The label strategy process, to some, is an oxymoron. Strategy is about creativity and innovation, whereas process smacks of bureaucracy and control. It is true that the word process does carry with it some baggage. Perhaps “Shaping, Implementing and Changing Strategy” is a better label for the strategy process field. While labels are important, it is even more important to define the contours of a field devoted to shaping, implementing, and changing strategy.

Strategies, as we well know, are in part planned and in part emergent. But can a firm have no strategy at all? Inkpen and Choudhury (1995) examine three situations where a firm can be seen as having no strategy, that is, it is “strategyless.” The first such is an attribution, valid or not, when a firm fails. External observers blame this failure on the inability of its top management to set a clear strategy for the firm. The second is one when the firm is in a transitional phase from one strategy to another. It may temporarily appear “strategyless.” While the first two may be more in the eyes of the beholder, they also point to a third situation, where they suggest a deliberate attempt on the part of top management to create more flexibility and innovation by simply not setting strategies.

It is true that the sheer genius of top management is not enough to set a firm’s strategies. In any large diversified firm, the enormity of this task is bound to exceed the cognitive capacities of top management. Strategies are better realized through the collective efforts of multiple organizational actors operating at many levels in the organization: functions, business units, and corporate. The shaping, implementing, and changing of strategies requires the paradoxical blend of top-down and bottom-up efforts, planned and emergent actions, autonomy and collectivism in both decision-making and action taking. The research on strategy process unfortunately has not always been open to these paradoxical blends.

A Historical Perspective

In his pioneering work on corporate strategy, Andrews (1971) proposed that there are two distinct phases to strategic management: “formulation” and “implementation.”
While the emphasis in the formulation phase is on decision-making, the implementation phase deals with how to convert these decisions into actions and thus achieve a predefined goal. This classical view informed much of the early work on strategic planning and management control. Research in this tradition made the following assumptions:

1. Strategy process was regarded as a sequence of clearly defined phases: “formulation” and “implementation,” or also referred to as “agenda building” and “decision, implementation, and control.” Each phase involved multiple steps and included rationally justified instructions on what had to be done at every step.

2. Decisions were the relevant objects of analysis. Strategy formulation was perceived as a decision-making process, since it was through decisions that the agenda of the corporation was shaped and defined.

3. The formulation and implementation of strategies was an active, goal-oriented process. Strategies did not simply happen spontaneously nor were they just subjects of post rationalization, but were made explicitly and deliberately, prior to action.

4. This process was initiated and driven by top management. Strategies shaped the future of a corporation and therefore the responsibility for their formulation and implementation had to rest with top management. Middle and lower management participated in the ongoing process by providing the necessary information, serving as facilitators in both the formulation and implementation phases.

5. The possibility that corporations might not have a strategy at all was not dealt with, nor even considered.

Each of the above assumptions has been seriously challenged by more recent research. In contrast with the rather synoptic and normative view of strategy in the classical approach, Mintzberg (1987, 1994) offers four other perspectives on strategy that he calls position, play, perspective, and pattern—in contrast with the other “p,” plan. Strategy as plan shows the firm how to get from its current to its targeted position. On the other hand, strategy as position refers to attractive destinations, markets and competitive positions that are particularly advantageous to a firm. Strategy as play refers to how a firm games the competitive context in its favour. Strategy as perspective refers to the firm’s view of the world and its own place in it. Finally, strategy as pattern refers to configurations in the firm’s stream of decisions or actions. Realizing strategy is not only a planned process but also an emergent one (Mintzberg and Waters, 1985). Consequently, there has been an increase in the number of descriptive studies on strategy process to counter-balance the earlier normative work. Recent research on strategy process has used more than one of the five P’s as a guide.

But, if strategy is an emerging pattern of decisions and actions, who gets to determine this pattern? According to Kirsch (1997), this has to be made by a collective within the firm and not by any external observer. An individual, usually a senior executive, often has a pattern that he or she prefers. But this individual preference may not necessarily be aligned with the views and actions of other executives in the company, not to mention the rest of the organization. Unless a common inter-subjective preference for a decision or action stream exists and is supported at least by members of the dominant coalition in a firm (its senior executives), Kirsch would argue that the pat-
tern does not constitute a strategy. Therefore, Kirsch suggests differentiating between individual strategies and corporate strategies. Strategy process is not an individualistic process, but a collective one. The political interplay of individual and collective interests has to be examined in order to understand strategy better. In studies where the object of reference is the chief executive officer only, it is clear that such methodological individualism leads to shortcomings in the understanding of strategy process (Willke, 1993; Weick, 1995).

Huff and Reger (1987) propose a wider frame to understand strategy process. They classify the research in the field using the three dimensions discussed above: (1) does the research deal with strategy formulation and/or implementation (the classical distinction), (2) was the purpose of the study normative or descriptive, and (3) was the theoretical frame of the researcher synoptic or individual/political? Using this classification scheme, they identified the nine “streams” of strategy process research (see figure 1.1) that were published in seven leading journals from 1981 to 1987.

Others have proposed different classification schemes. Some of these are shown in table 1.1. Useful as these schemes have been for distinguishing the work in the field, none has been helpful for integrating this research. Chakravarthy and White (2001) have recently provided a framework that attempts such integration.
Table 1.1 Classification schemes for studying strategy process

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Author(s)</th>
<th>Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process phases</td>
<td>Andrews (1971)</td>
<td>Formulation, implementation</td>
</tr>
<tr>
<td>Types of processes</td>
<td>Garvin (1998)</td>
<td>Managerial (direction setting, negotiating, control)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Organizational (work, change, behavioural)</td>
</tr>
<tr>
<td>Modes of strategy making</td>
<td>Hart (1992)</td>
<td>Command, symbolic, rational, transactive, generative</td>
</tr>
<tr>
<td>Research perspective</td>
<td>Chakravarthy/White (2001)</td>
<td>Rational: decision-making</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Political: resolving goal conflicts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Evolutionary: action-taking</td>
</tr>
<tr>
<td>Rationality of the researcher</td>
<td>Huff/Reger (1987)</td>
<td>Synoptic, individual/political</td>
</tr>
<tr>
<td>decision-making</td>
<td></td>
<td>Individual (in and outside the firm), firm, environmental context (markets, society)</td>
</tr>
<tr>
<td>Unit of analysis of</td>
<td>Chakravarthy/Doz (1992)</td>
<td>(1) embeddedness: studying processes across number of levels of analysis;</td>
</tr>
<tr>
<td>the research</td>
<td></td>
<td>(2) temporal interconnectedness: studying processes in past, present and future time;</td>
</tr>
<tr>
<td>Guiding assumptions of the</td>
<td>Pettigrew (1992)</td>
<td>(3) a role in explanation for context and action; (4) a search for holistic rather than linear explanations of process;</td>
</tr>
<tr>
<td>research</td>
<td></td>
<td>(5) a need to link process analysis to the location and explanation of outcomes.</td>
</tr>
<tr>
<td>Phenomena</td>
<td>Lechner/Mueller-Stewens (2000)</td>
<td>basic questions, phase-specific questions, cross-sectional questions</td>
</tr>
</tbody>
</table>

A Proposed Integrative Framework

We have modified the Chakravarthy and White framework based on the learning from the IMD–St Gallen SMS mini-conference (see figure 1.2). The framework is a composite of four distinct relationships: (1) the relations between competitive position, distinctive competencies, business context, firm performance and financial market evaluation, (2) the impact of decisions and actions on a firm’s competitive position and distinctive competencies, (3) the influence of organizational context on the core elements of the strategy process, and (4) the dynamic equilibrium that top management keeps a firm in through its continuous redefinition of the relevant strategy dynamics for the firm.
Figure 1.2 An integrative framework
Source: Adapted from Chakravarthy and White, 2001
Adapting to Changes in the Business Context

The first (the lower part of figure 1.2) visualizes how a firm's strategy and its distinctive competencies mediate the effect of its business context on the firm's performance (Porter, 1991). Investigating this relationship is normally the domain of strategy content researchers, but strategy process researchers must complement this work in important ways by discerning how new competitive positions are innovated and realized, and how distinctive competencies are accumulated, protected and leveraged. The purpose of strategy process research is to facilitate the realization of more innovative and defensible strategies. But process researchers have not always included a strategy outcome in their studies. When they do associate process characteristics with an organizational outcome, it is often financial performance. But, financial performance is but one input to how the financial markets value a firm. Managing the expectations of the financial markets is an equally important factor. Strategy process must be concerned both with a firm's performance and its effective communication to the financial markets. Moreover, it must respond to the concerns of the financial market by transforming the firm's organizational context and modifying its decisions and actions. We call this feedback learning.

Outcomes of decisions and actions

Decisions and actions are often viewed as the core elements of the strategy process, though their relative importance to a firm's strategy is a matter of some debate. We accept that strategy is realized through both emergent and planned actions that implement prior decisions. In turn, these decisions and actions are continuously revised based on feedback and feed-forward learning. Strategy formation and implementation are closely intertwined. The relationship, captured by the mid-section of figure 1.2, is between decisions and actions of a firm to: (1) the identification and realization of innovative new competitive positions and (2) the accumulation, protection, and leveraging of its distinctive competencies (Chakravarthy et al., 2002).

Organizational context and decision and action premises

The third relationship captured by the framework (the upper part of figure 1.2) is between the organizational context of a firm and how it shapes the premises for both decisions and actions within the firm (Chandler, 1962). Organizational context includes: (1) a firm's management systems, like structure, planning, control, human resources management (HRM) and incentive systems, and (2) its informal organization, including values, norms, culture, and leadership style. The importance of organizational context in the shaping of decision and action premises has been long recognized; and yet with rare exceptions like Bower (1970) and Burgelman (1983, 1996), there are very few studies of this important relationship.

Strategy dynamics

Time is an important dimension for all elements in figure 1.2. Firm performance, strategy, competencies, decisions, actions, business, and organizational contexts, all change over time and influence each other dynamically. The final component of the
framework captures this dynamic interaction. Strategy content research has distinguished between three levels of strategy: business, multi-business, and multi-national, and offers a typology for each. The dimensions used to create these typologies reflect the key tensions inherent in any strategy: cost leadership vs. differentiation, vertical vs. horizontal integration, or national responsiveness vs. global integration. Figure 1.3 presents a two-dimensional strategy space ($S_1$ and $S_2$) capturing these tensions. The curved solid line represents a sort of strategy frontier, where those firms with the current best practice are positioned.

If a firm is not on the strategy frontier, improving/imitating advances the firm's strategic position toward the strategy frontier. Other firms on the strategy frontier, or those closer to it, provide the firm seeking improvement ready benchmarks to follow. Having reached the strategy frontier, a firm may start consolidating and maintaining this position by monitoring its competitors and making incremental improvements (Hammer and Champy, 1993), or it may seek to innovate. Innovating goes beyond established best practices and advances the strategy frontier (dashed line). Lastly, migrating involves a change in a firm's position along the existing frontier; for example, from differentiation to low cost. While this is a significant change, it differs from innovating. A firm migrating from one generic strategy to another has exemplars. The position it seeks is not new. Other firms, elsewhere along the strategy frontier, have already achieved this strategy and provide benchmarks. An innovator does not have this luxury. Nevertheless, both innovating and migrating are more risky than improving, imitating or consolidating. Firms opting for innovation and migration not only seek a different market opportunity, they are also willing to redo their competence base.
Defining the appropriate strategy dynamics for the firm is a key top management responsibility. In multi-business firms, more than one dynamic may be necessary. Different types of process may be required to drive the four strategy dynamics described in figure 1.3. For example, migrating from a differentiation to a cost leader business strategy, or changing from a local responsive to a globally integrated multinational strategy may both require rebalancing the power structure in the organization (Prahalad, 1975). On the other hand, consolidating a successful business or corporate strategy may be more of a rational process. The process should be similar for the same type of dynamic even across different levels of strategy.

Contrast this with the tendency to use generic strategies as outcomes in strategy process research. There is no reason to believe that the process required to deliver an innovative differentiation strategy should be any different from that required to deliver an innovative cost-leadership strategy. It is innovation that distinguishes the process and not the underlying generic strategy. Certainly, the cast of characters involved in decision-making and action taking will vary with the generic strategy pursued. For example, product developers and marketers may be more important to differentiation and procurement experts and operations managers may be more relevant to a cost-leadership strategy. But the process they follow will be guided more by the strategy dynamic that is being pursued and not the generic strategy under consideration or the level (business, corporate, or international) at which it is pursued. While the core elements of strategy process may be in the patterns of decisions and actions that are witnessed in a firm, these have to be tied closely to its strategy dynamics.

**Integrative framework**

The proposed framework clearly demarcates what the appropriate outcomes are for different types of research: financial performance; competitive position/distinctive competence; decisions/actions; or organizational/business context, depending on which of the four parts of the framework a researcher is interested in.

**A Guide to the Papers**

Nine papers were selected from those presented at the IMD–St Gallen SMS mini-conference on strategy process research. These are presented in this book from chapters 2 to 10. The papers are clustered into four streams using the framework proposed here (see figure 1.2).

A  Longitudinal research on how a firm adapts to changes in its business context (chapters 2 and 3)
B  Linking organizational context to firm performance (chapters 4 and 5)
C  Interaction between organizational context, process elements and competitive position/distinctive competencies (chapters 6–8)
D  Interplay between organizational context, process elements and performance (Chapters 9 and 10)
Stream A: longitudinal research on adaptation

In this stream (see figure 1.4), we selected two papers that examine longitudinally the stepwise development of a firm's new competitive position and competence platform, in response to a shift in its business environment. In Chapter 2, Cuervo-Cazurra describes how firms in Spain and Argentina in three different industries (paper, petroleum, and construction) have coped with deregulation and economic liberalization. Contrary to the assertions of the two main schools of strategy: the resource-based view and the activity-based view (or positioning school), neither the desired resources nor targeted position were predetermined. Rather, in the better performing firms resource accumulation and activity scope co-evolved, mutually influencing each other through a multi-phase process. The author concludes that the competitive advantage of a firm is more likely to be sustained when it pursues a co-evolutionary process rather than when it chooses a unidirectional process of transformation, where a predetermined resource or activity architecture drives change.

Three quartets of Argentinean and Spanish firms, each from a different industry, were selected for the study. In each quartet there were both high- and low-performing firms. This set up a nice experimental design. Cuervo-Cazurra measured resource accumulation in the 12 selected firms along eight dimensions (production team, human resources, organization, finance, technology, production supply network, and marketing) and competitive positioning along three dimensions (vertical integration, horizontal diversification, and internationalization). The study used structured interviews and company archives to collect its data, and an innovative qualitative analysis method to analyze the data.

Siggelkow, in chapter 3, presents the second study in this stream. He distinguishes between fit-destroying and fit-conserving environmental change by looking at the impact that they have on what he calls the “performance landscape.” The quality of external fit or the appropriateness of the choices a firm makes given its business context, is represented by its height on the performance landscape. A peak on this landscape represents consistency among these choices, or internal fit. Further, the stronger the degree of interaction among a particular set of choices, the steeper the associated peak. Siggelkow visualizes environmental change then as changing the performance

![Figure 1.4 Stream A: adaptation to changes in the business context](image-url)
landscape: the height, shape, or location of its peaks. In a fit-destroying change, the firm no longer occupies a peak, whereas in a fit-conserving change the firm still occupies a peak, but its height is now reduced. Using this performance landscape metaphor, the author goes on to describe the choices made at Liz Claiborne in the early 1990s in response to a changing business context. The company's external fit decreased, while there was no change in its internal fit. In the author's terminology, this meant that the company was challenged by a fit-conserving change. Top management reacted sluggishly, changing only partially its set of choices for activities in the value chain. A new leadership team that came in 1994 had to change the choices and reverse the ensuing slide in performance.

The Siggelkow study underscores the findings of Cuervo-Cazurra. Transforming a firm's activity set or resource pool is especially difficult if the environmental change is fit-conserving. The firm's inertia prevents it from scaling back from the performance peak it is occupying, even though the changing landscape keeps reducing the height of this peak progressively. The process of co-evolution, where resources and activity scope arc changed iteratively, could be a way of breaking this inertia. While neither study helps us understand the processes of feed-forward and feedback learning (shown in figure 1.2) which are associated with this co-evolution, they point to important problems which are worthy of further study. It would be interesting, for example, to visualize how Cuervo-Cazurra's co-evolution would look on Siggelkow's performance landscape. Is co-evolution a dynamic process in the steady state or a transitional process to get to a steady state? How does co-evolution trade off internal for external fit? Why does it take a new management team to shake off a firm's inertia? What is the process of abandoning internal fit? How does a firm gather valid information on emerging new external fits? Can a firm not shape its business context to ensure the durability of its internal fit? How? By addressing the dynamics of strategy, the two papers take us beyond the common preoccupation of content researchers with static fits and cross-sectional studies. They generate a host of interesting research questions for the other streams which are described in this book.

**Stream B: linking organizational context to firm performance**

In this stream we present two papers that typify research that seeks to identify the enduring contextual factors that influence superior performance (see figure 1.5). While it is easy to criticize this stream of research for ignoring all of the other intervening variables in figure 1.2, it seeks to identify the necessary contextual characteristics without which superior performance is less likely.

In chapter 4, Schnatterly and Maritan analyze the reasons for differences in the market to book value \((M/B)\) of otherwise comparable firms. Using the resource-based view of the firm, they posit three kinds of intangible assets as sources of this value gap: resources and capabilities, operational governance mechanisms and high-level governance mechanisms. They hypothesize that the stronger each of these intangible assets, the higher the market-to-book value of a firm.

However, reputation is not an organizational context element; rather, it is a distinctive competence of the firm. But the two governance variables in their study refer to a firm's management systems. These include: composition of the firm's board of directors, the
structure of the compensation package for its CEO, accounting systems, policies, procedures, contingent pay for employees, and the use of teams or other liaison roles to facilitate communication. Using a content-context analysis methodology, the authors measured each of their independent variables for 38 matched pairs of companies.

The study found that a firm’s technical reputation was not a significant discriminator of market/book value (M/B). This is not surprising. Figure 1.2 would suggest that competence influences performance, only in conjunction with a firm’s competitive positioning. However, reputation did impact financial valuation in the study, as Figure 1.2 would have suggested. As for the organizational context variables, the results were mixed. The authors speculate why this was so in their chapter. While the findings of the study may be disappointing, they at least point to the contingent nature of the variables studied.

In chapter 5, Camillus reports on the distinguishing characteristics of the strategic planning process in the “benchmark” companies that he studied. He suggests that all planning systems can be examined under four phases: generation and prioritisation of issues; generation of alternatives; evaluation of alternatives; and implementation and communication. The study looks at 22 benchmark companies from Asia, Europe, and North America that are known and accepted as “best-practice” companies in the field of strategic planning. It contrasts their planning characteristics with that of 80 others. Camillus found that the benchmark companies engaged in continuous improvement of their planning processes, emphasized qualitative over financial analysis, integrated strategic and business planning into a single cycle complementing these with an issue management process, set stretch goals, developed detailed and specific action plans, valued planning managers and emphasized good communication. Useful as this short list is, Camillus does not offer a model of causation. Future studies can fill in the missing links between organizational context and performance, as suggested by Figure 1.2. By providing a shortlist of process characteristics to focus on, studies of this genre help set the research agenda for the next stream.
Stream C: interaction between context, process elements, competitive position and competencies

Examining this interaction is essential for gaining a profound understanding of the strategy process (see figure 1.6). Three papers in the book fit this stream. In chapter 6, Schwarz looks at the impact of the shared beliefs in a team on its decision-making process. Using a grounded theory methodology, Schwarz chooses a single-field setting within a European multinational firm and carries out a two-year longitudinal in-depth field study. The triggering event for the study is the attempt of a service manager to communicate a new product idea to senior managers and to gain their support and commitment. In the beginning, each of them differed either in their valuation of the idea or on their perceptions of the service manager’s ability to execute the idea. While group A believed both in the idea and in the manager, group B just liked the idea, group C only trusted the service manager, and group D was sceptical of both. Then, strategic debates between the “like-minded” took place. They exchanged their perceptions verbally and became aware of their similar attitude towards the new product idea and/or the service manager. By doing so, the previously invisible groups now became “visible.” This in turn led to a meaningful debate on the idea and the likelihood of its realization, followed by the formation of a critical mass of supporters and the final decision to pursue the initiative. By elaborating how management teams go about making a strategic decision, Schwarz sheds light on how elements of a firm’s organizational context shape decisions.

In the following chapter, Narayanan, Kemmerer, Douglas, and Guenney, identify a six-stage process model for building “fast-cycle” capability in drug development and describe the triggers, challenges, drivers, transition mechanisms, key actors, micro-politics, and cognition required at each stage. The six stages they identify are: activation, articulation, mobilization, implementation, diffusion of routines, and retention of capability. The research design is based on a nested case study within one corporate setting, conducted over a three-year period and employing diachronic and synchronic analysis techniques. As the authors are interested in capturing the formation of a capability at the organizational level, they first observe six discrete drug development projects and then study their spillover effects at the organizational level. This innovative approach avoids the usual trap of inductively leaping from a single project on to the organizational level. The authors employ a social constructivist perspective for their study, showing how in the development of the desired capability, several compromises and adaptations had to be made by the actors involved. Building a new capability required the gradual transformation of the prevailing belief system. Together with the Schwarz study, this research points to the important interaction between belief systems, competitive positioning, and capability building.

In chapter 8, Wielemaker, Elfring, Volberda, and Baden-Fuller argue that the success of strategic initiatives depends on how supportive or hostile the organizational context is to that initiative. They further show that the approval of an initiative can be better supported by appropriate conditions when these are adjusted to the phase in which it is. The phases are defined with reference to the search for knowledge and resources in the development of an initiative: linking, interpreting, and integrating. Organizational conditions are measured by control and support systems, organizational form, administrative and incentive systems, and managerial roles. The study is done
Figure 1.6 Stream C: context, process, and outcomes

using a multiple case study design. Twenty-five initiatives in three Dutch companies from different industries were analyzed in depth. This chapter provides an important complement to the studies on resource allocation by also focusing on how organizational context shapes the formation of an initiative and not just its approval.

**Stream D: co-evolutionary interplay of context/process/outcomes over time**

This is the most ambitious in scope of the three streams. We have included two chapters in this stream. In chapter 9, Lyles, Szabo, Kocsis, Barden, Dhanaraj, Steensma, and Tihanyi assess the relationship between the context, process, and survival of international joint ventures (IJVs) in Hungary. They further qualify survival as continuation as an IJV, absorption by the foreign parent, or by the Hungarian parent. The paper employs a mixed research strategy, following a quantitative analysis phase, with a qualitative phase. In phase one, 159 IJVs are analyzed. Using multinomial logit analysis, the authors examine the impact of learning, unlearning and innovation on the governance state of the IJV: bankruptcy, 100 percent foreign ownership, 100 percent Hungarian ownership or continuation as a joint venture. The authors report several important findings. Of interest here is their observation that when an IJV was learning well from the foreign parent and was also performing well, the Hungarian parent was more likely to stay engaged and seek the continuation of the IJV. This shows a symbiotic relationship between process, financial performance, and organizational context.

In phase two, the authors conducted in-depth interviews in four select Hungarian IJVs. They observe that only after a joint venture became familiar with the basic principles of operating in a market economy, knowledge transfer from the foreign parent could begin. The study points to the important role played by the informal organization in a firm in structuring its decision and action premises. Only after the IJV had
absorbed the values and norms of a market economy, its decisions and actions could be modified based on the learning from its foreign parent. The study further goes on to suggest that transforming the IJV’s management systems, including its organizational structure, core business systems, and managerial processes, may be a first step in changing its values and norms. Understanding the relationships between the formal and informal elements of a firm’s organizational context is another important topic that needs further study.

Chapter 10 of the book, authored by Volberda and Baden-Fuller, addresses the broad question: How do large multi-unit firms renew? The authors take an evolutionary perspective on the development paths of a company and its business units. Based on the assumption that the survival of a company is best achieved when a firm is able to balance exploration and exploitation in its activities, they derive three generic ways to achieve the desired balance: (1) within each business unit; (2) through an appropriate portfolio of business units balanced at any point in time; and (3) through an appropriate portfolio of business units which may not be in balance at any given time, but is over a longer period. There are four different paths toward this balance: naïve selection, managed selection, hierarchical renewal, and holistic renewal. Each is defined by the active or passive roles played by frontline managers and top management in the renewal journey. The authors do not tie their four renewal paths to the three generic ways of balancing exploration and exploitation that they posit. But there is a likely relationship.

The notion of strategy dynamics discussed earlier (See figure 1.3) maps well onto the concepts of exploration and exploitation. Volberda and Baden-Fuller correctly point out that the latter two have to be in balance. In fact there may be at least three different ways to achieve this balance, each appropriate to a different business context. Thus given the business context that a firm operates in, there are certain strategy dynamics that are vital for its renewal. Once these are determined, through the process of setting a firm’s purpose, figure 1.2 would suggest that the firm’s organizational context and process elements must be aligned to this purpose if sustained superior performance is to be expected. Both papers in stream D, that by Lyles et al. and Volberda and Baden-Fuller, suggest that this alignment has to co-evolve. Strategy process research has done well to move away from cross-sectional to longitudinal studies. Its next challenge is to move away from simple causal models to more complex co-evolutionary models that link purpose, context, process, and outcomes.

Summary

The nine chapters (chapters 2 to 10) are summarized in table 1.2. We see a broad spectrum of research topics and methodologies. This gives us a glimpse of how rich this field is, as well as its white spaces. Most of these papers used a qualitative research methodology due to the early stage of theory building in the field. Where a multiple or comparative case study approach was used, we find different sampling logics (matched pair design, industry quartets, etc.). The number of cases used in each study range from 1 to 38. Two papers combine comparative case studies with quantitative analysis. Studies under streams A, B and D use firm performance as an outcome, but these
<table>
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<tr>
<th>Research stream</th>
<th>Research question</th>
<th>Methodology</th>
<th>Study layout</th>
<th>Link to firm performance</th>
<th>Theoretical perspective</th>
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</thead>
<tbody>
<tr>
<td>A Longitudinal content research</td>
<td>How do features of a firm's organizational context and its resources impact its financial market valuation?</td>
<td>Qualitative data collection (SEC), discriminant analysis</td>
<td>A longitudinal case study of Liz Claiborne using archival data and field interviews</td>
<td>Adaptation</td>
<td>Resource- and activity-based view</td>
</tr>
<tr>
<td>B Linking organizational context to firm performance</td>
<td>How do features of a firm's organizational context and its resources impact its financial market valuation?</td>
<td>Questionnaire and interviews in 22 high and 80 average performing companies</td>
<td>Thirty-eight matched pairs of companies with average and high M/B ratios</td>
<td>Addresses how a firm's activities affect its ability to react to external changes</td>
<td>Action-based view</td>
</tr>
<tr>
<td>C Interaction between organizational context and process elements</td>
<td>What are the few necessary features that all superior planning systems must have?</td>
<td>Longitudinal study of belief systems and decision-making in a European multinational firm</td>
<td>Thirty-eight matched pairs of companies with average and high M/B ratios</td>
<td>Proposes three types of intangible assets: resources, management systems, and governance mechanisms</td>
<td>Activity-based view</td>
</tr>
<tr>
<td>D Interplay of Context/Process/Outcomes</td>
<td>What is the impact of shared beliefs on strategic decision making?</td>
<td>Longitudinal study of six projects in Marion Merrell Dow (MMD) on how fast-cycle capability was built in that firm</td>
<td>Thirty-eight matched pairs of companies with average and high M/B ratios</td>
<td>Examines the reciprocal relationship between shared beliefs and strategic decision process</td>
<td>Activity-based view</td>
</tr>
</tbody>
</table>

Table 1.2 Overview of the chapters
are variously measured as successful adaptation, survival, best practice or financial market valuation. Practitioners would prefer greater use of financial market measures in strategy process research. Only two studies oblige. The three studies under stream C did not use firm performance as an outcome variable and rightly so. The field needs to develop strong theories on how intermediate outcomes such as competitive position and distinctive competencies are developed, and on how the premises that drive actions and decisions are set. It was refreshing to see these authors avoid the mindless rush to throw in a firm performance measure that would have been inappropriate given the focus of their studies.

While we have tried to provide a road map of what is to come, we hope the reader will enjoy reading the nine excellent studies that follow in their entirety, and appreciate the creative ways in which these authors have approached difficult problems. After you finish reviewing these papers we will be back again in chapter 11 to offer some closing comments.

References