2. Observation Guides and Protocols
3. Documentary Evidence
<b>C. Data Analysis</b>
1. Codebook

#### 3.7.2 Interviews, Observations, Documents

The methods of data collection used in the present study will be discussed in more detail within this subsection. As has been argued, using multiple methods of data collection is a widespread approach in case study research and allows multifaceted perspectives on the phenomenon investigated (Carson et al., 2001).

The inclusion of multiple sources – typically referred to as triangulation – aims at making the findings of the study more convincing and accurate (Eisenhardt, 1989a; Silverman, 2005). Using complementary methods of data collection the research benefits from the different advantages of the different methods applied (Baumard & Ibert, 1999). However, only collecting information from multiple sources aiming at the same fact is “real triangulation”; thus, triangulation needs to demonstrate that propositions are supported by evidence gained in different ways, from different informants, or in different situations (Ghauri, 2004; King, 2004; Yin, 2003b).

Basically this study used three data sources. Firstly, interviews conducted with different hierarchical levels of employees of the case organisation, all of whom were somehow involved in strategising efforts related to external growth; secondly, observations of strategising discussions as they took place in particular meetings, and thirdly, documentary evidence.



Whereas the data collection periods for the three different sources of data overlapped, the first data that was collected was the documentary evidence, followed by conducting the interviews. As a last phase of the data collection the observations were carried out. This approach made it possible to use emerging themes from the early data collection phases as inputs for subsequent data collection.

As a general principle, the data collection searched broadly for an array of evidence; looking for and taking into account both disconfirming and confirming data (Hartley, 2004; Yin, 2003b). All three sources of evidence are subsequently discussed.

## **Interviews**

Interviews are the most common method of data gathering in qualitative research and aim at finding out the opinion of an interviewee and understanding how and why the interviewee has this particular perspective (Denscombe, 2003; King, 2004). Particularly in case study research investigating praxis-related strategy phenomena, interviews are often used as the primary and most important data source (Eisenhardt & Graebner, 2007). This research used qualitative research interviews, which are preferred when examining topics in which different levels of meanings need to be explored (King, 2004).

As this research was interested in depth rather than breadth of understanding, it preferred a smaller number of semi-structured interviews over static, pre-defined interviews with a larger number of respondents. The sources were 14 semi-structured interviews with individual respondents, conducted over a period of eight months. Within semi-structured interviews, the interviewer has a clear list of issues to be addressed but gives the respondent the flexibility to develop ideas and speak more widely on the issues raised (Denscombe, 2003). In terms of a classification of qualitative interviews, this study took a realist approach (King, 2004; Silverman, 2005), using information-seeking questions that were followed up with probes to explore the interviewees' views and experiences in more depth.

The next paragraphs discuss the interview approach and procedures in more detail and are organised around the following headings:

- (1) Interview Guide and Preparation
- (2) Interviewees
- (3) Interview Scheduling and Field Procedures
- (4) Consideration of Limitations
- (5) Interview Protocol

## (1) Interview Guide and Preparation

As the quality of the information obtained during an interview is largely dependent on the interviewer (Patton, 2002), particular emphasis was given to the interview preparation. As the researcher had been involved in many interviews and focus groups throughout his professional career, the necessity to prepare the interviews intensively was well understood. Of particular value for the final interviews were two pilot interviews which were carried out to test potential interview questions and to provide preliminary insights into strategy implementation practice. During the pilot interviews it turned out to be useful to have broad, open-ended questions that allow the interviewees to cover the topics with their own words and surface their own thoughts. However, the pilot interviews also showed that the researcher needed to structure the interview to ensure that it covered all relevant topics.

Thus, the study used an interview guide approach in which a list of issues guided the interview to make sure that all relevant topics were covered with each person interviewed, while allowing to let areas emerge that were not anticipated when compiling the guide. An interview guide approach is useful to uncover motivations, beliefs, attitudes and feelings of individual respondents (King, 2004; Kvale, 1983), thus, it helped to understand the research topic from the perspective of the interviewee. The topics of the interview guide were directly related to the research objectives and based on the theoretical propositions. Moreover - as much of the documentary evidence was collected prior to the interviews - themes that were emerging from documentary evidence could be incorporated into the interview guide questions.

Exhibit 11 displays how each question of the interview guide is directly linked to the study's objectives and theoretical propositions. The interview guide used different types of questions. On the one hand, broad questions which focused on being responsive to the interviewee and avoid presuppositions were used, on the other hand more narrowly defined questions which aimed at focusing the interviewee on specific topics were applied. As probing questions can be used to motivate interviewees to expand on, clarify, or explain their answers (King, 2004; Malhotra, 2007; Patton, 2002), they were used to increase the richness and depth of the responses. Appendix A presents the full interview guide including potential probing questions that have been developed prior to the interviews. Not all of these probing questions have been used in all interviews but the exercise of developing potential probing questions up-front was a valuable preparation for the interviews. However, spontaneous probing questions were also used extensively during the interviews.

14 face-to-face interviews with strategising actors from different businesses and functions, different hierarchical levels and with different roles and responsibilities were carried out. The interview guide questions are presented in exhibit 11. After briefly explaining the research background, the interviewer engaged the informant in a short “warming-up” discussion about the interviewee’s general understanding of “external growth” in order to get the interviewee sensitised to the area of research. Subsequent to this discussion, a question was asked about the position and responsibilities of the interviewee. The following part allowed the interviewees to talk about their immediate thoughts related to MultiCo’s general external growth strategy. Then a series of questions were asked about how the strategy was transformed into action, in which parts of the organisation and how the practical work of strategy implementation takes place, who actually does the work of strategy implementation, how strategy meetings are used in praxis and how tools, techniques, procedures and activities are used for putting strategy into action. The interviewees were then asked about their recommendations for improving strategy implementation. Before concluding the interview with demographic questions about age and MultiCo tenure, the interviewees were asked if they might have any final comments with regard to the praxis of strategy implementation that had not yet been covered. At various interviews, documentary data in the form of reports, presentations or strategy tools could be collected to complement the interviews.

Immediately following each interview the researcher’s first impressions, general feelings, as well as possible observations about each interview were recorded in a special section of the interview guide. In the analysis phase subsequent to the interview - in situations in which some clarification or further elaboration was desired by the researcher - the researcher asked follow-up questions face-to-face, via phone or e-mail.

## Exhibit 11: Link of Interview Guide with Study Objectives and Theoretical Propositions

(Source: Exhibit developed by author)

Question No.	Interview Guide Question	Conceptual link to study, in particular to Theoretical Propositions (TP)
Brief explanation of research background and short "warming-up" discussion about the interviewees' general understanding of "external growth" to sensitise for the area of research		
1	Please describe briefly what your responsibility is	Context
2	What first and spontaneous thoughts come to your mind when you think about MultiCo's external growth strategy?	Overall research objective
3	How is the corporate-wide external growth strategy transformed into subsidiary action?	TP # 1 to TP # 4
4	In which parts of the organisation is the practical work of implementing the external growth strategy actually done?	TP # 1
5	Who is actually doing the practical work of implementing the external growth strategy?	TP # 2
6	How are strategy meetings used for implementing the external growth strategy in praxis?	TP # 3
7	What are the practical tools, techniques, procedures and activities used in the actual day-to-day praxis of implementing the external growth strategy and how are they used?	TP # 4
8	What would be your recommendations to improve the processes and activities of putting the external growth strategy into action?	Implications for practice
9	Would you like to make any final comments about the processes and activities of putting the external growth strategy into action, in particular something you feel to be important which might not have covered so far?	Overall research objective
10	For how long have you been working for MultiCo?	Demographics
11	Is there any material to collect for the documentary evidence?	Triangulation

### (2) Interviewees

The interviewees were purposefully chosen to include various strategising actors associated with implementing the external growth strategy at MultiCo in Germany. Whereas in much management research top managers are the predominant informants, Macdonald and Hellgren (2004) argue that middle and operational-level managers may be better informed and more knowledgeable in a variety of topics. This is consistent with the S-a-P perspective's interest in the actual doing of strategy which considers strategising practitioners to span across different hierarchical levels of an organisation (Jarzabkowski et al., 2007; Whittington, 2006a).

Consequently this study interviewed not only senior managers from different businesses and functions, but also a variety of individuals from different hierarchical levels with different roles and responsibilities. The interviewees included different business heads from different MultiCo business segments in Germany. These business heads are called "Business Segment Director" (BSD) and they are members of the subsidiary operating committee (SOC) which is the senior leadership team of MultiCo in Germany. In addition, the managing director and managers from relevant functional areas were interviewed. Moreover, line managers and actors from lower managerial levels being involved in strategising were interviewed. Overall, six senior managers,

five middle managers and three operational-level managers were interviewed; Exhibit 12 provides an overview of the interviewees and their respective responsibilities.

### Exhibit 12: Interviewees

(Source: Exhibit developed by author)

Function of Interviewee	Number of Interviewees	Responsibility
Managing Director	1	General Manager in charge of the strategic direction of the subsidiary. Head of the German subsidiary operating committee.
Business Segment Directors	4	Senior managers each being responsible for one business. In charge of developing and executing the strategic plan for their respective business (including external growth). Members of the German subsidiary operating committee.
Corporate M&A Leader	1	Senior Manager in charge of the overall external growth strategy for MultiCo Germany. Member of the German subsidiary operating committee.
Business Development Managers	3	Middle managers in charge of external growth for a particular businesses segment.
Strategising actors	5	Middle and operational-level managers from line management and staff functions involved in implementing the external growth strategy.
Total	14	

The interviews spanned different age groups and different MultiCo tenures. The youngest interviewee was 32 years old, the oldest 63 and the average age was 48. In terms of MultiCo tenure, the lowest was 4 years, the highest was 39 years and the average was 19 years (see Appendix B for more details) The collective MultiCo tenure of all interviewees together accounted for a total of 263 years of experience.

#### (3) Interview Scheduling and Field Procedures

To acknowledge the trying work of carrying out qualitative interviews, the number of interviews in a day was limited to two; the duration of each interview was between 45 and 90 minutes. The interview guide also served as an interview protocol for taking hand-written notes during the interview. As suggested by Denscombe (2003), all interview protocols and transcriptions were kept in the same format and consecutively numbered and stored. In preparing for each new interview, the notes from prior interviews were reviewed. However, in order to protect the anonymity of the informants and to encourage openness, information from prior interviews was not shared with subsequent informants (Graebner, 2004).

As discussed before, the interviewees were purposefully chosen to include different management levels, business segments and functional areas. The researcher contacted all interviewees by phone or in person to encourage them to participate in the research. All interviewees readily accepted the interview appointment. After the interviewee agreed to the interview the researcher sent out electronic invitations (using

MultiCo's internal e-mail software) so that the scheduled dates were automatically transferred into the interviewees' diary.

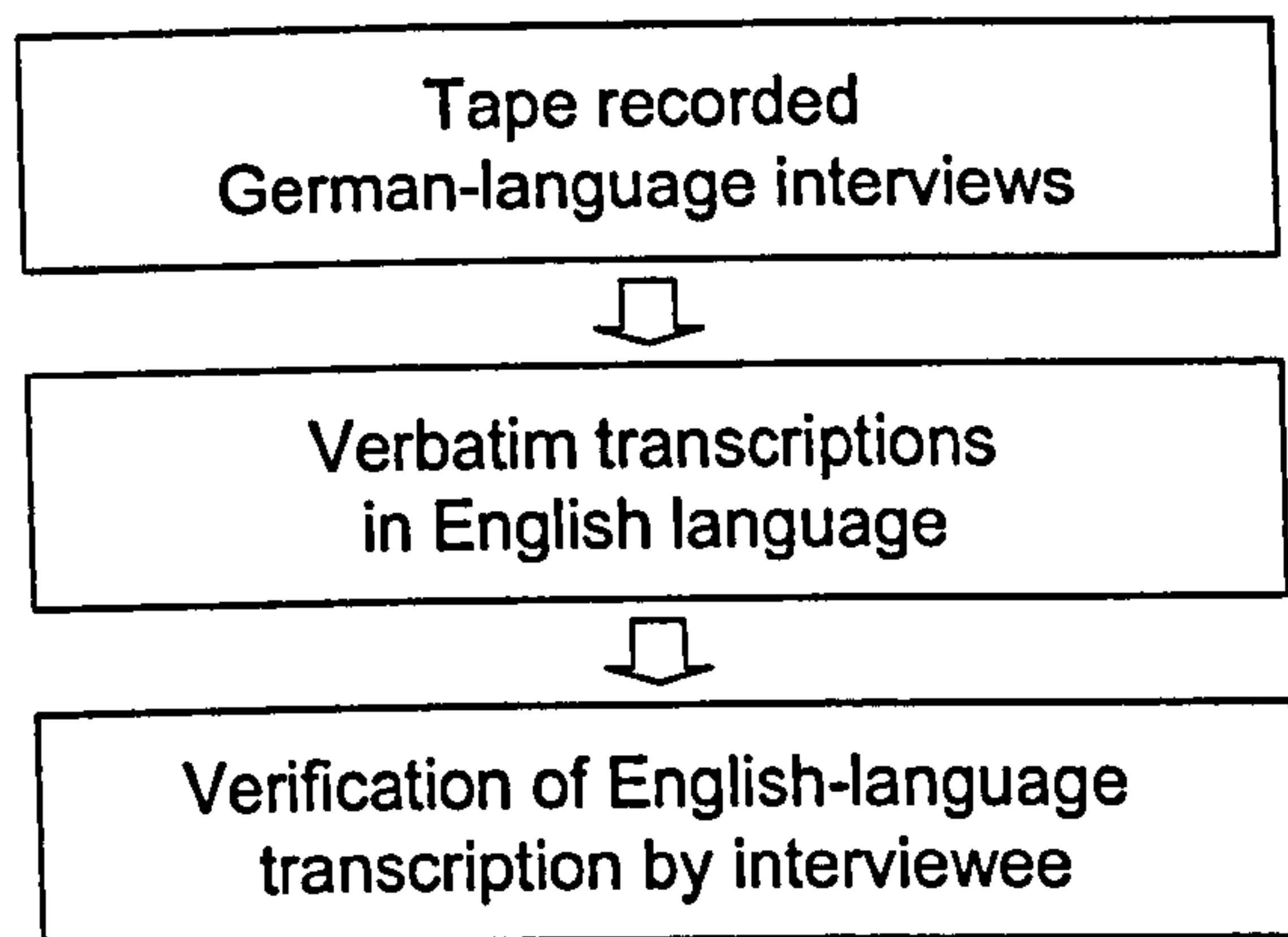
To ensure "informed consent" (Carson et al., 2001, p. 75), the interviewees were assured the confidentiality and anonymity of their individual statements (see Appendix C), while pointing out that their responses were part of the research findings and that some of their statements might be quoted (ensuring that the quote cannot be attributed to one specific person). Furthermore, they were asked to give their permission to use a tape recorder, which all interviewees accepted. Whereas the use of tape recorders is controversially discussed in the literature (Malhotra, 2007; Patton, 2002; Wolcott, 1990), the use was preferred for this study as it allowed the researcher to be attentive during the interview and have the interviews transcribed verbatim.

All interviewees were native speakers of German, as was the interviewer. Hence, the interviews were carried out in the German language as, particularly in qualitative research interviews, the language plays an important role, very much influencing the relationship between interviewer and informant (Marschan-Piekkari & Reis, 2004). Using the mother tongue in international research supports understanding the nuances and subtleties in terms of what the interviewee actually meant and is particularly recommended when interviewing individuals from middle management and lower organisational levels (Macdonald & Hellgren, 2004; Marschan-Piekkari & Reis, 2004). However, all interviews were translated and transcribed into the English language. To verify the English-language transcription, the transcribed interviews were presented to each interviewee asking them for comments or amendments. All interviewees were fluent in English so that they could understand the transcriptions well. Three out of the 14 interviewees had minor alterations with regard to the transcription of their interview; these were incorporated accordingly.

Using this approach allowed the researcher to have a maximum of understanding during the interview while getting verified written transcriptions in the English language. The process of interview transcription, translation and verification is presented in exhibit 13.

### Exhibit 13: Interview transcription, translation and verification

(Source: Exhibit developed by author)



#### (4) Consideration of Limitations

In qualitative research there is always a relationship between interviewer and interviewee and “a risk of proximity” (Johnson et al., 2007; King, 2004; Macdonald & Hellgren, 2004). The fact that the researcher was a senior manager of the case study company probably intensified this assertion, in particular as the researcher knew many of the interviewees through prior professional interactions. On the one hand, this provided a unique access. But, on the other hand, it demanded an extra effort to remain as objective as possible and follow the interview guide firmly. However, probably the most important step to minimise bias is to be reflective, i.e. to acknowledge that the researcher is an active participant in the research process and shapes the nature of the process as well as the knowledge produced through it (King, 2004). To operationalise this acknowledgement, the researcher reflected his own presuppositions by writing them down prior to starting the data collection process (see “presupposition-list” in Appendix D) and consulted this list repeatedly at each stage of the research process.

Another limitation associated with interviews is that interviewees might engage in retrospective sensemaking and image-conscious behaviour; a potential bias that can be limited when allowing for “older” and “newer” evidence (Eisenhardt & Graebner, 2007). As MultiCo’s corporate-wide external growth strategy with its focus on relatively small, local acquisitions, was communicated in early 2006 and has been in place ever since, the strategising insights that were collected from the interviewees could refer to any behaviour between the official communication of the strategy and the time of the interview. Thus, the fact that this study investigated a real-time phenomenon with which the informants were currently engaged, but also allowed for retrospective insights,

improved the likelihood of accurate accounts and, consequently, the trustworthiness of the data (Chakravarthy & White, 2002; Leonard-Barton, 1990). Moreover, the fact that interviewees from different hierarchical levels and from different parts of the organisation were interviewed reduced the risk that this diverse group came to convergent retrospective sensemaking and image-conscious behaviour (Eisenhardt & Graebner, 2007).

#### **(5) Interview Protocol**

As mentioned, from each interview an interview protocol was prepared. It consisted of the interview guides and the related notes that had been taken during the interview and also included the verbatim transcription. Moreover, it contained the ad-hoc reflections that were taken directly after the interview, as well as any material that the interviewee provided to the researcher (4 out of 14 interviewees provided additional documents). As part of the interview protocol, all interviews were numbered, dated and filed accordingly. For instance, in section B of the case study protocol number 1.1 represents the first interview with all related documents.

#### **Participant-Observation**

Observations consist of understanding people's activities and behaviours including social interactions and organisational processes (Patton, 2002). Observation evidence is enormously useful in providing first-hand experience and can include observations of meetings, workshops or any other social activity (Yin, 2003b). As actors and practitioners are sometimes unable to express their inherited understanding and embodied tendencies in terms that are faithful to what they actually do (Carson et al., 2001; Chia & MacKay, 2007), complementing interviews with observation enriches the data collected. It provides the opportunity to gather information without asking questions (Sekaran, 2003). In particular in S-a-P research, observations are a valuable source of evidence and can be stronger than interviews because they are closer to the action in which S-a-P is interested (Balogun et al., 2003). Within this study, the observation expanded the understanding of aspects related to strategy implementation and added new facets to the investigation.

Whereas several approaches to observation exist - for instance the role of a "complete observer", which involves collecting data without any communication with the observed group (Gill & Johnson, 1991) - this research took an approach where the researcher is not only a passive observer, but also actually participates in the meeting. The approach selected draws on Waddington (2004) and Burgess (1984) who make a detailed



differentiation of the potential roles an observer can take. In their terminology, the researcher of this study took the position of an “observer-as-participant”; asking occasional questions but generally trying to be in the background. This role was selected for two reasons. Firstly, being part of the observed social activity carries the potential risks of being biased and influencing the group (Yin, 2003b); thus, by choosing an observer-as-participant approach, the researcher was less likely to manipulate the event. Secondly, it was less awkward for the other meeting participants when the researcher participated from time to time instead of being a complete observer.

For this research, a participant-observation of three strategising meetings related to external growth was carried out, each of which lasted approximately two hours. The access to the meetings was approved by the senior manager responsible for external growth and he invited the researcher to the meetings and introduced the researcher accordingly. The introduction reinforced the point that the observations are dealt with anonymously and confidentially so that a non-threatening, trusting atmosphere could be created. During the observation, the researcher took field notes in a semi-structured way using an observation guide which was part of the case study protocol (the observation guide is presented in Appendix E); a measure particularly useful to limit the bias in observations (Carson et al., 2001).

Purposefully, the observations took place after many of the interviews had been conducted because the interviews provided the researcher with a good understanding of a number of relevant themes and social processes. As argued by Shaffir and Stebbins (1991), the background of the interviews helped the researcher to better understand “what was going on” in the meetings and enabled the researcher to scan the discussions for issues that emerged from the preliminary interview analysis. The areas of interest were similar to the interviews and broad topic headings facilitated the process of taking notes throughout the observations. The researcher was particularly interested in the different positions and opinions related to managing the implementation of the external growth strategy, as well as in the tools and techniques that were used.

Similar to the interview procedures, immediately following each observation the first impressions and general feelings of the researcher were recorded in a special section of the observation guide. In the analysis phase subsequent to the observation - in situations in which some clarification or further elaboration was desired by the

researcher - the researcher contacted the observation participants and asked follow-up questions.

## Documents

Documents analysed in qualitative research can include meeting minutes, official reports and e-mails but also articles in the media and academic publications (Creswell, 2003; Macdonald & Hellgren, 2004). Documents can be a valuable data source in strategy research; Eriksson and Lehtimäki (1998), for instance, have demonstrated by exploring strategy documents how strategy rhetoric often reproduces specific and problematic assumptions concerning strategy and the role of specific actors.

A systematic search of documents is an important part of a case study (Yin, 2003b) and, therefore, this study planned and organised the document collection by using the case study protocol. However, as the research progressed, additional documents worthwhile analysing emerged. Consequently, a document collection list recorded what documents have been collected. All documentary evidence was consecutively numbered and stored as part of the case study protocol so that the documents could be located easily. An overview of the documentary evidence collected is provided in exhibit 14. The case study consulted both internal documents that were only available inside MultiCo, as well as reports that MultiCo made externally available. Besides worldwide annual reports and subsidiary annual reports the study analysed the regular communication that MultiCo - as a publicly listed company - provided to the financial markets. Furthermore, the subsidiary employee magazine and various documents that had been made available to the researcher by the informants were analysed. Overall approximately 100 documents have been considered.

### Exhibit 14: Documentary Evidence

(Source: Exhibit developed by author)

Documents	Time Period Analysed	
Local and global annual reports	2006, 2007, 2008, 2009	Externally published data
Global communication to financial markets	Quarter I 2006 - Quarter IV 2009	
Subsidiary employee magazine	2006 - 2009	Internal documents
Documents provided by informants such as internal presentations	2006 - 2009	

Whereas documents are a useful source of information in case study research, they must not always be accurate and unbiased and therefore need careful assessment (Yin, 2003b). Documents such as annual reports or employee magazines, are produced for a specific purpose and a specific audience and these conditions must be appreciated when analysing the evidence. Therefore, this study deliberately used triangulation to confirm or disconfirm data by checking the findings across the different data sources.

### **3.8 Methods of Data Analysis**

Analysing data is the heart of case study research and probably the most difficult and least manifest part of the research process (Eisenhardt, 1989a; Tesch, 1990). The aim of data analysis is “to make sense” of the data collected and enable the study to present and discuss findings (Creswell, 2003); in other words, data analysis is a process of bringing order, structure and meaning to the mass of collected data (Ghauri & Gronhaug, 2005; Rossman & Rallis, 1998). Drawing on Miles and Huberman (1994), the data analysis of the present study followed the sequential phases of data reduction to allow conclusion drawing and verification. The study pursued a within-case analysis approach, comparing the collected data with the study’s frame of reference (Miles & Huberman, 1994; Yin, 2003b). The frame of reference for this case was the theoretical framework that has been developed in chapter 2.

This section aims at providing a detailed account of the data analysis phase of this study. The section starts with briefly providing the general analytical strategy of the study (subsection 3.8.1) and is followed by subsection 3.8.2, which discusses the procedures, techniques and principles that have been applied. Throughout the entire section, the issues of validity and reliability are repeatedly addressed; however, additionally, a concise discussion of validity, reliability and limitations is provided in section 3.9. While the analytical procedures of the study are reported in this section, the results of the data analysis are presented in chapter 5.

#### **3.8.1 General Analytic Strategy**

One challenge of qualitative research is that of data overload as a result of the huge volume of rich data being produced (King, 2004; Macdonald & Hellgren, 2004). The best preparation for conducting data analysis within a case study is, therefore, to have

a general analytic strategy which defines priorities for what to analyse and why (Yin, 2003b).

Drawing on Yin's (2003b) general analytical strategy of "relying on theoretical propositions", this study followed the theoretical propositions developed in chapter 2 as a framework for analysing the evidence collected. Hence, the study compared the theoretical framework that was developed based on extant theory with the actual evidence that was found in the data. Using such an theoretical framework in qualitative data analysis has the benefit of specifying who and what is studied (Miles & Huberman, 1994).

The theoretical framework helped to organise the data analysis and to focus the attention on certain data while deemphasising other data; hence, it was useful to manage the large amount of data. However, as being discussed later, the data analysis also allowed constructs to emerge that were not directly related to the propositions.

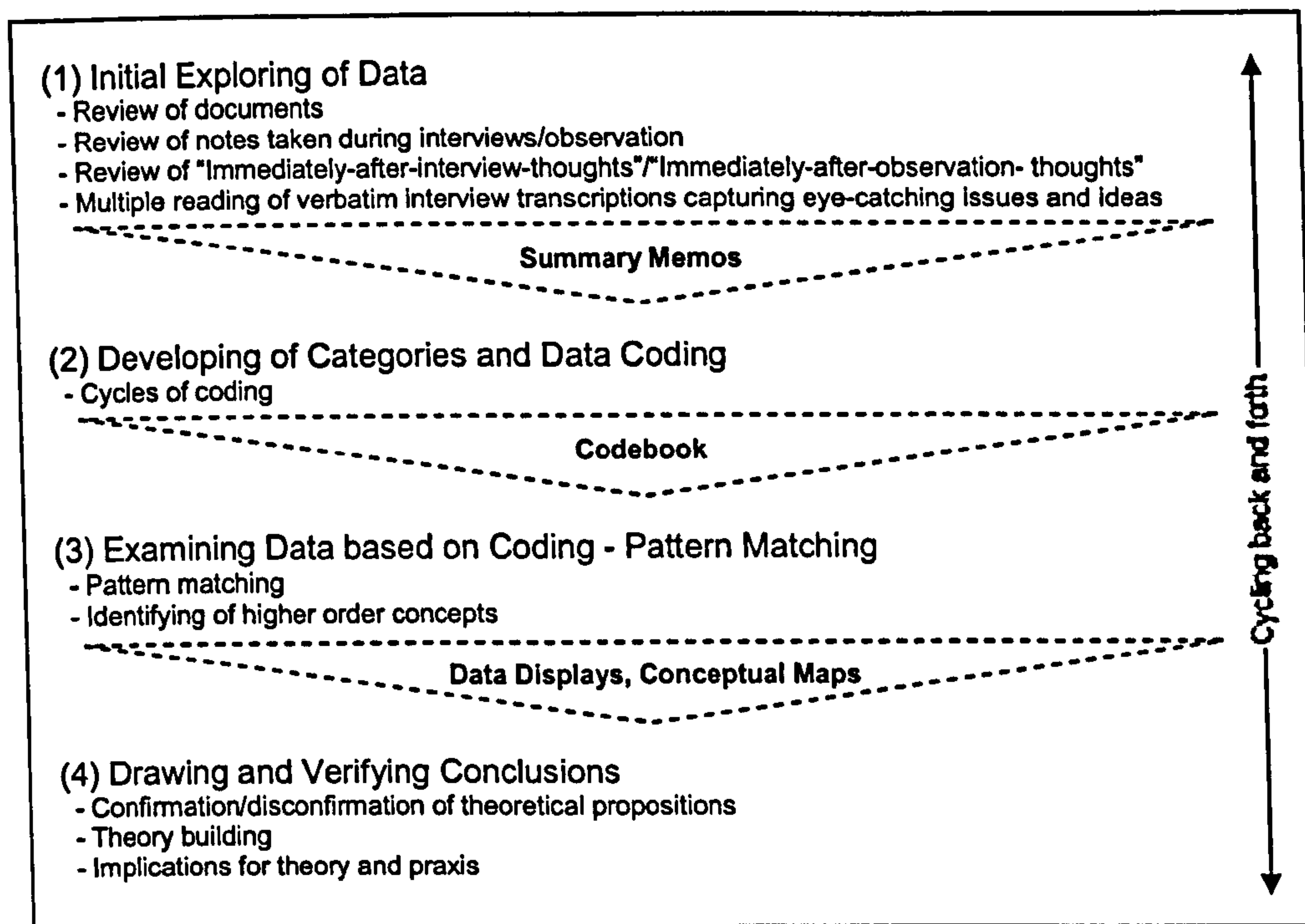
Selecting this "general analytic strategy" was a logical consequence of the overall research design applied to this study which aimed at linking the research objective and theoretical propositions to the methods of data collection and analysis. The following subsection provides details about how the propositions were related to the data analysis phase.

### 3.8.2 Procedures and Principles of Data Analysis

Drawing primarily on Miles and Huberman (1994), Yin (2003a; 2003b) and Kuckartz et al. (2008), this study followed the analytical sequence presented in exhibit 15. Importantly - as discussed in the previous section - all steps of the process of data analysis were guided by the theoretical framework of the study. However, the different steps were not strictly separated from each other. In contrast, particularly in qualitative research, the processes of working with the data require continuous going back and forth across the different sequences of data collection and analysis (Creswell, 2003; Graebner, 2004; Kuckartz et al., 2008; Miles & Huberman, 1994). Hence, the data collection and analysis proceeded in an iterative process in which interview questions and codes were supplemented and refined. To explore and analyse the data, NVivo 8, a qualitative data analysis software program, was used. The four steps of data analysis presented in exhibit 15 are discussed in more detail in the following paragraphs.

## Exhibit 15: Steps of Data Analysis

(Source: Exhibit developed by author)



### (1) Initial Exploring of Data

The final amount of data collected for this study was comprised of about 250 pages of transcribed interview material, 20 pages of field notes taken during participant-observations and approximately 100 documents. However, the analysis did not start when all data was gathered, but started with the first data being collected, hence, the analysis engaged in was a process which allowed to cycle back and forth between the various steps of data collection and data analysis (Miles & Huberman, 1994). For instance, the document analysis started early in the project and informed the interview guide.

As elaborated in section 3.7, immediately after each interview or participant-observation an initial reflection and data analysis took place. These "immediately-after-interview-thoughts" and "immediately-after-observation-thoughts" were captured in handwritten form in the interview guide (or the observation guide, respectively). Thus, they complemented the handwritten notes that were taken throughout the interview or observation. However, subsequently all handwritten notes were integrated into "summary memos". This initial analysis was repeatedly reviewed and brought up additional aspects to integrate into subsequent field work but also generated early thoughts about possible patterns or constructs.

Furthermore, the initial data exploration included multiple readings of the interview transcripts and observation notes, as well as reviewing the documentary evidence aiming at identifying and understanding the activities and issues related to the day-to-day work of strategising practitioners during strategy execution. Eye-catching issues, as well as initial reflections, were directly captured as “pre-analytical” remarks (Miles & Huberman, 1994).

Subsequently, for each interview and observation a “summary memo” was prepared. This “summary memo” summarised the most important insights gained from the “immediately-after-interview-thoughts” and the “immediately-after-observation-thoughts”, the notes taken during interviews and observations, as well as the discoveries made when reading the respective transcriptions. Moreover, the context in which the interview and observation took place was briefly described.

The preparing of the “summary memos” provided a good initial understanding of the data. This early analysis informed the process of coding which was the next step in data analysis.

## (2) Development of Categories and Data Coding

Coding refers to categorizing data and documenting the respective codes in a codebook (Glaser & Strauss, 1967; Lincoln & Guba, 1985; Spiggle, 1994) and is an important step for managing and reducing data (Miles & Huberman, 1994). Coding is not only part of data analysis and assigns units of meaning to the information collected throughout the study, but also provides the basis to retrieve and organise conceptual approaches covered in the data (Bazeley, 2007; Kuckartz et al., 2008).

Generally coding can evolve during the research process or be pre-structured (Lincoln & Guba, 1985; Miles & Huberman, 1994; Strauss, 1987). The initial codes for this study were developed from the literature review, or, more specifically, from the theoretical framework and its propositions. However, while working through the data meaningful new codes emerged and initial codes were revised (see codebook in Appendix F).

The coding attributed a specific classification to a segment of text; yet, different levels of coding were used in the analysis process (Miles & Huberman, 1994). The detailed first coding represented codes which were primarily single summarising notions for a specific phenomenon or descriptive codes. Subsequent cycles of coding identified codes which were of inferential and explanatory nature indicating patterns that have

been discerned in the data. Pattern coding was deployed as a way of identifying and summarising themes and constructs. These inferential codes were frequently applied to segments that had already been coded earlier in the analysis cycle. While first and second-level coding generally was carried out concurrently, first-level coding, however, was more prevalent in the early stages of analysis, whereas pattern coding tended to occur later. The pattern coding related in particular to higher-ranking themes, explanations, relationships and emerging constructs.

Using NVivo the codes were attached to the respective paragraphs or sentences of the transcriptions, which enabled easy display of all elements of text with identical coding. Likewise the coding was applied to the documents collected; within the physical documents, Post-it notes were used. Building on the coding work conducted, the next data analysis step aimed at comparing the data with theory and identifying higher order concepts.

### (3) Examining Data based on Coding - Pattern Matching

For S-a-P research, Johnson et al. (2003, p. 13) made the following suggestion: "Rather than emphasizing the rich idiosyncrasy of their data, case study researchers should use their empirical observations to establish patterns across similar issues ... Data in itself is less valuable than theory that can explain why, how, with what consequences and in what circumstances." Thus, similar to the approach used by Sarker and Lee (2003), the data analysis technique of this study searched for patterns in the empirical material that were consistent or inconsistent with the patterns suggested by the theoretical propositions. Yin (2003b) refers to this analytic technique as "pattern matching", suggesting that it identifies a correspondence between a theoretical or conceptual expectation pattern and the observed pattern.

The four propositions that have been developed each represent assumed strategising elements related to putting an external growth strategy into action in a MNC subsidiary (Yin, 2003b). To start the examination, each code and the related text passages - synthesising interview transcripts, observation notes and documentary evidence - were analysed. In gradually elaborating the data higher conceptual levels of abstraction were developed. While the comparison between the assumed and the actual pattern requires no quantitative or statistical criteria (Yin, 2003b), this study used a variety of different conceptual maps (Hartley, 2004; Miles & Huberman, 1994) to examine the data. These measures were useful to identify pattern matches and emerging themes in the data.

#### (4) Drawing and Verifying Conclusions

The next step in the analytical progression was to draw conclusions in the form of explanations and causal flows that resulted in constructing a conceptual framework of the praxis of strategy implementation in a MNC subsidiary. In this phase the empirical information was integrated with extant theory. Comparing the data with the original theoretical framework and integrating the findings with prior theory allowed the study to gradually develop a new framework that will be called “subsidiary implementation framework” (see chapter 6). Furthermore, it allowed the research to identify implications and recommendations for strategising praxis.

A central guidance for drawing conclusions from the data was taken from Yin (2003b, p. 116), who argues: “If, for each outcome, the initially predicted values have been found, and at the same time alternative ‘patterns’ of predicted values ... have not been found, strong causal inferences can be made.” Thus - being a premise for rigorous case study research (Macdonald & Hellgren, 2004; Spiggle, 1994) - the study actively searched for confirming and disconfirming data as well as for alternative explanations of each relevant phenomenon.

If the results were as assumed in the theoretical propositions, a confirming conclusion was drawn about the effects of putting strategy into action. However, if the results did not occur as predicated, the proposition was questioned. Drawing on Kuckartz et al. (2008) the respective judgements followed the below standard.

A proposition or emerging theme was only considered to be substantiated when it was supported by various interviews and reinforced by conclusive evidence in the observation or documentary data. If there was strong contrary evidence in the remaining interviews or in the observation or documentary data, the proposition or theme was not substantiated.

To support the conclusions drawn also quotations from the different data sources were integrated. Even though some of the richness of the quotations might be reduced due to the translation process (Macdonald & Hellgren, 2004), quotations were valuable to illustrate the nuances and subtleties of the data.

To increase validity, a process of member-checking (Creswell, 2003; Lincoln & Guba, 1985) was integrated. That is, all major conclusions were presented back to two interviewees (one from senior management, one from operational-level management)



in two separate one-to-one meetings. There was a high agreement among both respondents about the conclusions drawn. The next section provides more information about validity and reliability of the study.

### 3.9 Validity, Reliability and Limitations

The main critique of qualitative approaches is associated with issues of validity and reliability (Bryman, 1988; Lee, 2001; Zalan & Lewis, 2004). Accordingly, four criteria are commonly used to discuss the rigor of case study research (Gibbert et al., 2008; Yin, 2003b): (1) internal validity, (2) construct validity, (3) external validity, and (4) reliability.

Whereas many of this study's provisions to address the issues of validity and reliability have already been indicated throughout this chapter, exhibit 16 provides an overview of the measures taken to deal with validity and reliability. The subsequent paragraphs provide a cohesive discussion of each of the four issues displayed in exhibit 16. Drawing on this discussion and concluding the section, the last paragraph (5) considers the limitations of the study.

#### Exhibit 16: Validity and Reliability Measures

(Source: Exhibit developed by author)

	(1) Internal Validity	(2) Construct Validity	(3) External Validity	(4) Reliability
<b>Definition</b>	Internal validity is mainly concerned with inferences. The central question is whether a study provides a plausible causal argument to defend its research conclusions (Gibbert et al., 2008; Yin, 2003b).	Extent to which a study investigates what it claims to investigate; that is, the extent to which a procedure leads to an accurate observation of reality. Asks for clearly defined measures so that "subjective" judgement is limited (Gibbert et al., 2008; Yin, 2003b).	External validity is concerned with whether a study's findings are generalisable beyond the immediate case study (Gibbert et al., 2008; Yin, 2003b).	Reliability is concerned with the question if the study findings could be by "reproduced" by subsequent researchers (Gibbert et al., 2008, Guba & Lincoln, 1981; Yin, 2003b).
<b>Measures Taken In Study</b>	Research design linked research objective with data collection and analysis as well as with discussion of results and conclusions	Detailed description of data collection and analysis procedures	Purposeful sampling approach and explicit discussion of the rationale for selecting the case	Detailed account of data collection and analysis procedures
	Theoretical framework and propositions derived from prior theory	Multiple sources of evidence, triangulation	Details on case and study context are provided	Case study protocol
	Case study protocol	Investigating a real-time phenomenon while allowing for retrospective insights	Use of prior theory	
	Interview and observation guides based on theoretical propositions	Informants from different hierarchical levels		
	Analytic strategy of "relying on theoretical propositions"	Pilot interviews		
	Data analysis using pattern matching, giving attention to confirming and disconfirming data as well as to rival explanations	Review of interview transcriptions by interviewees		
		Member-checking process Reflection of researcher's presuppositions		

#### (1) Internal Validity

Internal validity is mainly concerned with inferences. The central question is whether the study provides a plausible causal argument that is powerful and compelling enough

to defend the research conclusions (Gibbert et al., 2008; Krippendorff, 2004). To enhance internal validity, the overall research design of this study linked the research objective deliberately with the data collection and analysis phases, as well as with the discussion of results and conclusions. Therefore the study was located in a theoretical framework that was derived from prior theory including an explicit development of theoretical propositions (Eisenhardt, 1989a; Perry, 2001; Spiggle, 1994). To strengthen and focus the data collection, a case study protocol was used (Yin, 2003b). The interview and observations guides were clearly linked to the theoretical propositions.

The general analytic strategy of “relying on theoretical propositions” (Yin, 2003b) was the framework for analysing the evidence collected and ensured the link to the research objective. Furthermore, analysing the data using the pattern matching technique positively influenced internal validity (Gibbert et al., 2008; Yin, 2003b), as it matched the evidence found with patterns suggested by the theoretical propositions. Throughout the pattern matching process, particular attention was given to the search for confirming and disconfirming data as well as for rival explanations (Hartley, 2004; Macdonald & Hellgren, 2004).

## (2) Construct Validity

Construct validity refers to the extent to which a study investigates what it claims to investigate, that is, the extent to which a procedure leads to an accurate observation of reality (Gibbert et al., 2008; Hammersley, 1992). Thus, construct validity asks for clearly defined measures so that “subjective” judgement is limited.

Besides providing detailed descriptions of the data collection and analysis procedures, an important measure to strengthen construct validity is the concept of triangulation (Gibbert et al., 2008; Silverman, 2005; Yin, 2003b). Similar to the S-a-P study by Ambrosini et al. (2007), this study combined interviews, observations and documentary evidence which allowed triangulating the data. The triangulation utilised the different strengths of the different collection methods (Baumard & Ibert, 1999) and aimed at demonstrating that inferences were supported by evidence gained from various sources (Ghauri, 2004; King, 2004). Therefore, findings that were drawn from the interview data were always compared against observation and documentary evidence to strengthen or weaken a finding.

The fact that this study investigated a real-time phenomenon with which the informants were currently engaged but also allowed for retrospective insights, improved the

likelihood of accurate accounts and, consequently, the trustworthiness of the data (Chakravarthy & White, 2002; Leonard-Barton, 1990). Likewise, the fact that the informants were from different hierarchical levels reduced the risk of this diverse group coming to convergent retrospective sensemaking and image-conscious behaviour (Eisenhardt & Graebner, 2007). Moreover, the interview guides were based on the theoretical propositions and two pilot interviews were carried out to enhance validity.

As a further measure to address construct validity, all interview transcriptions were sent to the interviewees encouraging the respondents to make comments or amendments (3 out of 14 informants made minor amendments). Additionally, a member-checking process was included (Creswell, 2003; Lincoln & Guba, 1985); thus, to determine accuracy, all major conclusions were discussed in detail in two separate one-to-one meetings with two key informants - one senior and one operational-level manager. There was a high agreement among the two respondents about the results found and the conclusions drawn.

Using purposeful sampling, the present case was primarily selected because it provided a unique access (Patton, 2002; Yin, 2003b). However, the unique access was related to the researcher being a senior manager of the case study organisation which also raised some challenges with regard to validity. In particular, when carrying out practitioner-research in one's own organisation, there is a "a risk of proximity", thus, a risk for bias (Johnson et al., 2007; King, 2004; Macdonald & Hellgren, 2004; Saunders et al., 2003). The most important step to minimise bias was to be reflective, i.e. to acknowledge that the researcher was an active participant in the research process (King, 2004). In order to operationalise this acknowledgement the researcher reflected his own presuppositions by writing them down prior to starting the data collection process (see "presupposition-list" in Appendix D) and consulted this list repeatedly at each stage of the research process.

### (3) External Validity

External validity is concerned with whether a study's findings are able to be generalised beyond the immediate case study (Yin, 2003b). In general neither single nor multiple case studies allow for statistical generalisation such as inferring conclusions about a population (Gibbert et al., 2008; Lincoln & Guba, 1985; Siggelkow, 2007). However, case studies allow for analytical generalisation, that is to: "... generalize findings to 'theory'." (Yin, 2003b, p. 38). In analytical generalisation, previously developed theory is used as a template with which to compare the empirical results of the case study

(Yin, 2003b). Thus, case study research is likely to expand and generalize theories (analytic generalisation) and not to enumerate frequencies (statistical generalisation) (Bryman, 1988; Eisenhardt, 1989a; Yin, 2003b). As Hartley (2004) argues, a single or a multiple case study can be the basis of analytical generalising, i.e. providing theory which may later be tested through replication or additional studies.

Accordingly, this case study draws on the S-a-P perspective's argument that strategy practice research is not about creating abstract generalisations, but about getting close to actors and their activities resulting in a type of theorising that builds on iterative interpretations between empirical evidence and relevant theory (Johnson et al., 2007).

To strengthen the external validity of the present case study, three main provisions have been made. Firstly, the study used a purposeful sampling approach and provided an explicit discussion of the rationale for selecting the information-rich single-case (Carson et al., 2001; Siggelkow, 2007; Silverman, 2005). Secondly, a discussion of the study's context is included. Presenting this detailed background about the organisation helps to specify the conditions under which specific behaviour can be expected to occur; moreover, it helps to reveal which phenomena might be idiosyncratic to the particular case that was investigated (Gibbert et al., 2008; Hartley, 2004)

Thirdly - as the use of extant theory in doing case research is the main vehicle for analytical generalisation (Bryman, 1988; Eisenhardt, 1989a; Yin, 2003b) - previous theory was used to develop theoretical propositions which were subsequently compared with the empirical data collected.

#### (4) Reliability

Reliability is concerned with the question: could the study findings be "reproduced" by subsequent researchers who would conduct the same case study again (Guba & Lincoln, 1981; Hammersley, 1992)? A key measure to strengthen reliability in case study research is transparency (Gibbert et al., 2008).

To enhance reliability, this study provides a detailed account of the research design and procedures that were used and offers a comprehensive case study protocol (Lee, 2001; Perry, 1998; Yin, 2003b). The case study protocol not only includes the interview guide and verbatim transcriptions for each interview which make the findings more transparent and more comprehensible for other researchers (Rudestam & Newton, 1992), but it also provides all observation summaries and all documents collected as

well as the codebook developed. All evidence that is part of the case study protocol was identified with a unique serial number and filed accordingly.

#### (5) Limitations of the study design

While the study aimed at presenting a coherent research approach, it must, however, be considered in the context of some clear limitations. The primary limitations arise from the design as a single-case study.

As discussed earlier, single-case study research is not based on representative samples and is not suitable for statistical generalisations (Eisenhardt, 1989a; Patton, 2002; Siggelkow, 2007). Thus, in terms of external validity, the findings of this study are limited to analytical generalisation, that is, the findings can be generalised to theory but not to general populations (Bryman, 1988; Hartley, 2004; Rivkin & Siggelkow, 2006; Yin, 2003b). Consequently, the study acknowledges that far reaching conclusions that claim to hold for subsidiaries of multinational organisations in general cannot be made. However, drawing on a concept of Lincoln and Guba (1985), it could be argued that the findings are increasingly transferable to another context the more the original context is congruent to the new context.

A limitation of the structured, theory-based study design might be that the rich data and context did not nurture as many new concepts as might have been possible with a design that would not depart from extant literature (Carson et al., 2001; Dyer et al., 1991). Even though the study design allowed the integration of novel and emerging constructs, a grounded theory approach which generates theory only from the data collected (Glaser & Strauss, 1967; Strauss, 1987) might - in this particular perspective - have been stronger. However, the value of a systematic case study approach drawing on prior theory and developing propositions to focus the study was seen to outweigh this limitation (Eisenhardt, 1989a; Ghauri & Gronhaug, 2005; Yin, 2003b).

An issue that needs to be addressed is that the researcher is a senior manager of the case study company which constitutes a “threat for bias”. In particular when collecting and analysing the data a “risk of proximity” was present (Johnson et al., 2007; King, 2004; Macdonald & Hellgren, 2004). While measures to deal with this challenge have been taken (e.g. interview transcription reviews, presupposition statement, member-checking, triangulation) the “threat for bias” remains a potential issue of “practitioner-research” that needs to be acknowledged.

### **3.10 Ethical and Access Considerations**

Gaining and maintaining access to the organisation and ensuring ethically adequate approaches are critical aspects for the conduct of case study research (Hartley, 2004; Saunders et al., 2003). As the researcher is a practitioner of the case study company access discussions were straightforward and the company authorised the researcher to speak to all relevant people and make use of the documentary evidence. The fact that the research topic - the praxis of putting an external growth strategy into action in a MNC subsidiary - had a high relevance for the case study company facilitated both the access and the actual carrying out of the research. Overall the research allowed for a strong collaboration between academia and practice, which is understood to be a promising approach in management research (Amabile et al., 2001; Mohrman et al., 2001).

With regard to ethical considerations, as in any type of social scientific research, the participants needed to be assured of confidentiality and needed to be informed about the aims of the study (King, 2004; Lincoln & Guba, 1985). The informants were assured confidentiality and anonymity in writing (see section 3.7 and Appendix C); the letter also explained the objectives and background of the study. All interviewees received their transcribed interviews for comments. The informants agreed that all information they provided can be used for the purposes of the doctoral research and associated academic publications. Furthermore, as outlined earlier, in a process of member-checking all major conclusions were discussed with two key informants.

### **3.11 Conclusion**

This chapter presented how this study is designed, what the philosophical underpinnings of the research are, how the data was collected and analysed and what measures were included to strengthen validity and reliability. It also discussed the limitations of the study design and considered ethical and access aspects of the study.

Consistent with the S-a-P perspective (Chia & MacKay, 2007; Jarzabkowski, 2005; Johnson et al., 2007) and coherent with its research aims, the research used a single-case study design and qualitative methods for an in-depth investigation of the complex social phenomena of implementing strategy in praxis. As presented, the study followed a structured case study methodology, locating the study in prior research and developing theoretical propositions to guide the study (Eisenhardt, 1989a; Perry, 2001; Yin, 2003b). The data collection was facilitated by a case study protocol; the data

collection included 14 semi-structured face-to-face interviews, three participant-observations and about 100 pieces of documentary evidence. With regard to data analysis, the study followed the analytical strategy of “relying on theoretical propositions”, relating assumed pattern with the actual pattern found in the data (Hartley, 2004; Yin, 2003b). To increase validity and reliability, the study provided a detailed description of all research procedures, derived propositions from prior theory, used multiple data sources for triangulation and included measures such as interview transcription reviews and member-checking (Gibbert et al., 2008; Silverman, 2005; Yin, 2003b). However, it needs to be acknowledged that - primarily arising from the design as a single-case study - the findings are limited to analytical generalisation and are not suitable for statistical generalisations (Bryman, 1988; Hartley, 2004; Yin, 2003b).

## **4 RESEARCH CONTEXT: THE CASE STUDY COMPANY**

### **4.1 Introduction**

Particularly in MNC case study research, it is relevant to address the context of the study. It needs to be recognised that a subsidiary is not an independent entity; a subsidiary is embedded in a global MNC network and is influenced by its parent company, while at the same time the subsidiary resides in a host country with its own national business context (Birkinshaw et al., 2005; Kostova & Roth, 2002).

As the study examines the German subsidiary of MultiCo, this chapter will address the research context of the study and provide a brief, high-level overview of the worldwide MultiCo organisation and introduce how MultiCo operates in Germany. In chapter 5, the case study organisation and the strategising practitioners engaged in implementing strategy are discussed in greater detail. The chapter is structured into four sections that are subsequently presented: Introducing MultiCo (4.2), MultiCo's Corporate Strategy (4.3), MultiCo in Germany (4.4), Conclusion (4.5).

### **4.2 Introducing MultiCo**

MultiCo is a large, publicly traded and diversified multinational company that is headquartered in the USA and has a worldwide presence. MultiCo is a multi-technology company that operates across six different business segments, serving many different markets with a diverse range of products and services. The company has about 75,000 employees and its worldwide annual turnover amounts to US \$ 25 billion, more than 60 percent of which is generated outside the USA. The corporation has wholly owned subsidiaries in more than 65 countries and operates 35 research and development facilities, as well as 107 manufacturing plants outside its home country.

MultiCo was founded at the beginning of the 20th century and has a long history of steady organic growth. Whereas MultiCo has acquired some companies throughout its history, acquisitions were made very infrequently and were mainly driven by the corporate centre. MultiCo's organic growth is primarily driven by a continuous flow of new products that are developed by its own laboratories. Accordingly, MultiCo considers its broad research and development capabilities - in particular its capabilities of combining different technology platforms - as a core strength.



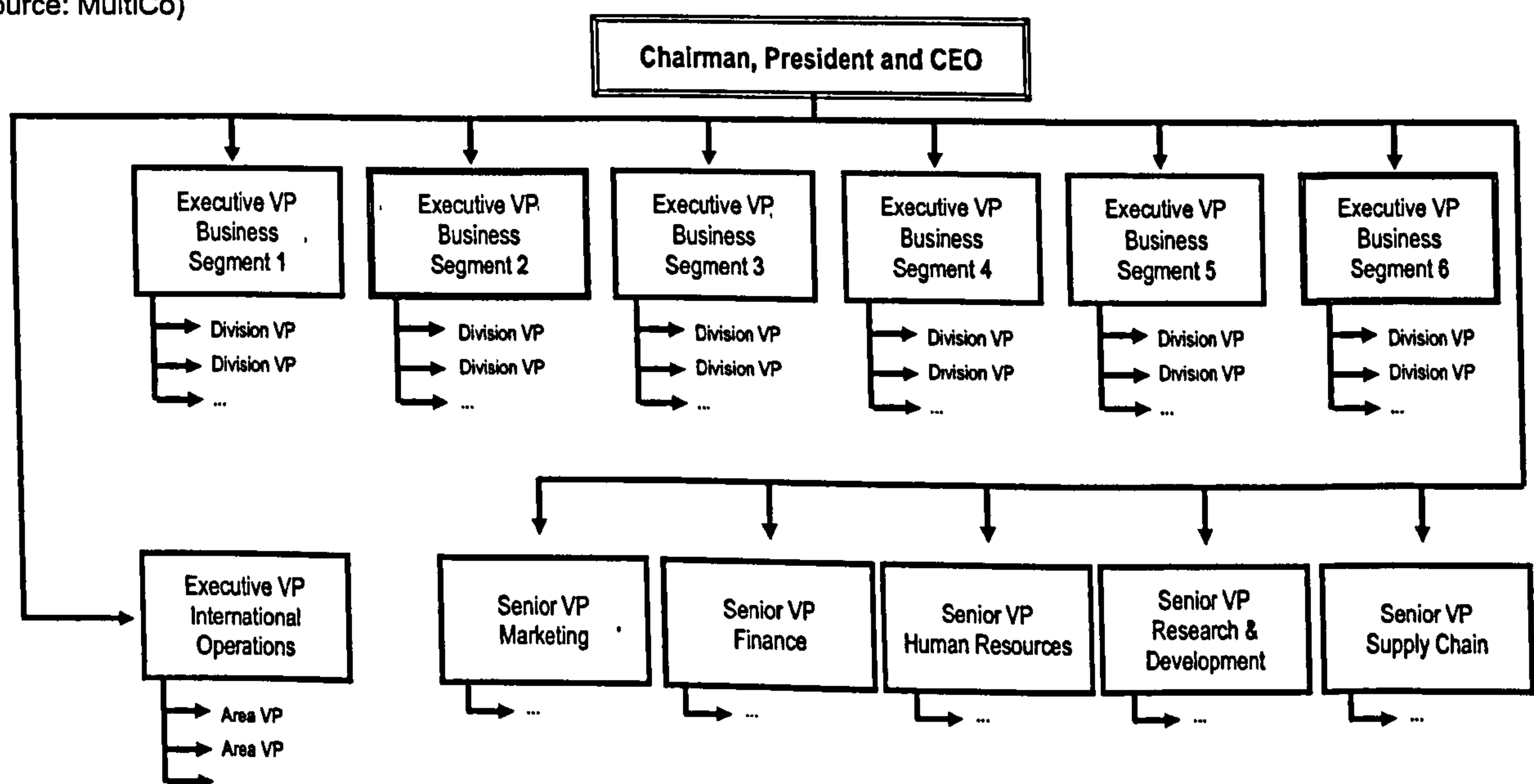
Whereas MultiCo operates as a multi-business organisation - i.e. an organisation that operates in multiple markets through several distinct units (Greve, 2003) - the company is probably best described as a fully integrated multinational organisation. In one of the analysed case study documents, the CEO refers to MultiCo as follows: "In understanding MultiCo, it is important to realise the company is not conglomerate with siloed independent business units." He argues that extensive collaboration and networking across business units as well as across technologies and manufacturing operations is one of the corporation's distinct features. Accordingly, the diverse product portfolios offered by MultiCo in different markets are based on common technology platforms and are manufactured in common production plants. It is through this approach of common technologies that MultiCo leverages the synergies across its diverse business operations.

The organisational structure of the company reflects MultiCo's "network thinking". In a matrix organisation, six Executive Vice Presidents (EVP) lead the six different business segments, while an Executive Vice President for international operations, as well as different functional areas, work across all business segments (see exhibit 17).

The six business segments represent six broadly defined markets in which MultiCo operates. Each business segments itself consists of different divisions which represent more narrowly defined business areas. Each of these divisions is headed by a Division Vice President who reports to an EVP. Likewise, the international operations are subdivided into different geographical areas each of which is headed by an Area Vice President who reports to the EVP for international operations.

### Exhibit 17: Corporate Organisation Structure

(Source: MultiCo)

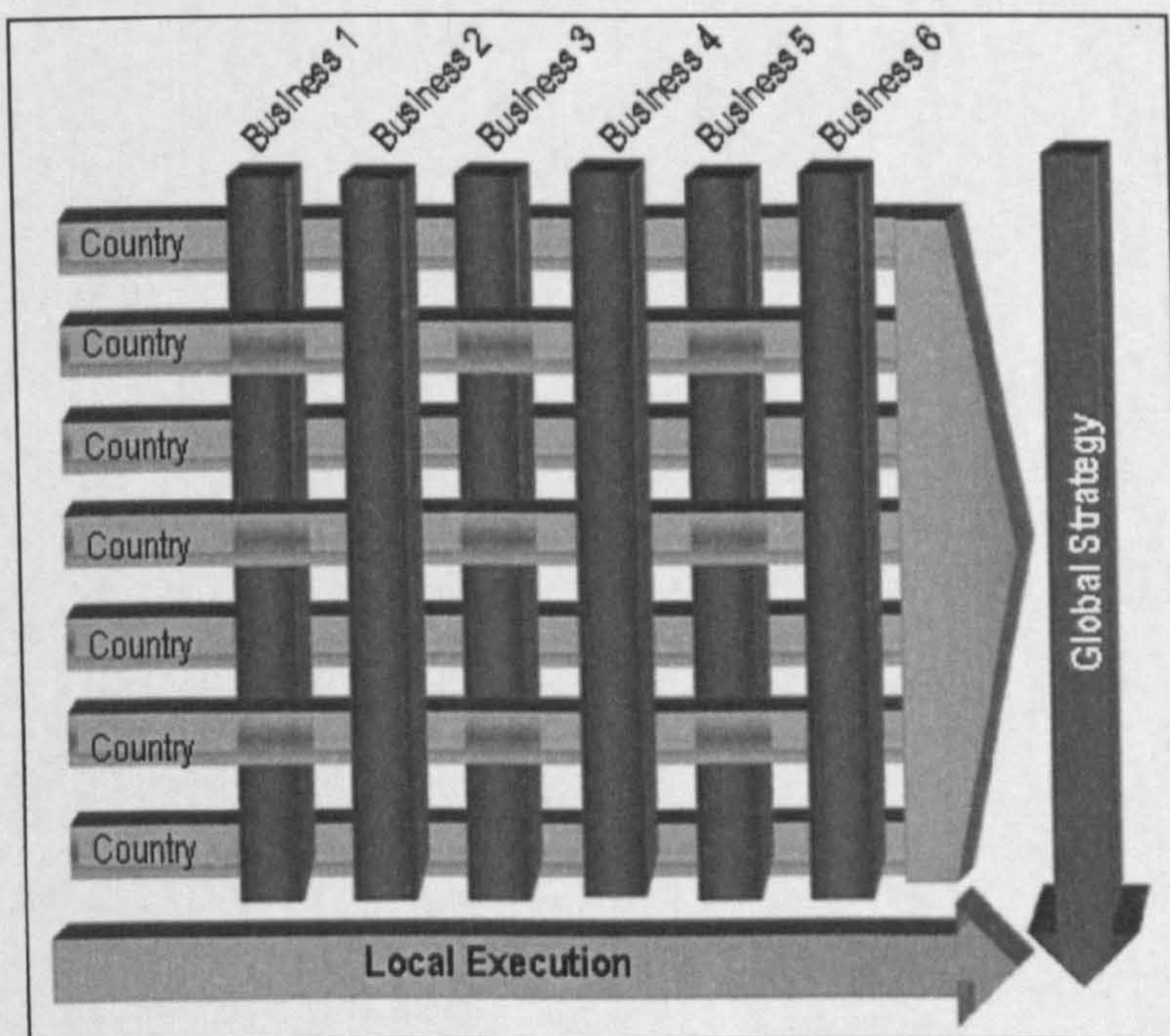


The Executive Vice President for international operations leads the organisation outside the USA and has the responsibility for all foreign subsidiaries. Thus, local subsidiaries report to the international organisation but, at the same time, are linked into the global business segments. Through the matrix organisation, MutiCo aims at optimising the balance between global strategy and local responsiveness (see exhibit 18).

Thus, the basic international strategy of MultiCo is to be responsive to local markets and customers, while at the same time sharing a worldwide strategy. The Executive Vice President for international operations reinforced this strategic orientation during the “2010 Outlook Investor Conference”, a meeting that took place in December 2009 and to which MultiCo invited professional investors such as investment banks. At the conference, he argued that MultiCo strives to meet local requirements and is committed to build products, services and businesses close to customers. However, while local responsiveness is a central aspect of MultiCo’s international strategy, likewise MultiCo’s subsidiaries are fully integrated into the MNC and interact with the global business segments to align strategy.

### Exhibit 18: Matrix Organisation

(Source: MultiCo)



### **4.3 MultiCo's Corporate Strategy**

In December 2005 the company appointed a new CEO and, in the beginning of 2006, a renewed strategic thrust was laid out. The essential elements of the long-term strategic direction were: firstly, to strengthen the focus on growth; secondly, to continue to invest in research and development; and thirdly, to further simplify and localise MultiCo's supply chains.

Out of these three essential elements of MultiCo's strategic thrust, the focus on accelerating growth had the highest emphasis. MultiCo's growth strategy is clustered into the following four core pillars, which have been constantly reinforced since 2006:

- Growing MultiCo's current core businesses
- External growth in the form of complementary acquisitions
- Building new business
- Achieving international growth

The external growth strategy focuses on complementary acquisitions, i.e. smaller acquisitions that supplement MultiCo's core business segments. The CEO referred to it as "tuck-in" and "baby bear" acquisitions that are related to current businesses and can be integrated into MultiCo's existing operations. As the focus of the acquisition strategy is on small and medium-sized companies, the implementation of this strategy required the engagement of MultiCo's subsidiaries, as these are close to local markets and can identify potential acquisition opportunities. In the past, acquisitions were predominantly initiated and realised by MultiCo's corporate centre; thus, for subsidiaries, the engagement in locally investigating external growth opportunities was novel. Therefore, after the strategy had been initiated, subsidiaries needed to engage themselves in understanding the local implications of the strategy approach. The long-term growth strategy has been consistently maintained since the beginning of 2006 and by the end of 2009, MultiCo had actually realised 60 acquisitions throughout the world.

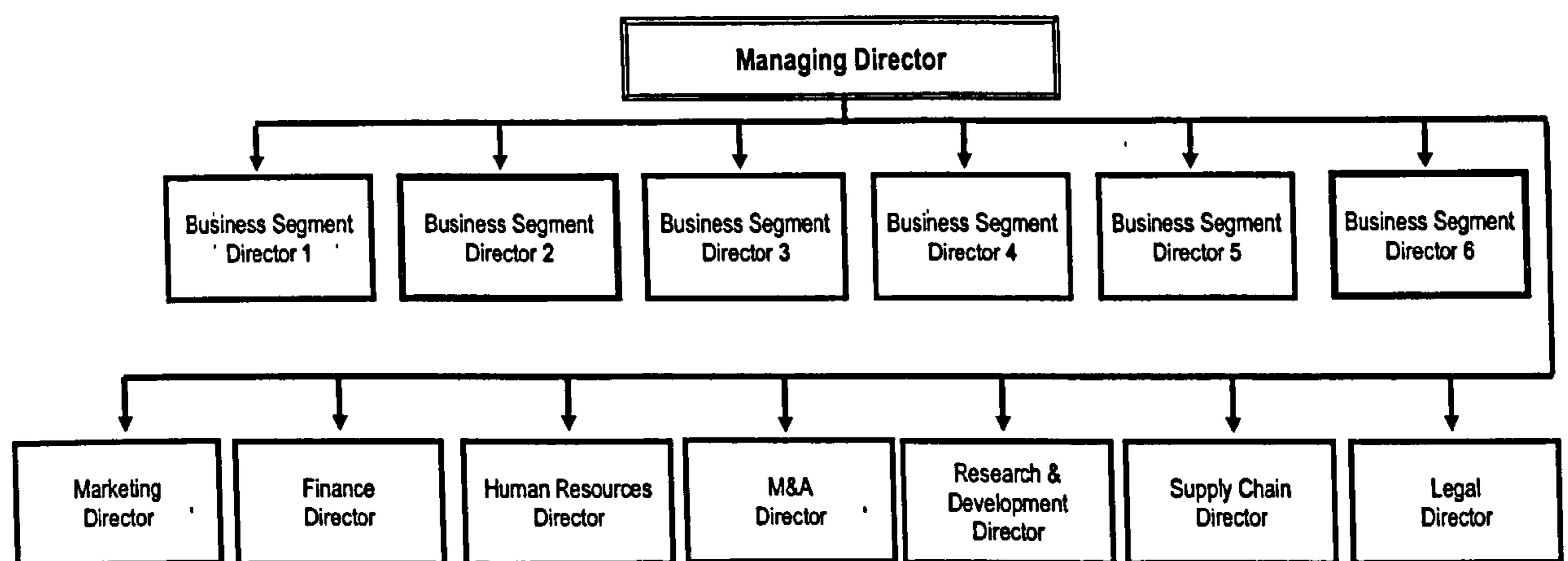
### **4.4 MultiCo in Germany**

The German subsidiary that served as the research site is MultiCo's worldwide second largest subsidiary, with about 5,000 employees and an annual turnover of almost US \$ 2 billion. The German subsidiary was established in the 1950s and has sizeable marketing, manufacturing and research and development operations. MultiCo Germany is fully integrated into the global corporation and its German headquarters lead and manage all of MultiCo's operations in Germany, across all different business segments.

The leadership team of the subsidiary is the so-called Subsidiary Operating Committee (SOC), which is organised in alignment with MultiCo's global structure (see exhibit 19). Within the subsidiary, for each of the six global business segments a so-called Business Segment Director (BSD) is in charge. Likewise, the functional areas have respective local directors. Throughout the study, the members of the SOC will be referred to as the senior managers of MultiCo Germany.

### Exhibit 19: Subsidiary Organisation Structure

(Source: MultiCo)



The SOC manages the subsidiary in an entrepreneurial style and is encouraged by the MNC to take local decisions to meet local market needs. Thus - acting essentially as a local board - the SOC is responsible for developing and executing the strategic and operational plans of the subsidiary. Yet, simultaneously, through the matrix organisation, the subsidiary is fully integrated into the MNC and engages in coordination and strategising discourse with the corporate centre.

As strategy implementation might differ due to different environmental conditions faced by national subsidiaries (Ghoshal & Nohria, 1989; Kogut, 1991; Nohria & Ghoshal, 1994; Saka-Helmhout, 2007) the German business context is also briefly addressed.

In terms of Gross Domestic Product (GDP), Germany is the world's fourth largest economy. MultiCo considers Germany to be a mature and developed economy which provides good framework conditions for external growth, such as political stability, high education levels and a large amount of innovative small and medium sized companies. Research shows that in Germany many companies are privately owned, which leads to a strong influence of the owner and less financial-markets-based influence (Whittington

& Mayer, 2000). In general, it seems that the German business system tends to be rooted in a continental-European tradition that is different from the Anglo-Saxon model. Characteristics of the German business system that are frequently discussed include a consensus-driven culture (Schmidt, 2002; Taplin, 2002) and an orientation towards technology and engineering, rather than towards marketing (Harzing et al., 2002; Whittington & Mayer, 2000). Obviously, these exemplary idiosyncrasies might impact upon the way an acquisition strategy is realised in Germany.

#### **4.5 Conclusion**

This chapter briefly presented the context of the case study organisation; a summary of this chapter is provided in this subsection. The study examines the German subsidiary of MultiCo. MultiCo is a large, publicly traded, USA-headquartered, multinational technology company that operates across six different business segments, serving a variety of different markets with a diverse range of products. About 60 percent of MultiCo's sales are generated outside the USA through its network of more than 65 wholly owned subsidiaries. MultiCo is not a conglomerate of independent business units, but a fully integrated corporation that leverages common technology platforms and manufacturing sites for all of its businesses. Through a matrix organisation MultiCo aims at optimising the balance between a global strategy and the responsiveness to local market and customer needs.

In 2006 MultiCo's headquarters initiated a corporate-wide external growth strategy as part of the corporation's renewed strategic thrust. The external growth strategy focuses on small and medium-sized acquisitions that are complementary to MultiCo's existing businesses. Whereas previously acquisitions were predominantly driven by the headquarters, the focus on small and medium sized companies required the engagement of subsidiaries that are close to local markets.

The case study organisation, MultiCo Germany, is MultiCo's worldwide second largest subsidiary. The local organisational structure is aligned with the worldwide structure and the subsidiary is led by a so-called Subsidiary Operating Committee (SOC). The SOC is responsible for developing and executing strategic plans for the subsidiary, while at the same time ensuring alignment with global strategy. The case organisation is embedded in the German economy, which is understood to be a mature economy that is technology and engineering driven, tends to have a consensus culture, and is less oriented towards financial markets than Anglo-Saxon business systems.

## 5 ANALYSIS OF DATA

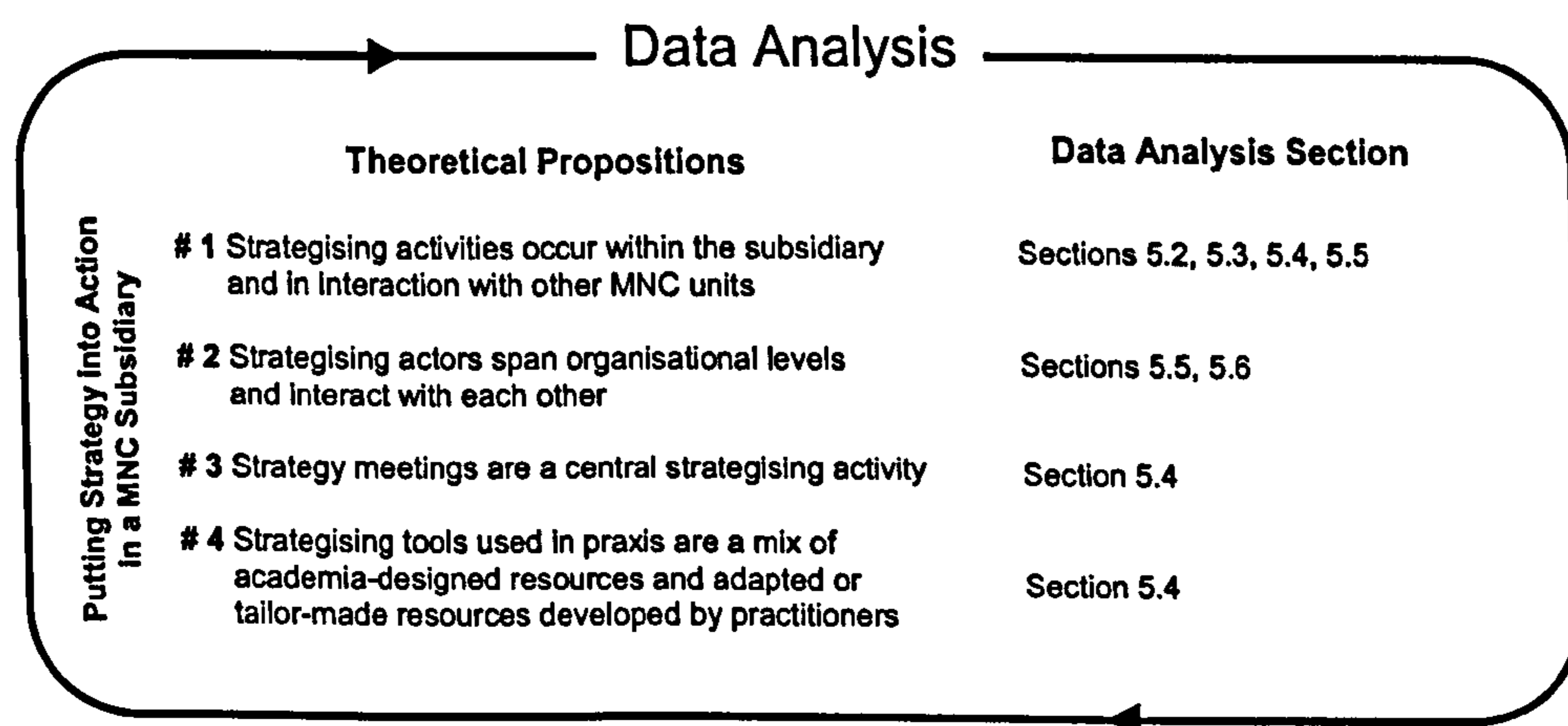
### 5.1 Introduction

After the methods of collecting and analysing the empirical data have been discussed in chapter 3 and the context of the study has been provided in chapter 4, this chapter now presents the analysis of the empirical data that was collected.

To guide the data analysis, the study drew on the theoretical framework and the related theoretical propositions that were developed in chapter two. However, in the highly interrelated and complex organisational praxis that was investigated, the boundaries between the different theoretical propositions were blurred; thus, each proposition can be linked to more than one data analysis section. Yet, exhibit 20 illustrates which section primarily presents evidence related to a particular proposition: Proposition # 1 is primarily considered in sections 5.2, 5.3, 5.4 and 5.5; proposition # 2 is mostly discussed in sections 5.5 and 5.6, whereas the propositions # 3 and # 4 are essentially considered throughout section 5.4.

#### Exhibit 20: Data Analysis and Theoretical Propositions

(Source: Exhibit developed by author)



As presented in chapter, three this study draws on three main data sources: interview data, documentary data and observational evidence. The interview evidence was collected across different subsidiary management levels; the following exhibit displays how these interviewee-levels are referenced throughout the chapter.

## Exhibit 21: Interview Informants

(Source: Exhibit developed by author)

Management Level	Acronym	Number of Informants	Referenced
Subsidiary Senior Management	SM	6	SM1, SM2, SM3, SM4, SM5, SM6
Subsidiary Middle Management	MM	5	MM 1, MM2, MM3, MM4, MM5
Subsidiary Operational-level Management	OLM	3	OLM1, OLM2, OLM3

When “subsidiary senior managers” are quoted, this is indicated by using the acronym “SM”; to recognise the different informants, each is coded with a different number (SM1-SM6). The same system applies to subsidiary middle managers, as well as to subsidiary operational-level managers (see exhibit 21). Within this study, subsidiary senior management is understood to be the members of the subsidiary operating committee (SOC) of MultiCo in Germany, as this body leads the subsidiary and sets its strategic direction. Middle managers of the subsidiary were direct reports of these so-called SOC members, whereas operating-level managers typically reported to subsidiary middle management.

The next five sections present the evidence in five main aspects. Section 5.2 presents how the external growth strategy was established from the corporate centre. 5.3 reflects the understanding of the external growth strategy within the subsidiary, whereas section 5.4 introduces the main subsidiary implementation activities that were found. The interrelationship of the subsidiary with other MNC units is presented in section 5.5 and section 5.6 introduces the findings related to different levels of strategising actors. At the end of each section, a summary is provided. Section 5.7 provides concluding remarks for the chapter.

### 5.2 Corporate-wide Strategising

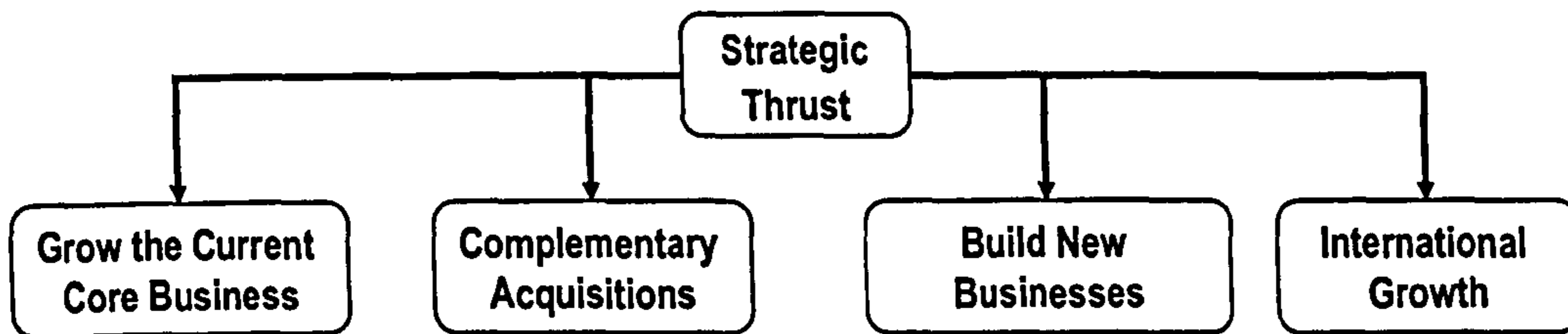
This section will present that at the outset of the data analysis, widespread evidence could be identified which underscored that MultiCo was pursuing a corporate-wide external growth strategy in which subsidiaries played a relevant role. Likewise, the evidence suggests that MultiCo’s external growth strategy was initiated from the corporate centre.

When MultiCo’s new Chairman of the Board, President and Chief Executive Officer - who was appointed in December 2005 - laid out MultiCo’s long-term strategy, external

growth was one of the four principal elements of growth. Exhibit 22 shows a graphical representation of the strategic cornerstones that the CEO presented at MultiCo's investor conference in May 2006 (a meeting to which MultiCo's CEO invites potential investors, such as investment banks, to present both an account of MultiCo's recent performance, as well as an outlook of future strategy and expected performance).

### Exhibit 22: Four Strategic Cornerstones

(Source: CEO, Presentation on MultiCo's investor conference, May 2006)



The external growth strategy was focused on complementary acquisitions, i.e. smaller acquisitions that supplement MultiCo's core business segments. The CEO referred it as "tuck-in" and "baby bear" acquisitions that are related to current businesses and can be integrated into MultiCo's existing operations.

In MultiCo's 2006 annual report, the CEO reinforced and commented on the external growth strategy: "For MultiCo, acquisitions are not simply about gaining volume ... They are sometimes used to advance our technology base ... sometimes to gain immediate new capacity ... sometimes to fill our product lines ... and sometimes to gain access to new markets ... Sometimes they are made specifically to strengthen the core ... and sometimes they are about new adjacency growth areas ... As acquisitions help us achieve all of these goals, above all, they help boost and complement our capability to drive organic growth and they will remain a key pillar of our growth strategy going forward." Likewise, the 2007, 2008 and 2009 annual reports referred to external growth as being a significant element of MultiCo's worldwide strategy. During MultiCo's "2010 Outlook Investor Conference" (a meeting to which MultiCo's CEO invites potential investors, such as investment banks, to present both an account of MultiCo's recent performance as well as an outlook of future strategy and expected performance) which took place in December 2009, the CEO reinforced that external growth has been an important strategy to grow MultiCo's core business and will continue to be a key strategic cornerstone; he referred to 60 acquisitions that had been made since 2005. During the same conference, the Executive Vice President International Operations referred to external growth as a crucial part of the overall international business strategy.



Alongside with external communication continuous and consistent internal corporate communication also took place. Quotes like the following - which was extracted from a global employee message the CEO wrote on April 26<sup>th</sup>, 2007 - can be found over and over again: "We're also strengthening our company through acquisitions. We have completed six since the beginning of the year as we continue our steady diet of small, low-risk bolt-ons." Or, as one senior manager (SM6) of MultiCo's German subsidiary said: "In other words, when our CEO started at MultiCo, he said, as head of the company, that we want to achieve higher growth rates and that we cannot do it with organic growth alone."

### Summary of Corporate-wide Strategising

In terms of both deliberately developing the corporate-wide external growth strategy as well as continuously and repeatedly communicating it to external and internal audiences the corporate centre was found to be an active strategising actor. It can be confidently stated that the strategic choice to pursue a corporate-wide external growth strategy was initiated at the top management level in the corporate centre and subsequently infused into the worldwide organisation.

### **5.3 Subsidiary Understanding**

Whereas corporate centre strategising actors conveyed the strategic intent actively to the external and internal MNC environment, strategising actors in the subsidiary - which is the focus of this study - consequentially attempted to understand and interpret the signals they perceived. Accordingly, this section will present evidence associated with subsidiary organisational understanding as well as related aspects of subsidiary-MNC integration.

The subsidiary under investigation - as presented in chapter 4 - was a fully integrated subsidiary developing, manufacturing and marketing a diverse range of products and services in many different markets. It was found that the basic international strategy of MultiCo was to have strong, local subsidiaries that were responsive to local markets and customers. This international strategy had been explicitly reinforced during the "2010 Outlook Investor Conference" which took place in December 2009 where the Executive Vice President International Operations argued that MultiCo strives to meet local requirements and is committed to build products, services and businesses close to customers. He supported this argument by highlighting that MultiCo had 99 percent

local employees, 35 research and development facilities outside the USA, and 107 manufacturing plants outside the USA. However, while local responsiveness was a central aspect of MultiCo's international strategy, likewise the subsidiary was fully integrated into the MNC; a shared strategy, as well as articulated coordination processes, in particular with the corporate centre, could be identified. A subsidiary operational-level manager (OLM1) described the organisational interrelatedness as follows: "Well here in Germany we are a subsidiary integrated into a large international group. And if I look at the strategy, I think it is a kind of mixture. In other words, we certainly have our global strategy, but we also have local strategies. And of course this also applies to our products and our product development. Naturally, we have a lot of products that are developed and produced globally, but we also have a lot of local products that are developed within Germany only for the German market." The high extent of subsidiary-MNC integration was particularly demonstrated by a common strategic intent, as well as by integrated strategic planning processes and coordination routines that are discussed subsequently.

In line with the integrated, but locally responsive, way MultiCo managed its international network of subsidiaries the data shows that the local subsidiary played a significant role in putting the corporate-wide external growth strategy into action. As documented before, MultiCo's external growth strategy focused on acquiring small and medium-sized companies that complemented or extended the corporation's core businesses. As a consequence of this strategic intent, the subsidiary's strategising work related to external growth was found to be substantial because smaller acquisitions were more likely to be initiated and driven at a local level as they required, in the words of one middle manager (MM1) of MultiCo Germany: "...direct knowledge of the market and the market environment."

A prerequisite for the German subsidiary to engage in strategy implementation activities was organisational understanding of the external growth strategy within the subsidiary. From a corporate centre perspective, the strategy was broadly communicated to internal and external audiences; in particular, through establishing external growth as one of the company's four strategic cornerstones. Complementing the CEO's intensive communication, other corporate centre executives were also associated with disseminating the external growth strategy both through engaging in presentations and communications and also through making use of MultiCo's formalised strategic planning process; as one subsidiary middle manager reported (MM3): "... there are certainly ... charts ... which are drawn up by [the Executive Vice

President] on the subject of M&A Strategy. And, let's say, that is also communicated within medium-term planning, in other words in the ISP." ISP is the acronym for "International Strategic Plan" and describes MultiCo's formal strategic planning process that was repeated annually and required all subsidiaries worldwide to develop a five-year strategic plan for the subsidiary. By including external growth as a standard requirement into this formal strategising process, strategising actors at subsidiary level were required to engage actively in external growth strategising and provide related information.

Likewise, internal routines were adapted to establish and monitor local strategy implementation. For instance, one middle manager (MM5) recalled how the financial reporting got adapted to better reflect the growth generated through M&A: "... I would say where there was a kick-off, more initiative to get more external growth and initiate acquisition, in the accounting area you notice it because we have modified the reporting ... In the profit and loss statement ... we separated off growth from acquisitions. That didn't exist before ... And growth through acquisitions ... is now shown as a separate item ... So there was an accounting change which, I would say, also really consciously monitored this strategy, in order to say, if I want to change something, how can I monitor it? And I found the change very useful in order to say: 'How good is our strategy?' Because we now show that as a separate item in all reports ...". Other strategising routines that emerged around external growth included a so-called Before-Acquisition-Review (BAR) process that organised the M&A-related interaction between the subsidiary and the corporate centre, and the initiation of a subsidiary meeting structure, which focussed on locally implementing the external growth strategy (both strategising activities are presented in detail in the next subsection).

Thus, external growth as a strategic orientation was found to be integrated into various strategising routines. Likewise, the internal communication, within the internal employee magazine of the German subsidiary, also covered the topic. Large articles presenting the external growth strategy were only found in June 2007 and July 2009. But 12 of the 24 issues that were published between January 2006 and December 2009 featured different aspects of external growth.

Subsequently, it will be shown that as a result of disseminating the strategic intent throughout the worldwide and local organisation as well as embedding it in strategising processes, a general organisational understanding of the external growth strategy

could be identified within the subsidiary encompassing senior, middle and operational-level management. Below, two quotes from two subsidiary senior managers are provided, both consistently emphasising the local relevance of MultiCo's corporate-wide external growth strategy.

SM6: "In other words, when our CEO started at MultiCo, he said as head of the company, that we want to achieve higher growth rates and that we cannot do it with organic growth alone. So we have to get external growth ... in order to achieve high growth in the German market ...".

SM3: "MultiCo has fundamentally decided to regard external growth as a strategic success factor ... this also means that MultiCo has declared ... that we want to achieve our growth from different components in a targeted way. And one of these components is external growth. It also means a long-term declaration of intent to achieve two to three percent of annual growth through strategic additions via acquisitions, via mergers ...".

Likewise, one operational-level manager (OLM2) described her understanding of the external growth strategy as follows: "External growth through alliances and ... through quick tuck-ins and bolt-ons, that means small acquisitions, which are made locally ...". Another strategising actor (OLM1) emphasised the commitment that the subsidiary had towards external growth: "... we intend to achieve stronger growth through external acquisitions ... in any case we want to grow strongly by means of acquisitions. In particular it is about adding smaller companies locally, local small companies ... I have the feeling that there is a very strong identification with it [the external growth strategy]". Furthermore, he reinforced the relevance the subsidiary had for the local realisation of the corporate-wide strategy: "It is important to know how a market functions and that is not only a matter of figures and numbers, which is what you see at the end. In order to really understand what is going on, it is important to be on the spot locally".

Yet, whereas a broad understanding of the corporate-wide external growth strategy could be identified across all management levels of the subsidiary, likewise there was evidence that differentiated subsidiary strategising work was required to translate the general direction into concrete action. For instance, a middle manager (MM3) underscored his essential understanding of the external growth strategy, while indicating that more detailed strategising work was needed to actually execute strategy: "... so there is, I would say, the requirement to grow, I would say, in the core business,

including ... acquisitions of companies, but we don't know exactly, I would say, what [acquisitions] are especially preferred." Another middle manager (MM4) reflected on how the process of translating the general worldwide strategy into more detailed subsidiary action evolves:

"He [an executive vice president from the corporate centre] actually has a central representation ... where are we actually going today, where do we want to go to tomorrow, where do we have gaps [e.g. in terms of product portfolio] and do we want to close our gaps internally or externally? There are actually rather good general guidelines .... sometimes very well prepared, sometimes very roughly prepared, but at least it provides helpful direction. This means that people like [names of two other subsidiary middle managers] or myself ... are actually informed about the basic strategy as to where we want to go ... And on that basis ... we ... say: 'Look out, we have a definition, there's a future market for us how could we position ourselves there? Does it make sense ... to purchase only products, to purchase ourselves technologies, licenses or entire companies?' Well, and on that basis we also have our discussions in the group, OK, if, for example, companies or products are about to be purchased: Do you have an idea as to whom to contact, who is your main competitor in the market, who are the newcomers, who is being talked about in the industry? And that's where you actually get your first ideas."

#### Summary of Subsidiary Understanding

In summary, it was found at a subsidiary level that corporate centre engagement, communication and discourse combined with embedding external growth in organisational routines and strategising processes, resulted in a shared understanding of the deliberate strategic intent. However, whilst a general and ample organisational understanding was identified, it seems that differentiated and detailed subsidiary strategising work was required to enable the transfer of rather abstract worldwide strategies into localised action. Accordingly, subsidiary implementation activities for executing the corporate-wide M&A strategy were found to be essential aspects and will be discussed in the next subsection.

#### **5.4 Subsidiary Implementation Activities**

This section reports how the corporate-wide initiation of an external growth strategy was associated with actual strategy implementation activities of the MNC subsidiary (while the next section, 5.5, will discuss strategising interactions that occur across

different units of the MNC). The subsection presents subsidiary processes and activities that were - as assumed in the theoretical propositions # 1, # 3 and # 4 - found to be central elements of local strategy implementation. The discussion includes formalised and less formalised organisational activities. The organisational implementation efforts were found to be highly interwoven and inseparable activities alongside the dimensions of organising and strategising. Exhibit 23 provides an overview of the identified subsidiary implementation activities that will be discussed in the following subsections. Subsection 5.4.7 provides a summary of the section.

### **Exhibit 23: Subsidiary Implementation Activities**

(Source: Exhibit developed by author)

<b>Subsidiary Implementation Activities</b>	
5.4.1 Resource Allocation	5.4.4 Strategising Tools in External Growth
5.4.2 Before-Acquisition Review Process	5.4.5 "Down-under" Strategising Project
5.4.3 M&A Meeting Configuration	5.4.6 International Strategic Plan
<b>Organising &amp; Strategising</b>	

#### **5.4.1 Resource Allocation**

On the subsidiary level, resource allocation - in particular in the form of creating specific management positions - was found to be a central organising activity for enacting the corporate-wide external growth strategy in the subsidiary. One significant decision was to create a new position for the subsidiary and appoint an "M&A senior manager" i.e. a locally responsible senior manager as a member of the subsidiary management operating committee (SOC), reporting directly to the Managing Director (MD) of MultiCo Germany. Thus, the M&A senior manager was established as a central subsidiary function that was not assigned to one particular business. This position was found to be a key enabler to centrally coordinate and propel the subsidiary strategising efforts related to external growth.

In the words of one senior manager (SM5): "We have a responsible person on corporate level [of the subsidiary] ... and this position was ... created some three, four years ago ... who coordinates all [external growth] activities in Germany ..."

Besides coordinating and propelling the subsidiary strategising efforts this position was found to be important to enable intra-subsidary knowledge transfers, such as transferring expertise around the formalised external growth processes of the MNC as

well as sharing experience on how to manage non-formalised processes, in particular the interplay with the corporate centre. According to a senior manager (SM3), the central M&A function in the subsidiary: "... can ... support and can, via processes and know-how ... provide assistance in closing the deal, in screening, in implementing, in establishing the due diligence teams."

As exhibit 24 displays, further subsidiary resources were allocated to implementing the external growth strategy. All six local business-divisions nominated local managers - typically middle managers reporting to the respective BSD - in order to drive the external growth strategy in their respective business. Whereas in some of the business-divisions these M&A middle managers were 100 percent dedicated to managing external growth in other businesses the M&A middle manager carried additional responsibilities besides the M&A role (for example being also in charge of market research). The job title for the M&A middle manager varied by business but they typically carried the job title of "Business Development Manager". Likewise, functional M&A experts in finance, human resources and other staff functions were established; these were found to be either middle or operational-level managers who dedicated on an "on-demand-basis" some of their time to M&A. An operational-level manager (OLM1) described the situation as follows: "And in principle, it was after this communication which happened on a global basis [communication from the corporate centre about the launch of a corporate-wide external growth strategy], that we were established as a team in Germany."

#### **Exhibit 24: Subsidiary Resource Allocation**

(Source: Exhibit developed by author)

<b>Subsidiary Senior Management</b>	<b>Subsidiary Middle Management</b>	<b>Subsidiary Operational-level Management</b>
1 M&A Senior Manager (central)	6 M&A Middle Manager (in business)  Support functions (on-demand)	Support functions (on-demand)

Thus, after the corporate-wide strategy was launched and the strategic intent disseminated throughout the organisation, resources were allocated to enact the execution of the strategy. A senior manager (SM1) recalled the situation as follows: "...the largest proportion of growth can only come from M&A. OK. When this became

clear, some time ago, that was two to three years ago, the resources were provided in the individual business units for the first time.”

Another senior manager (SM2) reinforced the relevance of resource allocation and pointed out that the M&A middle manager had the task of both “driving” the strategy and engaging in actual strategising work: “I think another important point simply is that you need someone to drive the [M&A] process, but also someone who, I’d say, deals with the whole bureaucracy and administration.”. However, the same senior manager continued to say: “We have many local [M&A] resources where I think: Do you need 100 percent in any case? I don’t know. In the businesses, we mostly have someone who does the analyses”. Thus, whereas the allocation of resources was found to be essential for enacting strategy implementation, from a senior manager’s perspective the allocation decision was a deliberate strategic choice about allocation alternatives which required finding the right balance. One middle manager (MM2) phrased it like that: “... the BSDs [business segment directors] have the task of providing resources from their area in order to, let’s say, support ... the external growth strategy. The BSDs must, of course, manage their own resources insofar as they say that external growth is only a part of the strategy.”

#### 5.4.2 Before-Acquisition Review Process

Besides the allocation of resources, the creation and use of structural practices and formalised coordination processes were found to organise and enable local strategising. In particular, the local preparation and utilisation of the so-called “Before-Acquisition Review” (BAR) process was found to be a pivotal implementation activity that the subsidiary engaged in to put the external growth strategy into practice.

The corporate-wide BAR process organised and formalised the M&A-related interaction of the subsidiary with the corporate centre. As indicated in last three white boxes of exhibit 25 the official BAR process was a corporate-wide, formalised three-step process that was developed in the corporate centre and was binding for each acquisition project. The BAR process started when the subsidiary identified a potential acquisition candidate, thus, it was an “on-demand” process that was triggered by the subsidiary but followed global procedures.

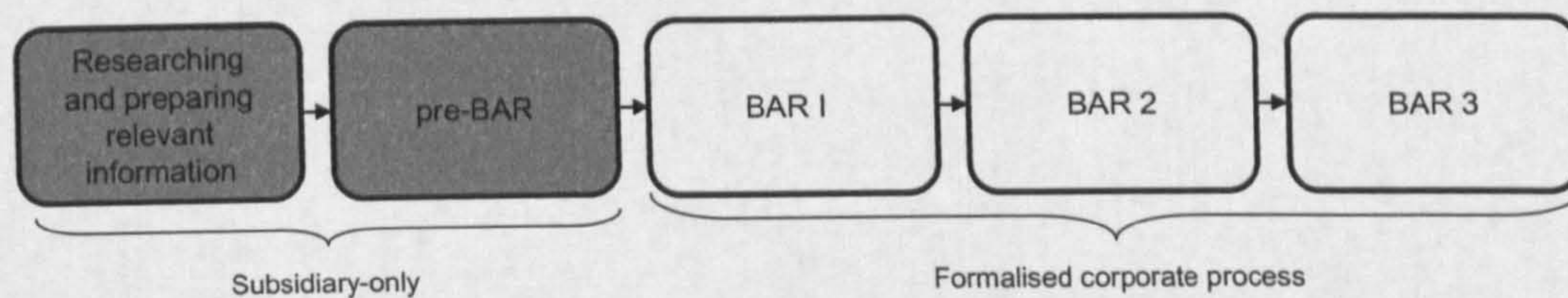
The next paragraphs will present the official and formalised three-step corporate BAR process. Subsequent to this, the two grey boxes of exhibit 25 will be discussed; they



indicate local “voluntary” pre-activities that the subsidiary engaged in prior to the official BAR process.

### Exhibit 25: The BAR Process

(Source: Exhibit developed by author)



The first formal step of the three-step corporate BAR process was the so-called BAR 1 meeting, where usually senior management from the subsidiary presented (via teleconference and online presentation sharing) a concrete acquisition proposal to senior management from the corporate and area centre. The most relevant question during the BAR 1 discussion was whether there is a strong strategic fit for the acquisition.

In contrast, during the BAR 2 meeting, the focus was primarily on the financial performance of the acquisition candidate and the financial rationale of the acquisition. During BAR 3, the decision was taken whether or not MultiCo should attempt to acquire the company and a negotiation framework was provided. For all three steps of the process, standardised information was required and was presented in formats that were provided by the corporate centre to ensure comparability across projects and countries. In particular, during BAR 3, top management of the corporate centre was involved, including the CFO (Chief Financial Officer), the M&A Vice President and, depending on the size of the potential acquisition, the CEO. The final decision-making, in particular the financial framework of the acquisition, tended to be strongly controlled by the corporate centre; for instance, one middle manager (MM1) stated: “My perception is that we are very much controlled from the centre via the senior management [from the corporate centre]...”.

The overall BAR process was briefly described by a middle manager (MM2) as follows: “The BAR process is a three-phase concept ... let’s say ... a kind of filtering process ... That means during the first step the strategy is checked in other words, to see whether the candidates fit into the global divisional strategy and the regional strategy. And during the second step ... a closer look is given to the financial performance. And in the third step, let’s say, in negotiations, the deal is closed or not.”

However - as indicated in the first two grey boxes of exhibit 25 - before entering into the formalised interplay with the corporate centre, the subsidiary engaged in local strategising work to identify and select potential acquisition candidates. This strategising work was done by strategising actors in the subsidiary and included activities such as researching, identifying, analysing and selecting potential target markets and acquisition candidates. Much of this actual strategising work was done by the local M&A middle managers who also prepared the information and presentations in such a way that they could be used for the subsequent steps of the formal BAR process.

Whereas the official BAR process was essentially a globally identical process, the subsidiary created an additional process step - the so-called "pre-BAR" meeting - that took only place locally (see exhibit 25). The pre-BAR meeting was typically a rather informal face-to-face meeting initiated by a BSD in conjunction with the respective M&A middle manager. During a pre-BAR meeting, a particular acquisition proposal was presented by the BSD and the middle manager to the MD, who was usually accompanied by the subsidiary's central M&A senior manager and the subsidiary's finance director. Compared to the BAR meetings, the pre-BAR meeting was rather informal; a senior manager (SM1) illustrated it as follows: "... [in pre-BAR meetings] we present to the Managing Director in five key charts explaining what our goal is with this acquisition, here it is a fairly broad question of strategy...".

The pre-BAR meeting was established because of the high relevance of local senior management support for an acquisition project. Only if the MD and the BSD were convinced of the strategic and financial rationale and signalled their strong support, a project would enter into the formal BAR-process. A middle manager (MM1) described this process as follows: "But before we enter into this international BAR, we make a local BAR here, called a pre-BAR ... where we decide, from the German point of view, if we want it and are we all prepared to support it."

An important part of the pre-BAR meeting was to discuss who the important internal stakeholders in the process are - e.g. the Executive Vice President of a particular business - and how they could be involved and informally influenced prior to official BAR meetings. In the words of a middle manager (MM5): "I would say, there is an informal pre-BAR meeting, in order to say, you have your stakeholders, who are important within the process ... So who do I have to have on my side, who do I have to convince. In fact, pre-selling always takes place." For informally contacting internal

stakeholders - typically corporate centre top management - in an individualised way the subsidiary senior management, in particular the local MD, played a significant role. Accordingly, a middle manager (MM3) stated: "... the MD naturally plays a decisive role [in M&A]. Yes, so if we want to think about Germany as a region and you have an MD who I would say has a relatively good [internal] network, then the probability that you will be able to make progress in a lot of ways is also relatively great." Thus, besides formal and structured strategising processes also informal, individualised and context-specific interactions were also found to be relevant.

Overall, the BAR process was found to be an important vehicle of the subsidiary's interplay with the corporate centre, as it provided a clear structure and required explicit information. Based on fairly standardised information, which was intended to increase objectivity and comparability, the process resulted in a decision that seemed to be essentially taken by the corporate centre. The subsidiary was found to leverage the formal BAR process and complemented it with "voluntary", customised and less formalised local pre-steps that helped to shape local strategising activities. In general, the formalised strategising process was found to be accompanied by informal and individualised interactions which facilitated the formalised process.

#### 5.4.3 M&A Meeting Configuration

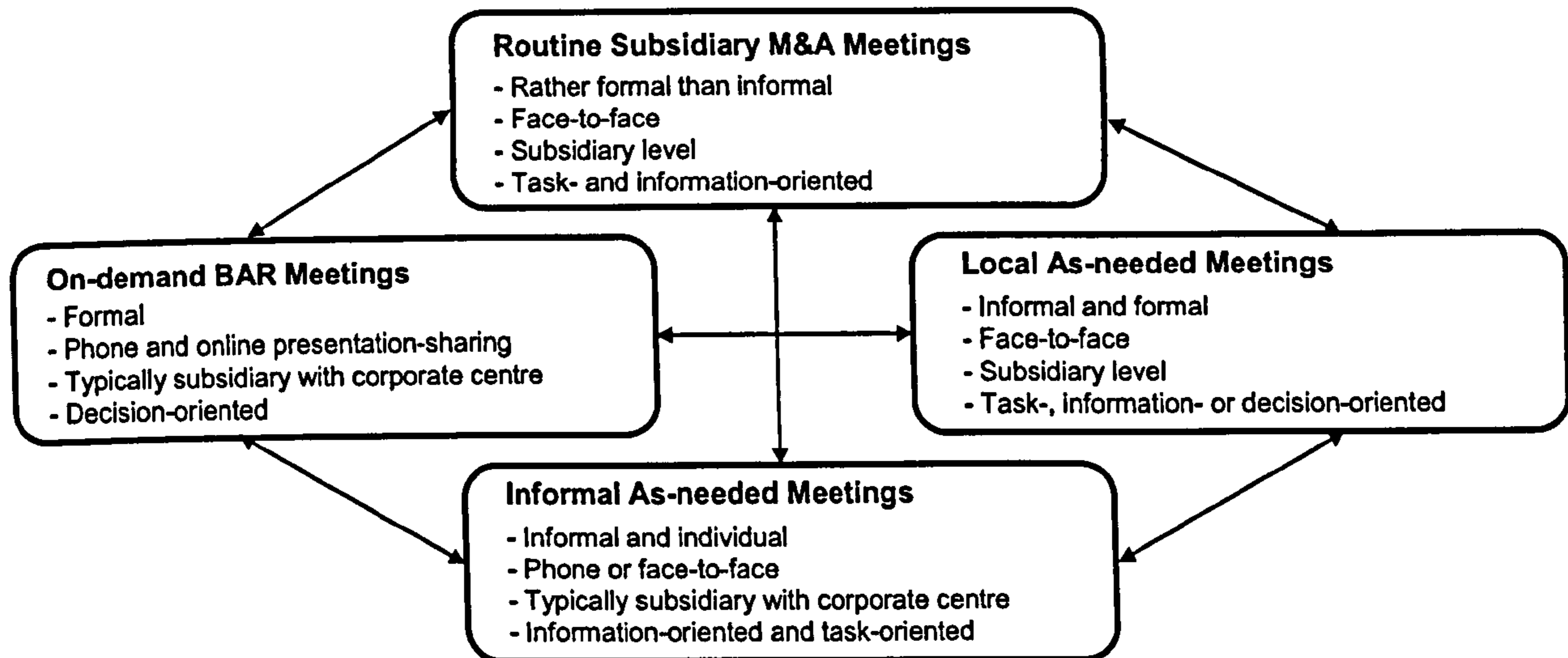
The evidence suggests that strategising meetings as an organisational activity were practical and prevalent means for shaping organisational strategising; a finding that is in agreement with theoretical proposition # 3. As exhibit 26 displays basically four categories of interrelated meetings that compose an M&A-related meeting configuration, could be identified. This meeting configuration was found to contribute strongly to enabling strategy implementation within the subsidiary.

The category "routine subsidiary M&A meetings" represents a local structure of recurrent meetings which were established in the subsidiary under its own direction. In contrast, "on-demand BAR meetings" characterises meetings that were embedded in the corporate-wide formal BAR process. Finally, "informal as-needed meetings" and "local as-needed meetings" represent meeting types that were not routinely scheduled, but drawn upon by subsidiary strategising actors on an "as-needed" basis. Importantly, all four meeting categories were found to be highly interrelated, i.e. the output of one meeting category (e.g. decisions, information or knowledge) was often found to be the

input for another meeting category (and vice versa). The subsequent paragraphs will present the findings related to the different meeting categories in more detail.

## Exhibit 26: Meeting Configuration

(Source: Exhibit developed by author)



### Routine Subsidiary M&A Meetings

The data shows that an external-growth-related meeting structure and rhythm was created locally by subsidiary management as an enacting mechanism to embed and implement strategy within the subsidiary. Thus, besides extant corporate processes and meeting structures, the subsidiary created and established its own local strategy meeting routines to make M&A strategy implementation a constant organisational activity rather than a one-off sequence. Initiated by the M&A senior manager of the subsidiary essentially two regular meetings were established as routine subsidiary M&A meetings: The “M&A team meeting” and “business-specific up-date meetings”.

The first meeting - denoted as “M&A team meeting” - was scheduled in a bi-monthly rhythm and chaired by the M&A senior manager. The subsidiary M&A managers from all different businesses, as well as the M&A experts from finance, were invited; the meeting was a face-to-face episode that took place locally in the subsidiary. The meeting was rather formal with formally scheduled dates and an agenda that was distributed up-front. Typically, the meeting agenda was developed by the M&A senior manager, but the other meeting participants could propose agenda items as well. During the meeting, the different strategising actors usually used PowerPoint to present their topics, but the meeting tended to be interactive and presentations were followed

by discussions of the respective topics. Two middle managers, who were regular participants of the meeting, described these local M&A team meetings as follows:

MM2: "... then there are sort of cross-functional meetings ... where all responsible business development managers come together and undertake a kind of process review and say, well: What is going well, what is going wrong – a little bit of exchange of experience ... maybe also coupled with training sessions."

MM3: "... a coordination meeting ... every two months: where are we, status report etc. are there any new candidates, is there anything new anywhere, in other words has the searching resulted in new candidates?"

Thus, in essence, the meeting was a task-oriented and information-oriented meeting which was found to serve three basic purposes: Firstly, a progress update of recent M&A projects; secondly, the sharing of expertise and experience (sometimes augmented by outside experts); thirdly, a discussion of which additional activities could be introduced to further improve the implementation of the external growth strategy in the subsidiary. The meeting itself was not a decision-making meeting, but it served - through sharing of best-practices - to prepare strategising actors for decision-making processes (in particular, formal BAR meetings).

The second meeting type of the category "Routine Subsidiary M&A Meetings", were business-specific up-date meetings. These were subsidiary-level face-to-face meetings that the M&A senior manager initiated monthly, separately for each of the six businesses, with the respective local M&A middle manager, who was typically accompanied by local strategising actors who were involved in current projects. Even though the meetings were formally scheduled, the discussions during these meetings tended to be hands-on and focused in-depth on the current status of particular projects and on how and when progress could be achieved. There was no formal agenda for the meeting, as the dominant agenda topic "updates of current external growth projects" was identical for each meeting. Thus, during these meetings, the M&A middle managers provided detailed project updates verbally and typically no presentations were delivered.

A middle manager (MM2) described the meetings as follows: "There are regular meetings which, on an individual basis, are held between the business development manager of the business areas and top management [the subsidiary M&A senior

manager]. They are normally also joined by the finance person responsible, or the controller. In these meetings, let's say, the status of the individual projects is reviewed - how far, let's say, support is needed ...”.

To structure the meeting, a tool was used that was developed in the subsidiary solely for organising the implementation of the external growth strategy. This “external growth management tool” was basically a structured database that allowed entering and retrieving relevant information about subsidiary M&A projects. During each meeting, the database got updated. As one operational-level manager (OLM2) stated: “... continuously reviews how far we are with the individual targets [M&A projects], and there is also a process and a database, and it is entered into this mercilessly ...”.

In particular, this meeting type had strong links with the other meeting categories presented in exhibit 26. For instance, typically a large part of business-specific meetings was spent on a discussion of how to prepare formal M&A processes, in particular the BAR and pre-BAR reviews for a particular project. Especially the observational evidence found that these meetings tended to be highly context-specific and individualised; they focused in-depth on topics that were important for the respective stage a particular M&A project was in and drew on the M&A senior manager for experience and knowledge transfer. During the observations, it was particularly found that a significant amount of time was spent on discussing informal interactions, i.e. how to generate interest and commitment of senior management towards a particular external growth target prior to or alongside official M&A processes. These discussions were found to be a crucial factor in the strategising process and considerable time was dedicated to discuss the best proceedings to enable and initiate these informal interactions. An outcome of such discussions was, for example, the initiation of an informal meeting of a subsidiary senior manager with a corporate centre executive to “pre-sell” a specific external growth project.

In general, similar to the “M&A team meetings”, also the “business-specific up-date meetings” were found to be information-oriented and task-oriented rather than decision-oriented. However, as these meeting types prepared decision-making, transferred knowledge and monitored progress, they were found to be an important organisational instrument for translating strategy into action.

### On-demand BAR Meetings

Besides the category “Routine Subsidiary M&A Meetings”, another meeting category, “On-demand BAR Meetings”, was found to be relevant in subsidiary strategising (see exhibit 26). The BAR process - as has been previously discussed in detail - was an on-demand process that was triggered by the subsidiary and organised the interaction between strategising actors of the subsidiary and the corporate centre, with regard to a specific external growth project. In other words, the subsidiary actively contacted the M&A team in the corporate centre and asked for a particular acquisition proposal to be reviewed during a formal BAR meeting.

Thus, the core pieces of the BAR process were formalised BAR meetings, during which subsidiary managers presented a concrete acquisition proposal to corporate centre executives. As the BAR meetings involved subsidiary and corporate centre managers the meetings took place via telephone conferencing combined with online presentation sharing. The nature of the meeting was that of a “review meeting”; accordingly, much of the content that the subsidiary strategising actors presented was based on standard requirements, which were pre-defined by the corporate centre. Importantly, the meetings were clearly decision-oriented; in the words of a subsidiary middle manager (MM1), the outcome of a BAR meeting is: “Can we go on ... or should we go on, yes or no.”

Consequentially, the BAR meetings were perceived by subsidiary strategising actors as a pivotal constituent for realising external growth and many other meeting types and strategising activities were found to be used to prepare or enable official BAR meetings.

### Local As-needed Meetings

This meeting category of the meeting configuration presented in exhibit 26 tended to be customised and took place on an “as-needed” basis, i.e. these meetings did not follow a particular scheduled meeting rhythm or have a standard content, but were initiated - often ad hoc - by subsidiary strategising actors for an explicit purpose.

Local as-needed meetings were subsidiary-level episodes that covered a variety of organisational purposes in strategising for external growth. Typically, these were rather informal face-to-face meetings which tended to have a workshop-character, i.e. a group of subsidiary middle and operational-level managers came together to engage in actual strategising work related to one particular topic. These meetings were found to be

initiated by subsidiary senior or middle management. A senior manager (SM6) provided the following account of a local meeting that was initiated for the explicit purpose of preparing a formal BAR meeting: "... then a team is put together and then they start work. Then they are also taken out from daily business at short notice, in order to work on putting together all the information consistently over several days. I would also see this as a workshop ...".

However, local as-needed meetings were found to have different organisational purposes such as the strategy workshop focusing on external growth that was initiated by the MD for the entire senior management operating committee of the subsidiary. This M&A strategy workshop was no meeting that occurred routinely; the workshop was a mix of decision-making combined with information-sharing and task-orientation that was designed only for this purpose.

The three-day strategy workshop was organised at the outset of local subsidiary M&A strategising activities and took place in 2006, after the global external growth strategy was launched. One senior manager described (SM6) it like that: "We dedicated a complete SOC workshop to the subject of the framework conditions for M&A and the processes that are necessary ... We simply got advice from an external consultant, in particular as regards the processes in other words ... How can I achieve external growth, you know ... identifying acquisitions or companies and also, I would say, finding the entire focus, designing the process ...".

The strategy workshop was initiated by the MD of the subsidiary and was primarily prepared by the M&A senior manager with support of some middle and operational-level managers. As a location for the strategy workshop, a hotel in a rural environment was chosen to avoid being distracted by day-to-day duties. The objective of the meeting was to extend the M&A expertise at senior management level and - by having all subsidiary senior managers actively participating in the workshop - to create a shared understanding of how to execute the corporate-wide external growth strategy in the German subsidiary. A senior manager (SM3) provided the following account: "In the SOC ... we also had a three-day workshop ... focusing mainly on Mergers & Acquisitions. Where we had .... the financial organisation .... Then we also brought ... in experts for two days ... external people. Then we brought in a lady ... who is actually rather well known in the integration area, because the workshop also included integration ... So we have definitely tried to prepare ourselves."



Thus, to organise knowledge transfer, both internal and external experts were involved; areas of knowledge that were covered included how to achieve external growth, how to identify potential acquisition candidates and how to integrate acquired organisations. Likewise, the strategy workshop consisted of actual workshop sessions where the corporate-wide external growth strategy was translated into subsidiary organising and strategising activities. Thus, the strategy workshop was found to be an important element of strategy initiation on a subsidiary level.

#### Informal As-needed Meetings

Informal as-needed meetings, the last category displayed in exhibit 26, tended to be initiated by subsidiary senior managers with the purpose of informing and influencing corporate centre executives relative to an explicit external growth project. The nature of this meeting type was an informal, personal and individualised interaction that was typically focused on one particular M&A topic and involved few meeting participants. These meetings tended to be held via telephone conferencing and did not follow a routinely scheduled meeting rhythm; on the contrary, they were initiated ad-hoc when a specific need occurred. Besides telephone conferencing, other opportunities for informal face-to-face meetings were used; like one senior manager (SM3) reported: "I had intensive negotiations regarding the offer of more money [for a particular acquisition proposal] with [the CEO and other senior executives] when I was over there [in the corporate centre] in May ... They were all in the executive conference. And that is also the advantage of such an executive conference, if you have a hot deal like that, when you say, can we all meet for lunch in one room."

Thus, these individual and informal meetings were found to be an important enabler for subsidiary strategising and were typically linked to, or preceded, formal external growth processes, in particular BAR meetings. Section 5.5 provides a more detailed discussion of informal organisational interactions that were found in subsidiary strategising.

Summarising the evidence related to M&A meeting configuration, it was found that meetings were a central organisational activity of subsidiary strategising. It was found that subsidiary strategising actors drew purposefully on this organisational practice and used the configuration of different meetings to enact and embed the corporate-wide external growth strategy within the subsidiary. This included intermittent meetings that occurred within the corporate-wide on-demand BAR process when a concrete acquisition project was ongoing. Likewise it included the creation of a local external-

growth-related meeting structure and rhythm of interrelated routine and as-needed meetings. This setting of interwoven corporate-wide and local strategising meetings was found to have a wider impact upon strategy implementation within the subsidiary. Thus, it was found that the purposeful configuration of a meeting structure was a highly relevant organisational instrument for translating strategy into action.

#### 5.4.4 Strategising Tools in External Growth

Here, the lens of the investigation was to discover what different kinds of strategy tools were used in praxis and if and how these were integrated into strategising processes. It was not the objective of the investigation to gain a deep understanding of the detailed strategising content of the various strategy tools.

The evidence showed that in the strategising praxis of the subsidiary, a wide variety of strategising tools were used and that the deployment of strategising tools was a relevant enabler of strategy that was highly interwoven with other organisational strategising processes and activities. Supporting theoretical proposition # 4, the tools that strategising actors engaged in were found to have basically three different conceptual backgrounds:

Firstly there are in-house strategising tools that had been developed within the MNC (in the corporate centre or in the subsidiary). Secondly there are tools that had their roots in academia and that are typically taught in business schools. And thirdly there are general tools that were commonly available, most notably “easy-to-use” tools enabled by basic information technology such as the internet or the purposeful utilisation of PowerPoint software.

The next paragraphs will discuss strategising tools from each of these three different conceptual backgrounds that subsidiary strategising actors were found to be engaged in and will consider how these tools were integrated into subsidiary strategising.

##### Strategising tools developed by the MNC

In-house strategising tools developed within the MNC included standard templates - mostly based on PowerPoint and Excel formats. These tools enabled formal strategising processes, such as the previously introduced formal BAR process. The content that was covered within such standard templates included the strategic rationale for external growth projects as well as standardised calculations with regard

to financial performance. A middle manager (MM5) referred to these templates as follows: “But there is a standard tool ... for the BAR review or all the reviews ... packaged into a standard tool, where we enter the key information .... and this information is given to corporate development [in the corporate centre]...”.

These strategising templates had been developed by the corporate centre; they established and enforced corporate-wide standard criteria with the aim of having objective and comparable data. Being fully integrated into formal organisational processes, these tools were a prerequisite for the subsidiary to engage in external growth related interaction with the corporate centre.

However, standard templates were found to be more than mere tools that support rational decision-making, they were found to provide a relevant platform for strategising discourse between the strategising actors of the subsidiary and the corporate centre. In the words of a senior manager (SM2): “You can say: well, we have to compile certain information about potential targets [acquisition candidates] beforehand on a standardised basis. And after that there are also related discussions.” Thus, the standardised tools were equipped with relevant strategising content by subsidiary strategising actors and then shared with the corporate centre - typically via telephone conferencing using online presentation-sharing technology - with the effect of enabling and guiding a strategising dialogue.

Accordingly, also during the observations of the strategising meetings the utilisation and preparation of standardised strategising tools through the sharing of relevant information was found to trigger a strategising discourse that surfaced different topics and facilitated the creation of shared understanding. During these strategising dialogues, it became apparent that standardised strategising tools provided the basis for a common strategising language that was used across all levels of strategising actors. For instance - referring to strategising tools used in external growth - the meeting participants were considering the “strategic fit” of an acquisition or talked about the need to “prepare a BAR 1 presentation”, thus they engaged in using strategising language that was connected to different strategising tools.

Yet, standardised strategising tools developed in the corporate centre were found to serve an additional purpose; they enabled the corporate centre to establish strategising control and monitoring mechanisms. A subsidiary middle manager (MM5), for instance, provided an account of a BAR-related standard tool developed in the corporate centre

that was called a “blue book”. Within this “blue book” the subsidiary constituted the expected future performance of an acquired company: “... there is a blue book. I would like to say, there are also the reviews in the blue book ... I create a blue book and it is measured according to that. And at that time, during the [name of company] acquisition, a meeting every three months: And where am I? But more than that, what does the business model say? Where did I go?”

Thus, standardised strategising tools, developed by the corporate centre which were embedded in formalised organisational processes and used in centre-subsidary strategising interactions, were found to serve three purposes. Firstly, they were used to generate objective and comparable data; secondly, they offered a platform for strategising discourse; thirdly, they provided control and monitoring mechanisms for the centre.

However, besides strategising tools which were developed in the corporate centre, the subsidiary itself was also found to have created tools to facilitate local strategy implementation. To organise the strategising interaction within the subsidiary, an external growth management tool for storing and retrieving strategy-related information was developed and implemented locally. This tool was basically a database that requested particular strategic and financial data about external growth projects; the data were typically compiled and entered by a middle or operational-level manager. SM1: “Well, databases exist for this purpose [discussing the progress of external growth projects]. Target sheets are entered in this databases, that I discuss with them [M&A middle managers] every four weeks in a small meeting and there are objective statements in the database and also deadlines.”

Whereas the database served practical organising purposes like consolidating data and managing deadlines, it was also used as a facilitating and moderating tool in strategising meetings. The tool was integrated into subsidiary strategising activities and actually structured all three strategising meetings that were observed - i.e. the tool substituted the agenda - because during these meetings the ongoing external growth projects were discussed and relevant information was updated in the tool. Using the tool and entering strategising data into the tool throughout the meeting transferred the tool into a meaningful strategising instrument that initiated strategising dialogue and surfaced different opinions of different meeting participants. Moreover, through using the external growth management tool intensively across the subsidiary, the common

external growth strategising language was found to be invigorated, facilitating a consistent understanding of relevant strategy topics.

Whereas the BAR-related toolkit and the external growth management tool were deployed consistently across the entire subsidiary and were embedded within the overall external-growth-related strategising processes, a variety of other tools - sometimes customised for external growth - were found to be used within the subsidiary in specific contexts or for particular purposes. Individual strategising actors were found to deploy these tools because they were familiar with them or because these tools were available and acknowledged within the subsidiary. Accordingly, many of these purpose-specific tools were based on the Lean Six Sigma methodology, a management toolkit that was found to be prevalent, widely understood and commonly accepted among the strategising actors in the subsidiary.

MM3 described the differentiated use of purpose-specific strategising tools as follows: “... let's say the subject of strategy. Starts with, in what market am I active, how attractive are the markets? Well, let's say what are the main success factors for the markets? What are our competitors doing ... how do we stand in relation to the competition, what do we learn from this, what do we have to do ... there are certain tools for each of these points. Yes. Let's say Six Sigma tools or other things, it would go a bit to far to list them now, although even I don't know all of them ...”.

OLM1 reported the use of a “hopper-tool” that was rooted in the Lean Six Sigma toolkit and commonly known in the subsidiary: “Well, it's like this: We have so-called hopper sessions. Hopper sessions are sessions where you think in general about what targets you could have. Quite generally, without thinking of particular companies, but more a general view, where we really go and then, so to speak, fill in an Excel table, we have thought about certain criteria beforehand and then say afterwards that could be an area we would like to go into, into a new area of business – so that maybe beforehand templates had been prepared and afterwards you work through them with the corresponding meeting participants.”

Likewise, a middle manager (MM4) - using the same strategising language - stated: “... we have a so-called hopper session where we pass through a hopper, especially with regard to external growth in order to say: 'Look out, we have a definition, there's a future market for us, how could we position ourselves there?' ... Well, and on that basis we also have our discussions in the group ...”. Using this established tool actually

triggered an intensive strategising dialogue with regard to external growth, as part of which the strategising actors exchanged their opinions and created shared understanding around relevant aspects of M&A strategy.

Thus, by drawing on a toolkit that was previously established within the subsidiary and deploying it for external growth strategising the strategising actors took advantage of an already existing understanding of the tool, including a common language that accompanied the tool utilisation.

In summary, the evidence showed that besides standardised tools that were developed specifically for implementing the external growth strategy and that were deployed consistently across the corporation and across the subsidiary, individual strategising actors also drew upon individual and purpose-specific strategising tools with which they were familiar. The tools were selected in a context-related way and addressed particular strategising tasks, typically building upon tools that were already prevalent and acknowledged within the subsidiary. In doing so, the strategising actors utilised the common understanding of these tools to facilitate external-growth-related strategising. In general, the use of strategising tools developed by the MNC (both standardised tools from the corporate centre as well as purpose-specific individual tools from the subsidiary) were found to enable strategising discourse and establish a common strategising language.

#### Strategising tools that have their roots in academia

Besides strategising tools that were developed and customised within the corporation, the subsidiary was found to deploy strategising tools that have their conceptual roots in academia. The data shows that academic tools were used as an integral element of subsidiary strategising activities in a variety of settings, both in individual work of strategising actors and also within strategising meetings.

An example for embedding strategising tools in a subsidiary-wide strategising process was the so-called “down-under” project that will be discussed in more detail later. In this project that was driven by the subsidiary M&A senior manager, all divisions of the subsidiary were involved in order to develop an external growth strategy for each business unit. SM6: “There was this famous down-under project, in which I took a very active part at the time. Where we put together a toolbox I would say really first in order to analyse the basic situation ... And this is where these tools such as Porters-Five-

Forces etc. are used. But basically they are really there in order to clarify this M&A strategy in itself.”

Another senior manager (SM1) referred to this project as follows: “We tried to use different tools ... to create a strategy by first undertaking strategic planning and then external growth planning, with lifecycle analysis, GE-Matrix, real-win-worth, future scenario planning ...”

To increase the academic expertise in the “down-under” strategising project, the subsidiary recruited six final-year students that did their degree thesis on strategic management; SM1: “...we carried out the external growth planning with these six businesses and .... I have to say this was done in the course of six university degree theses. In other words ... we built a small, yes, how can I explain it ... we generated a small McKinsey organisation for ourselves here ...”.

However, whereas academic tools were strongly used in this exercise - and external actors were involved to increase the tool-related expertise - the academic tools were also merged with internally developed tools, as well as adapted to the respective context. SM1: “ ... and then we also have our own tools, built them, which were included in the work [down-under project]...”.

Also in strategising activities other than the “down-under” project academia-developed tools and other strategising tools were mixed. During the observations strategising actors worked with the subsidiary-developed external growth management tool as well as with Lean Six Sigma tools they were familiar with, and used seamlessly a business school tool like life-cycle analysis.

Thus, strategising actors were found to act somehow opportunistic; they used tools that assisted them to complete their task, notwithstanding from which context the tool or technique originated. The internal availability of a tool and the familiarity with a tool were found to be relevant criteria in tool selection. Well-known tools which had their descent in academia were applied, as well as purpose-specific tools that were already prevalent and acknowledged within the subsidiary.

### General tools used in subsidiary strategising

In addition to a wide variety of MNC-developed and academia-developed strategising tools, strategising actors were found to utilise commonly available and “easy-to-use” tools to facilitate and enable their actual day-to-day strategising work.

These tools were found to be drawn upon mainly by middle and operational-level strategising actors to facilitate individual strategising work, as well as to facilitate strategising interactions. Basic information technology enabled tools, such as the internet, databases resources or the use of PowerPoint and Excel software, were found to be relevant.

An operational-level strategising actor (OLM1) described this “doing” of strategy as follows: “My task basically was that I did a lot of searching, internet search .... In other words, I sit a lot at the internet and look at a lot of different sources of data, with a lot of information sources”.

Likewise, a middle manager (MM3) reported the use of the internet and databases as a basic form of strategising work: “Of course the website of the company [is where information is searched about an acquisition candidate]. Then I would say databases that ... that we can access as MultiCo. In other words, electronic Federal Company Gazette [government publication] or ... Genius [external database] in other words relevant databases where you can get financial information or information about the products and the legal structure...”.

For enabling strategising discourse between strategising actors - in particular during meetings - PowerPoint and Excel based presentations were found to be used extensively. OLM1 underscored the importance of these tools: “Yes, I would say the traditional tools or programs like Excel or PowerPoint are generally used ...” and he indicated the discourse-enabling effect of these tools: “Well, it is really quite efficient to do it [sharing of presentations] with net and telephone conferences. In my opinion, that really is enough. The important thing is that communication takes place.” Thus, even very basic tools were found to be relevant for enabling strategising discourse.

Summarising the evidence related to external growth strategising tools used in praxis, strategy tools were found to enable strategising in the day-to-day praxis of a MNC subsidiary; they were found to be embedded in organisational strategising processes and activities. Whereas the corporate centre mandated specific tools to be used in



formal strategising processes the subsidiary also engaged in subsidiary-specific tool deployment. Strategising tools from academia were applied as well as purpose-specific tools that were already prevalent and acknowledged within the subsidiary. Likewise, commonly available, “easy-to-use” tools, such as the internet, were utilised. With regard to tool selection and deployment, subsidiary strategising actors were found to act somehow opportunistic; they mixed and customised tools from different conceptual origins in order to align tools with practical strategising purposes. The actual strategising work of compiling strategising data was found to be done primarily by subsidiary middle and operational-level managers. However, the active engagement of strategising actors in processing the tool throughout strategy meetings transferred the tool into a meaningful strategising instrument that initiated strategising dialogue, surfaced different opinions and facilitated the emergence of a common strategising language.

#### 5.4.5 Down-under Strategising Project

A project-based broad strategising activity which was triggered by the MD and the M&A senior manager involved all businesses of MultiCo in Germany in an “external growth strategising exercise” which was nicknamed “down-under” (because it replicated an approach that was developed at MultiCo in Australia). This strategising effort was described by a senior manager (SM6) as follows: “There was this famous down-under project ... Where we put together a toolbox, I would say, really first in order to analyze the basic situation. So I think, what is needed ... is to have a clean M&A strategy. For this I must first of all have a clean business strategy in order to be able to say at the end ... OK, where is the gap that I want to fill ... in the technological area or in terms of market coverage...”.

This strategising project was designed to embed external growth in the overall business strategy by engaging in a comprehensive strategic analysis of the external environment and the internal resources and capabilities. The exercise used a variety of strategising tools, e.g. Porter’s five forces model (1980), to develop and visualise a situation analysis, as well as an external growth strategy for each locally relevant business. As part of this project, information about strategic target markets in Germany, as well as a list of potential local acquisition candidates, was compiled.

The project was led by the M&A senior manager and involved senior, middle and operational-level management of the local businesses. Interestingly, the M&A senior

manager recruited six final-year business school students to do a work placement in the subsidiary and support the middle and operational-level manager in compiling the necessary data and applying the strategising tools. While this approach was planned to support the project, it also brought with it some challenges; as SM1 reported: "... we generated a small McKinsey organisation for ourselves here and then ... it was a bit difficult because the people involved were students and very young, and therefore somewhat naive, and then had to talk to main divisional heads [in the subsidiary] and those, at first, were a bit defensive. But when they saw the work that had already been done and what we wanted to achieve, they were more ready to do something."

Overall, by carrying out a comprehensive strategic analysis, the strategising project contributed to operationalising external growth within the local organisation. Whereas this strategising activity did not establish a permanent routine, it created a knowledge foundation and seemed to be important for engaging strategising actors across different management levels.

#### 5.4.6 International Strategic Plan

The so-called International Strategic Plan (ISP) as a global and formalised strategic planning activity of the MNC was found to be a strategising routine that was instrumental for facilitating local strategy implementation. The ISP was a corporate-wide, yearly planning cycle that required each subsidiary to formulate their five-year strategic plan consisting of objectives, strategies and a detailed financial plan. It covered all business areas and also all functional areas such as research and development, supply chain management or human resources.

The ISP was a global effort that was centrally driven and coordinated by a strategic planning group in the corporate centre. Based on standard templates, the subsidiary submitted its ISP to the area headquarters where the input of all countries of the area was consolidated and submitted to the corporate centre. It was both a top-down and a bottom-up process driven by exact deadlines and concrete deliverables; it involved many teleconferences where the process and the deliverables were discussed. Whereas formal interactions of the ISP followed a codified procedure, various forms of ad hoc, informal and individual strategising interactions - mostly by phone - took place.

On a worldwide basis, external growth was included into the ISP, embedding the strategy in a core corporate strategic planning process. Thus, as part of the ISP, the

subsidiary was required to formulate its external growth strategy, including a concretion of particular target markets and potential acquisition candidates. In the ISP process, each local business was in charge of including external growth into their part of the ISP, whereas the M&A senior manager provided input for the total subsidiary external growth section. Two senior managers described the approach as follows:

(SM3): “... in our ISP process, we presume that there will be a certain growth and we also presume that there will be growth from organic growth, from new products. And we also have a presumption with regard to external growth.”

(SM5): “We also regularly deal with it [external growth] in the context of our strategic planning processes for the year ahead, but also for the larger ISP plan.”

However, whereas the ISP generally embedded external growth in subsidiary strategic planning, it seemed that on a practical level, organic growth planning was the core activity within the ISP, while forecasting external growth was an “appendix” to it.

One operational-level manager (OLM3) described the “real-life” approach this way: “I know the ISP... that there is always planning with regard to external growth, which is what M&A is, but that it is not always actually integrated into the plans, but is only ever defined as an add-on.”

Accordingly, a senior manager (SM3) provided a more detailed account on how external growth is actually included into building the subsidiary ISP: “But what you cannot write into the ISP ... say I will acquire business XYZ in 2012 – that doesn’t work. It can always only be an intention that’s written into there. Just like in the strategic plan. If you take the overall strategic plan, then you can put a strategic vision onto the table ... And then you start to reflect and say: Well, if everything works out, we will get such and such percent from organic growth, then you get such and such from product growth, then we can get such and such ... by addressing new markets like alternative energies. ... And then you end up having a deficit and this deficit [to the strategic vision] ... this gap must ultimately be filled through other things, other activities. And I think that external growth is one of these activities.”

Thus, in general, the formalised corporate-wide strategic planning process was found to be a strategising routine that was instrumental to engage subsidiary strategising actors in “external growth thinking”. However, it seemed that organic growth

considerations were dominant in the strategic planning process, whereas external growth tended to be a derivative consideration.

#### 5.4.7 Summary of Subsidiary Implementation Activities

Section 5.4 presented highly interwoven subsidiary processes and activities that were found to be central elements of local strategy implementation. The evidence supports that relevant strategising activities occur in a subsidiary (theoretical propositions # 1) and that strategising meetings and tools are central strategising activities (theoretical propositions # 3 and # 4). Summarising the section, four main areas of relevant implementation activities could be identified.

Firstly, it was found that after the corporate-wide strategy had been launched and the strategic intent disseminated throughout the organisation, resources were allocated to enact the execution of the strategy. On a subsidiary level, the deployment of resources - in particular in the form of creating specific management positions - was found to be a central organising activity which enabled to initiate, coordinate and drive the subsidiary strategising efforts. Whereas not all M&A strategising actors were 100 percent dedicated to managing external growth, the allocation of resources at different management levels was found to enable the practical strategising work to be done.

Secondly, corporate-wide formalised coordination processes and structural practices were found to be an important organisational ingredient that enabled local strategising. Formalised corporate-wide strategising processes and routines such as the BAR or the ISP processes were important vehicles of the subsidiary's interplay with the corporate centre, because they provided a clear interaction structure. Based on standardised information, which was intended to increase objectivity and comparability, the process resulted in final decision-making that was found to be dominated by the corporate centre. Yet, the subsidiary was found to leverage formal corporate-wide processes and complemented them with "voluntary", customised and less formalised local pre-steps that helped to shape local strategising activities; likewise the subsidiary initiated own strategising projects that contributed to operationalising the external growth strategy. Importantly, the formalised strategising processes were found to be accompanied by informal and individualised interactions of subsidiary senior managers which enabled the formalised process.

Thirdly, it was found that strategising meetings as an organisational activity were practical and prevalent means for shaping organisational strategising. It was found that subsidiary strategising actors drew purposefully on this organisational practice and used the configuration of a differentiated set of meetings to enact and embed the corporate-wide external growth strategy within the subsidiary. Besides meetings that were held as part of corporate-wide processes, a local meeting structure and rhythm of interrelated meetings was established that was found to have a wider impact upon strategy implementation. Thus, it was found that the purposeful configuration of a meeting structure was a highly relevant organisational instrument for translating strategy into action.

Fourthly, strategising tools were found to be an important enabler of the day-to-day strategising praxis of the subsidiary, as they were embedded in organisational strategising processes and activities. Whereas the corporate centre mandated specific tools for formal strategising processes, the subsidiary also engaged in subsidiary-specific tool deployment, utilising strategising tools from academia, as well as purpose-specific tools. With regard to tool selection and deployment, subsidiary strategising actors were found to act somehow opportunistic; they mixed and customised tools from different conceptual origins, being guided by what served their practical strategising purposes best and which tools were already prevalent and acknowledged within the subsidiary. Importantly, the active engagement of strategising actors in using strategising tools was found to transfer the tools into meaningful strategising instruments that initiated strategising dialogue, surfaced different opinions and facilitated the emergence of a common strategising language.

## **5.5 Subsidiary - MNC Interaction**

While the focus of the last section was on strategising implementation activities, this section concentrates on inter-unit strategising, i.e. subsidiary strategising interactions of the subsidiary with other units of the MNC.

Basically, two forms of strategising interaction were discerned. Firstly, interaction patterns of the subsidiary with MultiCo's central organisation, in particular the corporate centre and secondly interactions of the subsidiary with other MultiCo subsidiaries. Beyond this dimension, the data suggested that the type of interaction can be distinguished between primarily formal and primarily informal interaction types. Accordingly, exhibit 27 presents the identified interplay alongside two dimensions:

firstly, the units of interaction (subsidiary-centre and subsidiary-subsidiary) and secondly, the type of interaction (formal and informal). The following two subsections will discuss the data presented in exhibit 28 in more detail, subsection 5.5.3 will provide a brief summary.

### Exhibit 27: Interaction of MNC Units

(Source: Exhibit developed by author)

Units of interaction	Type of interaction	
	Formal	Informal
<b>(1) Subsidiary-Centre</b>	BAR: coordinating and reviewing ISP: coordinating and strategic planning  Preparation of formal strategising interactions primarily by subsidiary middle and operational-level managers  Interaction primarily via phone conferences and online presentations as well as sharing of standard templates via e-Mail	Highly individualised but purposeful activities ("pre-sell") typically by subsidiary senior managers, usually corresponding to formal processes. Leveraging existing internal network of subsidiary senior managers.  Means of exchange typically personal phone calls or taking opportunity for individual "side-discussions" during meetings such as the "Executive Conference"
<b>(2) Subsidiary-Subsidiary</b>	Little interaction  Sometimes interaction was triggered by area headquarter and took places via phone conference	Little interaction  If interaction occurred then highly individualised and triggered by subsidiary senior managers primarily via phone calls or using "side-discussions" during meetings such as the "Executive Conference"

#### 5.5.1 Subsidiary-Centre Interaction

The interactions and interrelations the subsidiary was found to engage in were primarily associated with the corporate centre in the USA. Related to this also some interactions with the European area headquarters in Belgium were found, but the nature of the interaction seems to be comparable - as a senior manager (SM1) stated: "... Brussels is rather like the long arm of the USA...". Accordingly, the data primarily provided evidence on the interactions with the corporate centre.

As depicted earlier, MultiCo has strong, locally responsive subsidiaries, yet the evidence likewise underscored that MultiCo Germany was an integrated part of the multinational organisation of MultiCo. Thus, MultiCo Germany could be portrayed as an active subsidiary that was locally engaged in its own strategising activities but, at the same time, was closely interrelated with the MNC.

The interaction and interrelation of the subsidiary with the corporate centre were found to be enabled through both extensive formal and informal interactions.

The formal interactions and activities followed codified procedures, in particular the yearly planning cycle - the so-called ISP that was discussed above - and the BAR process that also was presented earlier. Especially, the BAR process established a close and systematic interaction in M&A strategy implementation with the corporate centre through a series of meetings with pre-defined deliverables. Typically, these meetings were held in the form of phone conferences where PowerPoint presentations were shared online. Besides these meetings the sharing of standard templates via e-Mail were primary means of interactions within both the ISP and the BAR processes.

Both formal interactions served as coordination processes between the subsidiary and the centres; the ISP focused on strategic planning of the subsidiary, whereas the BAR process was primarily about reviewing and ensuring that particular corporate criteria for external growth were met. For both strategising processes, most of the actual "doing", i.e. researching and preparation work, was found to be done by the subsidiary's middle and operational-level management.

A practical sketch of the subsidiary strategising work in interaction with the corporate centre was provided by an operational-level manager (OLM1): "The pure market research about the market around a company [an acquisition candidate] is generally done locally, even if the company is big. And then, when it's a case of entering into negotiations with a top executive of the other company, then it depends on the size, and it can certainly happen that it is a European team or even a global team." Referring to typical M&A strategising work, a middle manager (MM1) provided the following account: "There are two stages. Up to approval of the due diligence or up to agreement of the due diligence and the letter of intent, the work is local. Actually up to 90 percent. OK. When the letter of intent is released and the due diligence phase is entered, I would say it is 50/50 between local and international management."

Whereas subsidiary strategising work based on local market understanding and responsiveness was found to be vital for putting the corporate-wide strategy into action, likewise, subsidiary strategising work was found to be strongly interrelated with corporate centre strategising work. As has been shown before, the corporate centre provided a strategic direction for external growth which was disseminated throughout the organisation. However, not all global businesses were found to provide the same

level of detailed strategic direction. In some businesses, the strategic direction seemed to be clearly formulated and included information such as target markets and a particular strategic rationale, whereas in other business the strategic intent seemed to be less explicit.

A senior subsidiary manager (SM4) phrased it like this: "To be quite honest, it [the concreteness of the strategic direction provided by the corporate centre]... depends very much on the division. [Name of the division] for example has made a very good mind map and road map on the subject of external growth, where they have also defined adjacent markets and other things that they want to achieve relatively clearly. In the very concrete sense ... that helped us a lot. In the case of other divisions, there, they are not yet like that they have not become so concrete...".

The subsidiary strategising activities seemed to correspond with the concreteness of the strategic intent provided by the corporate centre, i.e. if the strategic direction was articulate and the centre created a shared understanding with the subsidiary, then the central strategy tended to get translated into local action. In contrast, if the business provided less explicit strategic directions, the subsidiary strategising actors seemed to set the strategic direction themselves and tended to focus on local needs. An operational-level manager outlined the situation as follows (OLM2): "The [external growth] strategy is normally provided ... globally. At least one tries to align to a global strategy and if there is nothing in this respect one tries to make a local one by oneself."

A concrete account is provided by a senior manager (SM2): "Currently ... there's a target our ... organisation is working at. It's simply about a manufacturing acquisition, which would otherwise be swallowed by a huge competitor, which would give us some kind of handicap with regard to raw materials and therefore, the strategic paper [the strategic direction provided by the corporate centre] doesn't say much about it. But it is important for us..."

Thus, as part of the interaction, the subsidiary strategising actors received information and strategic direction from the corporate centre while, on the other hand, the subsidiary strategising actors were a source of information and a developer of strategy themselves.

Dissecting the subsidiary-centre interaction in more detail, complementary to formal interactions, intriguing informal, individualised and ad hoc interactions could be



identified. These unstructured, social interactions and activities of strategising actors were found to be targeted towards an explicit purpose but seemed not to follow codified processes. They were individualised, situational and often dependent on pre-existing personal contacts; and through this, they enabled to navigate through the large and complex organisation of the corporate centre. Typically informal interactions prepared or followed-up formal processes and had influencing or explanatory purposes. In particular, subsidiary senior management played a significant role, using their existing personal network of contacts and their credibility to influence critical corporate centre executives. Exhibit 28 provides typical quotes of different subsidiary senior, middle and operational-level managers, emphasising the high relevance of informal and individualised social interactions for executing the external growth strategy.

### Exhibit 28: Relevance of Informal Interactions

(Source: Exhibit developed by author)

Quotes Presenting Relevance of Informal Interactions	
<b>Senior Manager (SM3)</b>	<p>"First of all it [interaction with senior management at the corporate centre] has to do with: how well does the network work? How good is the personal relationship with the EVP [Executive Vice President]? How do I get along with the EVP and do I have personal access to the EVP? Do I enjoy credibility with the EVP? Does the EVP accept me as someone who is able to bring strategic ideas to the table and also to propose strategic acquisitions? ... Well, that means that personal access, the network, the personal relationship play, I think, quite an important role. The second thing is: my own preparation plays an important role. What kind of package do I actually present to the EVP, how sophisticated is it at that time? And I think here it is very important that I haven't perhaps investigated the financial possibilities ... of the company to be acquired right down to the last detail, but that I already have a very clear idea of why this company to be acquired will be a forward driver for the entire strategy of the local subsidiary which is actually running it, for Europe, but also globally, for MultiCo's overall strategy. It also means I have to make clear to ... the EVP that this will give rise to a win-win situation."</p>
<b>Senior Manager (SM2)</b>	<p>"The personal factor is, from my point of view simply the most important thing in this [external growth]...."</p>
<b>Middle Manager (MM2)</b>	<p>"And the personal contact in the USA, with the people [corporate centre management] is certainly absolutely decisive for success."</p>
<b>Operational-level Manager (OLM3)</b>	<p>"...it is clear that there are of course several stakeholders, and different communication pathways, which do not seem to be all of the same kind. However, it is still important...that you need...this "buy-in" from the USA. Of course it is possible either to pursue this in a proactive way or not; but I think that it is simply very, very important, I would say, to speak to the colleagues in the US about this. In my experience they are also relatively open when it comes to communication. If you do it right; but communication is very, very different in the different businesses. In some cases there are communication paths that have developed historically. Someone simply calls a colleague who he knows. But quite honestly, we have not found...any standard paths of communications."</p> <p>"... there is obviously no standard there as to who you try to get on board. But it also seems to be important that you know, I would say, how to convince people inside the company in this regard. It is not only a question of what the strategy is, but also perhaps... yes, the way how you handle and involve the people and what kind of interests the people have who are in the important positions, and how these people are in themselves and how they think."</p>

Typically, informal activities used very simple means of personal interaction, such as a personal phone call or a face-to-face discussion at the side of a regular meeting that was scheduled for a different purpose. In particular, MultiCo's so-called "Executive Conference" - which was an internal conference where MultiCos most senior executives from around the world regularly met in the corporate centre - was a favoured opportunity for informal discussions about concrete external growth opportunities. From MultiCo's German subsidiary only the managing director participated regularly in this conference; which emphasised the particular relevance the MD position had for enabling the local strategy implementation. A middle manager (MM2) illustrated the informal interactions as follows: "It's mostly by phone. If such, let's say, on-site visits are possible, for example, at the time of the annual conference, the German MD asks about the current targets and then does the lobbying with the divisional heads on site."

The reason why informal interactions were found to play such a significant role seemed to be related to the locus of organisational decision-making within the MNC. Whereas the primary responsibility for the actual strategising work resided within the subsidiary, the power of final decision-making with regard to external growth was found to be predominantly located in the corporate centre. One middle manager (MM1) even stated: "My perception is that we are very much controlled from the centre via the senior management USA. Because the [external growth-related] decision-making competencies are not so strong in the local units ...". One reason for a centrally driven final decision-making seemed to be that at MultiCo - as a publicly-traded company - acquisitions required approval of MultiCo's Board of Directors and were usually subject to official announcements to the international financial markets. However, to what extent the locus of decision-making was in the centre was dependent on the size of the potential acquisition. The larger the acquisition, the larger the influence of the corporate centre tended to be. Thus, if an acquisition was very small, one senior manager (SM3) argued: "... you can do it locally and ... MultiCo here is also very much willing to say: go and handle it locally with all consequences." Yet, it seems that it can be asserted that - in particular with regard to external growth - a power-based dependence on the corporate centre could be identified.

### 5.5.2 Subsidiary-Subsidiary Interaction

The second dimension of inter-unit strategising was the interaction between different subsidiaries of the MNC. Overall, the interaction between the subsidiary and the central

organisation was found to be significantly more frequent and comprehensive than the interaction between MultiCo Germany and other MultiCo subsidiaries. Typical comments to the enquiry about subsidiary-to-subsidiary interaction with regard to external growth were:

OLM3: "Exchange of ideas and communication between the European countries also does not seem to be so common."

MM2: "...actually there's no intensive exchange between the countries [MultiCo subsidiaries in different countries]."

SM5: "Not at all, unfortunately not."

SM4: "Here and there, but only in very specific cases."

Similar to these quotes, also in the documentary and observational data very little evidence for external growth related subsidiary-to-subsidiary interaction could be found, hence, there seemed to be only marginal direct interaction between subsidiaries. In particular, very few systematic, formal strategising processes that would organise the interaction between subsidiaries could be found. Likewise very little evidence of an active interaction of the subsidiaries with the purpose of M&A knowledge sharing could be identified; the case of MultiCo Germany replicating an external growth strategising project from MultiCo Australia (the so-called "down under" project as discussed in section 5.4.5) was found to be a rare exception. The main explanation for the limited inter-subsidiary interaction seemed to be the lack of formalised processes that would facilitate such an exchange.

Actually, the rare and limited interactions that took place relied mostly on pre-existing social relationships between individual strategising actors in the different subsidiaries and were typically of informal nature. These informal interactions occurred, usually via subsidiary senior management, when an acquisition candidate had also sizeable operations in another country. This kind of interaction was described by a middle manager (MMI) as follows: "Before we enter the due diligence process generally a sort of stakeholder process is conducted, in other words we have already considered beforehand if other countries are affected - yes - and if there are there any colleagues there whose support we want or have to win for this acquisition ... We have to undertake 'promotional activities', so that they support the acquisition or at least don't say that they don't want it under any circumstances. " Sometimes - if in an M&A project the coordination between two or more subsidiaries was required - the European headquarters acted as an interface and facilitated subsidiary-to-subsidiary interaction. In this case, the interaction typically took place as a phone conference, whereas direct

subsidiary-to-subsidiary interaction usually was a personal phone call or used the opportunity of personal contact during regular meetings such as the “Executive Conference”. Thus, overall the M&A-related inter-unit interaction between subsidiaries seemed to be very limited and tended to focus on informal interactions that took place on an “as-needed” basis.

### **5.5.3 Summary of Subsidiary - MNC Interaction**

In summary, section 5.5 found that the interaction and interrelation of the subsidiary with the corporate centre was enabled through both extensive formal and informal processes. In particular, informal, individualised and ad-hoc interactions which were enabled through subsidiary senior managers, were found to be significant and purposeful strategising interactions between the subsidiary and the corporate centre. The power of final decision-making with regard to external growth was found to be predominantly located in the corporate centre, which seemed to provide an explanation for the high relevance of the corporate centre for subsidiary strategising. In contrast, the direct subsidiary-to-subsidiary interactions with regard to external growth were found to be very limited and tended to focus on informal interactions which seemed to take place only upon requirement. Thus, the assumption made in theoretical proposition # 1, that besides strategising activities that occur within the subsidiary also interactions with other MNC units take place, can only partly be supported. The evidence shows intensive interactions between the subsidiary and the headquarters, but only limited interactions with other subsidiaries.

## **5.6 Subsidiary Strategising Actors**

Whereas the previous sections already demonstrated that strategy implementation efforts in a MNC subsidiary are social activities that encompass different organisational levels, this section will consider the roles of different strategising actors in more detail.

As expected in theoretical proposition # 2, the evidence shows that strategising actors on different levels were involved in the concrete strategising work of the subsidiary, including a strong interplay amongst the different actors. The next subsections will discuss the different strategising work that is carried out by senior managers (5.6.1), middle managers (5.6.2) and operational-level managers (5.6.3) and how it is interwoven with each other. Subsection 5.6.4 provides a summary.

### 5.6.1 Senior Managers

Initiated by the corporate centre through its discursive “promotion” of the deliberate worldwide strategic intent for external growth, strategising activities were found to occur throughout the subsidiary. Subsidiary senior managers, in particular the managing director, recognised the strategic thrust and engaged in understanding, locally diffusing and enabling the strategy.

Among the early preparations initiated by the managing director was a three-day strategy workshop with the management operating committee of the subsidiary, i.e. the entire subsidiary senior management group. During this strategy workshop, the senior managers engaged in strategy-specific knowledge building and interpreting the corporate-wide strategy for the subsidiary. As discussed earlier in this chapter, the subsidiary leadership team involved external and internal experts to enhance their understanding of managing external growth. They engaged in an interactive process of making sense of the strategy, which resulted in designing a framework of processes, structures and activities that enabled the initiation of translating the corporate-wide strategy into a local action.

A senior manager (SM6) referred to this strategy workshop as follows: “We dedicated a complete SOC workshop to the subject of the framework conditions for M&A and the processes that are necessary.” The strategising discussions of the workshop included the consideration of internal strategising processes and activities - SM6 recalled strategising discussions around: “How can I achieve external growth, you know ... in other words, identifying acquisitions or companies and also, I would say, finding the entire focus, designing the process of identifying candidates. That was also something we talked about.”

Another senior manager (SM2) referred to a very practical discussion held during the strategy workshop that considered whether or not external consultants should be hired to facilitate the identification of possible acquisition targets: “We tried... in that April meeting in [name of location] - to reflect on, okay does it make sense to take any ... M&A consultants on board...”.

Probably one of the most impactful organising decisions the subsidiary leadership team took was to deploy management resources to enable strategy implementation. In particular, by establishing a senior manager in charge of M&A in the management operating committee a visible sign of the relevance of the external growth strategy was

given to the subsidiary. Moreover, nominating M&A middle managers for each of the six respective business segments underscored senior managements' commitment and it provided the resources necessary to get practical strategising work done.

However, besides these visible changes which were taken at an organisational level, the individual leadership of individual senior managers was found to be of central importance. Most significantly, the business segment directors (BSD), i.e. the senior managers who were in charge of particular businesses in the subsidiary, determined, through individual leadership, the actual strategising engagement of strategising actors in their respective organisation. MM2 reported accordingly: "In the end, it's the BSD. The BSD, as I've already just said, is also the one who must drive the resources and the internal lobbying ... He is the one who leads something to success or not."

BSDs who adopted the strategy straight away were found to allocate the necessary resources to implement the strategy while engaging personally in actual strategising work such as identifying acquisition candidates. An operational-level manager (OLM3) portrayed the subsidiary senior manager's involvement as a key enabler for implementing the external growth strategy in the subsidiary: "One is that ... the BSDs ... must have a vital interest in actively driving things forward."

While formally, all businesses were engaged in executing the strategy locally, differences in adopting the strategy could be found. SM1 described the overall situation as follows: "... the largest proportion of growth can only come from M&A. OK. When this became clear ... the resources were provided in the individual business units for the first time. That always depends on the BSD, whether he recognises this immediately as a necessity or says, we don't really have any time or we can't bother with it anyway and then sometimes he realises after sufficient nagging, that he really is not achieving his growth targets and therefore his position is problematic."

Besides market-driven explanations that might have favoured or not favoured executing the external growth strategy in a particular business, a further explanation for the different ways managers adopted the strategy seemed to be the M&A related experience and expertise of the respective strategising actor. Within a business that had shown comparatively little M&A related strategising activities, the senior manager (SM4) stated frankly: "I don't really have the experience, I have not conducted much business of this kind." Accordingly he described his individual and his organisations' engagement as: "Too small a part ... I think we have to invest a great deal more in it

[implementing the external growth strategy] and I will certainly change that as soon as this year."

On the contrary, in a business where the senior manager had some experience with external growth the organisational adoption of the strategy, as well as the dedication of resources to execute the strategy occurred rather quickly. Drawing on existing expertise, the respective business developed a local acquisition strategy and identified local acquisition candidates. The senior manager was actively engaged, using social skills to positively influence the acquisition process. Another senior manager (SM3) involved in this strategising work recalled: "The BSD must come and must say: I want the acquisition. For me, it was very important that [name of BSD] kept confirming to me: stay on the ball, we ... I ... with my [name of business unit] team, I want the [name of company] acquisition and we need your help." This business realised a local acquisition in June 2006 - less than six months after the corporate-wide external growth strategy was initiated. The senior manager reported about the completed local acquisition and the related strategic rationale in the subsidiary's employee magazine in the July 2006 issue.

The above account also indicates that informal interactions of senior managers were an important strategising activity that subsidiary senior managers engaged in. While formal processes such as the Before-Acquisition-Review (BAR) process organised the formal interaction between the subsidiary and the centre, informal communication efforts - where senior managers drew on their existing network and credibility - were found to be a key enabler of actual strategy implementation. "Pre-selling" was an expression used by some informants, to explain the nature of these informal strategising discourse, as a middle manager (MM5) stated: "... you have your [internal] stakeholders, who are important within the process ... So who do I have to have on my side, who do I have to convince. In fact, pre-selling always takes place."

Accordingly, during the observations of strategy meetings lengthy discussions of middle managers were noticed where strategising actors considered which subsidiary senior managers should be involved to informally contact relevant stakeholders in the corporate centre. The discussions reflected which senior manager would have the right expertise, the right credibility and "political capital", as well as the right internal network.

Thus, as the below quote from a senior manager (SM3) reinforced, the subsidiary senior managers were found to use their network and their understanding of the

organisational context to informally influence top executives in the corporate centre. Not only their formal authority as senior managers, but also their understanding of intangible and hidden structures made them significant enablers of local strategy implementation.

“First of all it [interaction with senior management at the corporate centre] has to do with: how well does the network work? How good is the personal relationship with the EVP [Executive Vice President]? How do I get along with the EVP and do I have personal access to the EVP? Do I enjoy credibility with the EVP? Does the EVP accept me as someone who is able to bring strategic ideas to the table and also to propose strategic acquisitions? ... Well, that means that personal access, the network, the personal relationship play, I think, quite an important role.”

However, while subsidiary senior managers themselves were identified to be key enablers of strategy implementation, their role was found to be one of close interaction with middle and operational-level managers, rather than one of providing directional, top-down instructions. The subsidiary senior management created an organisational infrastructure of resources at middle and operational-level management and engaged in respective strategising interactions. In particular, senior and middle managers were found to engage in strategising meetings which created a platform for a mutual process of sharing ideas and developing local strategising approaches.

A middle manager (MM2) described the local external growth strategising meetings as follows: “... there are regular meetings which... are held between the business development manager of the business areas [M&A middle managers in the subsidiary] and top management [subsidiary senior management].” Another middle manager (MM1) provided some more detail: “At the same time it [the subsidiary strategy meeting initiated by the subsidiary M&A senior manager] is ... the central meeting point for Germany, where, on the one hand, ideas which are driven by the business are brought together, and, on the other hand, ideas which come from international units are collected. So that we consolidate both a bottom-up and top-down approach there.” Depending on the topics, also operational-level managers were involved in these meetings; in particular to present results of particular strategising projects they worked on.

Through this kind of strategy discourses across different management levels, cycles of interpreting strategy and taking action occurred within the subsidiary. Whereas these



subsidiary strategising activities facilitated the diffusion of the corporate-wide strategic intent in the subsidiary, no single “game-changing” event or comprehensive formal communication initiated by subsidiary senior managers was identified. While the internal employee magazine started to refer to the external growth strategy in 2006, and covered twelve external-growth-related articles until end of 2009, only very few large features of the subsidiary’s external growth strategy were published. Thus, the subsidiary senior management communicated more through constructing “strategising actions”, such as establishing an organisational infrastructure and through direct interaction with different management levels, than through broadly communicating the strategic intent within the subsidiary. Yet, the broad, frequent and consistent communication from the corporate centre contributed to disseminating the strategic direction of external growth throughout the subsidiary.

In summary, it was found that senior managers were a key enabler and driver for putting the external growth strategy into action within the subsidiary. Drawing on the corporate-wide strategic intent disseminated by the corporate centre, the subsidiary leadership team was the impetus for local strategising. They engaged in an interactive process of understanding and making sense of the strategy, as well as localising it for the subsidiary. Based on discussions during a strategy workshop, the subsidiary senior management created a local organisational framework of processes, structures and strategising activities. Importantly, senior managers allocated management resources to enable the actual strategising work of implementing the strategy. Interestingly, subsidiary senior managers “communicated” the strategic intent in the subsidiary more distinctively through taking visible strategising decisions such as appointing an M&A senior manager than through using standard communications channels such as the internal employee magazine.

Besides organisational changes, the individual leadership and expertise of senior managers was found to have a decisive impact on strategy adoption, influencing, in particular, the velocity of implementation. Furthermore, it was shown that in strategy implementation the subsidiary draws on their senior managers to use their credibility, social skills and internal network to informally explain and “sell” concrete strategising approaches to corporate centre top management in order to gain their support. With regard to intra-subsidiary interaction, senior managers were found to be in close discourse with different management levels, engaging in common cycles of interpreting strategy and taking action.

## 5.6.2 Middle Managers

The above discussion of subsidiary senior managers' strategising already showed that strategy implementation involved different strategising actors from more than one level of the organisation. Whereas senior management engagement was found to be a key enabler of strategy implementation, it was through the organisational deployment of resources - in particular, through establishing a structure of middle managers - that the strategy seemed to be operationalised and realised. Even though not all subsidiary M&A middle managers were 100 percent dedicated to external growth - many had a second area of responsibility - the deployment of these resources was found to be highly impactful for putting the strategy into practice.

In general the middle managers' acceptance of the deliberate, corporate-wide external growth strategy was found to be high; both the extensive corporate centre communication, as well as the strategising discourse with senior managers, led to a common understanding and support of the strategy. However, the process of "really" understanding the implications for practical strategising was found to occur through additional interactions of the subsidiary middle managers with other subsidiary strategising actors, as well as through interactions with corporate centre management. For instance, one middle manager (MM1) described the refining interactions that occurred when the subsidiary defined a local target market and a related local acquisition strategy for a specific business: "Then it is our task to harmonise things and to consider how good the strategic fit is and how well it fits into the overall acquisition strategy of MultiCo. The other way round, proposals come from the international side; they say, that could be a good one and the [acquisition] candidate is based in Germany and we would then check here in Germany again if it suits company business interests."

Whereas all subsidiary middle managers were found to be in an active strategising dialogue with subsidiary senior managers, engaging in a mutual process of receiving and providing strategising input, the extent to which middle managers were a distinct strategising partner for senior management was found to be variable.

One middle manager (MM3), for example, categorised the interplay with senior managers as one where senior management seemed to take a dominant strategising leadership: "I am, well, let's say a bit more the operator, the one who more or less says, which drawers do we have now. [Senior managers] are of course the ones who give guidance, like what is really of importance and interest for us now, after we have

had a look at things ... I would not say - that I have nothing at all to do with the subject of strategy - but I would say that the things which are really carried forward are naturally suggested and agreed to by [senior management]. And within this, within this work, I am the one who, yes who then operationalises the theme, as it were, that means who does the day-to-day work for the subjects which are important at any given time." However, operationalising meant doing the actual strategising work of localising the corporate-wide strategy, which MM3 portrayed as follows: "Well, let's put it this way, what we do is that we screen, let's say, our competitors, and especially look at ... where ... they fit with us, with us as MultiCo in Germany. First of all, our market. Look at these and make them [senior managers] a suggestion let's say ... prepare corresponding information, financials, products etc."

On the other hand, another middle manager (MM4) seemed to play a strong and more active role in the strategising interplay with subsidiary senior management: "So we [senior and middle management] really talk about it [external growth] regularly, and I drive through my channels, and he drives through his channels ... so I would say that it goes hand in hand. And then you also have to get the relevant people who are responsible for the business on board, they also drive things ahead. So really, it is teamwork, because anyway you can't do it on your own. We need these alliances, I would say, in the organization, in order to be able to work on different levels ..."

Similarly, SM1 provided an account of how middle managers - in interaction with senior managers - engaged in a process of identifying acquisition candidates in particular target markets in Germany: "... in principle it is the [middle manager] who does it, that is his job. Of course, it is also done through all the organisations, in other words, the [middle managers] will have sessions from time to time in the divisional operating committee ... just to find out if targets are known in the organisation that could be of interest to us. "

The differences of the extent to which middle managers were engaged with senior managers in strategising discussions seemed to be related to differences in experience and background. Middle managers with an extensive business background tended to be more involved in high-level strategising discussions than less experienced strategising actors. However, all middle managers were found to be involved in strategising discussions with senior managers aiming at translating the corporate-wide strategy into local action, following iterative processes of understanding strategy and engaging in strategising activities, such as defining target markets, defining products

that could complement existing offerings and identifying potential acquisition candidates. Or, in the concise words of a middle manager (MM2): "The scope of my duties and the local scope of duties actually is the search, searching the markets for [acquisition] candidates. That's a local process which is of course based on the global, divisional strategy." However, if resources were available, middle managers were sometimes supported by operational-level managers, in particular, related to extracting data out of different internal and external databases.

Thus, the role of middle managers was found to be one that worked across different strategising tasks. Together with senior managers, they engaged in localising and refining the corporate-wide strategy but, however, likewise middle managers carried the processes downstream and did the actual work of analysing data and developing strategising proposals. Importantly, this work was found to require a strong interaction across a variety of local strategising actors, not only developing, but also "selling" strategising approaches. Through their actions and discussions with local strategising actors, middle managers contributed to disseminating the strategic intent throughout the subsidiary and shaped how the subsidiary actually put the strategy into action. Middle managers were found to use their internal network to mobilise strategising actors from different management levels; middle managers seemed to be somehow the "engine" of realising strategy in praxis.

Consequently, middle managers worked not only on strategy content such as the task reported by MM1: "We carry out intensive observation of the competition, then changes in the market due to changing economic conditions as we are experiencing at the moment, for example. In other words, we look especially carefully to see if certain competitors are feeling the pinch or are suffering from burdens which make them open to attack." On the contrary, the role of middle managers was found to go beyond the mere completing of straightforward strategising tasks, they were found to actively engage in taking the organisational leadership of realising strategy. Accordingly, a senior manager (SM2) made the following statement regarding the role of middle managers for implementing the external growth strategy in the subsidiary: "I think another important point simply is that you need someone to drive the process, but also someone who, I'd say, deals with the whole bureaucracy and administration."

This reflects that middle managers were actively engaged in initiating and leading local strategising activities, such as business-specific, external growth related meetings; or, in the words of a senior manager (SM5): "We also have someone [a middle manager]

who is driving this [external growth] in our area. He regularly calls meetings - on the one hand, to create awareness and, on the other, to document the progress of the process ...". Strategising episodes like this were found to be customised for a specific (business) context and involved the strategising actors necessary for the matter of discussion, often times a combination of senior, middle and operational-level managers. Through these business-specific meetings, middle managers actively communicated strategising efforts, while at the same time using the opportunity to move forward with implementing the strategy, for example, by simply suggesting a particular acquisition candidate.

Besides business-specific meetings initiated by middle managers, a regular external growth meeting structure organised by the M&A senior manager existed particularly for middle managers who were involved in M&A. These strategising meetings provided a platform for lateral cooperation of middle managers, which was found to be an important vehicle for individual and organisational learning, as well as for enabling strategising exchange among peers. Accordingly, MM3 described the strategising value of the regular external growth meetings for middle managers as follows: "... of course all the people responsible for M&A from the individual business areas attend the meeting ... with the aim, first of all exchange, you know, of information, best practice ... basically with the aim of just establishing such a circle, thinking about: What are other people doing, what do we have to know, what is M&A, what is our strategy, in other words, talking about things, yes, networking among other things ... learning from each other, of course". Thus, lateral interactions seemed to be a relevant strategising enabler for middle managers because it allowed exchanging knowledge and drawing on each others experiences. Lateral interactions seemed to compensate for a systematic, external-growth-oriented knowledge transfer, e.g. in the form of M&A management training, that was not found to be available within the subsidiary.

Another significant part of middle managers' strategising work was found to be the preparation of formalised strategising processes that organised the interaction of the subsidiary with the corporate centre (in particular the BAR process that was discussed earlier in this chapter). A senior manager (SM6) described the strategising tasks of middle managers in the formalised BAR process as follows: "First of all, beforehand, they [middle managers] always undertake the regular communication with the different contact partners - as I just said. And then in the specific project, they also prepare the data correspondingly."

Hence, middle managers prepared strategising information and engaged intensively with subsidiary senior managers to agree - in an iterative process - on particular strategising content and projects, including the strategic fit and rationale for the subsidiary, before a concrete strategising approach was presented to corporate centre management. Importantly, as the formal BAR process moved ahead, subsidiary senior managers - including the managing director - predominately managed the strategising interaction with the corporate centre both through presenting during formal BAR meetings but also, more importantly, through informal interactions that seemed to accompany the formal process.

These informal interactions were necessary to navigate through the complex and interwoven social structure of a multinational corporation that a middle manager (MM4) depicted like that: "After all ... there are a great many decision makers, people with influence, people who give their opinions, those you can see and those you can't, so in other words, the more you communicate and the more you work on taking a process forward on several levels, the greater the probability that it leads to success relatively often." Accordingly, SM6 reflected his senior manager role as: "My role is to push through the [local external growth] proposal accordingly ... I mean, in order to push it through in the company." In this stage, the "selling" of a local strategising approach to corporate centre top management was found to be a highly complex task which involved many different stakeholders and required "informal influencing" of subsidiary senior managers who could draw on their personal network and on their understanding of the intangible structures of the corporation.

In summary, middle managers were found to have an important role in the practical local strategising work of a subsidiary; somehow they seemed to be the "engine" of realising strategy in praxis. Based on a general acceptance of the intended corporate-wide strategy, they were found to work across different strategising tasks and across different management levels. In an active strategising dialogue with senior managers, they engaged in a mutual process of receiving and providing strategising input which enabled the translation of the corporate-wide strategy into local action.

Besides actual day-to-day strategising work such as the defining of target markets, the analysis of competitors, or the identification of potential acquisition candidates, middle managers engaged in taking on organisational leadership for practically realising strategy and initiated local strategising activities, such as business-specific external growth meetings. Thus, it was found that middle managers had both a pro-active and

reactive role. Middle managers acted pro-actively in terms of engaging different strategising actors and driving actual strategising activities, however, on the other hand, they reacted to the strategising input of subsidiary senior managers, as well as to the deliberate strategic intent of the corporation.

The lateral cooperation of middle managers was found to be a relevant vehicle for individual and organisational learning and allowed middle managers to draw on each others experiences. With regard to formalised strategising processes that organised the interaction between the subsidiary and the corporate centre, middle managers were found to be intensively engaged in preparing these strategising processes. However, as the formal processes moved ahead, the predominant role was found to be assumed by subsidiary senior managers because navigating through the complex social structures of the multinational corporation required purposeful “informal influencing”; this was found to be an area where senior managers could draw on their personal network and their understanding of the intangible structures of the corporation.

### 5.6.3 Operational-level Managers

Operational-level managers were found to be strategising actors that were relevant for implementing the external growth strategy. Just like subsidiary senior and middle managers, operational-level managers received strategising information and provided strategising information. However, in the case of operational-level managers, the primary strategising assignment was to engage in the completion of concrete operational strategising tasks; usually in order to establish data that were needed at a subsidiary level.

In terms of resources, the operational-level support was found to be limited. Typically, the primary job responsibility of operational-level managers was not related explicitly to external growth; they tended to be engaged in external growth just to support closely defined tasks or projects. As a consequence, the dividing line between strategising work of middle and operational-level managers was found to be blurred; in fact, in many cases the operational tasks discussed below were completed just as well by middle managers when operational support was not available.

Under the guidance of senior or middle managers, operational-level managers generally engaged in collecting basic strategising information which was needed to progress with implementing the strategy. An operational-level manager (OLM1)

provided the following account of operational strategising work that was carried out to enable local strategy implementation: "In other words, I sit a lot at the internet and look at a lot of different sources of data, with a lot of information sources. And that is really the day-to-day work ... to tap into a lot of data sources and, if you know what I mean, to take out the essentials ... And my task was, in particular, to see whether there were any small local companies that fitted into our strategy, that might, for instance, complement our portfolio. These were the things that I tried to find out in the first instance, through a lot of searching."

Similarly, a middle manager (MM2) recalled typical tool-related strategising work which operational-level managers engaged in: "...there are databases to which we have access, where company data are available. There you can look for a number of key words and then select targets [acquisition candidates]. We also have a dedicated process ... There they [operational-level managers] carried out an analysis over a period of ... roughly half a year in a certain ... business segment, where they filtered out a group of 20, 30 interesting ones from among 600 companies. By means of several databases, where ... their technological area was selected, down to sizes, where they are located, how old they are... and then it was reduced to 20, 30 companies where you took a closer look."

Both accounts portray the strategising link that was found to exist between the operational-level work and the work of middle and senior managers and, likewise, it shows a link with the deliberate strategic intent of the corporation. Whereas - based on strategising discussions - senior and middle managers outlined the local external growth strategy for a particular business of the subsidiary, e.g. the description of particular target markets in Germany, operational-level managers complemented this work by completing a fine-grained analysis, e.g. by identifying actual acquisition candidates in these target markets. In particular, the following sequence of the above quote of OLM1 shows how the day-to-day operational strategising work in the subsidiary was connected with the corporate-wide external growth strategy laid out by the CEO: "And my task was, in particular, to see whether there were any small, local companies that fitted into our strategy, that might, for instance, complement our portfolio". Thus, the complex system of formal and informal strategising interactions that existed within the MNC lead to a coherent transmission of the corporate centre developed strategy to the operational strategising work within the subsidiary.



Besides collecting and examining data, operational-level managers were found to be involved in particular strategising projects, such as a project that aimed at increasing the understanding of the organisational complexity of subsidiary strategising within the MNC. Two operational-level managers engaged in making the decision-making structures within the MNC more transparent by examining and visualising them. With regard to this project OLM2 stated: "Yes, we drew up this complicated organization chart." and OLM3 said "... in the final analysis it is clear that there are, of course, several stakeholders, and different communication pathways which do not seem to be all of the same kind." This visualisation of tangible and less tangible organisational structures was prepared particularly for middle and operational-level managers to enable them to identify, more easily, relevant internal strategising stakeholders, in particular in the corporate centre. That this project was carried out shows that operational-level and middle managers seemed to have less understanding of the hidden and unhidden corporate structures; a finding which contributes to explaining why senior managers were typically used for informal influencing at top-management level.

However, operational-level managers were found to address knowledge deficits with regard to external growth, both for themselves, and also more generally. For example, one operational-level manager (OLM3) made the following statement: "In other words, we are definitively still at the bottom of the learning curve in certain [external growth related] areas - not everywhere. Where integration [of acquired companies] is concerned, we are getting better, but seen as a whole, we are on a learning curve. ... So the question as to how we find and search for targets, I think, there we don't know so much ... Maybe we have a process from the inside, but we have relatively little view from the outside here." The cognition of some knowledge deficits on how to manage external growth - in particular in interaction with the outside environment - was also shared by other strategising actors; it seemed to be a result of a shortage of systematic, external-growth-oriented training that appeared to exist.

Thus, operational-level managers were found to have a concern that the process of identifying potential acquisition candidates needed more internal expertise, as well as more outside engagement; outside engagement in the form of bringing in experts to transfer knowledge, but also in the form of interactions with outside partners such as trade associations.

In general, whereas a consistent association of top-level strategising with day-to-day strategising could be identified, it was found that operational-level managers seemed to be less integrated into external growth related strategising activities, such as strategising meetings; as, for instance, OLM2 proclaimed: "... meetings that I get to know about are really only exchanges between the Business Development Managers [M&A middle managers]. ... meetings with the BSD or meetings that reach into the global division, that I don't know anything about." While operational-level managers still had a pretty good understanding of the corporate-wide external growth strategy (OLM2: "... external growth through ... quick tuck-ins and bolt-ons, that means small acquisitions, which are made locally ..."), there was a voiced expectation to make the abstract strategising concepts of the corporate centre more tangible and operational for subsidiary strategising actors:

OLM2: "As I already said: The more clearly the strategy is provided, the better you are then able to derive action from it."

OLM1: "I sometimes had the impression that in some places there was not the necessary synchronicity with regard to what we are actually looking for."

Thus, presumably due to a limited integration into subsidiary strategising activities, it seems that operational-level managers felt less clarity and perhaps more ambiguity around the actual execution of external growth strategising within the subsidiary than middle managers.

In summary, operational-level managers were found to be active strategising actors that interacted with other strategising actors and engaged primarily in completing concrete operational strategising tasks. Within the subsidiary, the operational-level resources to support external growth were found to be limited and operational-level managers involved in external growth were found to have other work responsibilities as well. Consequently, also middle managers were found to be engaged extensively in operational strategising work.

The day-to-day strategising work of operational-level managers was found to be closely associated with the deliberate, corporate-wide strategic intent; a finding that seems to suggest that the complex system of formal and informal strategising interactions that existed both within in the MNC and in the subsidiary has led to a coherent strategising effort. However, operational-level managers were found to be less integrated into

subsidiary strategising activities than middle managers and they were found to voice some knowledge deficits with regard to external growth.

#### 5.6.4 Summary of Strategising Actors Section

It was found that senior managers were a key enabler and driver for putting the M&A strategy into action. However, in line with proposition # 2, middle and operational-level managers - as well as the interplay between the different management levels - were found to play important roles in actual subsidiary strategising.

Based on the corporate-wide strategic intent disseminated by the corporate centre, the subsidiary leadership team was found to be the impetus for local strategising, creating a local organisational framework of processes, structures and strategising activities. Importantly, senior managers deployed management resources to enable the actual strategising work of implementing strategy. These management resources - even though many of the strategising actors had additional job responsibilities besides external growth - were found to be amongst the most impactful strategising decisions to enable practical strategising work.

Besides organisational changes, the individual leadership and expertise of senior managers was found to have a decisive impact on strategy adoption, influencing especially the velocity of implementation. Through a variety of strategy discourses and strategising activities, senior and middle managers engaged in cycles of interpreting strategy and taking action. It was an active, mutual process of receiving, processing and providing strategising input that was found to enable the translation of corporate-wide strategy into local action. In particular, middle managers were found to have an important role in the practical strategising work of the subsidiary; somehow, they seemed to be the “engine” of realising strategy in praxis.

Their strategising role was found to be very operational on the one hand, e.g. actually completing day-to-day strategising work such as the defining of target markets, while, on the other hand, middle managers were found to be actively taking the organisational leadership for initiating local strategising activities such as external growth meetings. Thus, middle managers were found to pro-actively engage different strategising actors and to drive actual strategising activities while, at the same time, they “reacted” to the strategising input of subsidiary senior managers, as well as to the deliberate strategic intent of the corporation.

In coordination with senior managers, middle managers were found to engage intensively in preparing formalised strategising processes that organised the interaction between the subsidiary and the corporate centre. However, as the formal processes moved ahead, the predominant strategising role was assumed by subsidiary senior managers because navigating through the complex social structures of the multinational corporation required purposeful “informal influencing”. This is an area where senior managers were found to draw on their credibility, social skills and internal network as well as on their understanding of the intangible structures of the corporation, to informally explain and “sell” concrete subsidiary strategising approaches to corporate centre top management.

The actual day-to-day strategising work of middle and operational-level managers was found to be closely associated with the deliberate, corporate-wide strategic intent; a finding that seems to suggest that the complex system of formal and informal strategising interactions that existed, both within in the MNC and the subsidiary, has led to a coherent strategising effort. However, operational-level managers were found to be less integrated into subsidiary strategising activities than middle managers. This is probably due to the fact that operational-level managers tended to be just engaged in narrowly defined external growth tasks or projects.

With regard to strategy implementation knowledge and expertise around managing external growth were also found to be important. Whereas senior managers engaged in an external strategy workshop with internal and external experts to increase their expertise, middle managers were found to benefit from lateral cooperation with their colleagues, which enabled them to draw on each other’s experiences. Operational-level managers seemed to have the fewest opportunities for building knowledge. However, knowledge imbalances amongst different levels of strategising actors seemed to exist and seemed to have an impact on the velocity of strategy implementation.

## **5.7 Conclusion**

This chapter provided the data analysis structured into five main aspects: corporate-wide strategising, subsidiary understanding, subsidiary implementation activities, subsidiary-MNC interaction and subsidiary strategising actors. While the data analysis was basically guided by the theoretical proposition framework developed in chapter 2,

the analysis incorporated additional constructs that had emerged. The next paragraphs provide a brief summary of the chapter.

It was found that the strategic choice to pursue a corporate-wide external growth strategy was initiated at top management level in the corporate centre. Subsequently - through strategising discourse and organisational routines - the strategic intent disseminated throughout the subsidiary.

As assumed in theoretical proposition # 1 the subsidiary was found to be strongly engaged in strategy implementation activities. These strategising activities included the allocation of resources and the involvement in formalised strategising processes. Furthermore, as expected in the theoretical propositions # 3 and # 4, both strategising meetings and strategising tools were found to be central strategising activities.

The interaction of the subsidiary with the corporate centre was found to be enabled through both extensive formal and informal strategising processes. In particular, informal and individualised interactions which were enabled through subsidiary senior managers were found to be highly relevant. Yet, the study revealed extensive and relevant subsidiary-headquarters interactions whereas subsidiary-to-subsidiary interactions - in contrast to expectations expressed in theoretical proposition # 1 - were found to be very limited.

Finally, supporting the assumptions made in theoretical proposition # 2, the study found that subsidiary strategising actors from senior, middle and operational-level management were involved in strategy implementation. Senior managers were found to be highly involved in informal interactions, particularly drawing on their personal network and on their understanding of the “intangible structures” of the MNC. Middle managers were found to be the “engine” of strategy execution whereas operational-level managers were found to be less integrated in strategising processes than middle managers.

## 6 DISCUSSION OF FINDINGS - A SUBSIDIARY IMPLEMENTATION FRAMEWORK

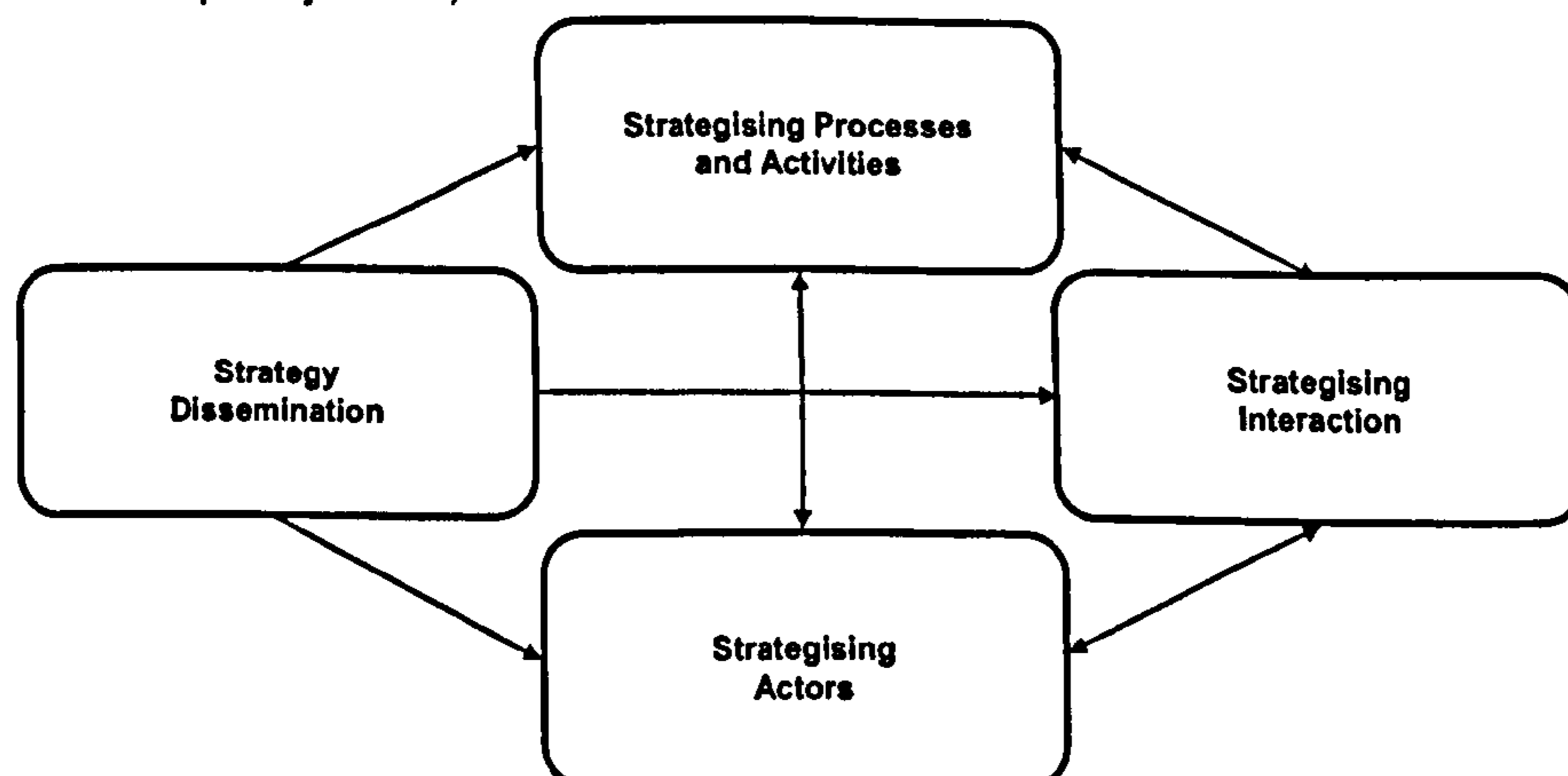
### 6.1 Introduction

Chapter 5 presented the analysis of the empirical data. This chapter now discusses the main findings and relates the findings to extant research. As noted at the outset of this study, the S-a-P research field is rapidly growing (Jarzabkowski & Spee, 2009; Johnson et al., 2007), but little attention has hitherto been given to the question how an intended corporate-wide strategy is put into practice in a MNC subsidiary. Thus, taking a Strategy-as-Practice lens of investigation, this study analysed how a MNC subsidiary implements a corporate-wide strategy.

The question of “how strategy work gets done” was found to be an interplay of four strategising elements: strategy dissemination, strategising processes and activities, strategising interaction and strategising actors. Strategy dissemination turns an intended corporate-wide strategy into a deliberate strategising effort that is understood within the subsidiary; strategising processes and activities turn a deliberate strategy into realised subsidiary action, while strategising interactions organise the dialogue between the subsidiary and other MNC units, and strategising actors of different management levels socially enable all of this to become real. Exhibit 29 depicts this strategy implementation framework. However, due to the embedded nature of strategising, the different elements are not strictly separable or sequential; on the contrary, the four elements are characterised by many overlaps and interplays.

#### Exhibit 29: Subsidiary Implementation Framework

(Source: Exhibit developed by author)



The next four sections will discuss the four elements of the subsidiary implementation framework. Section 6.2 draws the attention to strategy dissemination; section 6.3 reflects strategising processes and activities; section 6.4 considers strategising interactions and section 6.5 discusses strategising actors and their interplays. At the end of each section, an exhibit summarises the key findings of the respective section. The chapter is concluded with section 6.6 which provides summarising remarks.

## **6.2 Strategy Dissemination**

The question of strategy dissemination is important for implementing strategy in a subsidiary because it considers how an intended corporate centre strategy turns into a deliberate subsidiary strategy. Not surprisingly, the starting point of intended strategising is the availability of a strategic intent. Both conceptually and practically, the execution of intended strategy implies the existence of some kind of expressed strategic direction (Costanzo, 2004; Hrebiniak, 2006; Hrebiniak & Joyce, 2001; Jarzabkowski & Wilson, 2002). The evidence shows that within the organisational context of a highly integrated MNC, the corporate centre has the capability and power to set a corporate-wide strategy which provides strategic direction to the subsidiary, subsequently inducing that the subsidiary takes related strategising decisions and actions.

The data provides strong evidence that the active, continuous and consistent communication of corporate centre top management, in particular of the CEO, to both internal and external stakeholders can be an impactful instrument for strategy initiation. Furthermore, the data indicates that embedding the strategic intent in formalised corporate-wide strategising processes and routines (such as a yearly strategic planning cycle) seems to enable subsidiary strategising. Thus, corporate centre strategising actors influence subsidiary strategising actors through organisational sensegiving; i.e. the process of attempting to influence the sensemaking and meaning construction of others towards a preferred definition of organisational reality (Gioia & Chittipeddi, 1991). Accordingly, sensegiving through a discursive and interpretive process (Bartunek et al., 1999; Vaara et al., 2004; Westley, 1990), in association with related process facilitators such as strategising routines and structures (Maitlis & Lawrence, 2007), provides strategising actors with opportunities to engage in a strategising topic and contributes to disseminating a corporate-wide strategy throughout the organisation.

Consequently, via organisational discourse and processes, strategising actors in the MNC periphery are confronted with central strategic directions. Strategising actors on subsidiary-level interpret and make sense of the strategic guidance they perceive; which is crucial as only local employees that understand the strategy will support it and make it work (Kaplan & Norton, 2008; Nutt, 1987). However, sensemaking approaches are contextual; thus, subsidiary strategising actors translate the abstract global strategic direction into a more concrete and executable local approach considering national business systems (Bachmann & van Witteloostuijn, 2009; Geppert, 2003) as well as respective capabilities, product offerings and industry structures (Hrebiniak, 2006). A subsidiary senior manager (SM6) of the case study organisation described the local sensemaking and “strategy-translation” process as follows: “... strategies can be formulated in different ways ... In the USA [corporate centre], it is rather, I would say, basic ... directions. Here [in the subsidiary] we look at things a bit more in depth, you know, and we want to have more concrete statements: where do we stand, how do we see ourselves ... in the next few years and what route should we take to get there?”.

Yet, as sensemaking tends to be a continuously ongoing process (Mangham & Pye, 1991) the process of adopting a corporate-wide strategy in a MNC subsidiary was found to differ by organisational unit; in particular it was found that strategising actors and organisational units with prior experience related to external growth strategising seemed to engage in implementation activities earlier than others. Besides other well known aspects of change management (Brown & Eisenhardt, 1997; Kotter, 1996) the velocity of implementation seems to be related to both individual and organisational knowing (Costanzo & Tzoumpa, 2009; Nonaka et al., 2006; Orlikowski, 2002). Thus, strategising actors and organisational units that carry expertise and experience related to an explicit strategic intent such as external growth seem to have a capability-based tendency of adopting strategy earlier than others.

Thus, the study findings indicate that combining active strategising discourse with embedding the strategic intent in formal corporate-wide strategising processes seems to enable the corporate centre to disseminate a strategic intent and stimulate related strategising activities in the organisational periphery.

Interestingly, the findings are somehow in contrast to the well recognised tendency of intended strategies to lead to unintended consequences (Balogun & Johnson, 2005; Harris & Ogbonna, 2002; Johnson, 1987; Mintzberg, 1978) and they contradict Bower



and Gilbert's (2007, p. 74) argument that: "... how business *really* gets done has little connection to the strategy developed at corporate headquarters."

However, in the organisational setting of an MNC the extent to which intended corporate centre strategising leads to related subsidiary strategising is likely to be dependent on the power structures and the degrees of subsidiary integration and localisation that exist within a multinational corporation (Ghoshal & Bartlett, 1990; Jarillo & Martinez, 1990; Perlmutter, 1969); accordingly, in highly autonomous and little integrated organisations the impact of corporate-wide strategising might be less impactful than in fully integrated ones (Bower & Gilbert, 2007). Accordingly, in the case study company a high degree of subsidiary integration combined with a strong corporate centre was identified which probably supported local strategy implementation. Therefore it can be argued - using Mintzberg's (1978) terminology - that a highly integrated subsidiary in association with a powerful corporate centre seem to facilitate that intended corporate centre strategy is deliberately transferred into locally realised strategy. A strategising behaviour that seems to be in line with the widespread understanding of strategy as a consistent stream of decisions made by multiple levels of decision-makers over time (Chakravarthy & White, 2002; Jarzabkowski, 2005; Mintzberg, 1994).

Before discussing the next element of the subsidiary implementation framework in the next section, the below exhibit 30 summarises the key findings related to strategising dissemination as presented throughout section 6.2.

### **Exhibit 30: Strategy Dissemination - Summary of Key Findings**

(Source: Exhibit developed by author)

<b><u>Strategy Dissemination - Summary of Key Findings</u></b>
<ul style="list-style-type: none"><li>- Execution of strategy implies the existence of expressed strategic direction</li><li>- Combining organisational discourse with embedding strategic intent in strategising processes and routines initiates and enables subsidiary strategising</li><li>- Strategising actors with expertise and experience related to a strategic intent have a capability-based tendency of adopting strategy earlier than others</li><li>- A highly integrated subsidiary in association with a powerful corporate centre facilitate the transformation of intended corporate centre strategy into related subsidiary action</li></ul>

### **6.3 Strategising Implementation Activities and Processes**

This section discusses strategising implementation activities and processes as the second element of the subsidiary implementation framework. As assumed by the theoretical propositions # 1, 3 and 4 developed in chapter 2, manifold and relevant strategising activities and interactions were found to occur within the MNC subsidiary. Thus, closely tied with the S-a-P assertion that strategising activities are a relevant part of actual strategising in organisations (Jarzabkowski & Spee, 2009; Whittington et al., 2006) and with extant MNCs research which argues that local subsidiaries play an important role in strategizing (Birkinshaw et al., 2005; Brock & Barry, 2003; Harzing et al., 2002; Regnér, 2003) this study found that subsidiary strategising activities are indispensable for locally enacting corporate-wide strategy.

The study found strong support for the argument that turning intended strategy into realised strategy requires comprehensive and detailed strategising work of the subsidiary. As assumed by theoretical propositions # 3 and # 4 strategising meetings and strategising tools were found to be central strategising activities for putting strategy into practice in a MNC subsidiary. However, the data analysis revealed an additional relevant strategising activity that was not considered explicitly in the theoretical propositions: the deployment of resources.

Thus, three strategising activities (resource allocation, strategising meetings and strategising tools) were found to be particularly important enablers that strategy practitioners engage in to turn an intended corporate-wide strategy into subsidiary action. Below, at first resource allocation is discussed. Then, strategising meetings and strategising tools are addressed.

#### Resource Allocation

Changing resource investment patterns can enact internal change (Gilbert, 2005; Henderson, 1993); hence, an intended strategy is likely to be realised if it is in line with the pattern of resource allocation decisions made within an organisation (Bower, 1970; Bower & Gilbert, 2007; Jarzabkowski & Wilson, 2002). Accordingly, the allocation of resources at subsidiary level, in the form of creating specific management positions, was found to be a central organising activity. The subsidiary leadership team assigned strategising actors at senior, middle and operational levels of management, which was found to enable the initiating, driving and coordinating of subsidiary strategising efforts.

However, allocating resources to strategy implementation seems to be more than only enabling actual strategising work to be done. It likewise seems to be an impactful and visible sign of commitment to the organisation reflecting the organisational seriousness of the implementation effort. An operational-level manager (OLM1) provided the following account which somehow illustrates the power that resource allocation has for enacting strategy: "... particularly with regard to M&A in Germany, we established a new team for which each business area also appointed its own responsible person. So this shows very clearly that MultiCo Germany now invests significantly more energy in implementing M&A and also for implementing it in a structured way." Thus a concrete decision, taken at a subsidiary level, namely to deploy resources and appoint local management positions assigned to implementing a particular intended strategy, seems to be a key enabler for subsequent strategising activities.

### Strategising Meetings

The study found strong evidence that strategising meetings - in the broad understanding of strategy meetings as episodes where strategising actors come together and where the communication process is ordered in terms of a beginning and an ending (Hendry & Seidl, 2003) - are a common and important social practice of organisational strategising.

It was found that subsidiary strategising actors actively create, shape and establish a configuration of interrelated, recurrent and non-recurrent as well as formal and less formal strategising meetings as a central locus of strategising practice in subsidiary implementation. Strategising meetings that the subsidiary engaged in included strategy workshops ("away-days") which are typically drawn upon in strategy development (Hodgkinson et al., 2006) but also regular face-to-face meetings as well as technology-enabled meetings that used telephone conferencing and online presentation-sharing.

While the different strategising meetings were found to serve different purposes they were all routed in the effort to realise the corporate-wide strategy within the subsidiary, contributing to embedding the strategy into local strategising routines. The study found two main characteristics that offer explanations why strategising meetings are a particularly impactful strategising activity that is commonly used in praxis.

Firstly, strategy meetings enable discourse among strategising actors. The study evidence suggests that inherently strategising meetings are a readily available social practice which strategising actors draw upon to enable discourse-based interactions

related to implementing strategy. This finding is in line with previous research which argues that strategising meetings primarily provide a platform for discourse and communication regardless whether meetings are formal or informal, structured or less structured, occur routinely or only occasionally (Boden, 1994; Jarzabkowski, 2005; Jarzabkowski & Seidl, 2006; Meadows & Franco, 2008; Schwartzman, 1989). Similarly within strategy workshops in the form of “away-days” strategising actors were found to be more concerned with discursive than with analytical approaches (Hodgkinson et al., 2006).

Based on discourse the basic purposes of meetings can be divided into decision-orientation, task-orientation and information-orientation meetings (Boden, 1994). The evidence shows that local meetings were primarily focused on working on specific strategising tasks and exchanging information between strategising actors. The strategising work within these meetings was found to be very practical and ranged from strategic discussions about how the corporate-wide strategy should be locally implemented to actually entering specific strategising information into particular strategising tools. Yet, the study finds that strategising actors also engage in strategising meetings for discourse-based organisational and individual learning as well as for internal networking; using strategising meetings as a platform for the exchange of experiences and knowledge as well as using the opportunity to invite outside experts, aiming at internalising external expertise. In particular the aspects of internal networking, in the sense of creating interpersonal relationships (Ghoshal et al., 1994) and knowledge transfer through interactions (Costanzo & Tzoumpa, 2009; Nonaka, 1994, 2007; Orlikowski, 2002) seem to be discourse-based aspects of strategising meetings that are valued by strategising practitioners.

Secondly, the study findings extend the theoretical framework of meetings as a strategising platform for discourse and communication (Boden, 1994, 1995; Hendry & Seidl, 2003; Hodgkinson et al., 2006) and argue that a rhythm of interrelated meetings which are actively configured by subsidiary strategising actors provides an impactful infrastructure for strategy implementation. In other words, it is not a single strategising meeting impacting on implementation, it is set of meetings. This infrastructure of meetings was found to be highly interwoven; i.e. the output of one strategising meeting was typically the input for other strategising meetings. As also argued by Jarzabkowski and Seidl (2006), in strategy praxis strategising meetings seem to be linked with each other and strategising topics seem to be connected through strategising meetings.

Thus, similar to meeting systems in public or political administrations (Peck et al., 2004), the configuration of interrelated strategising meetings in a subsidiary goes beyond the limited instrumental purpose of a singular strategising meeting; it seems to create a system that structurally embeds the implementation effort on a broad basis within the subsidiary and locally enacts strategy. Accordingly, the data shows that the meeting configuration is closely connected with formalised strategising processes of the MNC, which underscores that increasingly formal strategising processes are enriched by discursive practices (Grant, 2003). Overall, establishing a local system of interrelated strategising meetings seems to be a strong and important contributor for actually realising strategy. It transcends the discursive purpose of a single meeting and positions strategising meetings as a central locus of strategising.

### Strategising tools

Whittington et al. (2006) argue that in an ever more dynamic environment the use of strategising tools becomes increasingly important. Whereas the typical interest in strategising tools is related to strategy content and the tool itself (Hambrick et al., 1982; Rigby, 2001; Rigby & Bilodeau, 2007), the interest of this investigation was to discover different tools used in strategising praxis, their conceptual background and how they are integrated into strategising processes. Two interesting findings can be reported.

Firstly, as assumed in theoretical proposition # 4, the evidence shows that subsidiary strategising practitioners use strategising tools in strategy implementation and draw on tools from different conceptual backgrounds. Secondly, it seems that strategising tools are substantially more than mere tools used to fulfil a particular task; tools were found to be profoundly integrated into strategising processes. Subsequently these two findings are discussed in more detail.

With regard to the first aspect, the evidence shows that strategising tools are widely used in actual strategising work. However, at the same time, the study finds that practitioners use tools pragmatically, selecting and merging tools as they need them. The strategising tools found to be used in praxis can be clustered around three different conceptual backgrounds: Firstly “in-house strategising tools” (tools which have been developed within the MNC); secondly “academia-developed tools” (tools that are typically taught in business schools) and thirdly general tools (basic “easy-to-use tools” that are commonly available such as the internet or the purposeful utilisation of PowerPoint software). Regarding the selection of strategising tools strategising actors seem to be somehow opportunistic. In line with prior research (Clark, 1997; Kaplan &

Jarzabkowski, 2006) strategising actors were not found to aim at selecting the theoretically best suitable tool but rather selected strategising tools that were easy-to-use and already available within the organisation. By drawing on previously established strategising tools strategising actors took advantage of existing tool familiarity and understanding within the organisation which facilitated the actual tool utilisation. In particular a common language that seems to be created by using particular strategising tools (Boden, 1995; Kaplan & Jarzabkowski, 2006; Samra-Fredericks, 2003) was found to be an important strategising effect of strategising tools. Furthermore strategising tools were found to be customised and merged with each other in order to fit to particular strategising purposes; apparently there are no conceptual boundaries to mixing tools from all three conceptual backgrounds.

Secondly, beyond being mere task-related tools for singular applications, strategising tools seem to be deeply embedded in strategising implementing processes. Whereas frequently tools are only viewed as tactical instruments to be used in the limited scope of specific episodes covering specific tasks (Valmra et al., 2006), other research acknowledges that management tools trigger a broader organisational activity (Beunza & Stark, 2004; Kaplan & Jarzabkowski, 2006; McCabe & Narayanan, 1991; Orlikowski, 2007). Extending this viewpoint the evidence of this study indicates that strategising tools can be a highly integrated part of strategising and can potentially develop into a strategising process themselves. It was found that strategising tools were frequently used for more than only initiating dialogue and facilitating the surfacing of different opinions in single strategising meetings (Meadows & Franco, 2008). Routinely occurring local strategising meetings were found to be systematically structured around in-house developed strategising tools. Tools were found to serve as meeting agenda, meeting structure and meeting content; in other words, strategising tools embedded in recurrent strategising meetings were sometimes the strategising process itself.

However, whereas this level of engagement and integration related to strategising tools was found to be exceptionally, the evidence nevertheless shows that strategising tools were widely incorporated into subsidiary strategising. In particular the interaction between the corporate centre and the subsidiary was facilitated by strategising tools.

It is well known that for managing the headquarters-subsidiary relationship MNCs can draw on fundamentally different approaches (Harzing et al., 2002; Martinez & Jarillo, 1991; Nohria & Ghoshal, 1994). Within the investigated case the corporate centre was found to play a strong strategising role and the subsidiary was found to be fully

integrated. Within this setting the strategy-implementation-related interaction between the headquarters and the subsidiary was found to be enabled by an embedded formalised strategising process that was essentially based on the use of standard strategising tools, combined with a meeting-based strategising dialogue. While the corporate centre mandated specific tools to be used to formally proceed in strategy implementation, the subsidiary engaged in deploying these tools accordingly. Using standardised tools seemed to have the intention of obtaining objective and comparable strategising information as well as to establish control mechanisms within the process of strategy implementation. Whereas it is known that the application of strategising tools does not necessarily lead to objectivity or rationality (Kaplan & Jarzabkowski, 2006; Mitroff, 1972) it was found that strategising tools were deployed in ways that go far beyond a mere task-related mode. They were found to be an incorporated part of both “within-subsidiary” strategising and headquarters-subsidiary strategising interaction.

Summarising section 6.3 exhibit 31 outlines the key findings related to the three main strategising activities (resource allocation, strategising meetings and strategising tools) that were found to be important enablers of strategy implementation.

**Exhibit 31:**

**Strategising Implementation Activities and Processes - Summary of Key Findings**

(Source: Exhibit developed by author)

<u>Strategising Implementation Activities and Processes</u> <u>Summary of Key Findings</u>
<ul style="list-style-type: none"> <li>- Subsidiary-level resource allocation acts as a key enabler for subsequent strategy implementation activities</li> <li>- Strategising meetings enable strategising discourse and provide a platform for organisational and individual learning as well as for internal networking</li> <li>- Subsidiary strategising actors create, shape and establish a configuration of interrelated strategising meetings as a central locus of strategising</li> <li>- Strategising practitioners draw on strategising tools from different conceptual backgrounds; customising and mixing tools “opportunistically”</li> <li>- Strategising tools are profoundly integrated into strategising processes</li> </ul>

## 6.4 Strategising Interactions

Whereas subsidiary strategising activities were found to be an important aspect of subsidiary strategising the next element of the subsidiary implementation framework are “interaction activities”, i.e. interactions across different units of a MNC; a phenomenon that is likely to occur in an integrated MNC subsidiary (Birkinshaw et al., 2005; Ghoshal & Bartlett, 1990; Kobrin, 1991; Kogut & Zander, 2003). Basically two forms of interaction were discerned. Firstly, interactions of the subsidiary with the corporate centre and secondly interactions between subsidiaries.

### Subsidiary-headquarters Interaction

The interaction of the subsidiary with the corporate centre - which was identified as the dominant line of interaction - was found to be enabled through both extensive formal and informal processes. In general it seems to be acknowledged that strategising actors draw on formal constructs and interact with these to perform their strategising actions (Giddens, 1984; Jarzabkowski, 2004). As presented earlier formal processes tend to be an important driver of the local strategising implementation process, however, they were also found to an important vehicle for the subsidiary’s interaction with the corporate centre, providing a systematic interaction structure that requires explicit deliverables. Accordingly, a formal yearly strategic planning cycle which follows codified procedures (Grant, 2003; Schäffer & Willauer, 2003; Steiner, 1979) was found to be an enabler of local strategy execution.

It was also found that a three-step strategising process developed in the corporate centre and globally binding for each acquisition project, turned out to be a relevant formal process that facilitated subsidiary strategising. Interestingly, the subsidiary extended this corporate-wide process on a purely local basis and introduced a local pre-process which served subsidiary managers to discuss particular opportunities. Thus, a formalised global process was advanced to enable local strategising. Therefore, despite some general critique related to formal strategic planning (Mintzberg, 1994), this study reinforces the relevance of formal planning and processes, supporting Brock and Barry (2003) who argue that formal strategising is a well suited strategising effort of MNCs.

Whereas the study found that formal strategising processes ensure systematic interactions and serve coordination purposes of the subsidiary - in particular in relation with the corporate centre - it is known that strategy implementation is not only a formal and detached process but also an informal and social process (Balogun & Johnson,



2005; Johnson, 1987; Mintzberg, 1978; Pettigrew et al., 2002; Whittington, 2004). The evidence of this study shows that these unstructured informal interactions seem to co-exist besides formal strategising processes and are highly relevant for subsidiary strategising. Informal interactions were found to be individualised, situational and often dependent on pre-existing personal contacts of subsidiary strategising actors. These interpersonal relationships, developed through networking mechanisms such as joint work in teams, taskforces, and meetings, have significant positive effects on both subsidiary-headquarters and intersubsidiary communication (Ghoshal et al., 1994). Thus, in the context of implementing a corporate-wide external growth strategy, informal interactions seem to be a significant part - perhaps even a basic prerequisite - of subsidiary strategising. As one senior manager phrased (SM3) it: "First of all it [interaction with senior management at the corporate centre] has to do with: how well does the network work? How good is the personal relationship with the EVP [Executive Vice President]? How do I get along with the EVP and do I have personal access to the EVP? Do I enjoy credibility with the EVP? Does the EVP accept me as someone who is able to bring strategic ideas to the table and also to propose strategic acquisitions? ... Well, that means that personal access, the network, the personal relationship play, I think, quite an important role."

Having argued that strategy implementation draws on both systematic and formal as well as ad-hoc and informal interactions, the next question is whether and how these two are related to each other. Exploring the role of informal interactions at different hierarchical levels of the case organisation this study argues that senior management seems to be involved more in the social and informal side of strategising whereas lower level management seems to draw stronger on formal processes. The subsequent paragraphs will illuminate this phenomenon in more detail.

Implementing strategy in the complex structures of an MNC that sometimes can be perceived as ambiguous, confusing and inefficient (Goold & Campbell, 2003) seems to require informal and social ingredients and uses leadership to act as an enabler of realising strategy (Colville & Murphy, 2006). In particular the discursive abilities of leaders to articulate persuasive accounts in sensegiving interactions (Bartunek et al., 1999; Maitlis & Lawrence, 2007) and the internal relationship with essential stakeholders (Denis et al., 2007; Ghoshal et al., 1994) seem to be drawn upon to enable strategising in praxis.

Interestingly, the study finds a reciprocal relationship between formal and informal processes in which subsidiary senior management acts via informal, social interactions as an enabler to formal processes. Thus, extending the findings of Colville and Murphy (2006) and Maitlis and Lawrence (2007) this study argues that lower-level strategising practitioners tend to prepare formal processes in strategy implementation while they refer to subsidiary senior management for informal and social networking that is required to enable strategy execution.

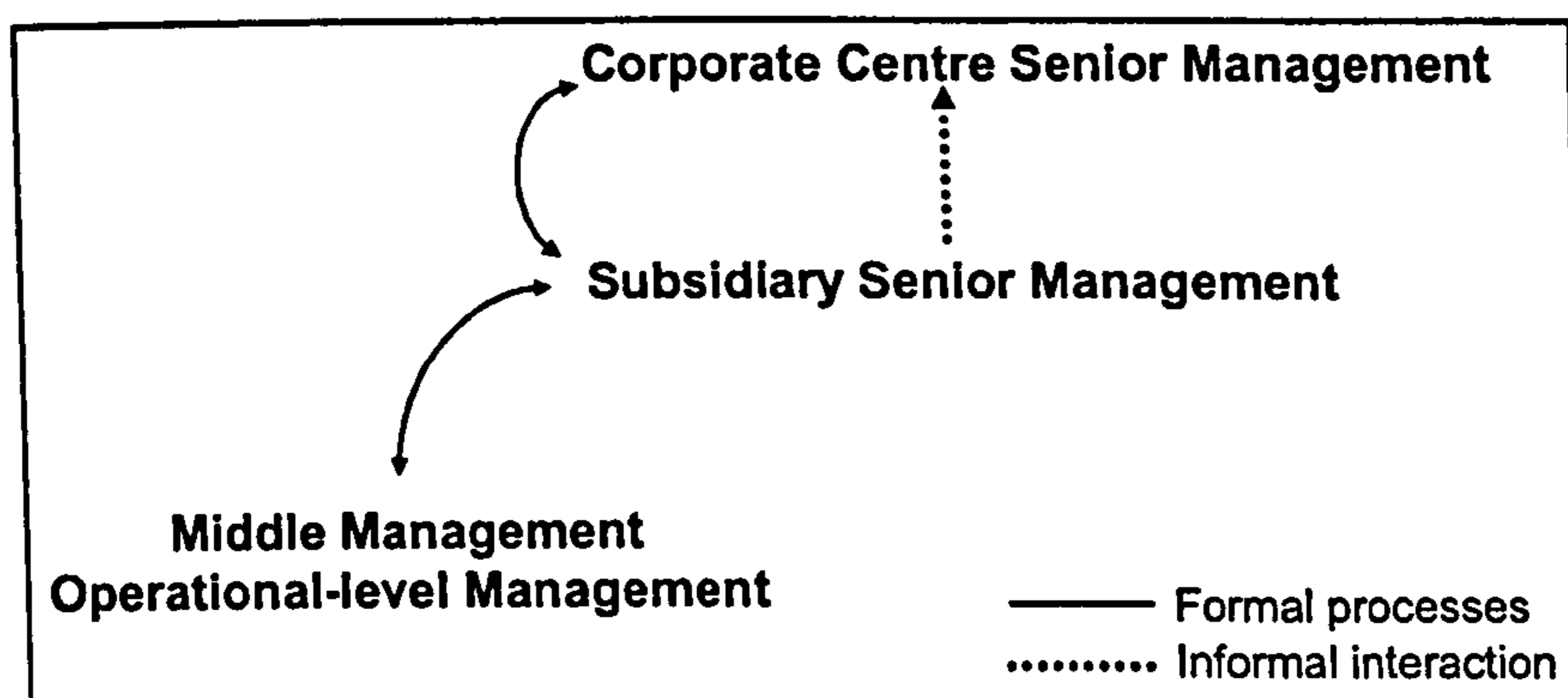
Hence - as presented in exhibit 32 - the study points out that in particular lower-level strategising actors draw on formal processes and appreciate the facilitating structure these processes provide. The actual strategising work of preparing and servicing formal processes, which includes activities such as the completion of standard templates and the creation of power point presentations, is typically done by subsidiary middle or operational-level management.

The dotted line, however, visualises the informal, situational and personal interactions taking place between subsidiary senior managers and corporate centre senior management that facilitate formal processes. In other words, the subsidiary leadership connects formal with informal processes to enable strategising. These informal strategising processes are typically interactions done via practical means such as personal phone calls or face-to-face discussions; hence, the findings argue that in strategising praxis personal discourse (Hendry, 2000; Vaara et al., 2004) is a key enabler for translating strategic thinking into strategic action. This phenomenon can potentially be linked to the concept of adaptive and recursive strategising (Mantere, 2005); in which recursive practices provide stability and predictability (similar to formal interactions) whereas adaptive practices contribute to individual ownership of strategy, achieved through personal interpretation (similar to informal interactions).

Thus, in subsidiary-headquarters interaction this study finds a reciprocal relationship between formal and informal processes. The findings argue that lower-level strategising practitioners tend to prepare formal processes in strategy implementation and refer to more senior management for purposeful informal and social networking that seems to be required to enable strategy execution in a MNC subsidiary.

## Exhibit 32: Reciprocal Relationship

(Source: Exhibit developed by author)



### Subsidiary-to-subsidary Interaction

Whereas interactions of the subsidiary with the corporate centre were found to be highly prevalent, a second area of interaction is the subsidiary-to-subsidary interaction. Surprisingly, very little evidence of formal or informal interactions of the subsidiary with other subsidiaries could be identified. This is surprising because looking at MultiCo as a multinational corporation many characteristics of what is understood to be a “transnational organisation” could be identified (Bartlett & Ghoshal, 1998; Bartlett et al., 2006). Aspects such as using the corporate centre in the home-country as a key resource while having fully integrated subsidiaries that are responsive to local markets and aim at accommodating national interests tend to be attributes of transnational organisations. Typically, within such a transnational setting, a considerable amount of subsidiary-to-subsidary interaction should be occurring (Bartlett & Ghoshal, 1998; Bartlett et al., 2006; Connelly et al., 2007; Harzing & Noorderhaven, 2006; Inkpen, 2008).

Yet - somehow contrary to the second part of the assumption made in theoretical proposition # 1 - only very limited interactions between the subsidiary under investigation and other subsidiaries could be identified. One possible explanation for this phenomenon is that the established formal strategising processes focussed on the interaction between the subsidiary and the corporate centre, which might be due to the significant strategic and financial impact acquisitions might have. However, also very limited informal or subsidiary-initiated interactions between subsidiaries - for instance with the aim of knowledge transfer - could be identified. Thus, it seems that in the specific context of implementing a corporate-wide external growth strategy in a highly integrated MNC, subsidiary-to-subsidary interactions are less prevalent and relevant than subsidiary-headquarters interactions. A finding that is somehow in line with the

argument that truly “transnationally” managed MNCs seem to be very rare in reality (Peng & Pleggenkuhle-Miles, 2009; Rugman & Verbeke, 2004). Exhibit 33 summarises the key discussions of section 6.4.

### **Exhibit 33: Strategising Interactions - Summary of Key Findings**

(Source: Exhibit developed by author)

<u>Strategising Interactions - Summary of Key Findings</u>
<ul style="list-style-type: none"> <li>- Subsidiary-headquarter interactions are enabled through both extensive formal and informal processes</li> <li>- Formal processes are relevant for subsidiary strategising and provide a systematic interaction structure with explicit deliverables</li> <li>- Informal interactions are highly relevant in subsidiary strategising and are individualised, situational and often times dependent on pre-existing personal contacts</li> <li>- In a reciprocal relationship between formal and informal processes subsidiary senior management acts via informal, social interactions as an enabler to formal processes</li> <li>- In the specific context of implementing a corporate-wide strategy in a highly integrated MNC, subsidiary-to-subsidary interaction is less prevalent than subsidiary-headquarter interaction</li> </ul>

## **6.5 Strategising Actors**

The final element of the subsidiary implementation framework is discussed in this section. As assumed in theoretical proposition # 2, subsidiary strategising actors from different hierarchical levels who interact with each other were found to be key enablers for implementing corporate-wide strategy in the subsidiary. Similar to Floyd and Lane (2000) this study differentiates the roles of subsidiary senior, middle and operating-level management. The study finds that all three levels are actively engaged in subsidiary strategising.

In line with prior research (Birkinshaw et al., 1998; Kim & Mauborgne, 1993) the study found a strong link of subsidiary strategising activities with subsidiary leadership, suggesting that subsidiary senior managers are the impetus for local strategising. However, as argued by S-a-P and strategy process researchers, realising strategy was not found to be a rigid decision of subsidiary senior managers combined with a straightforward implementation process (Baden-Fuller, 2006; Chakravarthy & Doz, 1992; Pettigrew, 1985, 1992; Whittington, 2006a). Through initiating strategy meetings and discussions senior managers interpreted the corporate-wide strategy for the

subsidiary and provided an organisational framework of resources and processes; a finding that reinforces the importance of resource allocation for implementing strategy (Bower, 1970; Bower & Gilbert, 2007; Henderson, 1993). Thus, subsidiary senior managers initiated local strategising and provided necessary strategising resources.

Yet, the strategising framework and effort was not found to be static. On the contrary, senior managers engaged in strategising discourse with other strategising actors constantly. Therefore, the process of implementation is perhaps best described as continuous flow of intertwined strategising activities which emerged throughout the subsidiary. Thus, senior managers were found to engage in leadership through working across organisational layers in an iterative process of constant transformation (Achtenhagen et al., 2003; Luff & Heath, 2009).

Besides the senior managers' role of initiating local strategising and engaging in strategising discourses, senior managers - as already discussed in section 6.4 - were found to play a significant role in informal interactions, in particular in informal interactions that were related to formal strategising processes with the corporate centre. In the context of implementing a corporate-wide external growth strategy that requires intensive interaction with the centre, their internal network and their social skills (Bartunek et al., 1999; Denis et al., 2007; Ghoshal et al., 1994; Maitlis & Lawrence, 2007) as well as their practical knowledge about invisible structures (Baumard & Wauchope, 1999) seems to enable senior managers to navigate through the complexity of an MNC organisation (Goold & Campbell, 2003) in order to informally and purposefully influence essential stakeholders. Thus, when interacting with the headquarters subsidiary senior managers draw on their internal network, their credibility and their understanding of intangible structures of the MNC to enable local strategy implementation. Operationally, the formal strategising processes were found to be prepared by middle and operational-level managers, while senior manager enabled the formal strategising through informal interactions.

While senior managers were found to be rarely involved in the operational day-to-day strategising activities, they were found to be closely connected with subsidiary middle managers. In particular through common strategising meetings senior and middle managers engaged in cycles of interpreting corporate-wide strategy and taking action to locally implement strategy. This *interplay* was found to be a mutual process of receiving, processing and providing strategising input. Therefore, somehow *in contrast* to Westley (1990) who finds extensive dissatisfaction among middle managers

because they are excluded from strategic processes and to Hodgkinson et al. (2006) who found that strategy workshops dedicated to strategy development did not include middle managers, this study comes to the conclusion that - for strategy implementation in a subsidiary - middle manager play a key role.

It was not only found that middle managers actively assumed organisational leadership and mobilised other strategising actors (Rouleau & Balogun, 2008) in order to implement strategy. They were also found to engage themselves extensively in operational day-to-day strategising work such as defining target markets, identifying acquisition candidates or preparing formalised strategising processes. Thus, this study agrees with Osterman (2009) as well as with Rouleau and Balogun (2008) who argue that middle managers are more than just passive strategising actors transmitting senior manager's instructions. Indeed, this study finds that middle managers are the "engines" of strategy implementation as they pro-actively engage other strategising actors and drive actual strategising activities while at the same time engaging themselves extensively in completing strategising work.

This study finds that also operational-level managers - like senior and middle managers - are involved in strategy implementation and that their work is closely aligned with the overall strategic intent of the MNC. Thus, even though many studies and scholars discuss potential disconnects between the deliberate strategic intent of a corporate centre and actual operational strategising activities (Balogun & Johnson, 2005; Bower & Gilbert, 2007; Mintzberg, 1978), this study finds that the complex system of formal and informal strategising interactions that were identified throughout the MNC leads to a coherent strategising effort. However, one must acknowledge, that the nature of an external growth strategy (high strategic and financial impact) combined with a strong subsidiary-headquarters interaction might strongly contribute to explaining this finding.

The primary strategising role of operational-level managers was found to be the completion of operational strategising tasks such as fine-grained database or internet searches. Operational-level managers were found to have various job responsibilities and were not purely dedicated to supporting external growth. While working together with other management levels, operational-level managers were found to be less involved in strategising meetings and other strategising discourse which led to a perceived information and knowledge deficit. As operational-level managers are most valued for "technical" skills (Katz, 1974) and tend to interpret their environment through their occupational lenses (Floyd & Lane, 2000) it is not surprising that the study found a

perceived information and knowledge deficit. However, the evidence argues that operational-level managers seem to be actively engaged in particular strategising tasks but are less integrated into strategising processes than middle managers.

Completing this section, exhibit 34 presents the key findings that have been discussed.

### **Exhibit 34: Strategising Actors - Summary of Key Findings**

(Source: Exhibit developed by author)

<b><u>Strategising Actors - Summary of Key Findings</u></b>
<ul style="list-style-type: none"><li>- Subsidiary senior, middle and operational-level managers are actively engaged in strategising, interacting in cycles of receiving, processing and providing strategising input</li><li>- Subsidiary senior managers initiate local strategising, providing a framework of resources and processes that iteratively enacts strategy implementation</li><li>- In headquarters-subsidary interaction senior managers draw on their internal network, credibility and understanding of intangible structures to facilitate strategising</li><li>- Middle managers are "engines" of implementation, actively engaging other strategising actors, driving strategising activities and completing actual strategising work</li><li>- Strategising work of operational-level managers is coherent with strategic intent but operational managers seem to be less integrated into strategising than middle managers</li></ul>

## **6.6 Conclusion**

Chapter 6 developed and discussed a subsidiary implementation framework that incorporates the main findings of this study. This subsidiary implementation framework argues that four highly interrelated elements are relevant for putting corporate-wide strategy into action in a MNC subsidiary: (1) Strategy dissemination, (2) strategising processes and activities, (3) strategising interactions and (4) strategising actors. In concluding this chapter these four interrelated elements are subsequently reflected briefly.

Firstly, the study showed that intended corporate-wide strategy tends to disseminate throughout a subsidiary through discursive and interpretative processes (Bartunek et al., 1999; Vaara et al., 2004; Westley, 1990) in association with related process facilitators such as strategising routines (Maitlis & Lawrence, 2007). However, it was likewise found that strategising actors with expertise and experience related to a

particular strategic intent have a capability-based tendency of adopting strategy earlier than others; thus, it seems that organisational and individual knowledge (Costanzo & Tzoumpa, 2009; Nonaka et al., 2006; Orlikowski, 2002) is relevant in strategy implementation. A further aspect that is argued to impact upon strategy dissemination is the international strategy pursued by a MNC (Bartlett & Ghoshal, 1998; Jarillo & Martinez, 1990; Perlmutter, 1969). Using Mintzberg's (1978) terminology it is contended that the context of an integrated subsidiary and a strong corporate centre facilitates that intended corporate-wide strategy is deliberately transferred into locally realised strategy.

Secondly, in line with extant S-a-P and MNC research (Birkinshaw et al., 2005; Harzing et al., 2002; Jarzabkowski & Spee, 2009; Regnér, 2003) the study found that subsidiary strategising activities are indispensable for locally enacting corporate-wide strategy. In particular, three strategising activities are argued to be particularly important enablers that strategy practitioners engage in to turn an intended corporate-wide strategy into subsidiary action: Resource allocation, strategising meetings and strategising tools.

Accordingly, the findings reinforce the assertion that an intended strategy can only be realised if it is in line with the pattern of resource allocation decisions made within an organisation (Bower & Gilbert, 2007; Gilbert, 2005; Henderson, 1993; Jarzabkowski & Wilson, 2002). Thus, the study argues that subsidiary-level resource allocation acts as a key enabler for subsequent strategy implementation activities.

Strategising meetings - in the broad understanding of discourses-based strategising episodes that are characterised by a beginning and an end (Hendry & Seidl, 2003) - were found to be amongst the most prevalent and important activities of subsidiary strategising. In particular, strategising meetings were found to enable strategising discourse and provide a platform for organisational and individual learning as well as for internal networking. Yet, more importantly, subsidiary strategising actors were found to create, shape and establish a configuration of interrelated strategising meetings that act as a central locus of strategising. Consequently, this study argues that a configuration of interconnected meetings (Jarzabkowski & Seidl, 2006; Peck et al., 2004) creates a strategising system that structurally embeds strategy implementation in the subsidiary and locally enacts strategy.

Likewise strategising actors were found to engage in using strategising tools for strategy implementation. The evidence shows that strategising tools are used beyond



mere task-related applications. Reinforcing and extending the viewpoint that management tools trigger broader organisational activity (Beunza & Stark, 2004; Kaplan & Jarzabkowski, 2006; McCabe & Narayanan, 1991), this study argues that strategising tools are profoundly integrated into strategising processes and can significantly shape MNC strategising. With regard to the selection of tools strategising actors were found to act “opportunistically”, customising and mixing disposable strategising tools from different conceptual backgrounds to best serve their purpose.

The third element of the subsidiary implementation framework considers strategising interactions; i.e. interactions across different units of a MNC. Subsidiary-headquarters interactions were found to be enabled through both extensive formal and informal processes. Formal processes which are known to be relevant in strategising (Brock & Barry, 2003; Grant, 2003) provide a systematic interaction structure with explicit deliverables. However, strategy is not only a formal and detached process but also an informal and social process (Johnson, 1987; Mintzberg, 1978; Pettigrew et al., 2002); a phenomenon that was found to be highly relevant for subsidiary strategising. Interestingly, the study indicates that subsidiary senior management seems to be more involved in the social and informal side of strategising whereas lower-level management seems to draw stronger on formal processes. Senior managers were found to use their leadership skills, discursive abilities and their knowledge about invisible structures of the organisation (Baumard & Wauchope, 1999; Colville & Murphy, 2006; Maitlis & Lawrence, 2007) to purposefully interact with the corporate centre. Moreover, extending previous research, this study finds a reciprocal relationship between formal and informal processes in which subsidiary senior management acts via informal, social interactions as an enabler to formal processes.

While headquarters-subsidiary interactions were found to be highly prevalent in strategy implementation, the study found little evidence for subsidiary-to-subsidiary interaction. Which is a surprising finding as the investigated case carries various typical attributes of what is called a transnational organisation and within transnational organisations a considerable amount of subsidiary-to-subsidiary interaction should be occurring (Bartlett & Ghoshal, 1998; Bartlett et al., 2006; Connelly et al., 2007). Thus, perhaps because of the specific context of external growth - which tends to imply high strategic and financial relevance - subsidiary-to-subsidiary interactions seem to be less prevalent (and relevant) for strategy implementation than headquarters-subsidiary interactions. However, whereas this finding was not expected it is somehow in line with

the argument that truly “transnationally” managed MNCs seem to be very rare in reality (Peng & Pleggenkuhle-Miles, 2009; Rugman & Verbeke, 2004)

The fourth element which the subsidiary implementation framework argues to be relevant for putting strategy into action, are strategising actors. The study found that subsidiary senior, middle and operational-level managers are actively engaged in interrelated strategising activities. Based on strategising discourse local senior management seems to initiate local strategy execution, in particular through providing a framework of resources and processes that iteratively enact strategising. However, consistent with prior research strategy initiation was not found to be a rigid decision combined with a straightforward implementation process but a continuous flow of intertwined strategising activities which worked across various organisational layers (Achtenhagen et al., 2003; Luff & Heath, 2009; Whittington, 2006a). Besides their role in strategy initiation, as has been discussed earlier, senior managers are found to play a significant role in informal interactions and draw on their internal network, credibility and understanding of intangible structures to facilitate strategising.

Being closely connected to both senior and operational-level managers, middle managers are argued to be the “engines” of strategy implementation, actively driving strategising activities while likewise engaging themselves extensively in completing actual strategising work. Thus, while middle managers sometimes are assumed to be passive strategising actors that merely transmit senior manager’s instructions, this study agrees with Rouleau and Balogun (2008) as well as with Osterman (2009) who argue that middle manager assume organisational leadership and are committed to their strategising tasks.

While the dividing line between strategising work of middle and operational-level managers was found to be blurred, operational-level managers seem to be mainly engaged in completing day-to-day tasks such as database or internet searches. As operational-level managers are most valued for “technical” skills (Katz, 1974) and tend to interpret their environment through their occupational lenses (Floyd & Lane, 2000) it is not surprising that the study found a perceived information and knowledge deficit amongst operation-level managers. However, likewise the study found that - while operational-level managers are actively engaged in particular subsidiary strategising tasks - they are less integrated into strategising processes than middle managers.

Yet, contrary to other research (Balogun & Johnson, 2005; Bower & Gilbert, 2007; Mintzberg, 1978), this study finds only little disconnects between the intended strategy developed in the corporate centre and actually realised strategising activities in the subsidiary. Indeed, even the operational strategising tasks of operational-level managers were found to be aligned to the strategic intent. Thus, it can be argued that a complex system of formal and informal strategising activities, processes and interactions throughout an MNC leads to a coherent strategising effort that enables local strategy execution.

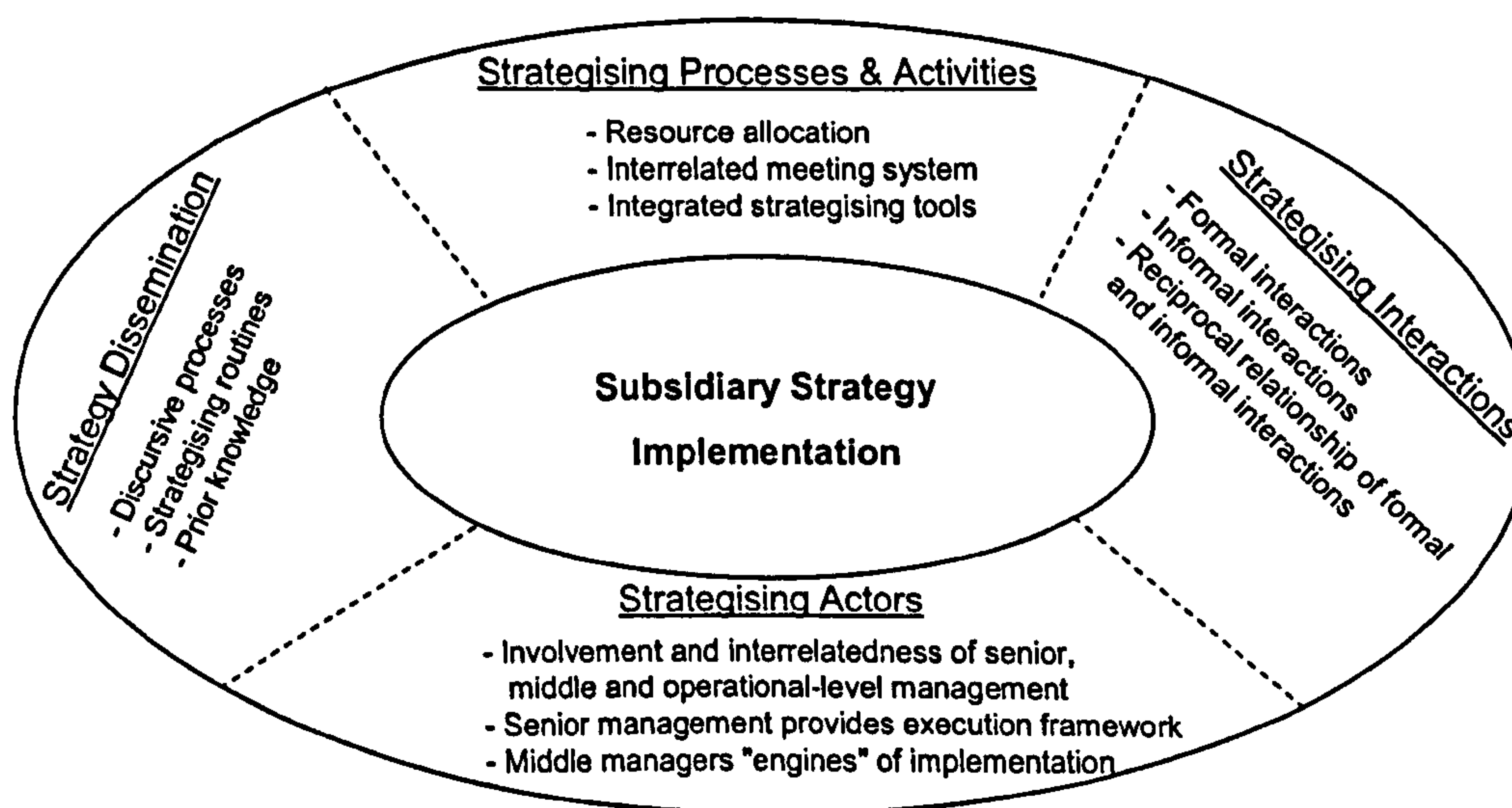
## 7 CONCLUSION

### 7.1 Introduction and Summary of Main Conclusions

After Chapter 6 discussed in detail the findings and conclusions and developed a “subsidiary implementation framework” (exhibit 29), this chapter summarises the main conclusions (7.1), discusses the contributions of the study to both theory and practice (7.2), reflects on the limitations of the study (7.3), provides suggestions for further research (7.4), and concludes the study with final remarks (7.5).

In summary, the study developed a subsidiary implementation framework and argues that an intended corporate-wide strategy is put into practice in an MNC subsidiary in an interplay of four highly interrelated strategising elements: Strategy dissemination, strategising processes and activities, strategising interactions and strategising actors. Exhibit 35 highlights the elements of the framework that enable subsidiary strategy implementation.

**Exhibit 35: Summary of Subsidiary Strategy Implementation**



Firstly, strategy tends to disseminate throughout the subsidiary through discursive and interpretative processes (Bartunek et al., 1999; Vaara et al., 2004) in association with related process facilitators such as strategising routines (Maitlis & Lawrence, 2007). The study argues that strategising actors with expertise and experience related to a particular strategy have a capability-based tendency of adopting intended strategy earlier than others. Overall, the process of dissemination is assumed to turn an

intended corporate-wide strategy into a deliberate strategising effort that is understood within the subsidiary.

Secondly, subsidiary strategising processes and activities are argued to be indispensable for locally enacting strategy, as they turn deliberate strategy into realised action. Thus, it seems that strategy can only be realised if it is in line with the patterns of resource allocation, that the configuration of an interrelated meeting system is an impactful enabler of implementation and that strategising tools are profoundly integrated into strategising processes and can actively shape MNC strategising.

Thirdly, strategising interactions - in particular between the subsidiary and the headquarters - are argued to be relevant for strategy implementation. Besides formal processes that are known to shape strategising (Brock & Barry, 2003; Grant, 2003), this study argues that intriguing informal interactions which are individualised, situational and often dependent on pre-existing personal contacts, facilitate subsidiary strategising. Interestingly, the study finds a reciprocal relationship between formal and informal processes, arguing that lower-level managers tend to prepare formal processes and refer to senior managers' social skills, internal network and knowledge about the invisible organisational structures (Baumard & Wauchope, 1999; Ghoshal et al., 1994; Maitlis & Lawrence, 2007) for purposeful informal interactions that seem to be pivotal to enable strategy execution in a MNC subsidiary.

Fourthly, the study finds that subsidiary strategising actors from senior, middle and operational-level management are involved in strategy implementation. Based on strategising discourse, local senior management initiates subsidiary strategy implementation, in particular through providing a framework of resources and processes that iteratively enact strategising. Yet, middle managers - actively driving strategising activities and assuming organisational leadership - are argued to be the "engines" of strategy implementation.

## **7.2 Contributions of the Study**

As this study aims to contribute to both theoretical research and practical application the following two subsections relate the findings to both areas. Subsection 7.2.1 considers the theoretical implications whereas 7.2.2 discusses how subsidiary practitioners can benefit from the findings.

### 7.2.1 Implications for Theory

The study contributes to the S-a-P research agenda (Jarzabkowski & Spee, 2009; Johnson et al., 2007; Whittington, 1996) by developing a framework that explains how a corporate-wide external growth strategy is put into practice in a MNC subsidiary. Likewise, the study provides further insights into the strategising work that strategising actors actually engage in. Thus, the study adds empirical work to the S-a-P perspective, which is needed to further strengthen the research field (Kind & Knyphausen-Aufseß, 2007).

Drawing on the S-a-P organising structure presented by Johnson et al. (2007), this study sheds some more light on the activities and processes strategising actors actually engage in. It increases the understanding of what strategising actors do to implement strategy and how they do it.

The study examines actual strategising activities, such as strategising meetings and strategising tools, as well as the locus of strategising and the roles and interactions of strategising actors. However, the study does not purely stay at an activity level but integrates the detailed discussion into a wider organisational level and develops a “subsidiary implementation framework”. Thus, in line with suggestions for S-a-P research, the study investigates actual strategising activities but relates the insights to consequential organisational constructs (Jarzabkowski et al., 2007; Johnson et al., 2007).

The subsidiary implementation framework that is developed depicts how strategy is realised in a subsidiary in an interplay of strategy dissemination, strategising processes and activities, strategising interactions and strategising actors. This framework integrates the diverse, day-to-day strategising phenomena that occur in praxis and connects them with each other. In doing so, the study incorporates practical strategising elements that are typically considered in isolation.

Thus, while contributing to a better understanding of actual strategising activities and actors, the study likewise provides an integrated implementation framework that helps to understand the organisational process of strategy implementation in a MNC subsidiary. Furthermore, contributing to MNC research, this study suggests that, contrary to expectations, subsidiary-to-subsidary interactions seems to be limited even within an MNC that appears to be a “transnational company” (Bartlett & Ghoshal, 1998; Harzing & Noorderhaven, 2006). Thus, this finding contributes to the discussion if truly

“transnationally” managed MNCs are rare in reality or not (Peng & Pleggenkuhle-Miles, 2009; Rugman & Verbeke, 2004). However, given the limitations of the research design, it has to be acknowledged that these contributions are somewhat tentative.

### 7.2.2 Implications for Practice

As Thiétart (1999) argues, the ultimate goal of research is to help actors who are confronted with concrete management problems. This study examines the execution of strategy, an area whose relevance seems to be underestimated in academia, but is highly relevant for practitioners (Hrebiniak, 2006; Kaplan & Norton, 2008). Accordingly, the study uses a S-a-P lens of investigation which should facilitate the translation of the findings into organisational action (Johnson et al., 2003). Consequently, the following paragraphs provide practical implications derived from the key findings. These recommendations, although grounded in the specific context of this single-case study, aim at assisting strategising practitioners when implementing corporate-wide strategy in a MNC subsidiary.

In particular, the “subsidiary implementation framework” (exhibit 29) was developed to make the study findings practice-oriented and provide practitioners with a model that can easily be transferred into day-to-day practice. It could be argued that the framework is a “cookbook”, or “recipe”, that guides practitioners who intend to execute a corporate-wide strategy in a subsidiary. Thus, each of the four elements of the subsidiary implementation framework should offer several useful handles for practitioners.

The framework suggests that practitioners can actively shape the process of disseminating a corporate-wide strategy by deliberately creating occasions for strategising discourse and by integrating the corporate-wide strategy into local strategising routines. Furthermore, strategy implementation seems to be associated with organisational and individual knowledge (Nonaka et al., 2006; Orlikowski, 2002). Accordingly, the study finds a capability-based tendency of strategising actors to adopt strategy earlier if they can draw on related expertise or prior experience. Practitioners can take advantage of this phenomenon if they find ways to make strategy-related expertise and experience timely available to relevant strategising actors.

Likewise, the second element of the subsidiary implementation framework - strategising processes and activities - provides several opportunities to advance

strategy execution in practice. For instance, in an early stage of implementation, the efficient allocation of local resources seems to enable that intended strategy is turned into realised action (Bower, 1970; Bower & Gilbert, 2007; Henderson, 1993); in other words, resource allocation acts as a key enabler to subsequent implementation activities. Furthermore, practitioners can draw on strategy meetings and actively shape a system and rhythm of interrelated meetings to create a central locus of strategising. Purposefully drawing on this commonly available strategising practice can provide practitioners with a powerful leverage to structurally embed strategy implementation in the organisation.

Interestingly, strategising tools also seem to provide an opportunity for shaping subsidiary strategising and offer prospects far beyond the typical task-related tool application. Practitioners can design strategising processes around strategising tools and leverage strategising tools to surface discussion topics, set meeting agendas or capture and consolidate strategising outcomes. Even more, the purposeful combination of strategising tools with strategising meetings presents an impactful option to create an interlocked system that enables subsidiary strategy execution.

The third and fourth elements of the subsidiary strategising framework - strategising interactions and strategising actors - underpin the assertion that strategy implementation is not only a formal and detached process but also an informal and social process (Mintzberg, 1978; Whittington, 2004). Accordingly, the study emphasises the importance of informal interactions, in particular with the corporate centre top management. As informal interactions were found to be individualised, situational and often dependent on pre-existing personal contacts, this study recommends that subsidiary practitioners should actively build relationships with corporate centre management. This might be of particular relevance, as the study finds a reciprocal relationship between formal and informal processes in which subsidiary senior management acts via informal interactions as an enabler to formal processes.

Furthermore, the framework suggests that practitioners recognise that the actual realising of strategy involves subsidiary strategising actors from senior, middle and operational-level management. This study agrees with prior research, which contends that middle managers assume organisational leadership and are committed to their strategising tasks (Osterman, 2009; Rouleau & Balogun, 2008). Accordingly, this study argues that middle managers are “the engines of strategy execution”. Thus, for practitioners, it seems to be important to recognise and acknowledge this role and to



purposefully deploy middle managers. In addition, in the concert of strategising actors from different hierarchical levels, it seems that operational-level managers are sometimes less connected with the overall strategising system. Consequently, this study proposes a stronger integration of operational-level managers into implementation processes instead of just deploying operational-level managers to complete singular strategising tasks.

Thus, overall, the subsidiary implementation framework provides numerous practical recommendations and approaches that subsidiary practitioners can draw upon in their strategy implementation practice. However, whereas the framework primarily serves subsidiary practitioners, it might likewise be of interest to corporate centre management when designing corporate-wide strategy.

### **7.3 Limitations of the Study**

In line with methodological suggestions for S-a-P research, this study adopted a qualitative single-case study approach (Chia & MacKay, 2007; Johnson et al., 2007). Accordingly, the research outcome must be considered in the context of some limitations of the study.

The primary limitations of the research arise from the design as a single-case study. Investigating how an external growth strategy is put into practice, the study analysed the German subsidiary of a USA-headquartered MNC; thus, the research was embedded in a particular context. Even though triangulation and various other measures to increase reliability and validity of the study have been included, it remains a single-case operating within its specific context. Consequently, the study results are not suitable for statistical generalisations (Bryman, 1988; Yin, 2003b). Or, in other words, the findings of single-case research are not representative and cannot make inferences about the whole population (Siggelkow, 2007). Accordingly, the study acknowledges that far reaching conclusions, that claim to hold for MNC subsidiaries in general, cannot be made. Yet, based on Yin's (2003b) concept of analytical generalisation the study aimed to "... generalize findings to theory ..." and developed a theoretical framework which may later be tested through further research.

A further issue that should to be addressed is that the researcher is a senior manager of the case study company, which constitutes a "threat for bias". In particular when collecting and analysing the data, a "risk of proximity" was present (Johnson et al.,

2007; King, 2004; Macdonald & Hellgren, 2004). While measures to deal with this challenge have been taken (e.g. interview transcription reviews, presupposition statement, member-checking, triangulation), the “threat for bias” remains a potential issue of “practitioner-research” that needs to be acknowledged.

Yet, within these limitations, the study results add interesting conceptual insights to understanding the practice of strategising in MNC subsidiaries, provide practical implications for actual strategising practice, and offer various starting points for further research.

#### **7.4 Suggestions for Further Research**

Drawing on the S-a-P organising structure developed by Johnson et al. (2007), the study basically offers starting points for further research at two different levels: the organisational level of the overall subsidiary implementation framework and the praxis level concerned with actual strategising activities.

Firstly, an interesting area of future research would be to consider how the subsidiary implementation framework would change under different contextual conditions or with a different research scope. How would the subsidiary implementation framework change if the investigated corporate-wide strategy would not be external growth but something else? Would this, for instance, affect the prevalence and relevance of subsidiary-to-subsidary interactions? Similarly, further research could examine how the subsidiary implementation framework would change if the examined MNC were not a fully integrated corporation, but an MNC with less integrated subsidiaries. Thus, researching how the subsidiary implementation framework would change under different conditions could lead to the development of a more generally applicable framework.

Secondly, besides research opportunities related to the overall subsidiary implementation framework, the study offers numerous occasions for further research on the praxis level of actual strategising activities, actors and interactions. In particular, the summary exhibits at the end of each subsection in chapter 6 provide rich opportunities for related research. Perhaps one of the most interesting findings that are reported is the reciprocal relationship between formal and informal processes, which argues that subsidiary senior managers act via informal, social interactions as an enabler to formal processes. Further research could investigate this reciprocal relationship in more detail and illuminate the different perspectives of the different

strategising actors that are involved. When and how do lower-level managers draw upon senior managers; how do senior managers understand their role in informal interactions; and how do corporate centre top managers perceive informal strategising interactions? In investigating these questions, the tentative concept of a reciprocal relationship could be extended to a richer theoretical model.

## **7.5 Concluding Remarks**

This last chapter reviewed the main conclusions of the study, discussed the implications for theory and practice, addressed the limitations of the research, and provided starting points for further research.

Overall, the study aimed at contributing to the understanding of a how an intended corporate-wide external growth strategy is put into practice in an MNC subsidiary. Accordingly - using an S-a-P lens of investigation - the study developed a subsidiary implementation framework that depicts how strategy is actually executed in a subsidiary. Thus, whereas grounded in the specific limitations of single-case research, this study provides interesting insights for both practitioners and academics.

## REFLECTIVE DIARY

This account is to share some personal reflections of my research journey.

Completing this research was both highly rewarding and highly challenging at the same time. When I started the programme, I knew that balancing the research with my work life and with my private life was going to be a challenge. Therefore, it was important for me to interpret my research as a “hobby” rather than as an obligation. Even though engaging in research is exhausting work, it was still somehow recreational for me. During a day of research, my mind was focused so strongly that I could not think about work matters or anything else; it cut me off from day-to-day routines.

However, was it easy every day? No it wasn't. There were many days when seemingly no progress was made or where thoughts did not seem to be very fruitful. For me personally two quotes that I put on the wall next to my desk helped me to deal with these “hard days”. The first quote “Nothing is particularly hard if you divide it into small parts” from Henry Ford really helped me when I was addressing new topics. But the second quote, from James Thurber: “Don't get it right, get it written”, was my “emergency quote” that rescued me on days when it seemed that no thought or chunk of data would make any sense. Luckily, the “good days”, where researching was fun, far outnumbered the “hard days”.

In terms of practical “lessons learned”, it is perhaps worthwhile to share two experiences. Firstly, submitting a paper to the Strategic Management Society's Annual Conference very early in the research process has proved to be invaluable for me. It brought the preliminary findings to paper and gave me valuable feedback from other researchers in the field. Secondly, planning the research journey on a timetable with milestones was absolutely necessary in order to keep on track. For me as a part-time researcher, it was also extremely important to plan the time that I could set aside for working on the research.

Overall, I have to say that completing this research on a part-time basis has been a very demanding task that really required some compromises but, by the same token, it was a highly enjoyable and rewarding endeavour.

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# APPENDIX A: INTERVIEW GUIDE

UNIVERSITY OF SURREY  
SCHOOL OF MANAGEMENT

## Interview Guide and Protocol

Interviewer: Joerg Dederichs

**Name of interviewee:**

**Date of interview:**

**Consecutive number of interview guide:**

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### 0. Introduction

The study investigates how an external growth strategy is put into practice within the subsidiary of a multinational corporation. It is interested in the micro perspective of strategy implementation; that is how actors - not organisations - do strategy. The study focuses on the practical work that is done by practitioners.

### 1. Please describe briefly what your responsibility is

(Bitte beschreiben Sie kurz Ihren Verantwortungsbereich)

### 2. What first and spontaneous thoughts come to your mind when you think about MultiCo's external growth strategy?

(Was sind Ihre ersten, spontanen Gedanken wenn Sie an die M&A Strategie von MultiCo denken?)

#### Potential probes:

- Please describe your understanding of the external growth strategy pursued at MultiCo.  
(Bitte beschreiben Sie Ihr Verständnis der Strategie)
- What is the objective and focus of the external growth strategy? (Was sind Ziel und Fokus der Strategie?)
- Do you consider the strategy to be company-wide? (Handelt es sich eine unternehmensweite Strategie?)
- How has the strategy been communicated within MultiCo?  
(Wie wurde die Strategie in MultiCo kommuniziert?)

### 3. How is the corporate-wide external growth strategy transformed into subsidiary action?

(Wie wird die unternehmensweite Strategie in der Niederlassung in konkrete Aktionen umgesetzt?)

#### Potential probes:

- Can you describe the level of organisational identification that the subsidiary has with the corporate-wide external growth strategy?  
(Wie hoch ist die Identifikation der Niederlassung mit der unternehmensweiten Strategie?)
- How is the process of putting the external growth strategy into action organised in the German subsidiary? (Wie ist der Prozess der Implementierung der M&A Strategie in der deutschen Niederlassung organisiert?)
- Briefly describe concrete activities related to external growth in your area of responsibility.

(Bitte beschreiben Sie kurz konkrete Aktivitäten die bei Strategieumsetzung erfolgen)

- Whose responsibility is it to realise the external growth strategy in Germany? Why?

(Wer ist verantwortlich für die Umsetzung der Strategie? Warum?)

- What is your role in implementing the strategy? Why?

(Was ist Ihre Rolle bei der Umsetzung der M&A Strategie? Warum?)

- What is the role of communication for implementing strategy?

(Welche Rolle hat Kommunikation bei der Strategieumsetzung?)

- How is the implementation of the external growth strategy embedded in MultiCo's yearly planning cycle?

(Wie ist die Strategieimplementierung eingebettet in den jährlichen Planungszyklus?)

- Do you see any influence of the German social, political and/or economical environment on the implementation of the external growth strategy? If yes, please describe.

(Sehen Sie einen Einfluß der sozialen, ökonomischen und/oder politischen Rahmenbedingungen in Deutschland auf die Strategieimplementierung?)

- What are the most important activities for implementing the external growth strategy?

(Was sind aus Ihrer Sicht die wichtigsten Aktivitäten für Umsetzung der M&A Strategie?)

#### **4. In which parts of the organisation is the practical work of implementing the external growth strategy actually done?**

(In welchen Teilen der Organisation wird die praktische Arbeit der Implementierung der M&A Strategie tatsächlich durchgeführt?)

##### Potential probes:

- Which parts of the implementing work of this strategy are done in the subsidiary? Why and how?

(Welche Teile der Implementierungsarbeit werden in der Niederlassung durchgeführt? Wie und warum?)

- What are the relevant interactions of the implementing work that take place in the German subsidiary?

(Was sind die relevanten Interaktionen bei der Implementierungsarbeit in der deutschen Niederlassung?)

- Which parts of the implementing work of this strategy are done in other units of the corporation (corporate centre, European headquarters or other units)? Why and how? (Welche Teile der Implementierungsarbeit werden in anderen Teilen des Unternehmens bearbeitet - Unternehmenszentrale, Europa Zentrale oder andere Unternehmenseinheiten? Wie und warum?)

- What relevant interactions for implementing this strategy take place between the German subsidiary and other units of MultiCo? (Welche Interaktionen zur Implementierung dieser Strategie finden zwischen der deutschen Niederlassung und anderen Unternehmensteilen statt?)

- How is the interaction between the subsidiary and other units organised?

(Wie ist die Interaktion zwischen der Niederlassung und anderen Unternehmensteilen organisiert?)

- How is the information and knowledge flow between the different units of the corporation taking place?

(Wie findet der Informationsfluss zwischen den verschiedenen Unternehmensteilen statt?)

- Do you see any cultural aspects that need specific considerations? If yes, which and why?

(Sehen Sie kulturelle Aspekte die einer besonderen Berücksichtigung bedürfen? Wenn ja, welche?)

- What is the relevance of interpersonal relationships between subsidiary actors and actors in other MultiCo units?

(Welche Bedeutung haben persönliche Beziehungen zwischen Akteuren in der Niederlassung und Akteuren von anderen Unternehmensteilen?)

- Do you remember situations where personal contacts were useful to influence strategy implementation?

(Können Sie sich an Situationen erinnern, in denen persönliche Kontakte nützlich waren?)

- Is it of value to involve the local subsidiary for implementing the external growth strategy? If yes, why?

(Ist es nützlich die lokale Niederlassung bei der Implementierung der M&A Strategie zu involvieren?  
Wenn ja, warum?)

- Is it relevant that the subsidiary might be closer markets and customers? If yes, why?

(Ist es relevant, dass die Niederlassung näher an Markt und Kunden ist? Wenn ja, warum?)

- In general, how would you describe MultiCo's international set-up?

(Generell, wie würden Sie MultiCo's internationale Aufstellung beschreiben?)

- How would you judge the degree of integration of the activities that are performed in the German subsidiary with the activities of other MultiCo units? (Was ist Ihre Einschätzung; wie stark sind die in der deutschen Niederlassung ausgeführten Aktivitäten integriert mit den Aktivitäten anderer MultiCo Unternehmenseinheiten?)

## **5. Who is actually doing the practical work of implementing the external growth strategy?**

(Wer erledigt die praktische Arbeit der Implementierung der externen Wachstumsstrategie?)

### Potential probes:

- Who are the actors being involved in putting this strategy into action, both within and outside the subsidiary? (Welche Akteure - sowohl innerhalb als auch außerhalb der Niederlassung - sind in die Umsetzung der Strategie involviert?)

- Which hierarchical and functional levels are involved when implementing this strategy? Why? (Welche hierarchischen u. funktionalen Ebenen sind bei der Strategieimplementierung involviert? Warum?)

- What are the different roles and responsibilities? (Was sind die verschiedenen Rollen u. Verantwortungen?)

- How is the interaction taking place? (Wie findet die Interaktion statt?)

- What is the role of top executives at the corporate centre? Why? (Welche Rolle spielen die top executives in der Unternehmenszentrale? Warum?)

- How important are social and political considerations in comparison to the formal process of strategy implementation? (Wie wichtig sind soziale und politische Erwägungen im Vergleich zum formellen Prozess der Strategieimplementierung?)

- What is your personal role in implementing the external growth strategy? What are your activities? (Was ist Ihre persönliche Rolle bei der Implementierung? Welche Aktivitäten führen Sie durch?)

- Who reviewing the progress of implementing the external growth strategy? (Wer "überwacht" den Fortschritt in Bezug auf die Implementierung der M&A Strategie?)

## **6. How are strategy meetings used for implementing the external growth strategy in praxis?**

(Wie werden in der Praxis Strategiemeetings zur Implementierung der M&A Strategie genutzt?)

### Potential probes:

- Do strategy meetings play a role in implementing strategy? If yes, why?

(Sind Strategiemeetings bedeutsam für die Implementierung von Strategie? Wenn ja, warum?)

- Please describe what kind of meetings take place (face-to-face, teleconferences, etc.).

(Bitte beschreiben Sie welche Arten von Meetings stattfinden (persönliche, Telefonkonferenzen, etc.))

- Who participates in strategy meetings that aim at putting the external growth strategy into action? Why?

(Wer nimmt an Meetings teil die das Ziel haben, die externe Wachstumsstrategie umzusetzen? Warum?)

- Who prepares these strategy implementation meetings? (Wer bereitet diese Meetings vor?)

- How are these meetings typically structured? Please describe whether the meetings are rather formal and structured or tend to be "unstructured" and informal. (Wie sind diese Meetings typischerweise

strukturiert? Bitte beschreiben Sie, ob diese Meetings eher strukturiert und formal oder unstrukturiert und informell sind.)

- Do you have any comments regarding the scheduling, conduct and/or duration of the meetings?  
(Haben Sie Kommentare in Bezug auf die Terminierung, Durchführung und/oder Länge der Meetings?)
- What tools, procedures or activities are used to facilitate these strategy implementation meetings?  
(Welche Werkzeuge, Prozeduren oder Aktivitäten werden eingesetzt, um Strategie-Implementierungs-Meetings zu unterstützen?)
- Are outside consultants involved? If yes, which and why?  
(Werden externe Berater involviert? Wenn ja, welche und warum?)
- Would a strategy implementation meeting be typically carried out on MultiCo premises or off-site? Why?  
(Werden Strategie-Implementierungs-Meetings typischerweise inner- oder außerhalb von MultiCo abgehalten?)
- How important are strategy meetings for putting strategy into action?  
(Wie wichtig sind Strategiemeetings um die M&A Strategie umzusetzen?)

**7. What are the practical tools, techniques, procedures and activities used in the actual day-to-day praxis of implementing the external growth strategy and how are they used?**

(Was sind die praktischen Werkzeuge, Techniken, Prozeduren und Aktivitäten die in der tagtäglichen Praxis der Implementierung der externen Wachstumsstrategie eingesetzt werden und wie werden diese eingesetzt?)

Potential probes:

- Which resources are used most commonly and why?  
(Welche Mittel werden am häufigsten benutzt und warum?)
- Which resources are used in which situations (meetings, analysis, presentation, illustration, etc)?  
(Welche Mittel werden in welchen Situationen genutzt (Meeting, Präsentation, Veranschaulichung, etc.)?)
- Who is using them? (Wer nutzt diese Mittel?)
- Please describe how they are used in action. (Bitte beschreiben Sie wie diese angewandt werden)
- What skills and competencies are required to apply these resources successfully?  
(Welche Kenntnisse und Kompetenzen sind notwendig um diese Mittel erfolgreich anzuwenden?)
- Describe whether the resources used have their roots in academia or are in-house developments. Why?  
(Beschreiben Sie ob die angewandten Mittel ihre Wurzel in der akademischen Welt haben oder internen Entwicklungen sind. Warum?)
- How important are these resources to implement the external growth strategy in a subsidiary? Why?  
(Wie wichtig sind diese Mittel für die Implementierung der M&A Strategie? Warum?)

**8. What would be your recommendations to improve the processes and activities of putting the external growth strategy into action?**

(Was Sie Ihre Empfehlungen um den Prozess und die Aktivitäten zur Implementierung der externen Wachstumsstrategie zu verbessern?)

**9. Would you like to make any final comments about the processes and activities of putting the external growth strategy into action, in particular something you feel to be important which might not have covered so far?**

(Möchten Sie zum Schluss noch Anmerkungen zu dem Prozess und den Aktivitäten der Umsetzung der M&A Strategie machen, insbesondere in Bezug auf Themen die Sie für wichtig erachten die aber bis jetzt noch keine Erwähnung gefunden haben?)

**10. For how long have you been working for MultiCo?**

(Wie lange arbeiten Sie bereits für MultiCo?)

**11. Check: Is there any material to collect for the documentary evidence?**

(Überprüfung: Sind dokumentarische Materialien verfügbar?)

**Room to capture first impressions and thoughts of the interviewer immediately after the interview:**

(Raum für spontane Aufzeichnungen des Interviewers nach dem Interview)



## APPENDIX B: INTERVIEWEE PROFILES

Management Level	Acronym	Consecutive Interview Number	MultiCo Tenure (Years)	Age (Years)
Senior Manager	SM1	1.4	25	55
Senior Manager	SM2	1.5	24	48
Senior Manager	SM3	1.8	39	63
Senior Manager	SM4	1.9	20	49
Senior Manager	SM5	1.10	31	55
Senior Manager	SM6	1.12	16	46
Middle Manager	MM1	1.3	5	44
Middle Manager	MM2	1.6	18	42
Middle Manager	MM3	1.7	15	44
Middle Manager	MM4	1.13	28	54
Middle Manager	MM5	1.14	16	47
Operational-level Manager	OLM1	1.1	11	43
Operational-level Manager	OLM2	1.2	4	32
Operational-level Manager	OLM3	1.11	11	46

## **APPENDIX C: CONFIDENTIALITY LETTER**

Dear Participant

### **RESEARCH ON STRATEGY-AS-PRACTICE**

I would like to thank you for agreeing to be interviewed about your experience of putting strategy into action. This doctoral research investigates how a corporate-wide external growth strategy is implemented in a subsidiary of a multinational corporation. Within this study external growth is understood to be the strategy of growth via mergers and acquisitions. The study aims at finding out how strategy practitioners “do strategy” in their day-to-day strategising praxis. The results will shed further light on how processes and actions are shaped and used by practitioners and will develop approaches and recommendations for improving strategy implementation in subsidiaries.

The interview will take around 60 minutes, certainly no more than 90 minutes. Essentially it will explore your experience with regard to implementing the external growth strategy at MultiCo.

Please note that the interview will be recorded and transcribed verbatim for analysis. I assure you the confidentiality and anonymity of your responses and that the results will be used only for the purposes of the doctoral research and associated academic publications. Your individual responses will be part of the research findings and some of your statements might be anonymously quoted ensuring that the quote cannot be attributed to any particular individual.

Thank you very much for your cooperation!

Yours sincerely,

Joerg Dederichs

## **APPENDIX D: PRESUPPOSITION STATEMENT**

As the researcher of this study is a senior manager of the case study organisation, a particular “threat for bias” exists. Whereas the “threat for bias” is acknowledged, this statement aims to minimise the risk by reflecting the researcher’s presuppositions prior to starting the data collection process. This list will be repeatedly consulted at each stage of the research process.

The researcher’s presuppositions related to the expected study findings:

- The worldwide external growth strategy is widely known within MultiCo
- The subsidiary engages in various strategising activities related to external growth
- The subsidiary interacts intensively with other subsidiaries, as well as with the headquarters
- The headquarters’ role in M&A is important
- The senior, middle and operational-level managers of the subsidiary are engaged in implementing the external growth strategy
- Strategising meetings are a highly important activity for executing strategy
- Strategising tools are only rarely used in implementing strategy and are not relevant

Joerg Dederichs, December 2008

# APPENDIX E: OBSERVATION GUIDE

UNIVERSITY OF SURREY  
SCHOOL OF MANAGEMENT

## Observation Guide

Participant-Observers: Joerg Dederichs

Strategising Meeting:

Meeting participants:

Date of meeting:

Consecutive number of observation guide:

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Time	Participants' Discussion/Activity Focus	Participant-Observers' Comments

## APPENDIX F: CODEBOOK

Code	Code Description
Adoption process	Strategy is gradually understood/accepted more by individuals and the organisation as resource commitments, communication, actions increase
AHQ senior management	Actual strategising work of senior management actors from area headquarters
AHQ-Sub interaction	Interaction between area headquarters and subsidiary
Balance of power	Processes, culture and activities associated with power distribution in MNC network
Centre-Sub interaction	Interaction between corporate centre and subsidiary
Communication	Interchange of strategy-related information
Communication of external growth strategy	Characterisation how the external growth strategy was communicated externally and internally
Conceptual descent of tool, technique	Conceptual descent of tool, technique e.g. from academia or from management practice
Control and monitoring	Activities that control or monitor strategy implementation
Cross-hierarchical	Strategising activities occur across multiple hierarchical levels
Customer and market perspective	Relevance of local customers and markets
Decision-making locus	Locus of decision-making in MNC
Ease of knowledge access	Ease to access and use strategising tools amplifies deployment
External context	Institutional level. Social, political, economical cultural environment context
External partners, contacts	Involvement of outside parties in strategy implementation praxis
Formal process, activity	Formal process, activity
Formal processes enabling monitoring	Formal processes enabling systematic monitoring of implementation
HQ senior management	Actual strategising work of senior management actors from global headquarters
Improvement	Areas where strategy implementation praxis could possibly be improved
Informal activity	Activity that is targeted towards a purpose but not follows a formal process
Informal social interaction	Non-process-related social interaction between strategising actors
Interaction learning	The interactions between units of the MNC shape strategising and create learning
Knowledge and skill requirement	Knowledge and skills required
Knowledge flow	Knowledge flow driven by subsidiary or by other MNC unit, one-way or two-way
Meeting objective, content, participants	The objective, content, participants of episode
Meeting preparation	Preparation work for strategising episodes
Meetings exchange vs. decision	Information-orientation, task-orientation or decision orientation character of meetings
Middle management's lateral importance	Importance of middle managers' lateral social interactions for refining and implementing strategies
Organisational culture	Values, beliefs, customs and traditions of the organisation
Organisational structure	Structure of the MNC and the subsidiary
Oscillation Model	Implementation is initiated by senior levels, then oscillates between middle and op levels before returning to senior mg
Planning process	Relations to MultiCo's yearly, formalised strategic planning process
Reciprocal relationship	Reciprocal relationship in which senior management acts via informal processes as an enabler to formal processes
Relevance of M&A strategy	Relevance the external growth strategy has
Relevance of meetings	Degree to which meetings are relevant in strategy implementation
Relevance of tools, techniques	Degree to which tools, techniques are relevant in strategy implementation
Resource allocation	Commitment of resources such as people, budgets and programs
Sub strategising associated with global strategy	Subsidiary strategising work is associated with global strategic intent from corporate headquarters
Subsidiary activity, process	Activity, process that is performed in subsidiary
Subsidiary leadership impact	The commitment and drive of local leadership has decisive impact on sub strategy implementation
Subsidiary middle management	Actual strategising work of actors from subsidiary middle management
Subsidiary operating-level management	Actual strategising work of actors from subsidiary operating-level management
Subsidiary role	Degree of localisation and integration of subsidiary
Subsidiary senior management	Actual strategising work of actors from subsidiary senior management
Sub-Sub interaction	Interaction between subsidiaries
Tool, technique applied	Tool, technique used for strategising work
Type of meeting	Way strategising meeting is organised e.g. face-to-face meeting
Understanding MultiCo's external growth strategy	Descriptions of the understanding of the external growth strategy pursued