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## STRATEGIC RENEWAL IN LARGE EUROPEAN FIRMS: Investigating Viable Trajectories Of Change

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### Abstract

European firms are confronted with major changes in their business environment because of specific European factors, such as the creation of a single European market, and because of global factors, such as the merging of industries. Firms in Europe therefore need to renew to cope with the changing environment. Renewal is presented as resulting from change processes that take place within organizations. Twenty-four ventures in three large European firms were analyzed to see how such dynamic processes lead to strategic renewal. The findings reveal that renewal trajectories depend on the organizational form, the market, and the strategy.

### Introduction

European firms are not only confronted with changes in their business environment that occur worldwide, but also with changes that are currently specific for firms in Europe. Authors (D'Aveni, 1994) have noted an increased turbulence in the business environment for reasons such as globalization, diffusion of markets, and developments in information technology (Prahalad and Hamel, 1994). European firms are also faced with the creation of a single European market. This increases

competition because national markets are opened up to foreign competition, monopolies ended, and former national companies are privatized. How then do large firms in Europe respond and react to these changes? Firms have a large spectrum of renewal options open to them to create new combinations of resources (Guth and Ginsberg, 1990), ranging from acquisitions to selecting bottom-up initiatives. Despite this vast choice of alternatives it remains unclear under what conditions firms should opt for a certain renewal alternative. We therefore analyzed 24 ventures in three large European firms, KLM Cargo, Ericsson The Netherlands, and Van Ommeren Tank Storage, to see how they deal with the changing environment they are faced with.

### Background

Revealing the secrets of strategic renewal has been a quest for many strategy scholars. A basic dilemma these scholars faced is how large firms balance the exploration of new opportunities with the necessary exploitation of their current activities. Strategists have taken different angles in tackling this problem. Of the three key dimensions that we have distinguished some have focussed on organizational forms conducive to renewal (cf. Burns and Stalker,

1961; Miles and Snow, 1986), others have looked at managerial roles (cf. Chandler, 1962; Bower, 1970; Bartlett and Ghoshal, 1993), and then there are those who have focussed on the time dimension (the phases) of the intrapreneurial renewal process (cf. Burgelman, 1983; Van de Ven and Poole, 1988)

The problem with the many attempts that have tried to unravel the mystery of strategic renewal is that most scholars have tended to include only two out of the three dimensions. For example, Burgelman (1983) took both the phases and managerial roles into account, but focused on the diversified firm, thus leaving out variance in the organizational form dimension. Chandler (1962) took the organizational form and managerial role into account, but left out the time dimension. Naturally, these different approaches have lead to different results. The ongoing discussion about whether strategic renewal is better achieved by top-down or bottom-up processes exemplifies this point. Hence, what is needed in our view is an integration of the three: forms conducive to renewal, managerial roles, and the time dimension. In this paper we therefore suggest such integration.

The paper is organized as follows. First we suggest a framework for analyzing strategic renewal. Then we explain the research method we used in analyzing 24 projects in three firms. After showing the results we discuss these and offer new suggestions for theory building.

#### **Framework**

The framework we propose is one that combines organizational forms, managerial roles, and the

time dimension. It provides a means for a further and deepened understanding of strategic renewal. Naturally, the framework builds on the work carried out by many strategists tackling strategic renewal. However, it enhances their work because it first of all includes all three dimensions, and secondly because it is an integrative general framework as opposed to previous studies which mostly describe specific findings.

#### **Organizational Form as the Context for Renewal**

Scholars have described many organizational forms conducive to renewal.

Though the three levers are evidently interconnected, the organizational form is different from the others as it creates the context for the other two. Scholars have described many organizational forms conducive to renewal such as the virtual corporation (Davidow and Malone, 1992), the hollow corporation, the dynamic network corporation (Miles and Snow, 1986), the hypertext corporation (Nonaka and Takeuchi, 1995), the platform organization (Ciborra, 1996), and the Shamrock organization (Handy, 1995). However, most of these are descriptions of a form found in a certain specific corporation rather than descriptions of entrepreneurial forms in general.

To categorize organizational forms we use Volberda's Flexibility Audit and Redesign Model (Volberda, 1996, 1998). He determines the organizational form by using two dimensions. The first dimension consists of the repertoire of management capabilities, ranging from simple

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routines to dynamic capabilities. The other dimension consists of the controllability, i.e. the responsiveness of the whole organization.

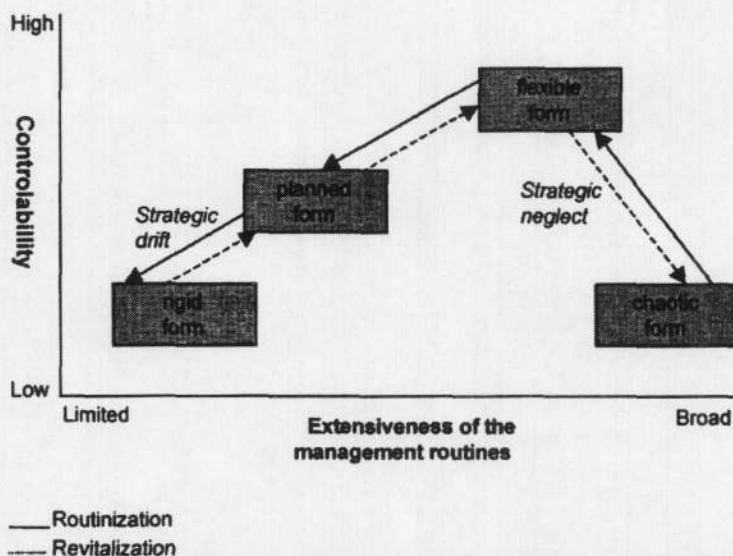
The first dimension, the repertoire of managerial capabilities, deals with the existence of a diverse range of management capabilities that facilitate renewal. The range should consist of current capabilities (activated flexibility) and not yet activated capabilities (flexibility potential). The emergence of opportunities or threats requires management to have potential capabilities as a backup when renewal is necessary. Renewal is a dynamic process and therefore speed forms an essential factor.

The second dimension, the organization's responsiveness (controllability), is determined by the firm's organizational conditions: the organization's

technology, structure, and culture. Technology refers to the hardware (such as machinery and equipment) and the software (knowledge) used in the transformation of inputs into outputs, as well as the configuration of the hardware and software. The design of technology can range from routine to non-routine. Structure comprises not only the actual distribution of responsibilities and authority among the organization's personnel, but also the planning and control systems and the process regulations of decision-making, coordination, and execution. The structural design of the organization can range from mechanistic to organic. Culture can be defined as the set of beliefs and assumptions held relatively commonly throughout the organization and taken for granted by its members. The organizational culture can range

FIGURE 1

The Farsys Model



from conservative to innovative.

**Organizational Typology.** Volberda's framework leads to four ideal type organizational forms: rigid, planned, flexible, and chaotic (see figure 1).

The rigid form has developed simple procedures and has a low degree of controllability. This form is assumed to be functional in a simple, static, and predictable environment that barely requires any renewal. It has a routine technology, a mechanistic structure, and a conservative culture. The sensing and information processing capacity to judge the need for renewal is very elementary.

The planned form also shows a certain amount of structural conduciveness to renewal; the variety of routines is less limited than in the rigid organization. In addition, the controllability of the planned form is much higher. This organizational form is assumed to be adequate in a dynamic and/or complex, but largely predictable environment, employing a more comprehensive flexibility mix, and possessing a more non-routine technology, a relatively organic structure, and a conservative culture. The sensing and information-processing capacity is very extensive and directed towards routine proliferation.

The flexible form possesses a large and rich flexibility mix, dominated by strategic and structural conduciveness to renewal, while in addition the controllability of the organizational conditions is high. It is adequate in a fundamentally unpredictable environment, which may also be dynamic and complex. It possesses a totally non-routine

technology, an organic structure, and an innovative culture. The sensing and information processing capacity is very rudimentary and receptive to new environments through reduction of routines.

The chaotic form possesses a very extensive flexibility mix dominated by strategic conduciveness to renewal, but is totally uncontrollable. In this organization the possibilities of variation are unlimited; there is no anchorage through the organizational conditions. Consequently, the environment can force the organization into a certain direction. The range of possible procedures is so large that it is very hard to make a choice. As a result, the decision-making capacity of the management is strongly reduced.

#### Trajectories of Renewal

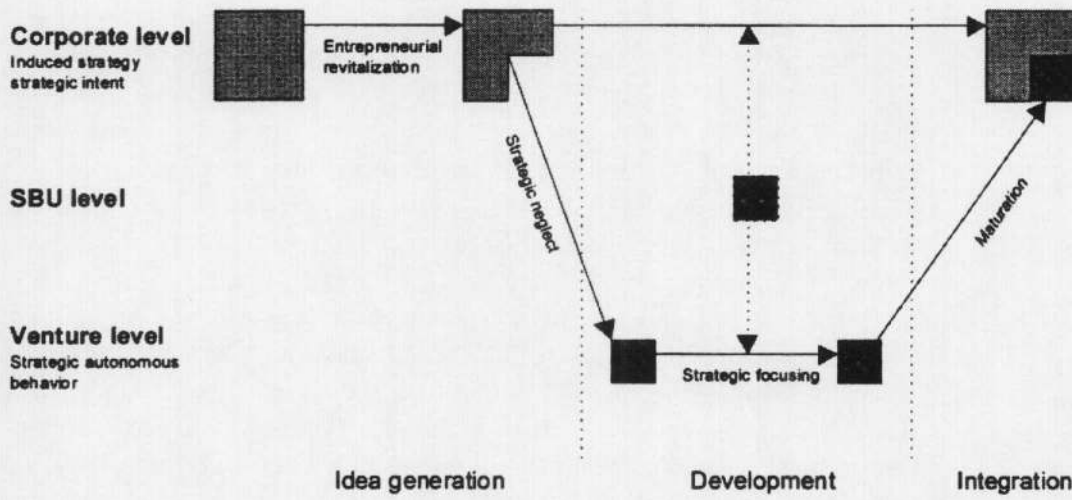
An investigation into the organizational forms is supplemented with a dynamic approach that takes into account the managerial roles and the time dimension of renewal projects that take place within the firm. Managerial roles are determined by distinguishing between top management (corporate level), business unit managers, and front line managers (venture level). The time dimension is accounted for by taking the consecutive stages into account through which renewal initiatives flow, being idea generation (new product or service, new business recipes), development of such an idea in a small organizational setting (venture, team, project), and finally the integration of the venture within the firm (see figure 2).

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FIGURE 2

Framework for Analyzing Renewal Processes



The framework differs from previous work on intrapreneurship (cf. Burgelman, 1983; Day, 1994) in that it combines the various models that have been based on findings in different firms and trajectories. Hence, the framework is of a general and open nature and therefore also takes into account that renewal in multi-unit firms involves top-down as well as bottom-up initiatives, large-scale and small-scale initiatives, and various organizational sub-forms of renewal (fully integrated or separated as a multi-functional project or new business venture). From this framework different dynamic trajectories of renewal can be derived that will clarify which kinds of initiatives work best in which situations.

Renewal projects as the unit of analysis. Renewal initiatives, ventures, or projects are taken as the unit of analysis because they are important vehicles for strategic

renewal. Such initiatives are often categorized as being either incremental, architectural, or radical (Henderson and Clark, 1990) with respect to either the industry or the firm under analysis. Using this categorization we are especially interested in the radical ideas because these would logically have a greater impact on the strategic direction of the firm. Another distinction relates to the kind of idea, whether it is a product, process (Abernathy and Utterback, 1975), or organizational innovation. We leave out the latter because we focus on intrapreneurial processes.

**Managerial Roles**

This dimension relates to "what the hierarchical roles are of the management levels involved (Barnard, 1983; Selznick, 1957) in the renewal process?" This question is a main issue for those studying strategic renewal, especially from an

intrapreneurship perspective. During the course of time the perception of what these roles are has drastically changed (Bartlett and Ghoshal, 1993).

Originally the renewal process was perceived as a top-down deliberate process, in which top-management took care of exploration, and front-line of exploitation (Chandler, 1983; Schumpeter, 1934; Selznick, 1957). In other words top-management initiates, front-line implements.

In reaction to the solely top-down perspective, a bottom-up emergent perspective, based on a more evolutionary approach, got foothold (Bartlett and Ghoshal, 1993; Bower, 1970; Burgelman, 1983; Kanter, 1988). The main idea being that in large companies top-management could not possibly oversee all opportunities. If top management, instead, were to use the knowledge and ideas of front-liners they would have an immense pond to select initiatives from.

This bottom-up perspective consists of two streams: the reactive and proactive perspective. In the reactive bottom-up perspective the role of top management is that of a judge or a retroactive legitimizer (Burgelman, 1983) of lower level initiatives. Hence, top-management is focused at exploiting already developed competencies permitting it to persist in its policies and achieve its formulated objectives.

By contrast, in the proactive bottom-up perspective the role of top management is that of a judge or a retroactive sense making. It also involves purpose creation and

challenging the status quo (Bartlett and Ghoshal, 1993). This creative tension (Senge, 1990) prevents a mere focus on exploitation, but also pinpoints the need for exploration.

In what way can we best achieve strategic renewal: top-down or bottom-up? Radical projects -those that potentially have the greatest impact on the strategic direction- involve a large part of the organization, they require larger amounts of resources than usual, and they deviate most from the existing strategy. All these aspects require top-management involvement. This is in line with Prahalad and Hamel (1990) who argue that strategic renewal depends on the strategic intent of the CEO or corporate management based on superior industry foresight. More recently, Day (1994) stated that the direct role of top-management is often crucial, especially in case of projects that require substantial resources during development and cooperation across multiple business units. This suggests that top-down processes are best suited for radical projects that have the largest potential to renew the strategy.

**Proposition 1.** *Radical projects that have an impact on strategy proceed in a top-down way.*

Similarly, because process innovations deal with the way firms operate, because they are often tightly embedded, and because they often involve large parts of the organization, we expect that these also occur in a top-down way.

**Proposition 2.** *Organizational process innovations tend to be top-down.*

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*This suggests that top-down processes are best suited for radical projects that have the largest potential to renew the strategy.*

### The Time Dimension

The time dimension is a crucial aspect in strategic renewal as it is a very path dependent process. A main issue is when top-management should get involved. In the deliberate top-down perspective top-management causes variation and is consequently involved from the start. In the proactive bottom-up perspective, top-management is also not a variation inhibitor, but rather a stimulator of variation and therefore management can also be involved early on in the process. However, in the reactive bottom-up perspective management needs to be involved as late as possible in the consecutive idea, development, and consolidation phases to get the greatest variation (Burgelman, 1991; Kanter, 1988), but as early as possible to get the best retention (MacMillan, 1985). Because variation, in their view, is a more basic requirement than retention it is best to shield projects from top-management up to the consolidation phase (Burgelman, 1983). To achieve this, separate structures are necessary because otherwise initiators would be forced to negotiate with higher management for the necessary resources and thus become exposed to top-management involvement (Drucker, 1985; Galbraith, 1982). But truly radical projects deviate to such extent from the existing strategy that even separate structures alone cannot support them. They require top-management involvement as Day (1994) pointed out. This leads to proposition 3.

*Proposition 3: Successful radical change projects require top-management involvement not*

*just in the consolidation phase, but also in the development phase.*

### Method

We have chosen to apply the framework to three different large firms in three different industries for purposes of theory building (Eisenhardt, 1989). Hence, based on theoretical sampling we selected the firms according to differences in such aspects as market growth, environmental turbulence, strategy formulation, organizational structure, and culture. More particularly, we chose to investigate KLM Cargo, Van Ommeren Tank Storage, and Ericsson Telecommunications, all located in the Netherlands.

### Investigated firms

**KLM Cargo.** KLM Cargo, a division of KLM Royal Dutch Airlines, is one of the world's leading air cargo carriers. In 1994, KLM Cargo launched the 'Division in Transition' program which required a shift from Air Network, which offers a distributed network with a central hub, to Air Logistics or even Full Logistics. Until then, KLM's main cargo activities were made up of predominantly generic transport services, which are packaged and supplied to the end-user. The margin on these generic services had been slowly eroded: carriers can provide these services only if the highest priority is given to efficiency. Moreover, KLM Cargo did not know who its clients were, and their customers -the freight-forwarding agents- frequently turned out to be their competitors. KLM Cargo's new strategy was therefore based on end-customers that were prepared to pay extra for value added products.

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*Truly radical projects deviate to such extent from the existing strategy that even separate structures alone cannot support them.*

In realizing this fundamental change, the creation of an entirely different mindset was most important. KLM Cargo now had to perceive itself as provider of integrated logistics instead of an airline operator with only transport and distribution services. This unlearning of its old strategic schema and relearning of a new one required it to invest heavily in flexible capabilities to provide a variety of customized added-value services. Furthermore, it decided to fundamentally redesign the organization. Thus, it flattened the organization and arranged its functions into three disciplines (Operations, Sales, and Customer Service), five business units (Cargo Service Centers, which perform handling activities; Mail; IT; Logistics; and a Special Cargo Unit, which is responsible for such cargoes as perishables, valuables, and live animals); and seven staff departments. The obvious reason for this structural change was to get closer to customers, cutting down the bureaucracy, and empowering people to act innovatively and swiftly.

***Van Ommeren Tank Storage.***

Van Ommeren is one of the leading tank storage companies in the world. After failed diversification efforts in the eighties, Van Ommeren went through reorganization in the beginning of the nineties. Activities in the trading business and in the logistical services were sold and its present strategy is to focus on its core businesses of tank storage and tanker shipping of liquids such as oil and chemicals. The reorganizations at Van Ommeren can be characterized by a top-down approach and during

that painful process bottom-up initiatives dried up. In addition the reorganization also consisted of removing a management layer with the intention of creating a more responsive organization. Our case study research took place three to four years after the reorganization and the formulation of the new strategy. One of the concerns of top management at that time was the ability for growth in an essentially mature market. They realized that it was important to have not only top-down initiatives for new services, new markets or new processes, but also a large number of bottom-up initiatives. Their interest in the results of our investigation was to learn about the venturing processes, in particular how to improve it and how to reduce inhibiting factors.

***Ericsson Telecommunications.***

The Netherlands. Ericsson Telecommunications The Netherlands, a subsidiary of Ericsson Sweden, used to provide telecommunications equipment to the Dutch national telephone operator, PTT. However, recently the Dutch Telecom industry has opened up to other operators besides the original monopolist PTT. Hence, Ericsson Telecommunications is now also preferred supplier for new operators such as Libertel, Enertel, and Telfort. This has resulted in an organizational change in the Marketing & Sales division which was split up into three sections: Network Systems (a/o. the PTT), New Telecom Operators, and Mobile Communications. Because some of the new operators who originated outside of the telecom world demanded a different

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*The reorganizations at Van Ommeren can be characterized by a top-down approach and during that painful process bottom-up initiatives dried up.*



approach by Ericsson, and in general because of the integration of the telecom, computer, and multimedia world Ericsson telecommunications is undertaking ways to renew itself. Not only have they launched new products, as Dect telephone technology for cable, but they are also investigating possibilities for a separate business development structure. It was under this situation that we carried out our investigation at Ericsson Telecommunications.

### Combining Two Units of Analysis

The framework considers two units of analysis: the firm and projects within it. This is in line with the demand to link intrafirm processes to the firm level (cf. Burgelman, 1991; Stopford and Baden-Fuller, 1994) and is meant to reinforce each other's findings. In this sense the firm functions as a context for the renewal projects. A static approach is taken in analyzing the organizational form of the firm, and a dynamic approach when the projects are taken as the unit of analysis. This because at the firm level the conduciveness to renewal can be considered static, whereas processes of renewal that take place within that firm are dynamic. The categorization of organizational forms according to their conduciveness to renewal has been done in a more quantitative manner to allow for generalizations and comparisons across firms. Yet to understand the dynamic processes inside the firms we have followed a more

qualitative approach, especially since strategists themselves still differ so much as to what happens exactly in the intrapreneurial process. Using both approaches to tackle the renewal issue is thus a tactic similar to the one Leonard-Barton's (1990) described in her "dual methodology for case studies".

### Organizational Form

To determine the organizational form we used Volberda's Flexibility Audit and Redesign method, which is available as an expert system called FARSYS (Volberda & Rutges, 1999). Different questionnaires that deal specifically with the environmental turbulence, flexibility, technology, structure, and culture of the firm under investigation are entered into FARSYS. These questionnaires were edited in advance to ensure that they fitted the firm situation. We carried out approximately 30 interviews per firm for the purpose of editing the questionnaires and gaining insight in the firm (see table 1). All interviews were taped and transcribed.

We also analyzed documents for the same purpose as well as to verify respondents' answers. The edited questionnaires (described in Volberda, 1998) were then put out in the organization to be answered. There were five types of questionnaires relating to structure, culture, technology, environment, and flexibility. In total each firm filled in about 60 questionnaires. These questionnaires were then processed by the FARSYS expert system.

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*A static approach is taken in analyzing the organizational form of the firm, and a dynamic approach when the projects are taken as the unit of analysis.*

TABLE 1  
Data Collection

	KLM Cargo	Ericsson	Van Ommeren
<b>Static approach</b>			
Interviews	25	24	40
Document analysis	yes	yes	yes
Questionnaires	80	86	40
<b>Dynamic approach</b>			
Projects	9	9	6
Interviews	27	20	20
Document analysis	yes	yes	yes

**Data Collection: Trajectories  
(Ideas, Roles, and Stages)**

For analyzing the dynamic processes that lead to renewal we selected successful and unsuccessful projects and ventures in various stages of development, on average 8 projects per firm. They were analyzed to determine their degree of autonomy, the managers' roles, and the importance of timing. This was done through 2 to 4 semi-structured interviews with the key persons involved in the initiative including top managers, business unit managers, and front line managers. All interviews were taped and transcribed. Document analysis was also carried out for purposes of triangulation (Pettigrew, 1992).

**Results**

*Organizational Form*

After having processed the questionnaires the FARSYS expert system provided profiles of the firms indicating their conduciveness to renewal (see appendix a for profiles). In table 2 we have summarized the profile results for the firms investigated.

Through the profiles one can now position the firms according to their capacity for renewal. This has lead to the taxonomy displayed in figure 3 of KLM Cargo, Van Ommeren Tank Storage, and Ericsson Telecommunications. KLM Cargo is located somewhat more to the chaotic because it is located in a turbulent environment, because it has an organic structure (particularly formalization, standardization, participation, and

TABLE 2  
Summarized Profile  
Results

	KLM Cargo	Ericsson	Van Ommeren
Environmental turbulence profile	Complex, dynamic but somewhat predictable	Complex, dynamic but reasonably predictable	Complex, dynamic but predictable
Flexibility profile	Fairly flexible	Moderately flexible	Pretty flexible
Technology characteristic	Routine, some variety in flexibility potential	Moderately non-routine	Moderately non-routine
Structure characteristic	Organic, to some extent mechanistic	To some extent mechanistic	Moderately mechanistic
Culture characteristic	Reasonably innovative	Fairly innovative	Moderately innovative

grouping), and a rather innovative culture (particularly the scope, openness, and planning attitude), with some limitations in the technology. Both Van Ommeren and Ericsson are located somewhat in the middle between the two ideal types, planned and flexible form. This is because the turbulence in the environment is less and more predictable than KLM, the structure is more mechanistic, and there are fewer limits in technology. Ericsson is located a little bit more to the flexible form than Van Ommeren because it has a more innovative culture.

**Dynamic Trajectories**

Analyzing the dynamic processes has lead to 24 project reports. Because the project reports are too lengthy to present here in

full, we have summarized the main findings in table 3.

**Returning to the Propositions**

The proposition that successful radical projects proceed in a top-down way was true for KLM Cargo and Ericsson. Van Ommeren Tank Storage did not have any truly radical projects as they did not impact strategy and were not independent from the dominant logic. If we were to leave out these last two conditions we see that the projects categorized as radical at Van Ommeren proceeded bottom-up, and thus not top-down. Hence, four out of the six projects proceeded top-down; the two that proceeded bottom-up did not impact strategy and were not deviant from the dominant logic. This provides support for

TABLE 3  
Summarized Renewal Trajectories Results

y = yes  
x = no  
- = no answer yet

General perception based on interviews	KLM Cargo Abundance of Ideas, lack of implementation									Ericsson Lots of Ideas, few selected, if selected good implementation								Van Ommeren Lots of Ideas, few selected, if selected good implementation						
	Visionary									Market driven								Bus. Perf. Improv.						
Main strategy	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Radical	y	y	y	x	x	x	x	x	x	y	x	x	x	x	x	x	x	x	y	y	x	x	x	y
Impact on strategy	y	y	y	y	y	y	x	x	x	y	x	y	y	y	x	x	y	x	y	x	x	x	x	x
Indep. from dom.logic	y	y	y	x	y	x	x	x	x	y	x	x	y	x	x	x	x	x	x	x	x	x	x	x
Process	x	y	x	y	y	y	x	x	x	x	y	y	y	x	x	x	x	x	x	x	y	x	x	x
Top-man. involved in																								
Idea phase	y	y	y	y	y	y	y	x	x	y	y	y	y	y	y	y	y	x	y	x	y	y	y	y
Development phase	-	y	-	y	y	y	y	x	-	y	y	y	y	y	-	y	y	x	y	y	y	y	x	y
Consolidation phase	-	-	-	-	-	-	-	-	-	-	y	y	x	-	-	-	y	-	-	-	-	-	-	y
Project form idea phase																								
chaotic				y					y	y													y	
flexible	y																							
planned		y		y	y	y	y			y	y	y	y	y	y	y	y		y	y		y	y	y
rigid																								
Top-down	y	y	y	y	y	y	y	x	x	y	y	y	y	x	x	x	x	x	x	x	y	y	x	x
Successful	-	y	-	y	y	y	y	x	-	y	y	y	y	x	-	y	x	y	y	y	y	y	x	y

the proposition that successful radical projects proceed top-down.

The second proposition that process innovations tend to proceed top-down was clearly supported. We did not encounter a single process innovation that took place in a bottom-up fashion: all eight process innovations took place top-down. This implies that bottom-up initiatives generally do not include process innovations.

The third proposition, that successful radical change projects require top-management involvement not just in the consolidation phase but also in the development phase, is supported marginally. The project in which management was only involved in the final consolidation phase (project 23) was unsuccessful. The projects in which management was not just involved in the final

consolidation but also in the previous development phase (projects 11, 12, 17) were indeed successful. We feel that this can be attributed to the fact that the three firms studied possessed no separate structures for development. Thus resources had to be obtained from top-management, requiring their involvement in the development phase.

**Discussion**

An interesting puzzle was revealed by two firms, Ericsson and Van Ommeren, with similar organizational forms but different renewal processes. Both firms are located between the planned and flexible type, but Van Ommeren's radical projects occur mainly bottom-up whereas Ericsson's radical projects occur mainly top-down. We explain this by the

different market and strategy both firms face.

Ericsson operates in a booming market (see the turbulence profile in appendix a), making it very hard for employees to devote time to explorative issues. As an employee said, "the operational pressure is just so high, I don't have the time to keep myself busy with all the ideas that I have." Van Ommeren on the other hand operates in a saturated market, requiring explorative initiative from employees. Employees are searching for ways to increase profitability and thus come up with radical ideas to change things.

With regards to the strategy, Van Ommeren has a narrow strategy (see the scope in the structure profile in appendix a), causing initiatives to quickly be out of line with strategy. Ideas at Van Ommeren are thus quickly identified as deviant from the existing strategy and thus considered radical. At Ericsson the strategy is broad causing ideas to be in line with strategy, and they are thus not considered radical easily.

### Conclusion

The main conclusion is that top-management has an important role in initiating and implementing strategic renewal, and is not limited to being a creator of purpose or a retroactive legitimizer. Organizational form was found to impact the trajectories of ideas. The chaotic form results in an abundance of ideas, but shows difficulty in implementation. The planned/flexible form shows fewer ideas, though still a lot, but facilitates implementation much better than the chaotic form. Trajectories were also found to depend on the kind of strategy and

market. In firms with a narrow strategy ideas are quickly deviant from the existing strategy, whereas in those with a broad strategy ideas are in line with existing strategy. In a saturated market there is room for exploration of new ideas, whereas in a booming market exploitation of old ideas requires all attention. Firms should therefore bring about strategic change in consideration of their market, adapt the broadness of their strategy to consider more

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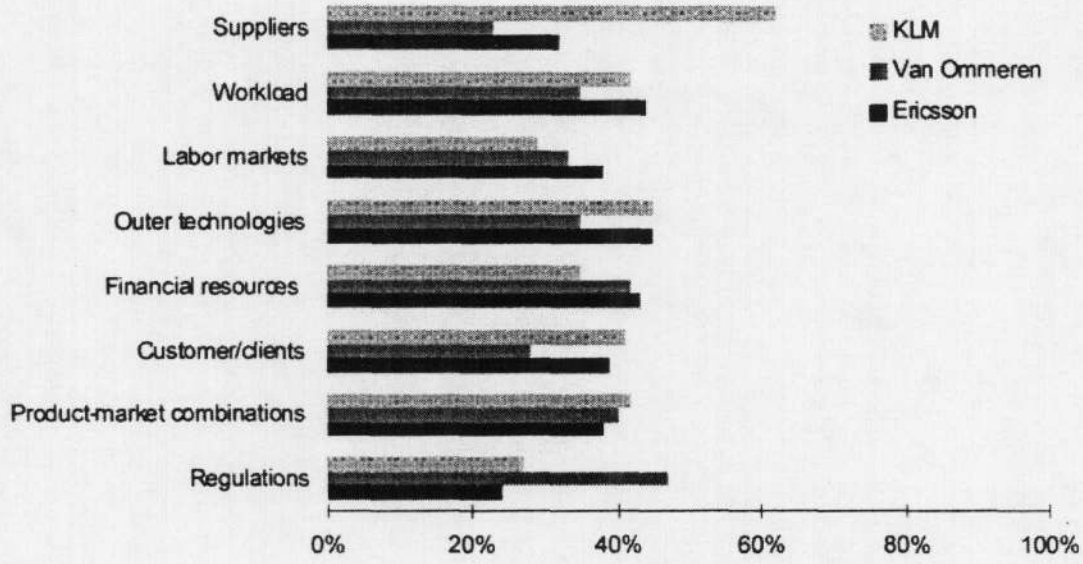
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APPENDIX A

**Environmental Turbulence Scan (FIGURE A1 - Environmental Turbulence Profile)**

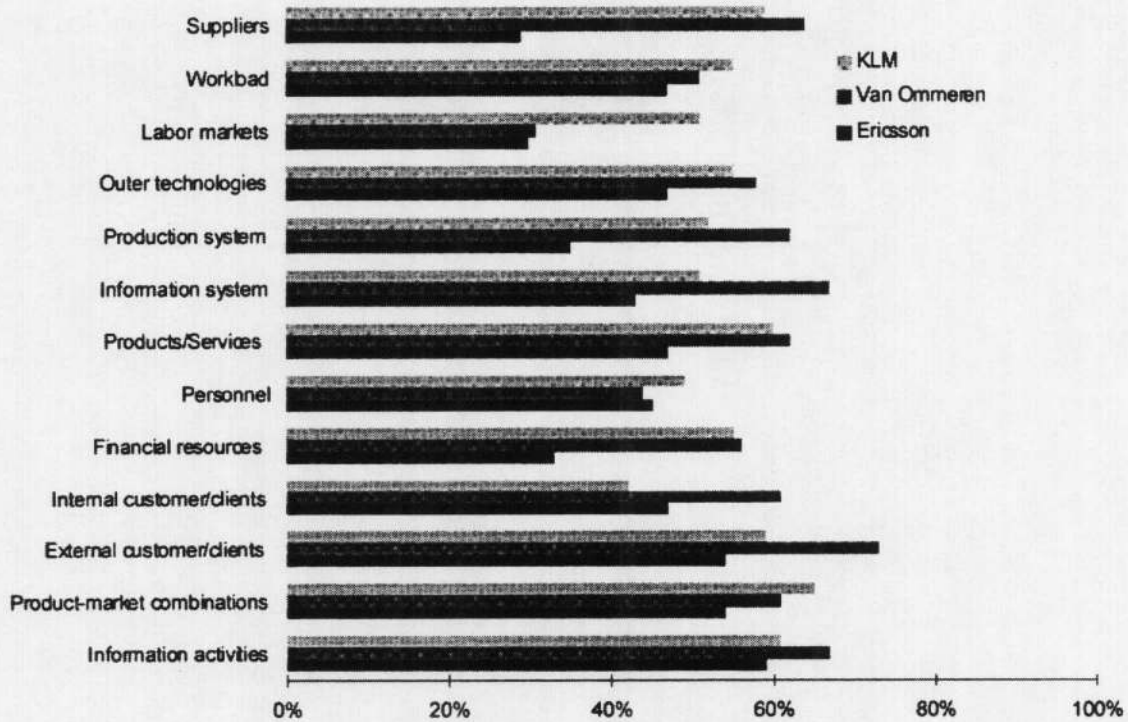
Measures the degree of environmental turbulence, using the aspects dynamism, complexity, and unpredictability. This results in the degree of environmental turbulence the organization has to deal with. This functions as the standard for the desired flexibility of the organization.





**Flexibility Scan (FIGURE A2 - Flexibility Profile)**

Measures the degree of actual flexibility in the organization. This actual flexibility can be divided into internal and external flexibility, and metaflexibility.



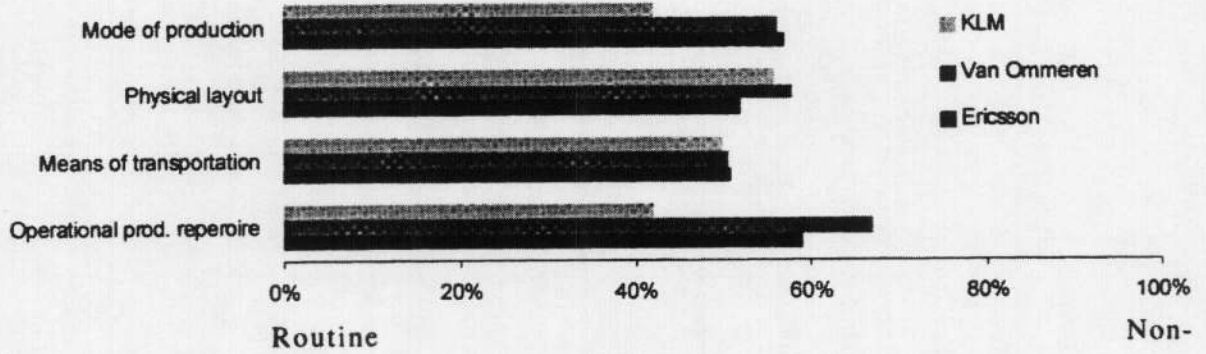
*Internal flexibility.* Aspects which the organization can influence within the organization to increase its internal flexibility are the production system, information system, inventories, products/services, personnel, and financial resources.

*External flexibility.* Aspects which the organization can influence within its environment to increase its external flexibility are raw material markets, suppliers, workload, labor markets, outer technologies, internal clients, external clients, and product-market combinations.

*Metaflexibility* is concerned with the control of the flexibility mix by the management. It involves collection and processing of information to adjust the organization's flexibility mix to the changing environment.

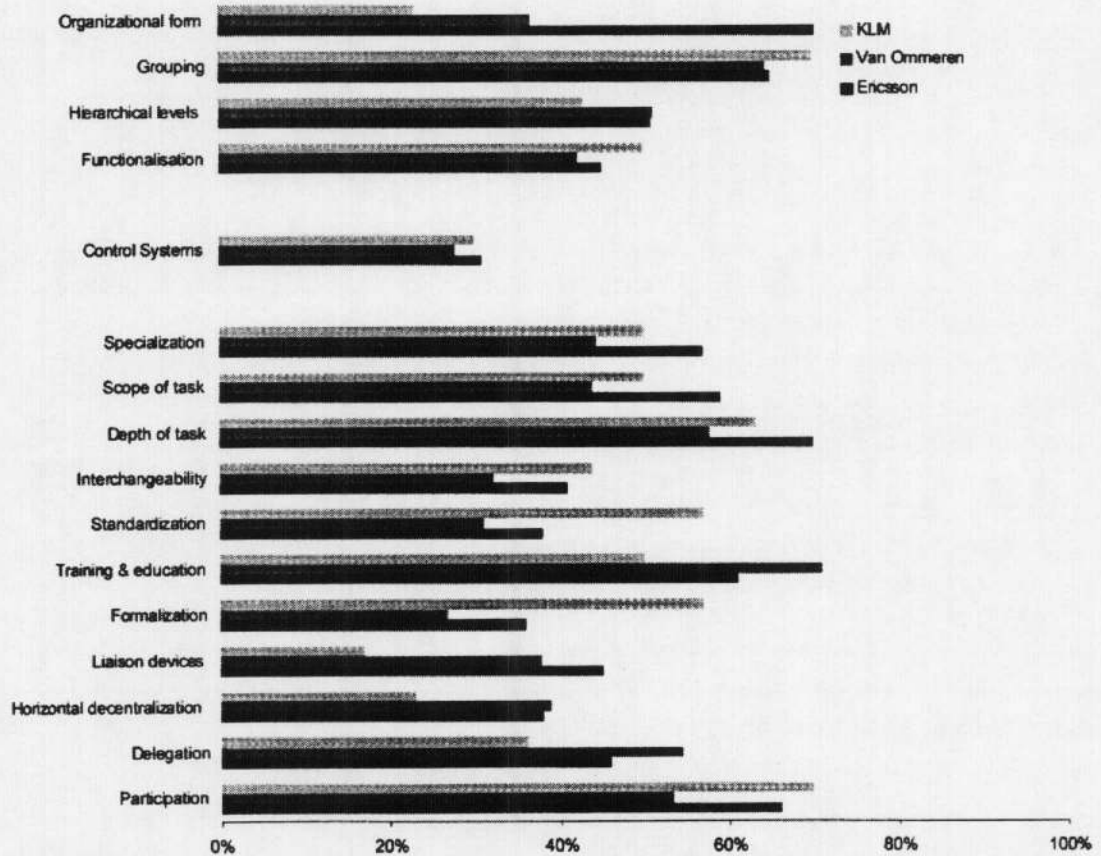
**Technology Scan (FIGURE A3 - Technology Characteristic)**

Measures the flexibility potential along the dimension routine - non-routine.



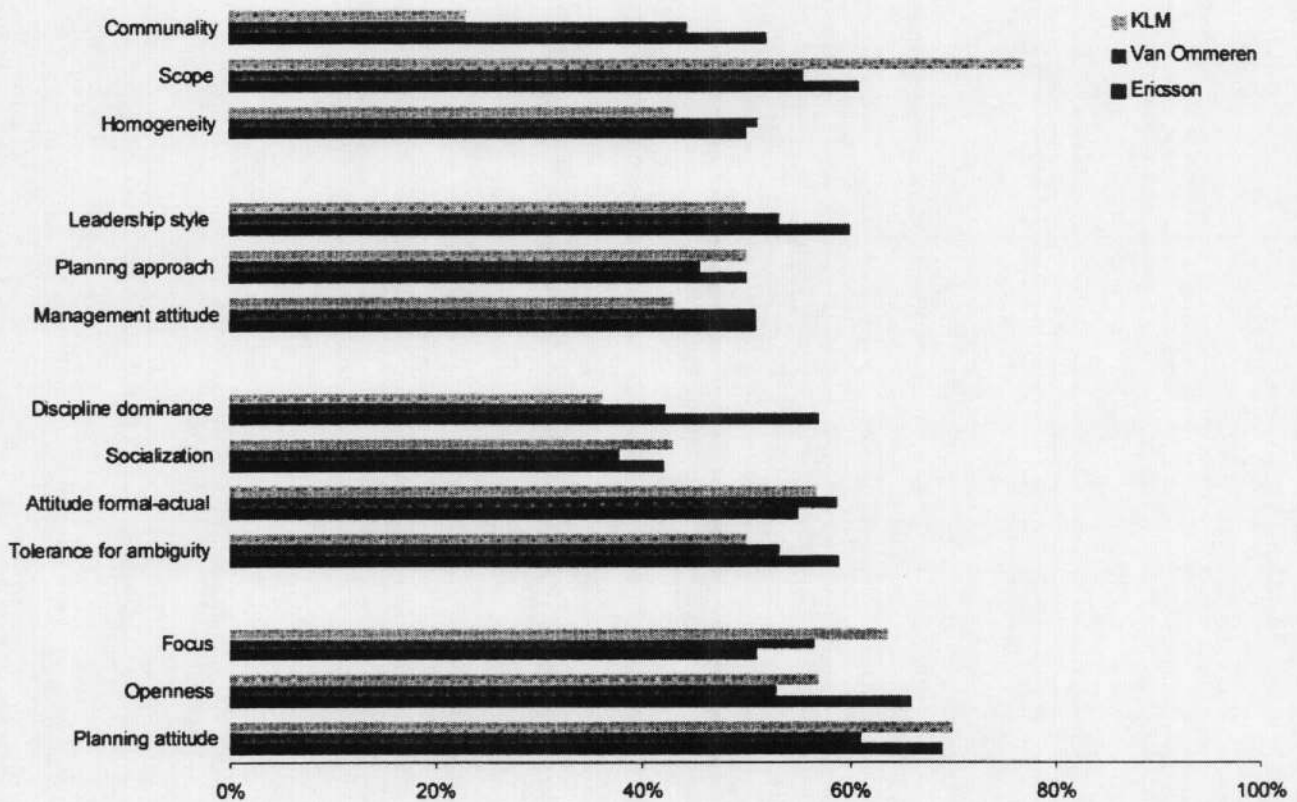
**Structure Scan (FIGURE A4 - Structure Characteristic)**

Measures the flexibility potential along the dimension mechanistic - organic.



**Culture Scan (FIGURE A5 - Culture Characteristic)**

Measures the flexibility potential along the dimension conservative - innovative.

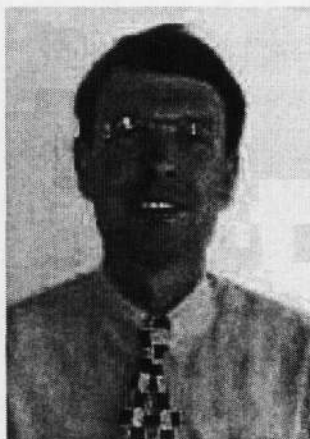




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