

Assessment of the Annual Planning Process - Executing Strategy

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Assessment of annual Planning Process – Executing Strategy

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Preface

This report stands for the ending of my education at the University of Twente, a period of important personal and academical growth, and is the Magnum Opus in my educational career. Though I am sure other courses will follow! After studying at technical institutions for Mechanic and Engineer, my latest challenge became the Master of Science in Business Administration; track Innovation Management at the University of Twente, Enschede. This social sciences direction is a very different path away from my background in engineering, and I see it as a useful combination for my future career.

The research is named: "Assessment of Annual Planning Process - Executing Strategy". The initial assignment pointed towards an assessment of the planning process, but later on it became clear that the problem behind the problem was strategy execution. The subject was fairly new to me, it really gave me an insight in how companies are administered from top level. The research took place at the Marketing department. Results of the research are conclusions about the current state, theory and finally recommendations for the management to improve the annual planning process and thus the strategy execution capabilities.

First of all, my gratitude goes out to my supervisors at the company. I enjoyed the conversations and discussions and the difficulties that are related to it, and for their guidance, critical feedback during the graduation period. Their practical view on the assignment has contributed very much to the relevance of this research. I also would like to thank my indirect colleagues of Marketing and IT of the office floor where I was located for providing a interesting and fun place to work.

Second, I would like to thank my supervisors at the University of Twente Rik van Reekum and Petra de Weerd-Nederhof for their guidance and critical feedback during the graduation period. The discussions we had were always very constructive to keep an eye on the theoretical level that should be incorporated in the thesis and to find problems behind problems. The art of looking further is always more difficult than it seems.

I would also like to thank the -always very busy and tight scheduled- managers of the Divisional Leadership Team for cooperating in the preliminary research, the interviews and the survey. Their input was very important for me to conduct this research and analysis of the current situation. Also I would like to thank the managers I interviewed at the benchmark companies.

Last but not least, special thanks goes out to my girlfriend, family, family in law and friends for their continued support during the long period called graduation. They as well encouraged me in tough times to go on with writing my chapters and finalisation of the now concluded research.

*JPA van der Veer,
June 2009.*



Executive Summary

This research provides the management with recommendations for the improvement of the annual planning process. The background of the problem is researched, and gaps were identified by searching for discrepancies between the current situation and theory. Benchmark analysis focusing on the gaps revealed how other companies cope with these gaps.

In the preliminary research, agreement is achieved about the problems that are focus of this research: the Annual Planning Process not deployed as it should be and there is no sound coupling between the Strategic Plan and the Profit Plan. This is the core problem: Strategy Execution.

Literature regarding strategy execution indicated that the most important drivers of strategy execution are effective information flows and clarified decision rights. Literature research resulted in items explaining effective information flow and a clarified decision making process. These items were used in a survey which measured the current situation. The survey, short interviews and the all employee survey indicated that information flow about strategy related issues is insufficient and the decision making process for strategy related issues are not present.

The survey indicates that communication and information flow are better when employees know there is a communication- and information sharing protocol present. Also the known presence of a formal decision making protocol leads to a more rational perceived decision making process. Therefore, the two drivers for strategy execution identified in the first part of the research can be indicated as a gap.

The identified gaps are researched at three benchmark companies. These companies have similarities regarding structure and are all in business to business. The companies aligning their businesses with their strategy perceive low strategic drift. This because of short lines, central strategy making and execution and the cooperation in strategy making. Related to the gaps, they have more effective information flows and more clear decision rights.

In order to make the organisation more mature in the process of strategy deployment and subsequently gain maturity in the operational excellence, five recommendations are proposed that focus on improving the gaps identified. The first and most important recommendation is to appoint a dedicated strategy manager. If there is a dedicated strategy manager, the strategy execution process will be more controlled and centralized, leading to a more inclusive and aligned process. This strategy manager should then focus on the following recommendations; to get higher involvement of the Leadership Team, to set up a formalized decision making process, to introduce scenario planning and to adopt a closed loop in the management system.

In earlier discussions, Roadmapping in the APP was questioned. Initially, the problem was that only R&D used it, while it was thought that it must be used company wide. Roadmapping is just an intermediary form of strategy making and strategy execution, and thus the recommendation was: discard the Roadmapping Process in the APP. This part of the process was removed before the end of this research.

Executing strategy is a very important core competence for creating a more resilient company. When following these recommendations the execution capabilities become more mature and increased alignment will follow. It will establish priorities for the future, forces to make choices and focuses the organisation around one plan.

Management Samenvatting

Dit onderzoek verschaft het management aanbevelingen voor het verbeteren van het jaarlijks planning proces. Er is onderzoek gedaan naar de achtergrond van het probleem en er zijn verschillen geïdentificeerd doormiddel van het vergelijken van de huidige situatie en theorie. Deze verschillen (gaps) zijn onderzocht bij andere bedrijven doormiddel van een vergelijkend onderzoek om te kijken hoe het eventueel beter of anders kan.

In het vooronderzoek is overeenstemming bereikt over de problemen die zich voordeden in de praktijk. Deze problemen zijn als input gebruikt voor het opzetten van het onderzoek. Vooral het laatste probleem, de koppeling tussen de lange en korte termijn plannen, is het kernprobleem. Ook wel "Strategie uitvoeren" genoemd.

Literatuur geeft aan dat effectieve informatiestromen en heldere besluitvorming de twee belangrijkste pijlers zijn voor het uitvoeren van strategie. Dieper onderzoek in deze twee velden resulteerden in onderwerpen die deze twee pijlers vormen. Deze onderwerpen zijn onderzocht in de praktijk om de huidige situatie te meten. De enquête samen met korte interviews en het werknemersonderzoek gaven aan dat informatiestromen met betrekking tot strategie onvoldoende waren en dat besluitvormingsprocessen met betrekking tot strategie niet aanwezig waren. De enquête geeft aan dat informatiestromen beter worden als medewerkers weten dat er een protocol aanwezig is. Hetzelfde geldt voor een besluitvorming, dit wordt rationeler wanneer er een besluitvormingsprotocol aanwezig is. De indicaties uit de theorie wordt hiermee bevestigd, en dus blijkt dat bij de twee pijlers van strategie uitvoering -effectieve informatiestromen en heldere besluitvorming- onvoldoende zijn. Deze pijlers zijn onderzocht bij drie andere bedrijven die ongeveer vergelijkbaar zijn. Deze bedrijven hebben een goed proces voor het uitvoeren van strategie en hebben korte communicatielijnen samen met heldere verdeling en bevoegdheid van besluitvorming. Deze bedrijven wijken hierdoor weinig van de koers die zij hebben ingezet.

Om het proces te verbeteren zijn er vijf aanbevelingen gedaan die het jaarlijks planning proces zullen verbeteren. Met het verbeteren van het proces worden de initiële problemen aangepakt en zal het uitvoeren van strategie verbeteren. Ten eerste zal het aanstellen van een strategie manager een groot deel van oplossing zijn. Een speciaal toegewijde kracht zal het proces meer centraliseren en controleren waardoor de strategie ook daadwerkelijk in praktijk komt. De strategie manager zou zich daarna moeten gaan bezighouden met de opvolgende aanbevelingen. Deze zijn het creëren van hogere betrokkenheid van het middenmanagement, het opzetten van een besluitvormingsproces, het introduceren van scenarioplanning en het implementeren van een closed loop (feedback in het proces voor verbetering van het proces zelf).

In eerdere discussies werden bij een proces onderdeel vraagtekens gezet. Het proces werd ingezet voor de verkeerde reden op de verkeerde plek. Daarom werd aanbevolen dat roadmapping uit het jaarlijks proces moest, maar wel bij R&D moest blijven. Dit is reeds geïmplementeerd. Het uitvoeren van strategie is één van de meest belangrijke kerncompetenties voor het creëren van een sterke organisatie. Als gehoor word gegeven aan de aanbevelingen zal de uitvoering van strategie verbeteren en zal het bedrijf beter in lijn liggen van haar strategie. Het zal zorgen voor prioriteitenstelling voor de toekomst, het zal zeker stellen dat moeilijke keuzes gemaakt worden en het zal de hele organisatie richten op één plan.



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Introduction

Imagine you are a general in the 19th century, taking your troops into foreign territory. Obviously you would need detailed maps showing important towns and villages, surrounding landscape, key structures like bridges and tunnels, and the roads and highways that pass through the region. Without such information, you couldn't communicate your strategy to your field officers and the rest of your troops. Many executives are trying to do just that. When attempting to implement business strategies, employees are given only limited descriptions of what they should do and why those tasks are important. Without clearer and more detailed information, it's no wonder many companies are unsuccessful in executing their strategies. After all, how can people carry out a plan that they don't understand? (R. S. Kaplan & Norton, 2000). Some authors indicate that 63 per cent of the companies fail at executing their strategy (Neilson, Martin, & Powers, 2008), some authors even report a staggering number of 90 per cent (D. P. Kaplan, 2007).

Therefore, the assignment sounds: "Assessment of annual Planning Process - Executing Strategy".

The research objective is to provide the management with recommendations about the improvement of the strategy execution process by researching the backgrounds of the problem in a problem-analysis where the problem is cleared, and by searching for discrepancies in a gap-analysis where the current situation is compared with the theory and benchmarks about the annual planning process.

In the first chapter the backgrounds are given. Then the Annual Planning Process is described from the standardized corporate way to the way of the company. Then the preliminary research is displaying the road from initial feelings of one person to a more shared thought about the problem. Concluding chapter one, the research approach is given. In chapter two the theory in track of the problem is displayed, focusing on strategy execution. Within that field, effective information flow and decision making is core. Chapter three describes the methodology: research method, sampling and operationalisation. Chapter four identifies gaps between the current situation at the company and theory. Chapter five describes the gaps that are identified in chapter four at three benchmark companies. This leads to implications for the company in the field of strategy execution. The last chapter summarizes conclusions and ends with recommendations for the company and a discussion about the research itself.





Chapter 1: Backgrounds

This chapter explores the research backgrounds in four parts. The first part describes the organisation where the research is executed. In the second part the assessed subject is explained. Here the subject, the Annual Planning Process, is explained and the elements are described. In the third part the preliminary research describes the manner in which the problem is clarified to give input for the last part, the research approach. The research approach concludes with the questions that are to be answered in this thesis.

1.1 Annual Planning Process

This chapter explores the research object of this thesis from a corporate level down to the level that this research is on. First the corporate level planning process is described.

1.1.1 Corporate Planning Process

Strategic Planning is one of the most comprehensive and important processes within the company. Through planning it will be clear *how* great one can be given the market vision and *which* path can be taken to get there. The Strategic Plan gives guidance for the future, and at a lower level, it gives more detailed and tactical plans for implementing strategy in the day to day basis.

In the company the *Strategic Plan* indicates goals and strategies for achieving profitability, productivity and competitive advantage and alignment of organizational competencies, assets and resources to achieve them. The *Profit Plan* identifies and quantifies resources and actions required to achieve goals and strategies detailed in the Strategic Plan. The *Organizational Capability Assessment (OCA)* drives a high-performance culture by identifying and developing a diverse and talented workforce.

Elements of the Corporate Planning Process

Within the company, senior management identified four strategic concepts. These concepts are the framework for the individual strategic plans and help setting the focus in the strategic plan (SP).

Created annually, the Profit Plan (PP) is one of the major planning processes of the company. The purpose of the Annual Profit Plan is to set annual financial goals and specific operating plans in support of the desire to be a premier industrial company. The quantity of resources and short term actions needed to support the financial objectives are fully detailed in the Profit Plan. The Profit Plan process provides a unified planning and reporting approach across all businesses. The result is that capital decisions and goals for growth and financial returns for the upcoming year are based on a consistent economic outlook.

Organizational Capability Assessment (OCA) drives a high-performance culture by identifying and developing a diverse, strong and talented workforce. Reaching for the objective of becoming a premier company relies heavily on the ability to drive a high-performance culture and to identify, develop and sustain a diverse, highly talented workforce. Strong leadership and functional depth is critical to growth and future profitability.

1.1.2 Annual Planning Process

The Annual Planning Process consists historically out of two parts, strategic planning and profit planning. In the last few years there was need for an extra intermediary step in order to connect the long term strategy better to the short term operations, this is the roadmapping process. This can simply be stated as linking the strategy better to tactics. The strategy describes why and what long term issues, while the tactics describe short term which, when, where, how and who issues. The roadmapping comes in because the strategic issues are too unclear about the specific short term issues that need to be executed at plant or at operational function level. It is a bridging step in order to decrease the gap between the strategic plan and profit plan. A simplified version of the current Annual Planning Process is shown in figure 9: *High Level Annual Planning Process*.

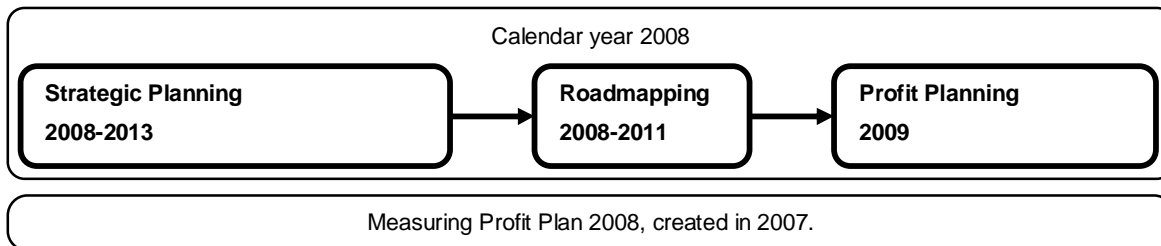


Figure 9: High Level Annual Planning Process.

The first step in the annual planning process is creating the strategic plan in the Strategic Planning Process. This plan is constructed by the Leadership Team (LT) and starts with the strategic plan of last year.

The Roadmapping Process has the goal to select a portfolio for the upcoming year that is aligned with the strategic plan. This intermediate step between the strategic plan and the profit plan is there to make a rational selection in order to link the daily operations with the overall long term strategy.

The Profit Planning Process identifies and quantifies resources and actions required to achieve goals and strategies *detailed* in the Strategic Plan.

1.2 Preliminary Research

It can be concluded that a *gap* lies at the middle of the APP process, this is the Roadmapping process (the process of linking the SP to the PP). Here, only R&D together with a few other disciplines deploy the process. The process is meant for bridging the step between the strategic plan and the profit plan, and should be executed at more departments or disciplines than R&D such as marketing, sales, HR and finance. It is clear that the RM process is known, but solely seen as owned by R&D. This is also concluded when looking at question three of the last section.

According to a large-scale research of Neilson et al. (2008) about strategy execution, companies go straight to organizational restructuring instead of looking at the core causes of the problem, and then in the long term fail at executing strategy. It is important that the core problems are solved first by building the fundamental information flows and clarifying decision rights (See figure 11: *What matters most to strategy execution*).

Then, motivators and structure become more obvious: “A brilliant strategy, blockbuster product, or breakthrough technology can put you on the competitive map, but only solid execution can keep you there.” (Neilson et al., 2008). Therefore, the core problems that lie on the base of the problem are *designing information flows* and *clarifying decision rights*.

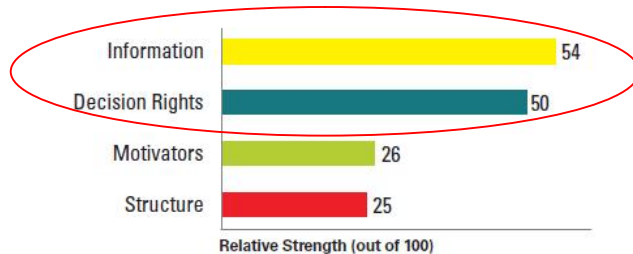


Figure 11: What matters most to strategy execution (Neilson et al., 2008).

1.2.1 Focusing on the Problem

After the pre-research, further development of a research area and focus of the research question is necessary. When thinking about the reasons behind a problem, there can be many things that lie on the base of the problem. If one thinks about the observation that there is room for improvement, does it mean there is an opportunity or a problem? Is there proof to support this? Is it a perception, goal or reality problem? The subsequent part gives a lay out and conclusion en-route to the research approach. This part focuses on the problem so it can be fed into the research approach and gives the base for the theoretical research.

Analyzing the problem according to Kramer (1978), there is a practical problem when: 1) there is a problem holder 2) there is a tension between the current situation and the wished situation where the problem holder is in 3) the situation creates discomfort and 4) the problem holder tries to transform the situation with directed effort in order to take away the discomfort. Therefore, a practical problem is dependant on a problem holder and his environment and thus is not objective. Problems are not autonomous, they are made in a framework inside the thoughts that the problem holder handles (Kramer, 1978 p. 39). Linking the above statement to the preliminary research, the problem holder is the person that is responsible for the process, the Marketing Manager. Considering that the people that are involved in the process agree with the point of view of the sponsor, this group can also be seen as the problem holder. The tension between the current and wished situation is also present, as seen in the preliminary research. The sponsor as well as the stakeholders interviewed in the preliminary research all agree that there is room for improvement and with all there is discomfort apparent. Last point is that the responsible person, the sponsor tries to change the situation with direct efforts. It can be concluded that there is a practical problem.



The processes of image formation with problem holders are information processing. The question is how an individual composes an image of its reality and which factors influence this so that a problem arises. According to Anderson (1975) there are two steps in image formation. Primary and secondary perception. The primary perception is formed by the secondary perception which are physiological processes, and are compared with what's already in the memory. The discrepancy between the two then creates a problem. Another way of image formation is the interpretation and appreciation of the semantic image that is sent by the (what Neisser, 1976 calls) schemata; what is already in the memory. Through the perceptual cycle there is an image of what is to be expected. Therefore, there is a barrier for things that are not expected and thus are rejected by the mind. This is the expectation pattern, and this has an influence on the creation of problems with the problem holder. To solve the problem it is important to know which factors influence this perceptual cycle. The three factors are the "Weltanschauung", knowledge of literature and the goal of which the image is formed.

Through the comparison and appreciation of the goal, perception or reality a discomfort can emerge within the problem holder. The emergence of a problem is thus dependent on the properties of the problem holder and his or her environment. Three ideal types of problems can therefore be recognized. A reality-, goal- or perception problem. According to Kramer, a problem situation has a problem holder, a problem solver and an environment. These are analytical entities that are dependant on the situation and can be assigned to single or multiple entities (system boundaries) (Kramer, 1978).

Considering that a problem holder can have a perception, goal or reality problem (Kramer, 1978), it is useful to look at these subjects separately in order to get a first direction for problem solving. First, the subject that is the least probable for problem solving is the goal. It is clear that the goal of the problem holder is not unreasonable. A healthy company must be able to generate a strategy based on their vision, resources and environment, and this is not made for nothing. The company must do something with it in the forms of implementation. By own admission, many companies struggle with this item (Higgins, 2005; Management-Site, 2008; Mankins & Steele, 2005; Neilson et al., 2008; Norton, 2007). Therefore, the two most influential items that lie on the base of the initial problem are *effective information flows* and *clarifying decision rights*.



1.3 Research Approach

In this paragraph the approach to the research is presented. The research is a practice-focused one. The goal is a contribution to an intervention to change an existing situation in practice. It is about solving a handling problem. The company expects concrete and directly applicable advises as a result of the research. When looking at the practice focused research intervention cycle, there can be five kinds of phases identified. Problem analysis, Diagnosis, Design, Intervention and Evaluation. When choosing e.g. phase three, one must be sure that phase one and two are thoroughly clear and that they provide a solid base for the research that is to be executed.

The *different actors* that are involved in the process are all managers of people (MOP's) throughout the organisation. Managers at divisional level are responsible for making a strategic plan (strategy), managers at more operational levels are responsible for the profit plan (tactical). Therefore, the stakes are different considering the levels in the organisation. Of course an alignment of the strategy throughout the organisation must be goal, but with the different levels and disciplines a solid coupling is key.

The person that has primary responsibility for facilitating the process is the marketing manager. He is the main facilitator of the process and on the other hand also responsible for the deliverance of business intelligence. Therefore, his involvement is twofold in that sense. Together with the LT, he makes sure that the Strategic Plan is finished, and simultaneously other people of the marketing department are making sure that business intelligence is delivered.

When the goal is design-oriented research, one cannot skip the problem analytical and diagnostic phase. First must be clear *what* the problem is, *why* this is a problem and *who's* problem it is. Therefore, when looking at the assignment, focus is on problem analysis and diagnosis. The problem must be analysed, and subsequently the aim is to gain insights in backgrounds, causes and contingencies of the problem at hand that is handled in the previous paragraph. The choice then is for a "gap analysis" type of research in combination with a problem analytical research. In this type of research, it is the goal to identify a gap between what is described in theory and what actually happens in practice. This comprises gaps in problem analytical elements as well as in diagnostic elements. When the gaps are identified, a gap-analysis is performed to compare the gaps with "best practices". This is a much more focused manner to make a comparison between companies.

1.3.1 Research Objective

To provide the management with recommendations about the improvement of the strategy execution process, **BY** researching the backgrounds of the problem in a *problem-analysis* where the problem is cleared, and, by searching for discrepancies in a *gap-analysis* where the current situation is compared with the theory and benchmarks about the annual planning process.

1.3.2 Problem Statement

"What recommendations are to be provided to the management in order to improve the process of strategy execution in the Annual Planning Process in light of theory and industry benchmarks?"

Definitions

- *Recommendations:*

Opinion or advice as a result from research about what could be done about a situation or problem at the company.

- *Strategy Execution:*

The process that ensures the high-level strategy with long-term vision created by high-level managers is put into practice at an organisation. This is also referred as putting strategy into practice. Strategy execution deals with the managerial exercise of supervising the ongoing pursuit of strategy.

- *Annual Planning Process:*

The APP refers to the process as depicted in Figure 9: *High Level Annual Planning Process*. This is the Strategic planning process, the Roadmapping process and the Profit planning process in a sequential order.

- *Theory:*

Theory is a testable model of the manner of interaction of a set of natural phenomena, capable of predicting future occurrences or observations of the same kind and capable of being tested through experiment or otherwise verified through empirical observation.

- *Benchmarks:*

Reference framework for measuring the quality of certain performance. Performance of other companies in the same sector is used as reference to judge e.g. the quality of business administration. It is executed by leaders of industry. Companies displaying operational excellence are perceived as leading.

1.3.3 Research Questions

1. *What is the gap between the current strategy execution process and theory?*
 - a. What are the theoretical implications for executing strategy?
 - b. How does the process of strategy execution currently look like?
 - c. What is the gap to focus on in the benchmark companies?
2. *How do the strategy execution processes look at benchmark companies focusing on the gap?*
 - a. How do the strategy execution processes look at the benchmark companies?
 - b. What are the implications for the Annual Planning Process?
3. *What are the recommendations for improvement of the strategy execution process?*
 - a. What does theory indicate to repair the gap?
 - b. What do benchmark studies indicate to repair the gap?
 - c. How do the implications from the research fit in the APP?

1.3.4 Research Model

Nature of research is a *problem-analytical* and *diagnostic* research. The problem analytical part researches the possible influences of critical factors on the subject. Because there is a causality between critical factors on the subject there is a conceptual model from where there is looked at theory. The diagnostic research is to be given direction by the researchers by means of choices between possible explanations of the problem. The gap analysis is in place to find the discrepancy between the current and desired situation.

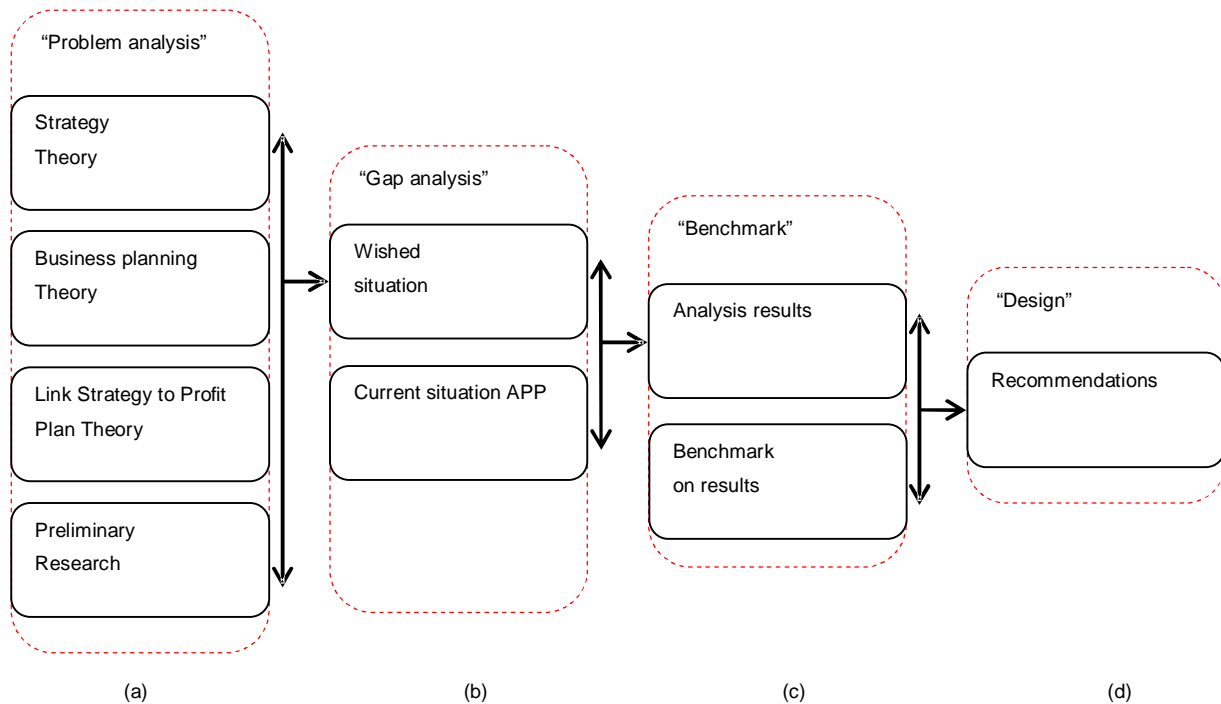


Figure 12: Research model



1.3.5 Research Strategy

Until now, this chapter was about creating the conceptual research design. This means the development of a clear reachable and steering question and the construction of a research model, the *what* of the research. Now the focus is on what we must do in order to answer the questions. Thus, thinking about *how* the research is to be executed. The object under study is a process. Therefore, the sources of information can be persons in that process, media supporting the process, current execution of the process in real life, documents about or from the process, and literature concerning (strategic) planning.

First source of information is the information gathered from *persons*. People can give a real big diversity of information and they can do this quick and focused. People can be a data source when talking about themselves and about others and they can be a knowledge source when being considered an expert in some fields. A disadvantage of persons as source is that in some areas the threshold is high when talking about difficult personal or political issues.

Then, *documents* are used in order to get information about, mainly, the current execution and current design of the process. Concerning the APP, documents have a large degree of confidentiality because this is the core of the strategy that the organisation has in order to gain competitive advantage. Finding the right documents require a high level of creativity and social skills in order to get the most information. Advantages are that documents are fairly easy to gather and they require low cost for obtaining them. In addition, documents are relatively unexposed to strategic behaviour of respondents. Disadvantage is that documents can contain too much information and thus are not examinable anymore. Then, purposive samples have to be made.

Last source of information will be, of course, *literature*. Interpretations in literature can give guidance in the research and also reflect on a field that is under investigation. Advantage of literature is that it can be very focused in one particular subject and therefore one does not have to research things that have already been done. This can also be a disadvantage, because literature can be also too focused and thus not containing all the information needed.

Chapter 2: Theoretical framework

As defined by (Johnson, Scholes, & Wittington, 2007), “Strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations”. To summarize some main characteristics of strategic decisions: Strategic decisions are likely to be complex in nature. This is especially the case in companies with a wide geographical scope. Strategic decisions have to be made in situations when there is a high uncertainty about the future. They also affect operational decisions, a choice to sell a new product in a new country leads to new operational activities. The link between strategy and operations is important for two reasons. First, the operations must be in line with the strategy. Second, at operational level the real strategic advantage must be achieved. Strategic decisions are also demanding an integrated approach. Managers have to go cross-functional and cross operational to agree on the items discussed. Last, Strategic decisions mostly involve change in organisations. This is always difficult considering the culture and heritage that are embedded in an organisation.

When talking about the different levels of strategy, three levels can be distinguished: Corporate level strategy, this is concerned with the overall purpose of the organisation and how value will be added to the different parts. Business (or SBU) level, this is about how to compete in a particular market. The company can be perceived as a SBU because the products they are delivering are mostly aimed at home countries and to a limited amount to markets in and around them. The third level of strategy is the operational level strategy. This concerns how a component of an organisation delivers products or resources to the strategic business unit. It is very important that the different levels of strategy are aligned with each other.

2.1 Strategic Management

Strategy has to be managed. Strategic management is more than just strategic decision making. Moreover, it differs a lot from the day-to-day operational management. The scope of strategic management is concerned with complexity of non-routine situations organisational wide. This is a major challenge for managers who are mostly involved in operational activities. Strategic management has three elements put forward by Johnson et al. (2006): Understanding the 1) strategic position, 2) strategic choices and 3) turning strategy into action. This research focuses on the last point.

Historical studies of the change of the pattern of strategy development and change in organisations have shown that typically organisations go through long periods of relative continuity and thus not changing the strategy or at most changing the strategy incrementally. This can go on for a while, but this tends to create strategic drift. This is where strategies fail to address the strategic position and see the performance deteriorating (see figure 13: *Strategic fit*).

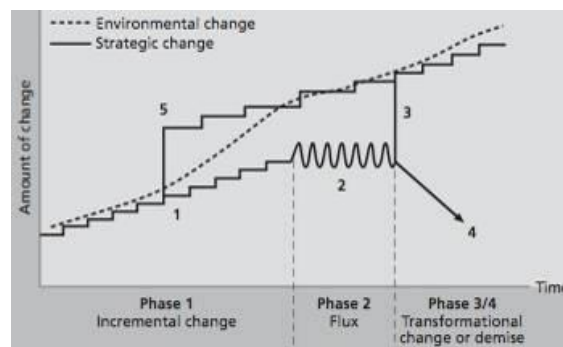


Figure 13: Strategic Fit.



2.2 Turning Strategy into Action

The CMM is trying to assure that the process of linking strategy to daily operations is clear, but as perceived in the preliminary research this is not completely the case. This paragraph discusses the strategy literature in order to find a common ground for the clarification of the problem. This literature is looking at how strategy is executed.

2.2.1 Strategy Execution

Research within more than fifty countries, in more than thousand organisations concerning more than 125,000 useable respondents (where 25% are executive functions) indicates: *“Enterprises fail at strategy execution because they go straight to structural reorganisation and neglect the most powerful drivers of effectiveness, that is, decision rights and information flow”* (Neilson et al., 2008). If a company has a new strategy because of e.g. a new technology, only a solid strategy execution (process) can keep the company in a solid position, meaning the strategy leads the way to the best possible alignment with the environments of the organisation. However, the majority of the 125,000 respondents admit they are not good at it. What matters the most to strategy execution according to Neilson et al. (2008) is making sure that information flows are routed correctly across organisational boundaries and that the decision rights are clarified correctly. Subordinate to that is the correct alignment of motivators and making changes to structure. If the first two are right, the latter two often become obvious. Neilson et al. bring a list of seventeen fundamental traits forward for organisational effectiveness in executing strategy that are drawn from 26,000 people in 31 countries of companies successful in implementing strategy. These traits are ranked in order of importance based on a strength index, and clear is the first half (1-8) is only in the field of effective information flows and clarifying decision rights. Only three of the seventeen at the lower ends in the list are in the category structure. Thus, the items that are useful for the research at the company that connect the problem to theory are the four building blocks and thus all the seventeen traits. These are displayed in figure 14: *Seventeen Fundamental Traits for Effective Strategy Implementation* (Neilson et al., 2008).

RANK	ORGANIZATION TRAIT	STRENGTH INDEX (OUT OF 100)
1	Everyone has a good idea of the decisions and actions for which he or she is responsible.	81
2	Important information about the competitive environment gets to headquarters quickly.	68
3	Once made, decisions are rarely second-guessed.	58
4	Information flows freely across organizational boundaries.	58
5	Field and line employees usually have the information they need to understand the bottom-line impact of their day-to-day choices.	55
6	Line managers have access to the metrics they need to measure the key drivers of their business.	48
7	Managers up the line get involved in operating decisions.	32
8	Conflicting messages are rarely sent to the market.	32
9	The individual performance-appraisal process differentiates among high, adequate, and low performers.	32
10	The ability to deliver on performance commitments strongly influences career advancement and compensation.	32
11	It is more accurate to describe the culture of this organization as “persuade and cajole” than “command and control.”	29
12	The primary role of corporate staff here is to support the business units rather than to audit them.	29
13	Promotions can be lateral moves (from one position to another on the same level in the hierarchy).	29
14	Fast-track employees here can expect promotions more frequently than every three years.	23
15	On average, middle managers here have five or more direct reports.	19
16	If the firm has a bad year, but a particular division has a good year, the division head would still get a bonus.	13
17	Besides pay, many other things motivate individuals to do a good job.	10

BUILDING BLOCKS Decision Rights Information Motivators Structure

Figure 14: Seventeen Fundamental Traits for Effective Strategy Implementation (Neilson et al., 2008)

2.2.2 Wicked Problems.

Though the problem of putting strategy into practice is not a “wicked problem”, there are some elements that can be recognised, and thus some solutions for managing a wicked problem can be used in assessing the problem. One speaks about a “wicked” problem when there are five criteria recognised in the problem. These criteria originally stem from the ten properties of wicked problems described by Webber and Rittel, see figure 15: *Ten properties of wicked problems* (Webber & Rittel, 1973).

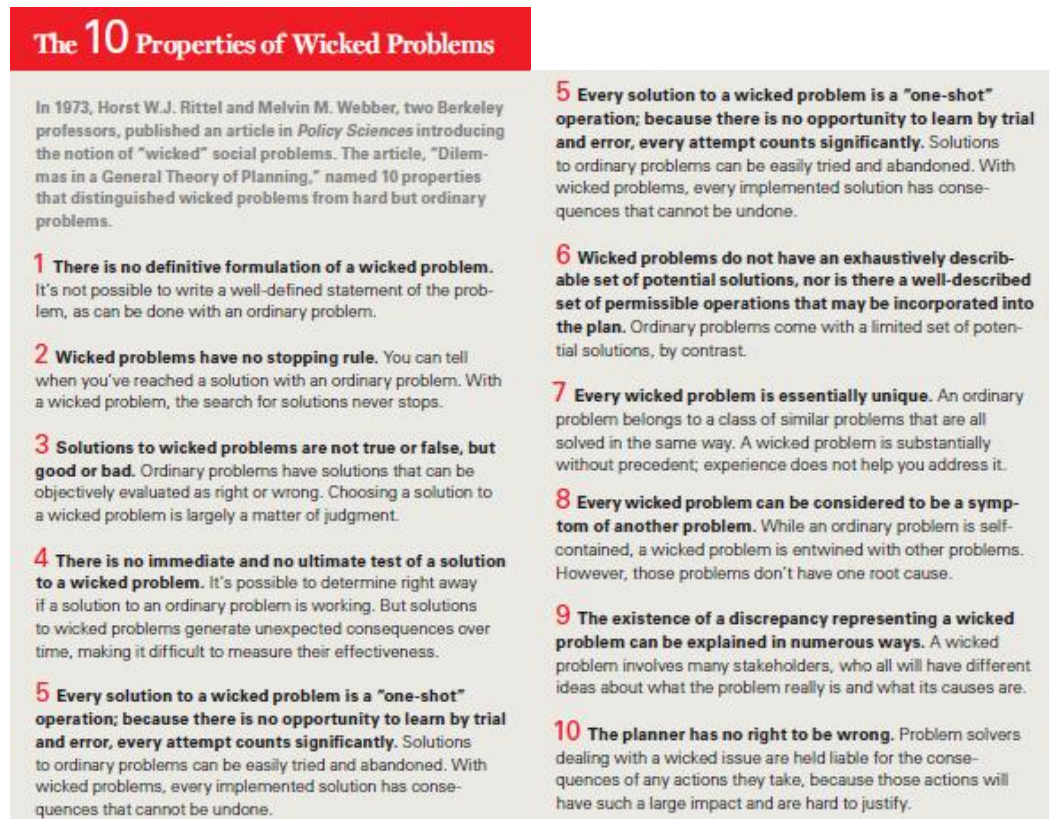


Figure 15: Ten properties of wicked problems (Webber & Rittel, 1973)

Wicked problems are perceived to stem from the beginning of the industrial age. The first criterion is that the problem involves many stakeholders with different values and priorities. In this case the many stakeholders can be recognised as the many disciplines that all have various priorities and maybe different values. Priorities differ very much for example between sales and operations. Values are not likely to differ much because of the strict focus on global ethics. The first criterion is therefore affirmed. The second criterion is that the problems roots are complex and tangled

The fourth criterion is that the problem has no precedent. The problem of creating a process for putting strategy into practice is never been attempted before, so therefore this criterion is applicable. The last criterion is that there is nothing that indicates if the problem has a right answer. This is not the case because this is only applicable to the contents of the process, but the process itself can be adapted each year in order to reach a best practice of effectively putting strategy into practice.

Managing the wickedness of strategy is virtually impossible. However, the less wicked, the easier it is to cope with them. The first item to manage wicked problems is to involve stakeholders, to document opinions and to communicate. Companies can manage wicked problems not by being more systematic but by using social planning processes with the aim of creating a shared understanding and foster joint commitment.

As Camillus (2008) states it: *“All planning processes are, at their core, vehicles for communication with employees at all levels and between business units”* and *“At Meryll Linch the corporate planners three most important rules are communicate, communicate and communicate”*.

The second manner to manage wicked problems is to define the corporate identity. Mission statements are the foundations of strategies and therefore a companies identity. The third way to manage wickedness is to focus on action. It is better to start right away than to get too much involved in the science of muddling through. Smart companies therefore need to encourage a level of risk taking and learn from their mistakes. Fourth thing to do when managing a wicked problem is to adapt a “feed-forward” orientation. Feedback systems are a powerful tool for learning when a strategy is already sound, but when talking about complete new ones it is not enough. Scenario planning is one of them. It can make people think of situation that are not probable but can open up minds. To conclude the wicked problems part, I would like to end with a quote that is quite applicable to the problem: *“The easy problems have been solved, designing systems is difficult because there is no consensus on what the problems are, let alone how to solve them”* (Camillus, 2008).

2.2.3 Strategy Execution with the BSC

In a business consulting article, Norton (2007), indicates six best practices that will enhance strategy execution (see figure 16: *Six best practices for strategy execution*). Here, it is claimed that high performers have more formal processes for clear articulation of strategy and measures, they manage a limited number of key strategic issues, they regularly report on and manage strategy, they communicate about the strategy, they align business and support units to strategy and they link strategic initiatives to the budget. This all should be an integrative process which can be cascaded down into the organisation with the use of the Balanced Score Card (Norton, 2007).

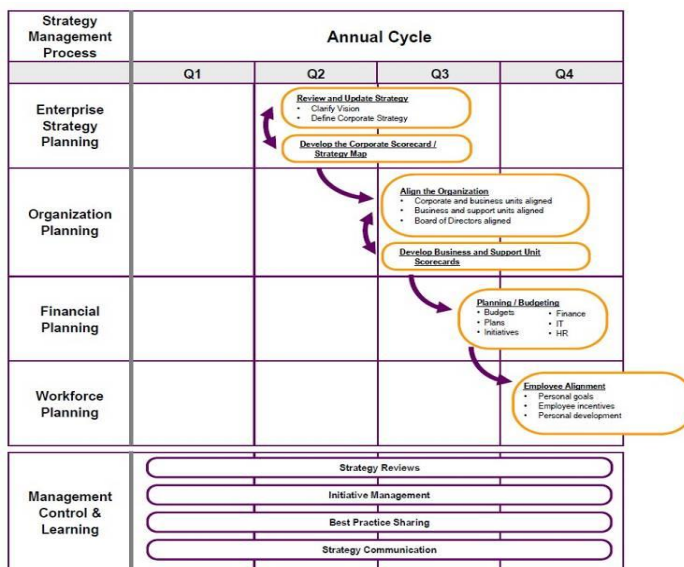


Figure 16: Six best practices for strategy execution (Norton, 2007).

2.2.4 Strategy-as-Practice

A rather new field of study is Strategy-As-Practice (SAP). This field of research has taken on the task of looking at the “how” of strategy rather than looking at the “what” with the goal to balance the two because the “what” is already well researched. It is the question of how managers actually weave the pattern of strategy and how the strategy is created and realized from the point of view of social sciences.

Valmra et al. (2006) point out seven functions of strategy as practice that categorize the typical generic activities within the strategy process. The first is the “what” in strategy and the last is the “how” strategy is implemented. The first activity is the base of the process. This is the process of *making sense of the organisation and its environment*. Upon this activity itself there can be no action derived, but it builds the base and direction of the subsequent activities. Subsequent are the activities of *creating new ideas and activities* and *creating a formal strategy*. As a kind of intermediate step between the what and how there is the *communicating a coherent strategic direction* step. This is also recognised as a very important step by various other authors. A fifth generic action is to create a *coherent understanding about implementation*. This of course builds on the subsequent step but still there are more means to do it and it is important to get the action executed. All the former must lead to the sixth generic action to be undertaken, that is the manner of *how strategic decisions are made at all levels of management*. Decisions are made at all levels and thus at all points in time where people are involved in strategy making. This means that the strategy implementation is dependant on decisions made, and thus at all levels at all times. The seventh and last category is the process of *control*. It is important to keep track of results to make adjustments to strategy, a feedback loop.

The seven generic activities	Jarzabkowski	Gioia and Chittipeddi	Hart modes
Understanding the organization and the environment	Direction setting	Sense-making	Rational, transactive, generative, command, symbolic.
Generating new ideas and initiatives	Direction setting	Sense-making	Rational, transactive, generative, command, symbolic.
Designing a formal strategy	Direction setting	Sense-making	Command, Symbolic, Rational, Transactive
Communicating a strategic direction	Direction setting	Sense-giving	Symbolic, Rational, Transactive
Making strategic decisions at any level of management	Direction setting, resource dissemination	Sense-making	Rational, Transactive, Generative, Symbolic, Command
Agreeing about means of implementation	Direction setting, resource allocation	Sense-making and sense-giving	Transactive, Rational, Symbolic
Control and adjustment	Control		Rational, Command, Transactive

Table 3: The relation of the seven generic activities to other classifications (Valmra, Metsla, Rannus, & Rillo, 2006).

Furthermore, they compare their seven generic activities with other strategy making classifications from (Hart, 1992), (Gioia & Chittipeddi, 1991) and (Jarzabkowski, 2005) see table 3: *The relation of the seven generic activities to other classifications*. (Valmra et al., 2006)

2.2.5 Strategy-to-Performance Gap

Mankins and Steele (2005) signal that almost every CEO, among 179 companies worldwide with sales exceeding 500 million, states the strategy is sound but the execution is poor, meaning turning great strategy into great performance is a serious concern, and sometimes even a frustration. They call it the strategy-to-performance gap. It is difficult to say if the strategy-to-performance gap stems from poor planning, poor execution, neither, or both. They discovered that companies rarely track performance against long-term plans, multiyear results rarely meet

projections, value is lost in the translation of plans, performance bottlenecks are rarely visible to senior management and the strategy-to-performance gap fosters a culture of under performance. It is stated that companies typically realize only about 60 per cent of their strategies' potential value because of defects and breakdowns of planning and execution (see figure 17: *Where the performance goes*).

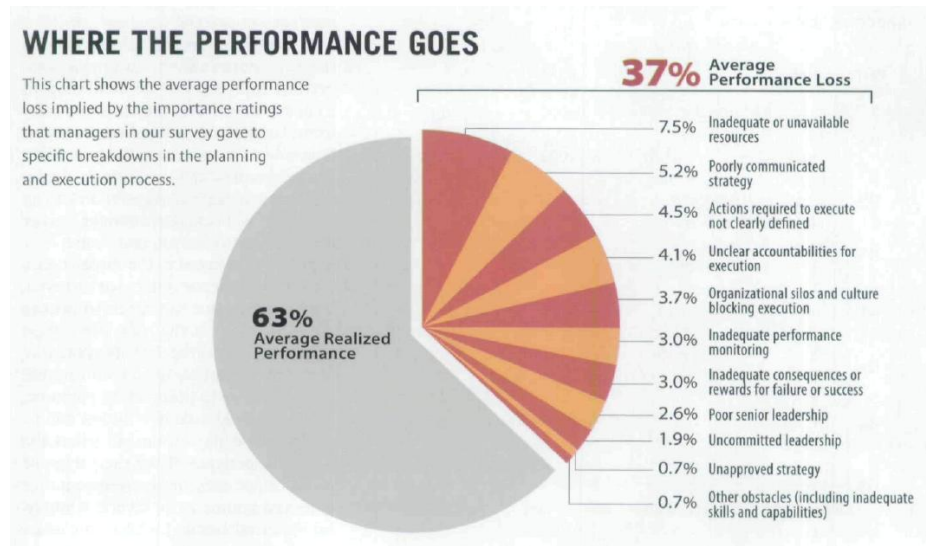


Figure 17: Where the performance goes (Mankins and Steele, 2005)

In a ranking order of influence rated by top managers, these are the reasons for the existence of the 30 per cent gap: inadequate or unavailable resources, poorly communicated strategy, actions required to execute not clearly defined, unclear accountabilities for execution, organizational silos and culture blocking execution, inadequate performance monitoring, inadequate consequences or rewards for failure or success, poor senior leadership, uncommitted leadership, unapproved strategy, other obstacles (including inadequate skills and capabilities). Seven actions are proposed to close the strategy-to-performance gap. First is to keep the strategy simple and concrete. Second is to debate assumptions, not forecasts. Forecasts are defensible even when they are completely different and when consolidated there is little use left for overall planning uses. Third is to use a rigorous framework for speaking a common language in order to be effective in communication and execution. Fourth is to discuss resource deployments early. The goal is to agree on this in an early stage to make recommendations about placements and timing. Fifth is to clearly identify priorities. Managers must make thousands of tactical decisions and put them into action. Successful companies make these priorities explicit so that everyone has a clear vision of effort focus. Sixth action is to continuously monitor performance and seventh action is to reward and develop execution capabilities. It is key that companies motivate and develop their staffs. (Mankins & Steele, 2005).

2.2.6 Aligning Organisational Factors with Strategy

As stated by Higgins (2005) successful executives spend a great deal of their time on executing their strategy. They realize strategy execution is just as important, if not more important, as strategy formulation. Much of successful strategy execution revolves around aligning (see figure 18: 8S alignment) key organisational factors with strategy, especially in these times of faster changes in the environment. Higgins stated: *“At a minimum, executives must align the following cross functional organizational factors; structure, systems and processes, leadership style, staff, resources, and shared values with each new strategy that arises in order for strategy to succeed. [...] All of these factors have been integrated in a practical model for successfully executing strategy that I call the Eight “S”s of Strategy Execution.”* (Higgins, 2005). On a cross-functional basis, virtually everything an organization does is covered within the 8S. During the execution stage, the model serves as a roadmap for implementation. In addition, if you want to uncover what the cause for the failure of strategy execution might be, this model usually points to the reason. The underlying principle of the 8S model is that different strategies require different kinds of structures, systems, style, staffing, resources, and shared values to make them work. If there is not an excellent match among these factors, performance suffers (Higgins, 2005).

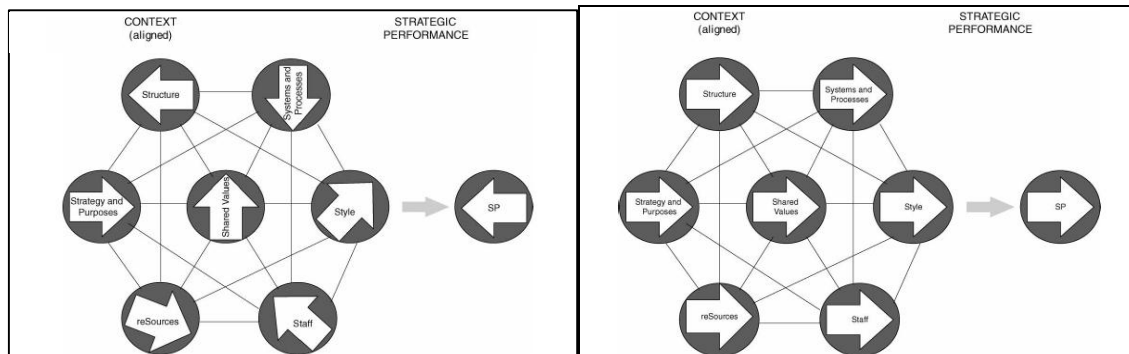


Figure 18: 8S alignment (Higgins, 2005).



2.2.7 Strategic Planning Audit

The change in the strategic planning process over time due to the continuously changing environment leads to the question of effectiveness of the process. Before the eighties, the scope was narrow, the number of issues was low, the number of participants was low and the planning formality was high. During, and a bit after the eighties, this was the opposite situation. Therefore, for assessing if the strategic planning process is affective, Piëst (1993) developed a planning audit and put forward some factors that are important for the change of the situation. The questions in the planning audit are:

First, one should ask if the strategic planning process is integrated in the decision making process. When yes, it is effective. Decision-making is the heart of planning.

Second, one should ask what the function is of planning. Is it anticipatory of coordinating? Here the danger exists that different decision makers will be led toward making a series of unrelated choices.

Third question is to explore what the organizational consequences are of planning. If the consequences are slight, one can see that strategy rarely effects the organization and thus the execution of strategy is low.

Fourth question is how quick issues on the planning agenda changes. One should be engaged in formal procedures but not too much because flexibility is also needed.

Last question is how many issues are on the planning agenda. This should not be the case in order to keep from fragmentation and maintain focus and agreement. In order to change a planning process one can keep three factors in mind for successful execution. Changing a planning process is a time consuming and difficult task, even when all noses are set in the same way. This is because past experience is hardly relevant for the new situation and it is uncertain how changes must be implemented. The first factor is to let the planners take the initiative, but let the managers take the decisions at the content side. Secondly, it is important to have support of top management. It is crucial to let the created strategy cascade into lower levels of the organization. Last but not least, and seen in many other articles, it is important to communicate the plans throughout the organization. If information is perceived differently by employees in the organization, it can result in speculations of difference in effect to all parts of the organization, which in turn can lead to unrest and delays (Priëst, 1993).



2.2.8 Combining strategy execution

Combining the articles elaborated above, table 4 displays that it is clear the common base for solid execution of strategy in first place are effective information flows (top red line) and clarifying decision rights (bottom blue line). Therefore, these concepts form the basis of this research and are further investigated in the subsequent part. The article of Neilson et al. (2008) is taken as a starting point.

(Neilson et al., 2008)	(Camillus, 2008)	(Norton, 2007)	(Valmra et al., 2006)	(Mankins & Steele, 2005)	(Higgins, 2005)	(Priest, 1993)
Information	Involvement and communication	Clear articulation	Understanding the organisation	Simple and concrete	Strategy and purposes	Let planners take initiative
Decision Rights	Define corporate identity	Manage limited number of KSI's	Generating new ideas and initiatives	Debate assumptions, not forecasts	Structure	Communicate plans throughout the organisation
Motivators	Focus on action	Meet and report on managing strategy	Designing a formal strategy	Rigorous framework for strategy communication	Systems and processes	Top management support
Structure	Feed forward system	Communicate about strategy	Communicating a strategic direction	Discuss resource deployments early	Leadership style	
		Align business to strategy	Make strategic decisions at any level	Clearly identify priorities	Staff	
		Link strategic initiatives to budget	Agreeing about means of implementation	Monitor performance	reSources	
			Control	Develop execution capabilities	Shared values (culture)	
					Strategic performance	

Table 4: Connection of Strategy as Practice literature with focus on Information Flow and Clarifying Decision Rights.

Focusing on the concepts of effective information flows and clarifying decision rights, the next paragraphs explain more focused literature that is in track with the two concepts. It must be noted that the term *Strategic Decision Making* is not exactly the goal, it has a double meaning in this research. This term is used for decisions that influence content of strategy and not the process side of strategy, but when looking further, there is always the goal of putting strategy into action and then it is applicable. Therefore, the terms decision making and strategic decision-making are partly related. Organisational information flow is the other term from Neilson et al. This is related to communication. Therefore these related terms are both incorporated.

2.3 Effective Information Flows

According to Neilson et al. (2008) the most important fundamental building block for successful strategy execution is designing effective information flows. It has a relative strength of 54 out of 100 in the research (See figure 19: *Relative strength (out of 100)*).

Organizational communication can be defined as: “*The process by which information is exchanged and understood by two or more people, usually with the intent to motivate or influence behaviour.*”

(Daft, 2007) or “*Communication is the process to impart information from a sender to a receiver with the use of a medium*” (Wikipedia, 2008b). Thus, communication literature can be researched in order to explain and analyse the “effective information flows” principle. This of course in the context of strategy execution.

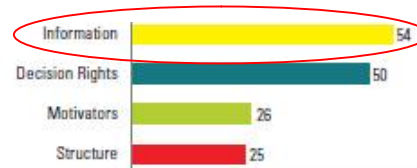


Figure 19: Relative strength (out of 100)

2.3.1 Information Flow Through Communication

Organisational communication is a main aspect influencing the quality of the collaboration and cooperation within organisations (Hoegl & Proserpio, 2004) (Biele, Rieskamp, & Czienskowski, 2008) and therefore communication is becoming increasingly important to any organisation. Berry (2006) and O’Kane and Hargie (2007) also indicate communication is critical to organisational success. It also indicates that it can serve functions as improving the organisational climate and increasing cooperation between employees. Communication is generally recognized as a central task of management for organisational development and can influence motivation and commitment (Rowley, 1999). Communication is becoming more and more strategic and should be a part of the strategy of all organisations (Goodman, 2001) (Hargie, Tourish, & Wilson, 2002). Organisations are therefore challenged to search for processes that enable effective communication (Berry, 2006). This is in line with the initial problem statement of this thesis. Furthermore, Kelly (2000) defines personal and organisational barriers that hinder effective communication. Of course, there are also the different styles of communication. Verbal and non-verbal (Harris, Harris, & Nelson, 2007). In addition, different communication channels define whether the information flows horizontal (up- or downward) or vertical. It is stated that external communications about the companies direction are important for customers and stakeholders.

2.3.2 Leadership and Communication

Internal and external communication of strategy is a central role of any CEO. The significance of communication within leadership is put forward by Hax & Majluf (1991): “... *the central role of the CEO is generating and communicating the basic goals of the organisation. Also outside publicly owned companies need to inform external stakeholders of the direction that the company is following. Internal communication is full of strategic content and is essential to mobilize all the individuals working in the firm in the same desired direction.*” The importance of communication is also stressed by Thompson (1997). It is put that understanding and acceptance of the leadership’s strategic vision needs to be ensured: “*Effective communication systems, both formal and informal, are required to share the strategic vision and inform people of priorities and strategies and to ensure strategies and tasks are carried out expeditiously.*”

Also important, especially for the CMM, is that Hill and Jones (1995) emphasize the role of communication in facilitating, understanding and coordination between the separate functional hierarchies within organizations. In line with that, Hax & Majluf (1991) state: “*Managing the interface of a variety of independent businesses, functions, and geographical areas, including possibly, a wide number of countries with completely different cultural backgrounds, requires enormous communication and informational skills, and extraordinary wisdom to reconcile legitimately different points of view.*”

Moss and Warnaby (1998) state that: “... *the importance of communications to the strategy-making process clearly emphasize the internal role of communications in facilitating the implementation and control of strategy making within organizations. ... More significantly, there is rarely any discussion of who within the organization should be responsible for managing the communication process or where the communication function may fit into the overall strategic management process. The absence of any explicit reference to a distinct role for either corporate or marketing communications functions can be seen to reflect an essentially tactical orientation in thinking about the role of these communication functions throughout the strategy literature. In this sense, communications has been treated primarily as an ‘enabling’ function, facilitating the successful implementation of strategic decisions, but it is not in itself seen as a key element in the strategic decision-making process.*”

2.4 Clarifying Decision Rights

The concepts that are needed in order to analyse the “Clarifying Decision Rights” section of Neilson et al. (2008) (Figure 20: *Relative strength (out of 100)*) are items from the strategic decision making process (SDMP) literature. As stated earlier, it must be noted that the strategic element in SDMP must not be overstated. In strategy execution the focus is on making sure the intended strategy is realised through a process of cascading. Strategy execution is perceived as steering the emergent strategy towards the deliberate strategy (Johnson et al., 2007 p.564). Throughout this process, many decisions must be made. In this paragraph, the elements of decision making in the literature are set out to indicate what elements are important in order to analyze the situation of the company and the benchmark companies. Based on this chapter a questionnaire is created for empirical research. The questionnaire of Neilson et al. (2008) is integrated for the internal perception towards strategy execution. Specific elements of decision-making are further used for in-dept analysis.

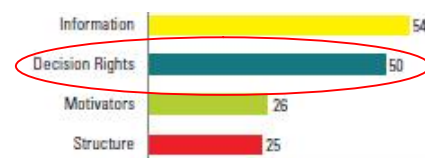


Figure 20: Relative strength (out of 100)

2.4.1 Different Decision Making Processes

A decision making process in the most simple form is a rational process that is a step by step one (See figure 21: *Classic Decision Making process (Nickols, 2005)*). This process is seen in many places with minor variances. The process is easily understood, appears to be rational, is widely known and most managers are comfortable with it. The process originates from a problem solution process. However, is does not reflect the reality of strategic or complex decisions and does not take political and other aspects in account.

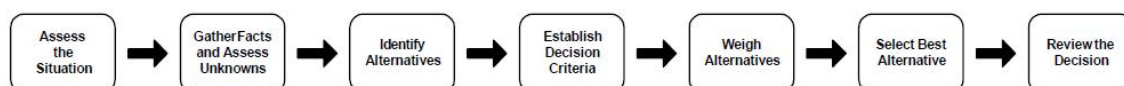


Figure 21: Dewey's Classical Decision Making process (Nickols, 2005).

A more iterative model that incorporates goals and objectives also stresses the need for implementation of the decision is the military model (See figure 22: *Military Decision Making Model*).

This is basically the classical model with feedback loops and focuses in the last two steps on implementation of the decision with a subsequent step that is command lead and manage. A feedback loop runs from the latter to implement decision to check and correct.

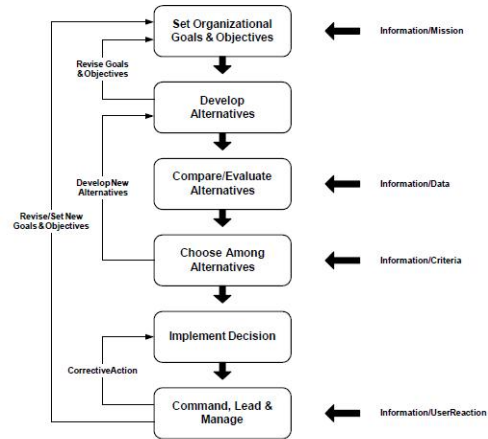


Figure 22: Military Decision Making Model

Mintzberg et al. (1976) studied 25 strategic decisions and the process they were in. From their conclusions, they build a model that is widely known in decision-making literature (See figure 23: *Mintzberg's general model of the strategic decision process*). The model draws attention to many key aspects of (strategic) decision making with three phases and seven routines. It also describes the dynamical nature of the process by means of many feedback loops and interrupts can occur when in the process. In addition, the article describes patterns of different strategic decisions as exhibits. Downside of the model is that it is not understandable and it has limited practical guidance.

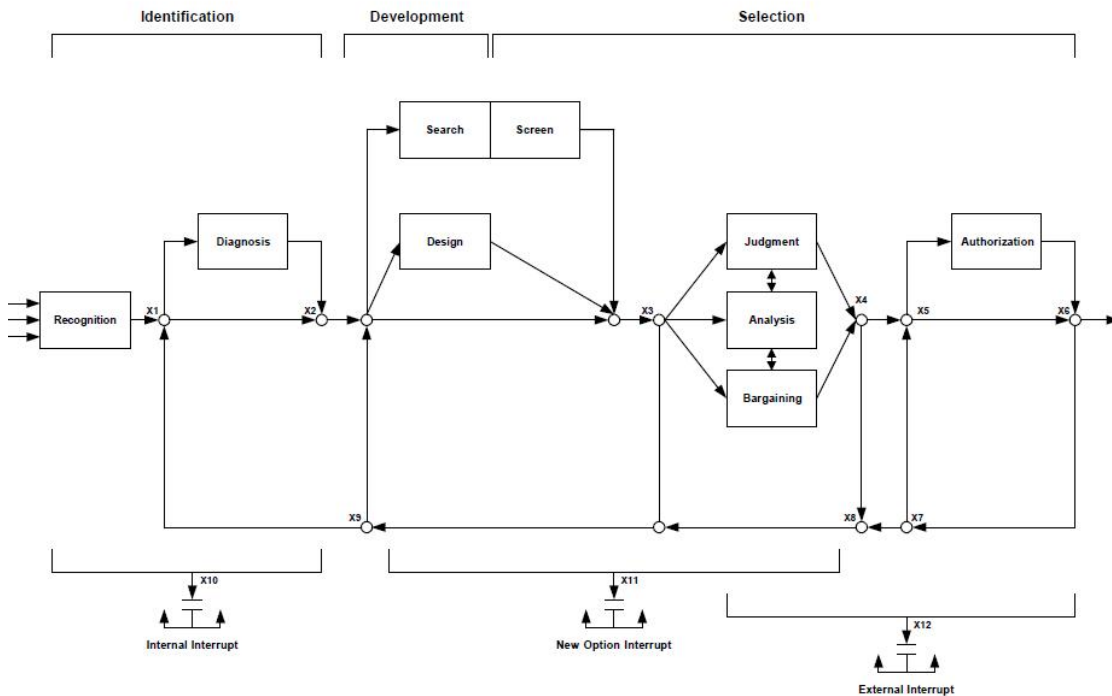


Figure 23: Mintzberg's general model of the strategic decision process.

A more complex decision making process is the Cynefin model (See figure 24: *Cynefin Framework*), developed by Snowden et al. (2007). The framework draws on research into complex adaptive systems theory, cognitive science, anthropology, narrative patterns and evolutionary psychology. It proposes promising new approaches to communication, decision-making, policy-making and knowledge management in complex social environments. Some of the characteristics can be used in order to clarify the decision process in the light of sense making in decision processes.

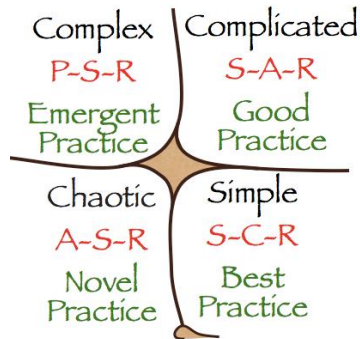


Figure 24: Cynefin Framework

Extracting the most important characteristics of decision processes, it can be concluded that if there is a strategic decision made, there have to come many more decisions to execute what is decided in the strategic decision. A strategic decision is a commitment to a course of action. The process of decision-making has to accommodate the generating of possible courses of action, whether one or many, whether custom, ready-made or adaptive. Evaluation in order to judge what the course of action will be is absolutely necessary. Without commitment the decision is fatally flawed (Nickols, 2005). The proposed model of Nickols (2005) (See figure 25: *Strategic Decision Making Process*) also provides elements of decision making that are useful for the research of the concept of Neilson et al. (2008), clarify decision making. Note that the outcome is communication! This is the most important element indicated by Neilson et al. (2005) and indicates once again that the elements are related in an important way.

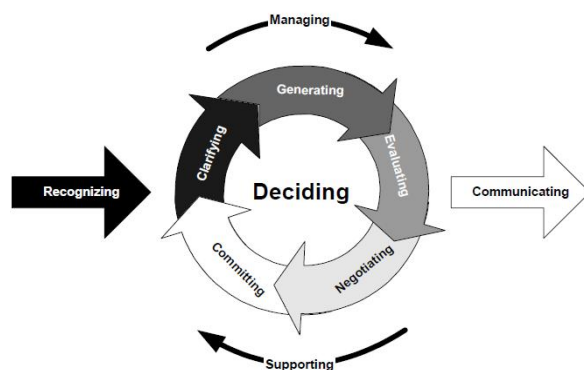


Figure 25: Strategic Decision Making Process

2.4.2 Decision Making in the DNA Profiler

At the basis of the research of Neilson et al. (2008), the DNA profiler scan is made to determine the organisational DNA profile to diagnose the organisation (Booz&Co ,orgdna.com). This profiler indicates items that are related to the four building blocks Neilson et al. (2008) refer to as the basic blocks that determine the behaviour of an

organisation (See figure 26: *Four Building Blocks of Organisational DNA*). The different combinations of results subsequently indicate what type of organisation it is. It can be *Passive-Aggressive*: “Everyone agrees, but nothing changes.” *Fits-and-Starts*: “Let 1,000 flowers bloom.” *Outgrown*: “The good old days meet a brave new world.” *Over managed*: “We’re from Corporate, and we’re here to help.” *Just-in-Time*: “Succeeding by the skin of our teeth...” *Military Precision*: “Flying in formation...” and *Resilient*: “As good as it gets...”. The four building blocks are inextricably related but the focus is on decision rights and information flow. It is stated that if these two are improved, the other two will follow almost automatically (Neilson et al., 2008). When looking at decision-making through the framework of Neilson et al., it comprises every decision in the company. Though this may not be the focus of the research in the first instance, putting strategy into practice does apply to most people in an organisation. In contrast, strategy making is only designated to top management levels. Decision-making process measures of the DNA Profiler are also used to gain a more in-depth insight in the decision processes of benchmark studies.

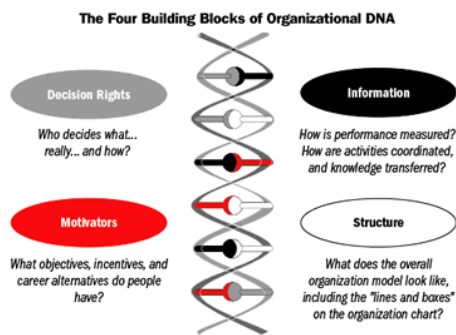


Figure 26: Four Building Blocks of Organisational DNA.

2.4.3 Strategic Decision Making Process

One concept of the strategic decision making process is presented by Papadakis et al. (1998) in their research on the relation between the decision process characteristics and management and contextual factors (see figure 27: *Strategic Decision-Making Processes: The Role of Management and Contextual Factors*).

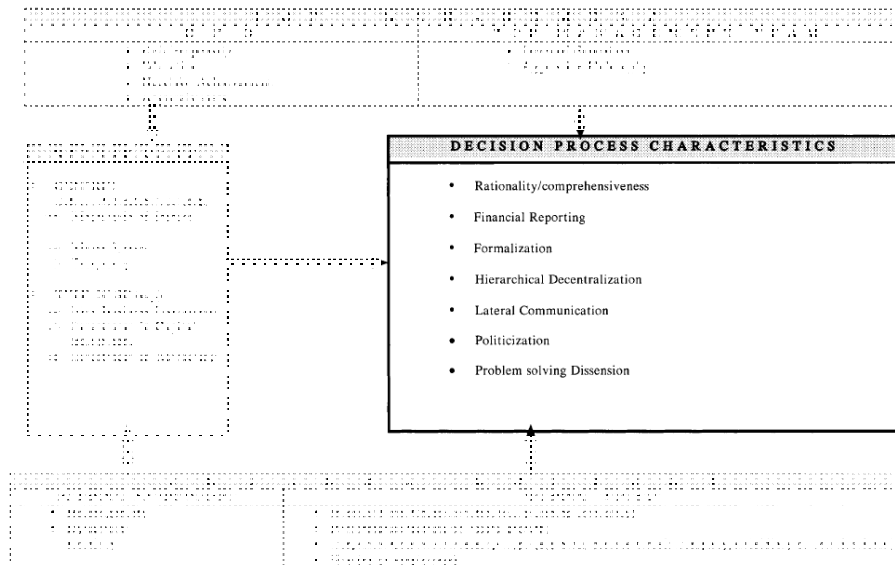


Figure 27: Strategic Decision-Making Processes: The Role of Management and Contextual Factors.

In their framework they use concepts for measurements from (Fredrickson, 1984) for rationality, (P. H. King, 1975), (Marsh, Barwise, Thomas, & Wensley, 1988) and (Stein, 1980) for financial reporting and rule formalisation (Tannenbaum, 1968) and (Grinyer, Al-Bazzaz, & Yasai-Ardekani, 1986) for horizontal decentralisation and lateral communication (Pettigrew, 1973), (Mintzberg et al., 1976) and (Hickson, Wilson, Cray, Mallory, & Butler, 1986) for politicisation and (Butler, Davies, Pike, & Sharp, 1991) and (Eisenhardt & Bourgeois, 1988) for problem solving dissension. Some of the seven measures of decision process characteristics can be used in order to research the conclusion in track of Neilson et al. (2008). Clarifying decision rights can be seen as the same as any decision process in a strategic context, therefore the link is made. The concept of the decision process as described by Papadakis et al. (1998) is explained below. This is the base of the concept of clarifying decision rights as described by Neilson et al. (2008). When the process of decision-making is clear, the clarification of decision rights should be a logical next step in the organisation. Below the decision process characteristics:

Rationality/comprehensiveness. For this SD process dimension, there are five stages that contain eight rationality elements (Fredrickson & Mitchell, 1984; Papadakis et al., 1998). The variables from the five stages are summed in order to give a rationality/comprehensiveness measure. The five stages are situation diagnosis, alternative generation, alternative evaluation, making the final decision and integrating the decision. The eight rationality elements are extent of scheduled meetings, assignment of primary responsibility, information-seeking activities, systematic use of external sources, employees involved, use of specialized consultants, years of historical data review and functional expertise of people involved.



Financial reporting. On the basis of (P. F. King, 1975) (Marsh et al., 1988) and (Stein, 1980), Papadakis (1998) extracted financial measures that are in the core of the strategic decision process. This is a supporting measure that reports the degree of reporting activities in support of the SD. This variable measures the degree of financial reporting activities and consists out of six items: use of NPV-IRR methods, inclusion of pro forma financial statements, detailed cost studies and incorporation of the SD into companywide financial plans.

Rule Formalization. This specific factor variable incorporates seven items and measures the degree of rule formalization during the making of the SD (P. F. King, 1975; Stein, 1980). Items are the degree to which there exists a written procedure guiding the process, existence of a formal procedure to identify alternative ways of action, formal screening procedures, formal documents guiding the final decision, predetermined criteria for SD evaluation.

Hierarchical Decentralisation. This measure concerns the level of management participation at all five of the before mentioned stages. The hierarchical levels are owner, CEO, first level manager, middle management and lower management (Grinyer et al., 1986; Tannenbaum, 1968).

Lateral Communication. This is measured in the same way as the Hierarchical Decentralisation. At every of the five stages the participation of all major departments is measured. The departments are sales, marketing, finance, production, HR and SCM (Tannenbaum, 1968).

Politicisation. This variable is measured by coalition formation, degree of negotiating among participants, the degree of external resistance encountered and the degree of process interruptions (Hickson et al., 1986; Mintzberg et al., 1976; Pettigrew, 1973).

Problem solving dissention. Three items comprise this variable measuring the degree of problem-solving dissention during the initial stages of the process: the degree of disagreement on the objectives sought by the decision, the proper methodology to follow and the proper solution to the problem (Bourgeois & Eisenhardt, 1988; Butler et al., 1991).

The research model, which is given below (See figure 28: *Research Model*), depicts the two prerequisites for strategy execution effectiveness that are expected to influence the eight concepts. The two main overarching factors are based on Neilson et al. (2008), and the concepts are based on deeper literature research as above in the chapter 2.

The first prerequisite for effective strategy execution is the presence of a communication- or information sharing protocol. This assumption is based on theory discussed in chapter 2.3. If there is a communication- or information sharing protocol present, it must have a positive effect on the execution of the strategic plans. Therefore, it is stated that the prerequisite communication- and information sharing protocol leads to better overall strategy execution capabilities.

The second prerequisite for effective strategy execution is the presence of a decision making protocol. This assumption is based on the theory in chapter 2.4. If there is a decision making protocol present, it must have a positive effect on strategy execution.

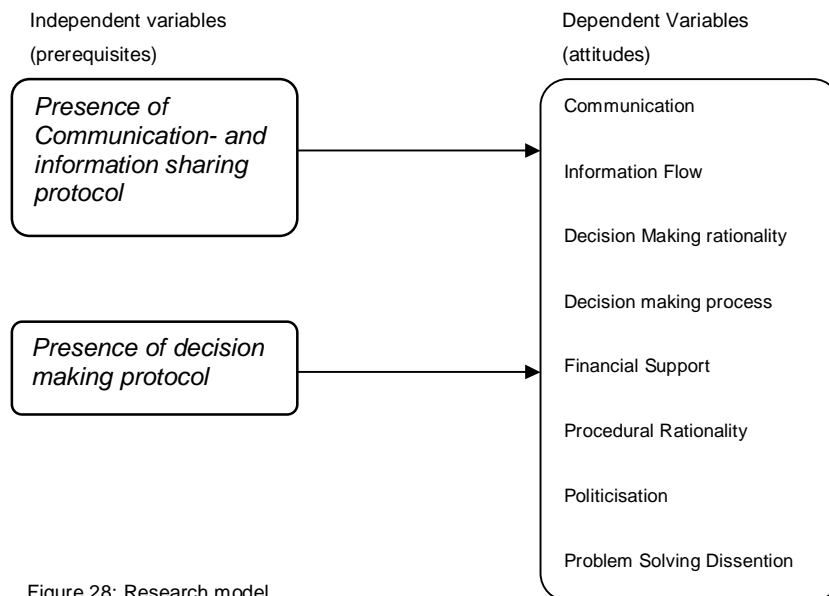


Figure 28: Research model

The research model stated in words:

Are the prerequisites “presence of communication- and information sharing protocol” and “presence of a decision making protocol” leading to a significant difference in perceived attitudes towards the eight concepts of effective information flows and clarified decision making?



Chapter 3: Research Methodology

After a description of the company and the preliminary research in chapter one, and the creation of a theoretical framework in chapter two, the current chapter describes the way the research is executed. The model for strategy execution from chapter two, is to be tested empirically. What information is needed to answer the research question 1b: How does the current process of strategy execution look like when viewed through the research model? In this chapter, the research methodology is explained. First the method of research is explained which describes the way data is gathered. Secondly, the population of research is described. Closing the chapter, the operationalisation describes the manner of variable construction.

3.1 Research Method

The preliminary research focused on the confirmation of the indications that the assignment provider had. Therefore, a semi structured interview was held among ten members of the top management team in different disciplines which was aimed at mirroring the ideas of the assignment provider and looking for similar ideas and opinions of the interviewees. The conclusions of that research can be found in chapter 1.3. Furthermore, also for the rest of the research, document research is executed and a meeting with R&D is attended.

For the testing of the research model, a survey was constructed for data gathering. This is because of the large group of people involved in the process strategy creation and especially strategy execution. In addition, the geographical spread of those persons involved also was a barrier for interviews. Thus, the large number of people together with the geographical spread of those people made that a quantitative research approach was chosen as a base for testing the research model and for describing the theoretical model. Furthermore, semi open interviews were held with about ten people, positioned in all disciplines, to get a down to earth practical view on how lower level managers look at the whole process of “strategy execution”. This can be found in chapter 4.1.3. Here it is left open what strategy really is in the framework of this research, and the opinion of the interviewees is left in tact regarding strategy. In this way, it can be observed that e.g. not every person has the same idea about what the strategy really is.

A last method for gathering information for a broader view on executing strategy, a benchmark analysis is performed with three other companies (Yin, 2000). The goal here was to focus on the gaps that were identified and gain information via a semi-structured interview at different companies. The interviews were held with managers at high levels using a semi structured interview.

3.2 Population and Sampling

Several authors (see chapter two) define strategy execution as all the activities that are executed within a company. Therefore, one would think that surveying the total company would be relatively straight forward. However, as the problem was identified, it becomes clear that bringing strategy into action needs translations from indistinct plans and tough decisions at high-level management. The workforce at the factory floor would not have sufficient overview to understand the impact of high-level and abstract strategies.



Therefore, the choice was made to survey the population of managers that are responsible for creation of the strategic plan and the managers that are responsible for understanding, translating, deciding and feeding the more explicit plans down in the organisation. In terms of the strategic framework, these managers are responsible for effective information flows and clarified decision rights

The unit of analysis in this research is the strategy execution process. Based on the theoretical framework, effective information flows and clarified decision rights, this unit is measured. It is not a simple random sample that can be used to generalize for a large population. Survey errors can be as following. Coverage error is minimized through the use of e-mail. Since the message came from the same company e-mail, there are no concerns regarding a spam filter or something like that. A sampling error is also no concern since the population of respondents is selected on the base of their location in the hierarchy. The non-response error is more concerning though. Particularly the limitations because of non-response on the results are not welcome. Though the response rate was 54 per cent, it still leaves just less of the half of top managers' opinions behind. Three things are done to get the highest response rate. First the survey is sent, and it is asked to reply as soon as possible. Secondly, a follow up mail is sent after one week. Third, at the location, all non-responders got the hardcopy survey.

3.3 Operationalisation

For answering the research questions that are stated in chapter 1.3, a translation must be made from the abstract constructs of the research model to measurable items that are specific, concrete and observable and thus measurable. As with most constructs, strategy execution effectiveness and decision-making are hard to understand. The survey measures items that are mostly scale based (ordinal) and also a few yes or no (categorical) questions are present. In order to minimize response patterns, some items are reversed. One question asks with which other disciplines one works with to make difficult decisions, here, more answers are allowed, and based on this question, a matrix table is made. The questionnaire is made of sections that are described below. The complete operationalisation can be found in appendix VI: *Constructs*.

3.3.1 General Information

The first section is about the general characteristics of the respondent. This is to make distinctions in the results of the survey. To see what the pattern is based on the level in the hierarchy, position in the organisation is the first item. It could be that there is a large difference between the top management and lower management regarding communication and decision-making. As various authors argue (Mankins & Steele, 2005; Neilson et al., 2008), most top managers that are out of touch with their organisations perceive the systems are working smoothly, when the reality is quite different. The same goes for the question about discipline. Geographical location can indicate differences in information flow and communication. It could be that organisational boundaries together with geographical boundaries specifically trouble these concepts. In line with this, it can also be an issue in making decisions. If a respondent participates in SP or PP, and at what level this takes place is questioned in the last two questions. These are especially useful because also in the preliminary research these concerns were at the table. Now, this is questioned directly. At the end, in the last part, two questions are in place for general notes and if the respondent has the urge to get involved in a discussion on the base of this research.

3.3.2 *Effective Information Flows*

The second part of the questionnaire collects data about the construct effective information flows. A five-point scale is used as much as possible to keep the internal consistency as high as possible. The construct is divided in two concepts to get a distinction between communication, concept 1, and information flow, concept 2. Since communication is a larger part of information flow, as seen in the research model, this is the first construct. It measures the perceived communication regarding strategy and strategic plans. Communication is the number one trait for effective strategy execution and therefore this is measured in this rather straightforward way. Communication as a whole can be measured quite more intensively, but as this is not the focus of the research itself, this is not pursued. At the company, there are more elaborate communication specific thesis written. The questions whether the strategic plans are communicated well (to you) indicate, if there is one, that plan should be communicated to the people who are at the bottom lines of the hierarchy and are also responsible. The difference if a plan is “communicated well” and if a plan is “communicated well to you” can indicate whether there are collective or individual efforts in communication. This can also be related to top management and specific strategy communication meetings.

In the second dimension of the effective information flows concept, the information flows are measured that are not specifically related to communication. Here, the focus is if someone has information, if someone can find information or if someone e.g. knows how information flows regarding strategy go around. This scale indicates if strategic plans, maybe already translated to discipline level, are made available to the employees. Other than the communication scale, where plans are communicated in the forms of mails and meetings, this scale indicates the more IT related information flows. The perceived effort for searching strategic information can be an indicator for the effectiveness of information flows. This is also related to information sharing protocols and top management effort for supplying plans. A system that combines all these necessary information flows from sources to users is a knowledge management system and also an information sharing protocol. Indicators of information flow effectiveness are also cross-functional teams and upward information feed from lower level employees.

3.3.3 *Clarification Decision Making*

In line with the strategy execution literature, clarifying decision-making is one of the most important traits. Because strategic decision-making should be a rational process that at least needs input from various stakeholders, the process is an important one. The concept of clarification of decision making is divided in six concepts in the questionnaire retrieved from Papadakis (1998). The first part, concept 3, decision-making rationality, aims at getting data about the current manner that decisions are made throughout the organisation. Items that are important to this are:

- the number of meetings that a group has when making a decision;
- if there is a decision making procedure;
- who has responsibility;
- how employees search for information that is used in decision making;
- how many people are involved;
- if there are external consultants and thus external views;
- and finally if there are functional experts involved.



All these items added up indicate the current state of decision making rationality in the organisation, specifically of the top management (Fredrickson, 1984). In addition, as indicated in the preliminary research, the cooperation with other disciplines is measured which indicates if the functional silos and functional barriers are crossed. The second part, concept 4, of the clarifying decision making concept aims at gathering information about the decision making process (Fredrickson, 1984). The decision making process is most effective when there is a process that links strategy to operations, when there are process owners assigned, when there are people involved with sufficient functional knowledge, when it is clear who has the responsibility to make decisions. When managers make decisions that subordinates should make, when responsibilities are blurred or when day-to-day issues lead to the neglect of business decisions, the process of decision-making is seriously hampered. Financial support, concept 5, is regarded as a part that rationalises the process of decision-making. In the research of Papadakis et al. (1998), the ideas of King (1975), March (1988) and Stein (1980) are adopted to measure the extent to which there is financial support in making decisions. Companies in more stable environments rely more on formal planning processes and therefore are more comfortable with financial analysis. Financial reporting is specifically seen as a rationality dimension and mostly incorporated in investment decisions. Rule formalisation, concept 6, e.g. procedural rationality, are the product of a formalized planning process that supports decision-making clarity. In a more turbulent environment, managers can act in a more inspirational manner by making formal planning procedures obsolete that are usually followed. Therefore, if one wants a clarified decision process, the procedure that should be followed should be clear. This is what the procedural rationality dimension measures, the perceived rationality of the planning process. It pretty much follows the traditional decision making process that Nickols describes in chapter 2.4. It is questioned if there is a formal decision making procedure, if there is a procedure for identifying and screening alternatives and if these are evaluated (P. F. King, 1975; Stein, 1980). Politicisation and problem solving dissention, concept 7 and 8, can be seen, certainly when the stakes are high, as a negative influence on decision making regarding the standpoints of different stakeholders. When there is too much negotiation and coalition formation it could end up as a discussion with no end, divergent opinions and thus a strategic issue resolution is left in the dark. Internal resistance can be seen as the common sense of the organisation against e.g. new things and thus change. When internal resistance increases, no initiatives lead to strategic change can be achieved. External forces that hamper the decision making process are also a point of concern because these are considered to be unmanageable in the decision at hand, though there could be important implications for it.

Chapter 4: Gap analysis

In chapter 2, the theory concerning strategy execution is explained. In that chapter, the focus is on information flows and decision rights in the process of executing strategy. In the gap analysis, the current situation at the company is compared with the indications that the strategy execution theory has put forward, effective information flow and clarifying decision-making. As indicated in the research model, after the gap analysis the gaps are analysed at different companies. After the explanation of the current situation, the desired situation is explained. This chapter concludes with the explanation of the gaps that are identified.

4.1 Current Situation

In the next paragraph, the current situation is described based on three things: the survey, open interviews and the All Employee Survey. These views create a broad view on how the concepts of effective information flow and clarified decision making come across at the company. The first paragraph contains the descriptive explanation of the survey that is held among top management of the company, the second paragraph contains the inferential description of the survey, the third paragraph contains the open interviews and the last paragraph contains the indications from the all employee survey.

4.2 Identification of Gaps

Combining the preliminary research, theory and the current situation measured with a survey and with open interviews, gaps can be identified. The theoretical framework is based on the preliminary research which states that effective information flows and clarified decision rights are crucial for the effectiveness of strategy execution. Therefore, these concepts are researched in practice to be able to generate conclusions about these two concepts. The gaps that are identified here are studied in practice at other companies so that a benchmark can be set. The benchmarks are analysed in order to generate recommendations to improve the process of executing strategy and thus the APP. The next paragraphs describe the gaps that are identified.

4.2.1 Effective Information Flow

When looking back at the concept of effective information flows for effectively executing strategy in and the current perceived state at the company and research question one, it can be stated with confidence that effective information flow is a gap that should be subject for improvement in relation to strategy execution.

4.2.2 Clarify Decision Rights

When looking back at the concept of clarified decision rights for effectively executing strategy in and the current perceived state at the company and research question one, it can be stated with confidence that clarified decision rights is a gap that should be subject for improvement in relation to strategy execution. It can be concluded that there is need for an institutionalised decision-making process that facilitates rational decision making from strategy down to actionable initiatives. This helps the cascading process and rationalizes the way that people cope with issues that need to be extracted from the strategy.





Chapter 5: Benchmarks

In the previous chapter the gap between theory and practice at the company is identified. The gap indicates that there is a lack of decision-making process rationality and no complete protocol for information management regarding the strategic planning process. In this chapter the gap is taken and researched at other companies. Industries are consulting, commodity goods and industrial supply. The benchmark has the goal to take a look at the processes that other companies have in place to execute strategy.

5.1 Implications for the company

In order to answer research question two, this chapter sets out the implications from the benchmark companies for the gap identified at the company. The two gaps that are identified are integrated in a semi open interview. Interviews were held at three companies that are somewhat different from each other but still have several things in common with the organisation. All companies for example have to cope with higher level corporate strategies. These implications are the result of a comparison of gaps.

All interviewees have filled in the organisational DNA profiler (Booz&Co, 2008). This is a first measure to indicate if the perception of the interviewee relates to a high level of strategy execution abilities.

Information Flow. From the benchmark companies, important conclusions can be extracted. Information flow is mostly perceived as communication. The systematical approach to communication is information flow, which in turn is supported by means of IT and protocols. What is seen at the companies is that the communication about the strategy related issues is widespread. For example, one company communicates four times a year in an all employee meeting about the road ahead per product. This in combination of detailed strategic five year plans, tactical annual plans and three year product plans all aligned into one presentation is a systematical way to communicate and cascade the plans down the organisation. Compared to the company, the long range plans are more extensive: more product detail is present and scenarios are incorporated. The high detail of the LRP makes it more easy to create an Annual Plan and a product roadmap. The annual plan is also referred to as “policy deployment”. In these plans there are specific goals which are connected to the LRP. These entwined plans lead to clear communication and understanding of strategy in the company and because of that, employees do not engage in “freeriding” and “skunkworks”, stick to the plan is a good description of the culture. This together leads to a low strategic drift and is probably due to the hierarchical, tight control and intensive communication structure.

Decision Rights. At first sight, decision rights is set up hierarchical at all companies, including the company. Due to the matrix structure, decision clarification is less clear than in companies that have a more hierarchical structure. Regarding decision making in strategy formulation though, not all disciplines are involved, which can result in decisions that are not clearly defined. See table 7 for points that can be used at the company.



Points that are constructive for the company in order to improve the annual planning process:

one:	two:	three:
<ul style="list-style-type: none"> • Clear cascading process of strategic and annual plans • Two times a year AEM, plus weekly R&D meeting • Flat organisation, one location, short lines • High detail in Strategic Plan • Leadership approval for plan alignment • Central decision making regarding strategy, decentral decision making regarding execution • Clearly aligned strategy • Decision Making is clear, but no formal process is present 	<ul style="list-style-type: none"> • Cascading with help of Balanced Scorecard • Who makes a plan, executes a plan. This give instant commitment and responsibility • Create plans per department, function and location 	<ul style="list-style-type: none"> • Flat organisation, one location, short lines • High level of detail in strategic plan • High level of strategy in annual plan • Functional experts as matrix across the organisation • High commitment • Strategic Plans per product • Scenario's incorporated in process • Structural communication meeting about direction and current state • Communication of plans as a feedback mechanism • Adapt message to presentation public.

Table 7: Benchmark implications



Chapter 6: Conclusions and Recommendations

After a wide-ranging journey of literature- and empirical research, this is the point to lay out the implications for the research. This objective was: “To provide recommendations about the improvement of the strategy execution process”. In paragraph 6.1 the conclusions from the research are presented. After that, in paragraph 6.2, the recommendations are presented to the management. This chapter concludes with a discussion about this research paragraph 6.3.

6.1 Conclusions

The main initial problem was the misalignment of (middle) managers with the overall strategy. This led to participation problems and information problems as stated in chapter one. In the preliminary research these problems were acknowledged by a small group of representative interviewees throughout the organisation. Linking the problems to theory, it is found that the core of the problem is strategy execution in the domain of strategic management. Within strategy execution literature, it boils down to two main issues that are focus for effectively putting strategy into action in this research: Effective information flows and clarified decision rights. These areas are researched in theory and practice.

The gap analysis compared theory with the current situation at the company. The results of the gap analysis were researched at benchmark companies for insights in different ways of strategy execution. The theoretical literature on strategic management focuses mainly on the content of strategy. Studies that are more practical indicate strategy formulation is probably less difficult than actually bringing that strategy into practice. Chapter two indicates, based on seven strategy execution articles, that bringing strategy into practice is based on effective information flows and clarified decision rights. In order to find the current state of information flow and decision rights, there are three sources researched that give valuable information of the current practice. The subsequent paragraphs provide the answer to research question one.

Gap 1: Insufficient information flow regarding strategy related information.

Gap 2: Unclear decision-making process regarding strategy execution.

This paragraph answers research question two. Most similarities in the planning process can be found at xxx. This is also a company that has an overseas business unit in the EU. It is not clear if this explains the similarity, but the overall process looks alike and is perceived more mature than the process at the company. xxx also scores the highest in the organisational DNA profiler. It is an organisation that is resilient as perceived through the eyes of the EU global business unit manager.

Implications for improvement of the planning process at the company deducted from all companies are listed below:

1. Cascade strategy clearly down to the organisation with help of balanced scorecard and implement alignment-checks performed by independent functions. In order to approve initiatives in the first place, departmental/functional plans are needed which is good for decision making and information flow.
2. Create plans per department. Plans per department keep focus on what is important for the future and indicate goals that are appropriate for employees.
3. Create strategic plans per product. This in combination with short-term plans and scenarios creates a solid vision for the future.
4. Get high detail in strategic plan. Mix annual plans with long-term visions. This facilitates strategy that is more concrete and simplifies the creation of annual plans and communications.
5. Communicate strategic information on structural basis to all employees and middle managers and adapt the message to audience. Communication is also a manner for giving feedback to creators of plans. Integrate strategy into monthly functional/departmental meetings.

6.2 Recommendations

This paragraph supplies recommendations to the management for improvement of the annual planning process. And subsequently, for improving strategy execution capabilities, because the process is aiming at strategy execution in the first place. It is clear that information flow is crucial for decision-making, which makes the two concepts highly interdependent. This link is explained by one of the main authors in this thesis: "*Execution is the result of thousands of decisions made every day by employees acting according to the information they have...*" (Neilson et al., 2008). The concepts in the following paragraphs are separated though it must be stressed that they are highly interdependent and thus intertwined.

Information flow recommendation 1: Create Position of Strategy Manager.

Establishing a dedicated Strategy Manager will narrow the strategy to execution gap which will increase the ability of the organisation to align to the plan which in turn will increase performance (R. S. Kaplan & Norton, 2005) (See also appendix XI: *The Old and New Strategy Calendar*). The "old" strategy process contains diverse management processes executed at different times of the year without dedicated guidance from an integrated and consistent view of strategy. Because responsibilities for the whole domain of strategy management are so diffuse throughout the organisation, lack of unsuccessful strategy execution is no bolt from the blue. Most organizations have offices that manage finance, HR, IT, marketing and quality, but few have a department with responsibility for managing strategy. While ultimately strategy execution is the responsibility of line managers and employees, the illustration in appendix XI (*Old strategy calendar*) reveals that without central guidance and coordination, strategy is either omitted from key management processes or management processes are uncoordinated across functions and business units, leading to insufficient strategy execution.

In order to get an enhanced view of the responsibilities of the Strategy Manager (or the Office of Strategy Management -OSM- when there are more FTE's involved, as stated by Kaplan and Norton, 2005), figure 49 displays roles and responsibilities. These roles are grouped in three categories and range from core roles to coordinative roles in the management of strategy.

The core roles are needed to align the business to the strategy: Making a scorecard reveals the high-level goals, aligning the business units and review strategy that is created. Desirable is the role of supporting the management team: Helping them to formulate and adapt the strategy, communicating the strategy and oversee the management of strategic initiatives. This is normally perceived as top management responsibility, but it can be a big time saver for them. Certainly, the situation top management encounters with the recession and a large merger, a strategy manager is especially useful for taking over routine tasks to keep the strategic management at an acceptable level in order to minimize the strategic drift and keep the business focused on its strategic goals. Last role is the integrative role. This role aims at supporting the operations with the goal to point at the strategy when executing daily tasks and creating plans. It must be noted that the role of strategy manager is not a single FTE activity. According to the literature, about six to eight FTE's must be deployed in an OSM. However, since much of these activities are already executed, there is no need for six to eight new FTE's.

The OSM must be positioned with direct responsibility to the CEO in parallel with other important functions such as finance, IT, HR and Operations. If this is not the case, the OSM tasks and process must be filtered by higher level managers before reaching the CEO's attention. When the OSM is two or three layers down from the CEO, the BSC is not perceived as a strategic management tool, but solely as an operational excellence tool.



	STRATEGY MANGEMENT PROCESS	OSM Role
Core Roles	1 Scorecard Management – Design and report on the BSC measures	
	2 Organization Alignment – Ensure all business and support units are aligned with the strategy	
	3 Strategy Reviews – Shape the agenda for management strategy review and learning meetings	
Desirable Roles	4 Strategic Planning – Help the CEO and executive team formulate and adapt the strategy	
	5 Strategy Communication – Communicate and educate employees about the strategy	
	6 Initiative Management – Identify and oversee management of strategic initiatives	
Integrative Roles	7 Planning/Budgeting – Link financial, human resources, information technology, and marketing to strategy	CFO, HRO, CIO, CMO
	8 Workforce Alignment – Ensure all employee’s goals, incentives and development plans link to strategy	HRO
	9 Best Practice Sharing – Facilitate a process to identify and share best practices	CKO

KEY

- OSM must run the process
- OSM should run the process
- X OSM integrates strategy to a process run by someone else (X)

CFO: Chief Financial Officer
 HRO: Human Resource Officer
 CIO: Chief Information Officer
 CMO: Chief Marketing Officer
 CKO: Chief Knowledge Officer

Figure 49: Roles and responsibilities of strategy manager (R. S. Kaplan, Norton, Division of, & Harvard Business, 2005).

Most organisations have less than six to eight people working on their OSM. It is not the goal to create new bureaucracy. But as strategic management is continuing to be an increasing priority, it is often too much to ask busy managers to add these important issues to their responsibilities.

Reflecting on the gaps, the Strategy Manager helps closing the gap of information flow. It is indicated that the communication is a desirable role (role 5). Effective communication to employees about strategy, measures, targets and initiatives is vital if employees are to contribute to strategy. The Strategy Manager can take a coordinative role in this if there is a corporate communications department, but it can also be primary responsibility. Also, as certainly helpful within the company, the Strategy Manager can assist in crafting the strategy message delivered by the CEO, since CEO messages are one of the most effective in employee communication. The Strategy Manager can also help close the gap of Clarified Decision Making. The independent position of the Strategy Manager can lead to the facilitation of decisions that are otherwise left behind because of stuck negotiations in management teams. Since many managers are too busy for a structured decision making process and some are adverse to more bureaucracy, it can certainly help clarify decision making when there is a dedicated person who acts as a central point of difficult decisions.

In line with the former paragraphs, Pohjala (2007) indicates strategy execution problems are mostly related to people problems, and Management Centre Europe (MCE, 2008) indicates people in execution process use their own logic. Three steps are needed to increase the people involvement: 1) Teams are key for making action plans, 2) Action plans are not possible if there are no concrete individual implementation plans and 3) Continuous improvement plans are needed to improve quality. Strategy can also be informal and spontaneous, thus without plan. Also a good implementation recommendation is the Boundary Role Person (BRP). This person is key in an intra-organizational network and has an important role in this network. When committing this person first, the people in the intra-organizational network follow more quickly (Pohjala, 2007). If this important person in an organisation is the Strategy Manager, he or she will be even more effective.

When appointing the independent Strategy Manager, an important problem from the preliminary research is solved. The opinion of most managers in the APP is that the Marketing Department is too much involved in the process, a marketing bias is perceived. Though marketing is delivering lots of information and support, facilitation should not be a core task. Thus when introducing an independent Strategy Manager, this initial problem is taken away. In the subsequent paragraphs, indications are given to help the Office of Strategy Management (OSM) in their line of work.

Alignment Process. The alignment process should be cyclic and have a top-down process. The targeted corporate strategies should be defined at the top and realized in the business units. Just as the CFO coordinates the budgeting process, a senior executive should coordinate the alignment process, which can be delegated to the Office of Strategy Management (R. S. Kaplan & Norton, 2006). See also Appendix XII: *Alignment Checks in the Strategic Planning Process.*

Create Strategy Map for Communication. The key to executing strategy is to have people in the entire organization understand it, including the crucial but perplexing processes by which intangible assets will be converted into tangible outcomes. Strategy maps can help chart this difficult terrain. Organizations need tools for communicating both their strategy and the processes and systems that will help them implement that strategy. Strategy maps provide such a tool. The formulation of great strategies is an art, and it will always remain so. However, the description of strategy should not be an art. If people can describe strategy in a more disciplined way, they will increase the likelihood of its successful implementation. Strategy maps will help organizations view their strategies in a cohesive and systematic way. It often exposes gaps in strategies, enabling executives to take early corrective actions. Executives can also use the maps as the foundation for a management system that can help an organization implement its growth initiatives effectively and rapidly. Strategy implies the movement of an organization from its present position to a desirable but uncertain future position. (R. S. Kaplan & Norton, 2000).

The problem is there are many content management systems inside the company. This creates problems of misalignment because the information is not flowing across the organisational boundaries. This is also a point of attention in the ERP area. Though the slogan of the integration is “One company”, this is not even close regarding the information systems used. Thus, create one common knowledge management system.

Information flow recommendation 2: Create Higher Involvement of Middle Management Team.

Higher involvement of middle managers in the organisation creates a higher level of buy in. It is key that the middle managers are integrated in the annual planning process. In the first instance, middle managers need to deliver input that is needed to compose the strategic plan. Then in a consolidation activity, that information is used by top management to sharpen the strategic plan and focus it on the new situation. When eventually the strategic plan is completed, there should be a translation session for the middle managers. This can be seen as an activity of communication and decision making.

First, middle managers delivered input used by the top management team. This is a form of information flow. Then, after the creation of the new strategic plan, the LT should be informed about the new strategic plan. After this communication activity, the strategic plan should be perfectly clear with all managers and the next phase should follow. This phase is the translation phase. Translating a strategic plan is all about making decisions. When making decisions, information used should be accepted as a fact. Thus, when engaging in the activity of translation and cascading of high level strategy, decision making and information flow must be up to standards.

When this activity is not effective, the gaps are present, namely information and decision. Concluding, the high level strategy must be translated by the LT with help of top management, with the support of accepted information and by means of clarified decision making. These are the two most critical issues in executing strategy. This recommendation is thus relevant for both gaps identified.

A supporting recommendation is the inclusion of higher level strategies. Because there is “One company” and the structure is mostly a matrix, there are geographical plans and functional plans that are existing next to each other. When a division is crafting a strategy, it must comprehend all activities that are present in a business. This means for example that when the information technology at the business is outdated locally, and that there is a corporate strategy stating there is a new system coming, the business must be aligning itself to it. This is mostly the case with supporting functions. Therefore, in order to create a plan that has a higher comprehensiveness level, high-level strategies must also be incorporated in the strategic plan (See figure 50: *Involvement of Higher Level Strategies*).

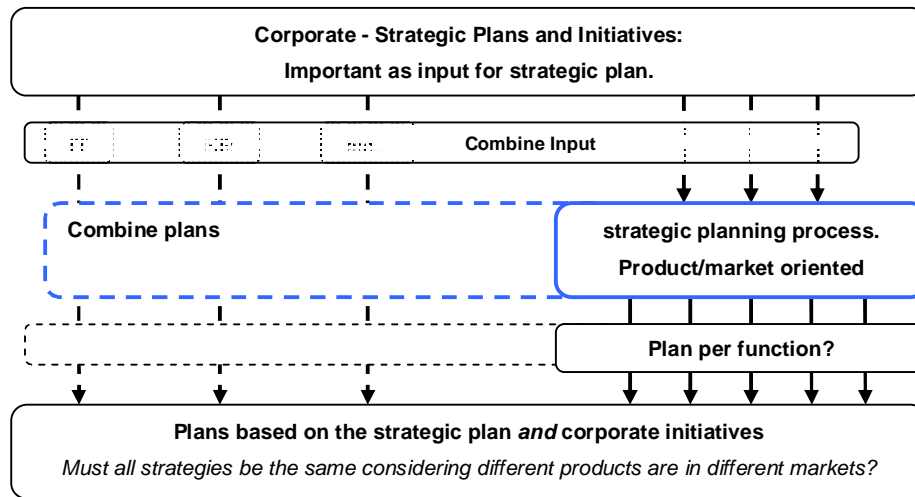


Figure 50: Involvement of Higher Level Strategies.

When integrating the higher level strategies into the strategy, the initial problem that came out of the preliminary research “not every discipline is participating in the right way“ is tackled because all functional area’s need to discover their higher level goals and find a way to describe them as input for their own business. This action is useful for making information flow more efficiently and for making decision rights more clear by putting them in the functional area’s where they belong.

Decision making recommendation 3: Set up formalized decision-making process for large strategic decisions.

The simplified decision process is probably the best choice in order to kick off the initial decision making process in the first instance. The decision process would be facilitated by a site in which there will be facilities that improve communication in groups. The adverse attitude from managers regarding more bureaucracy must be taken into account because there already are piles of formalized processes. Therefore, starting with a simple decision making process would be preferable. In decision making it is important to clarify who owns each decision, who must provide input, who is ultimately accountable for the results and how the results are defined.



Supporting the recommendation, Eisenhardt et al. (1985) researched strategic decisions for more than ten years and identified four approaches for effective strategic decision making. The ability to make fast, widely supported and high quality strategic decisions on a frequent basis is the cornerstone of effective strategy execution. Four approaches emerged from their research; Effective decision makers create strategy execution by: Building collective intuition, stimulate quick conflict, maintaining a disciplined pace and diffusing political behavior. If these items are kept in mind in setting up the new process, it would be far more effective.

Decision making recommendation 4: Introduce Scenario Planning and Short Term Operating Level Objectives in the Planning Process.

Multiple scenario planning seeks not to predict the future but to envisage alternative views of the future in the form of distinct configurations of key environmental variables. Abandoning single-point forecasts in favour of alternative futures implies forsaking single-point plans in favour of strategy alternatives, emphasizing strategic flexibility that creates option values. However, as recognized by Shell, the primary contribution of scenario planning is not so much the creation of strategic plans as establishing a process for strategic thinking and organizational learning. Shell's former head of planning observed: "*The real purpose of effective planning is not to make plans, but to change the mental models that decision makers carry in their heads*". With scenario analysis, strategic planning is a process where decision makers share and synthesize their different knowledge sets and surface their implicit assumptions and the mental models (Grant, 2003) (Dye, 2009).

As seen at one of the benchmark companies, the year plans and long range plans are highly intertwined. This sets the long range goals next to the short term goals that can be measured. Together with scenarios and detailed cost studies the long range plan and year plan create a clear overview of the direction of an important product or product line.

Decision making recommendation 5: Adopt the Closed-Loop Management System.

Most companies underperformance is due to breakdowns between strategy and operations. This system (figure 51: *Closed Loop Management System*) describes how to build tight links between them in a system. A company begins by developing a strategy statement and then translates it into specific objectives and initiatives of a strategic plan. Using the strategic plan as a guide, the company maps out the operational plans and resources needed to achieve its objectives. As managers execute the strategic and operational plans, they continually monitor and learn from internal results and external data on competitors and the business environment to see if the strategy is succeeding. Finally, they periodically reassess the strategy, updating it if they learn that the assumptions underlying it are out-of-date or faulty, starting another loop around the system (R. S. Kaplan & Norton, 2008).

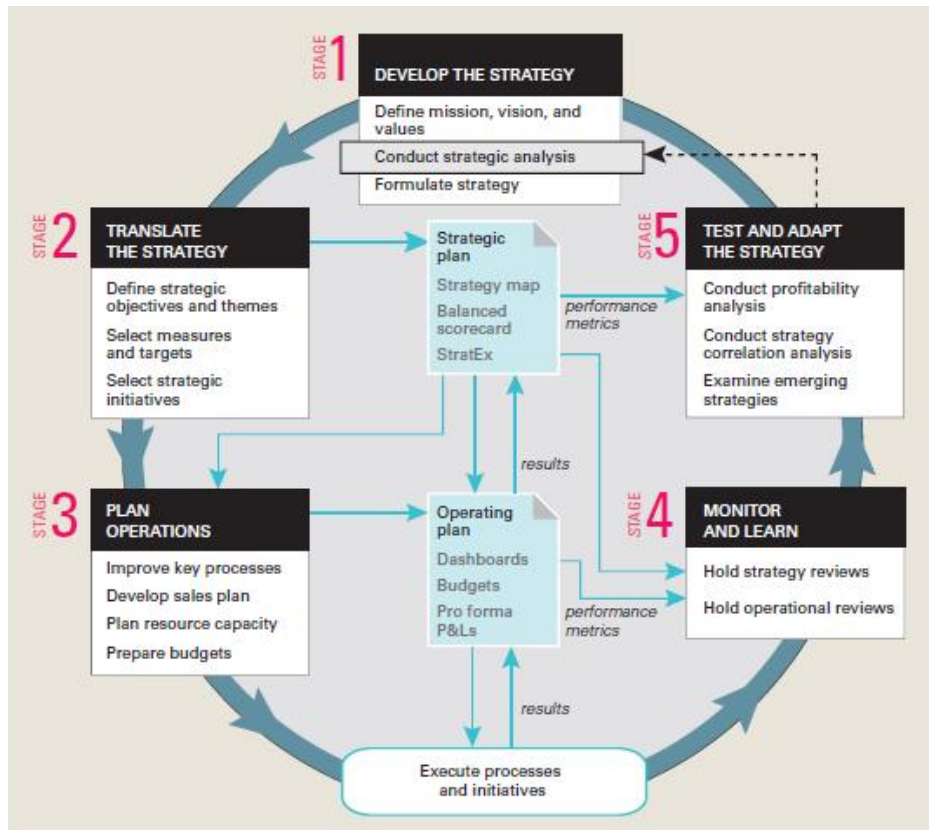


Figure 51: Closed Loop Management System (R. S. Kaplan & Norton, 2008).

As concluding remark about the big picture, Neilson et al. (2008) state:

“As long as companies continue to attack their execution problems primarily or solely with structural or motivational initiatives, they will continue to fail. Such failures can almost always be fixed by ensuring that people truly understand what they are responsible for and who makes which decisions and then giving them the information they need to fulfil their responsibilities. With these building blocks in place, structural and motivational elements will follow”.

Implemented Recommendation: Discard the Roadmapping Process from the APP.

The Roadmapping Process is seen as an R&D activity and not as an intermediary step in the APP for all disciplines. Historically, roadmapping is not primarily technically oriented and therefore the process can be on the right spot. However, because roadmapping is only used at R&D, and other disciplines see it as a process that is not theirs. Therefore the process should still continue to take the strategy and translate it to three year plans, but under the flag of “translating strategy into short term plans”. In fact, roadmapping is nothing more than making a strategic plan: *“A roadmap is a visualization of the future (typical 5 years) integrating all relevant business aspects. Key to a good roadmap is the skill of showing the important, relevant issues. The roadmap should provide an immediate insight in the most relevant developments”* (Muller, 2008). This recommendation is already executed.



6.3 Discussion

A difficult item in this research and in literature was the measurement of “Strategy Execution Effectiveness”. It is very hard to measure if a company is effective in executing strategy because the indicators are not straight forward. Even if one can measure it, it has no clear links with strategy and all people involved. If one measures profit, is it because of the sound strategy or is it because of a fertile business environment? Or is it because of other things that influences profit? Measuring strategy execution effectiveness is an area that should be subject to further research. Insights in this area contribute to higher understanding of how strategy should be managed.

Regarding the scales in the survey, it can be questioned if the perceived strategy by the employees is the real strategy. All “One company” initiatives are well spread out in the organisation, and it could be that this is confused with the strategic plans. The perceived strategy could be e.g. the year plan. Secondly, is the perceived sufficient communication actually up to standards? It could be that sufficient at the company is actually insufficient at other organisations. This could be an interesting issue for further research.

Core in executing strategy is leadership. This is indicated by many articles and consultancy papers. Leadership is all about creating strategy and subsequently making sure that strategy gets implemented effectively. This means communicating to, and getting support from all employees via middle management. One can not manage people by planning their work and telling them what to do. People need to know a lot more to get their work done in an aligned way. Over time, employees build up knowledge, contacts, and know who to call when something goes wrong and how to fix problems as quickly and efficiently as possible. As stated by Management Centre Europe (MCE, 2008): “*When people understand the strategy, they can make decisions that support it*”. Therefore, the role of leadership should be researched in order to clarify what effects are result of the current leadership style.

Because the focus of this research is the company, and communication should be an integrated part of the whole organisation, the gap of communication could also be present at higher, corporate levels. If strategy is communicated insufficiently at higher levels, this could be the cause of the lack of integrated efforts of other disciplines in the strategic plan at lower level. This can be described as the same problem at a higher level in the organisation. Research in this direction will give enhanced understanding about information flow from higher corporate levels. It is stated in the assessment guidelines, that there must be a clear process present. It can be questioned in what way this has been done in the past, or how this is done at other business units. However, since this kind of information is hard to obtain, maybe senior managers can get access to these plans. In order to see in what kind of maturity the business is there are tools on the intranet to indicate what is deployed or not.

The discussion if all disciplines should be involved is not as clear-cut as it may seem. It is to be decided per process who is supporting, sponsoring and executing. This is already seen in processes which is in fact a technology based decision making system, or project management system. Therefore, items from the process could be used in the process of strategy execution. Though this is not a recommendation, it is a point that is regularly discussed and perceived as too bulky by most managers. It could be an excellent framework for a new communication and decision-making process.



The corporate strategies should also be a point of discussion. The incorporation of market specific information and corporate functional strategies should be discussed. When there is too much corporate strategy in the strategic plan, it can lead to a kind of business system focused plan which is in fact not strategic at all, since that is an operational toolbox. This is probably why some people think that the toolbox is a strategy in the first place.

A point that obstructs decision rights clarification and in theory is facilitating information flow is the matrix structure. On top of that, every plant is a separate legal entity. This makes reporting and cost allocations more difficult. In theory, the matrix is seen as a temporary project organisation. Because of the dual report structure, it can be quite unclear what priorities are. Remarkably, at the company there is a multi-matrix structure, but still the strong top down hierarchy is felt. This results in managers almost choosing their reports based on personal preferences. Thus, there is a hierarchy and a matrix. This is most likely a result of the mergers from the past. Functional leaders are appointed, but still, local managers are responsible for local employees. Thus the matrix is not introduced with clear intentions, but because of mergers. This also explains that there are matrices at more levels. An upside of the matrix is the increased communication between disciplines. Therefore, the matrix structure is to be researched.

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Reflection

As with many graduation students, the first period was relatively difficult. The large organisation and the fact the assignment was not clear required lots of attention. Also the fact that the assignment was in the domain of strategy meant it was in the middle- and high-level managers that have strong opinions of how business goes and how it should be done. It was not always easy to gain insights in the senior level managers minds and subjects that are politically sensitive. As a Dutch student you might think that many things go according to the poldermodel, but in fact many times power play is present.

The swimming around regarding the real problem took lots of time. It is difficult to indicate spots that are not good or good because many times it depends on the person or group surrounding the subject. This looking for the problem behind the problem was a valuable experience. It forces too look to a certain area on a certain manner that would otherwise be left out.

The domain of strategy was a domain which was not very common to me. As I went searching for theory regarding the problem I saw the absolute enormous body of literature that is all aiming at strategy. This is of course nice on the one hand because it helps a lot in understanding strategy, but it can also be very confusing. Especially in the beginning, the views of different writers on strategy did not make things easier.

During the execution of the research, when making appointments with colleagues, it was surprising how many people did not keep their words. Meetings were regularly late and sometimes people even did not show up. This is not my view of being well-mannered. Though it is accepted in the company culture, this should be a point of attention I think. Though sometimes appointments were dissatisfying, the response of the survey was surprising. Fifty percent of the survey's were returned.

To conclude this reflection I would like to show this Dilbert which I found at the beginning of the research period and which continued to indicate the core problem. It starts with Dilbert not knowing the strategy because of bad communication, and it ends with Dilbert writing a plan which is not aligned to the strategy.





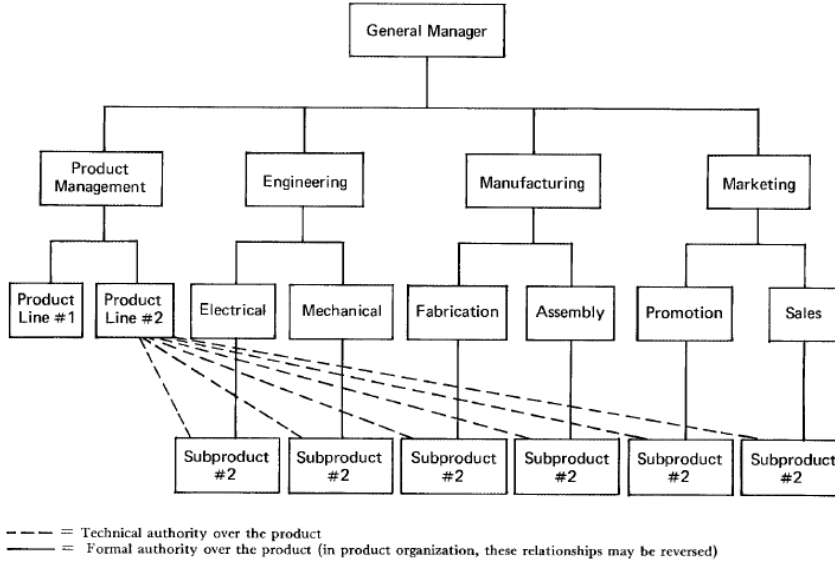
Appendices

- I. Matrix Structure
- II. Interview pre research
- III. Employee Survey
- IV. Survey
- V. Constructs
- VI. Questionnaire Results
- VII. Cronbach's Alfa's per construct
- VIII. Correlations among IF and DM dimensions
- IX. Independent samples t-test
- X. Reasons why strategic plans fail
- XI. The Old and New Strategy Calendar
- XII. Alignment Checks in the Strategic Planning Process



Appendix I: Matrix Structure

Standard's Pure Matrix Organization



(Galbraith, 1971)



Appendix II: Interview pre research

Strategic Planning Process
5 years time horizon

1: Are you familiar with the Divisional Strategic Planning Process, and what is your opinion on this topic?

- A. What is your role in this?
- B. What is the level of participation in this process?
- C. What is your output for the process?
- D. What is the level of cooperation with other disciplines? (for e.g. output/input)
- E. What is the input that you need?
- F. Is the information that is provided fact based enough?
- G. When do you participate in this process?

Roadmapping process
3 years time horizon

2: Are you familiar with the Roadmapping Process, and what is your opinion on this topic?

- A. What is your role in this?
- B. What is the level of participation in this process?
- C. What is your output for the process?
- D. What is the level of cooperation with other disciplines? (for e.g. output/input)
- E. What is the input that you need?
- F. Is the information that is provided fact based enough?
- G. When do you participate in this process?

Profit Planning Process
1 year time horizon

3: Are you familiar with the Profit Planning Process, and what is your opinion on this topic?

- A. What is your role in this?
- B. What is the level of participation in this process?
- C. What is your output for the process?
- D. What is the level of cooperation with other disciplines? (for e.g. output/input)
- E. What is the input that you need?
- F. Is the information that is provided fact based enough?
- G. When do you participate in this process?

Strategic Planning Process
5 years time horizon

Roadmapping process
3 years time horizon

Profit Planning Process
1 year time horizon

4: Overall Questions:

- A. Do you feel you contribute enough to the Planning Process? Explain why (not).
- B. Do other disciplines contribute enough to the process in your opinion? Explain why (not).
- C. In your opinion, is the 1 year operations plan (profit plan) linked sufficiently to the 5 year strategic divisional plan? Explain why (not).
- D. Does the xxx support you at the Planning Process? Explain why (not).



Appendix III: Employee Survey



Appendix IV: Survey

February, 2008

Subject: Questionnaire Annual Planning Process.

Dear Sir, Madam,

Let me introduce myself: I am JPA van der Veer and I am a graduate student from the University of Twente. For my graduation assignment of the Master Business Administration, I am conducting research on the improvement of the **Annual Planning Process**.

I would like to ask you to complete this questionnaire. **Your cooperation**, and thus your opinion on the topic is **critical** for my research and its subsequent recommendations to the company. This will take about 20 minutes. Please try not to take too much neutral standpoints.

From the preliminary research and the extensive literature review it can be concluded that two **main building blocks** of Executing Strategy seem to be deficient as an integrated part in the annual planning process. These processes are "*Effective information flows*" and "*Clarifying decision rights*".

Effective information flows can be seen as "How information passes through the organisation." and thus "How communication about the APP is taking place?". **Clarifying decision rights** can be described as "Who decides what, when executing strategy." and "How are decisions made in order to get to goals?".

The questionnaire contains 61 questions that can be filled in as an online questionnaire using the click of a mouse, or with keyboard arrow keys and spacebar. The completed document can be saved and returned via e-mail, or printed and sent via regular mail. For **questions** you can always reach me by phone or via e-mail.

All data will be handled with **confidentiality**. (location, position, etc. will be asked because of measurement of communication)

Thank you in advance for your support.

Sincerely,

J.P.A. van der Veer
Graduate Student University of Twente



General items

1. Select your position in the Operations organisation:

- Divisional Manager
 Manager reporting to divisional manager
 Plant Leadership Team
 Manager Reporting to Plant Manager
 Middle manager

2. Select location:

- NL
 Other

3. Select discipline:

- Marketing IT
 Engineering Operations
 Sales Finance
 Manufacturing
 R&D SCM
 HR

4. Participation in creation of Strategic Plan:

- None *If Yes:*
 Limited At division level
 Moderate At Plant level
 Normal At discipline level
 High At product level

5. Participation in creation of Profit Plan:

- None *If Yes:*
 Limited At division level
 Moderate At Plant level
 Normal At discipline level
 High At product level

Communication

6. The Corporate strategy is communicated well across the Division.

Agree Disagree

7. The divisional strategy is communicated well across the Division.

Agree Disagree

8. The Corporate strategy is communicated well to you personally.

Agree Disagree

9. The strategy is communicated well to you personally.

Agree Disagree

10. Information about high level decisions is communicated to every employee (not in confidential cases).

Agree Disagree

11. There are specific strategy communication meetings for all employees.

Agree Disagree

**Information flow**

12. Strategy related actions need to be picked up by me in order to put them in action.

Agree Disagree

13. I always search personally for strategy related information (that effects my work) that I know is out there somewhere.

Agree Disagree

14. I know that strategy related information (that effects my work) automatically comes my way.

Agree Disagree

15. There are specific “strategy information sources” for all employees.

Agree Disagree

16. There is enough effort from upper management regarding strategy communication.

Agree Disagree

17. I have documents containing the latest strategic issues.

Yes No

18. Is there a communication- or information sharing protocol present?

Yes No

19. Employees report to a system that carries information about the environment up into the organisation (Upward information flow).

Agree Disagree

20. A knowledge management system is in place.

Yes No

21. Ad hoc crossfunctional teams are initiated in case of specific problems.

Agree Disagree

22. Information I need to perform my job is:

- Easy to obtain
- Obtainable, but this is time consuming
- Only accessible through other persons
- Only accessible through other persons that react too slow
- Inaccessible

**Decision making**

23. Is there a decision making protocol in place? (e.g.: Situation diagnosis, Alternative generation, Alternative evaluation, Making of final decision and Decision integration)

- Yes
 No

24. What is the number of scheduled meetings for Decision Making? (in the case of 1 decision)

- < 2 3-4 5-6 6-7 > 8

25. To whom is primary responsibility for Decision Making assigned to? (in the case of 1 decision, regardless the level)

- No specific individual or group
 One specific individual
 Two people jointly
 An existing committee
 A specially formed group of three or more

26. How do you get your information when you have to make a decision?

- Historical data review. If so, how many years? year(s).
 Ideas of one person
 Ideas of more persons
 Ideas from meetings with more people
 More people plus out of pocket expenses

27. Is there a systematic use of external sources in Decision Making?

- I do not rely on outsiders for assistance
 I would be willing to rely on outsiders for limited assistance
 I would be willing to rely on outsiders for moderate assistance
 I would be willing to rely on outsiders for significant assistance
 I rely entirely on outsiders for assistance

28. What is the average number of employees involved in Decision Making? (decision making related to strategy and strategy execution)

- 1 2 3 4 > 5

29. What is the use of specialized consultants for Decision Making?

- No use
 Limited use
 Moderate use
 High use
 Only consultants

30. Are people with functional expertise involved in Decision Making?

- No
 Limited
 Moderate
 High
 Only

**31. What is your level of involvement in situation Decision Making?**No involvement Active involvement**32. What is your level of cooperation with other departments in situation Decision Making?**No involvement Active involvement**33. Which departments do you include in situation Decision Making?**

<input type="checkbox"/> Marketing	<input type="checkbox"/> Engineering	<input type="checkbox"/> SCM
<input type="checkbox"/> Sales	<input type="checkbox"/> Manufacturing	<input type="checkbox"/> IT
<input type="checkbox"/> R&D	<input type="checkbox"/> HR	<input type="checkbox"/> Operations
<input type="checkbox"/> OpEx	<input type="checkbox"/> Finance	

34. Decision making at every level is clear.Agree Disagree**35. A process that links the strategy to operations is in place.**Agree Disagree**36. Processes in this organisation have clearly identified process owners.**Agree Disagree**37. People who take decisions are in their function long enough to experience the consequences of these decisions.**Agree Disagree**38. I know exactly where my decision making authority stops and where others` decision making authority begins.**Agree Disagree**39. Action plans are always constructed in advance of executing (a decision).**Agree Disagree**40. Managers often make decisions that their subordinates should make.**Agree Disagree**41. Responsibilities are blurred (intentionally), so every one has an excuse for not participating in decisions that are not favourable to them.**Agree Disagree**42. Day-to-day issues that need priority lead to the neglect of strategic planning, long range planning and long range business portfolio decisions.**Agree Disagree

**Financial reporting supporting the decision**

43. To what extent are financial methods used in support of a decision? (e.g. Net Present Value (NPV) and Internal Rate of Return (IRR)) Often Never
44. To what extent are forecasting financial statements used in support of a decision? Often Never
45. To what extent are detailed cost studies used in support of a decision? Often Never
46. To what extent are (strategic) decisions integrated in financial plans? Often Never

Rule formalization

47. Is there a written procedure guiding the process of decision making? Exists Non existence
48. Is there a formal procedure to identify alternative ways of action in decision making? Exists Non existence
49. Are there formal screening procedures for the alternatives? Exists Non existence
50. Are there formal documents guiding the final decision? Exists Non existence
51. Are there predetermined criteria for decision evaluation? Exists Non existence

**Politicization**

52. To what extent do you think there is coalition formation in decision making?

No coalition formation Active coalition formation

53. What is the degree of negotiation experienced among participants in decision making?

No negotiation High negotiation

54. In general, what is the degree of internal resistance encountered in decision making?

No internal resistance High internal resistance

55. What is the perceived degree of external environmental resistance encountered in decision making?

No external resistance High external resistance

56. Are there many interruptions experienced in decision making? (no matter what they are)

No interrupts Many interrupts

Problem solving dissention

57. Generally seen, what is the level of disagreement on the objectives sought by the decision at hand?

No disagreement High disagreement

58. Is there often disagreement on the proper methodology to follow when dealing with a decision?

No disagreement High disagreement

59. Is there often disagreement on the proper solution to the problem?

No disagreement High disagreement

Additional questions:

60. Do you have comments on the questionnaire itself?

If yes, what?

61. Are you interested in a discussion meeting concerning the outcomes of my research?

If yes, name for invitation:

Reference table questionnaire:

1.	Position in company
2.	Position in company
3.	Position in company
4.	Position in company
5.	Position in company
6.	Chapter 2.3.1
7.	Chapter 2.3.1
8.	Chapter 2.3.1
9.	Chapter 2.3.1
10.	(Neilson et al., 2008)
11.	Chapter 2.3.1
12.	Chapter 2.3.1
13.	Chapter 2.3.1
14.	Chapter 2.3.1
15.	Chapter 2.3.1
16.	Chapter 2.3.1
17.	Chapter 2.3.1
18.	Chapter 2.3.1
19.	(Neilson et al., 2008)
20.	(Neilson et al., 2008)
21.	(Neilson et al., 2008)
22.	(Neilson et al., 2008)
23.	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
24.	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
25.	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
26.	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
27.	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
28.	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
29.	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
30.	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
31.	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
32.	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
33.	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
34.	(Neilson et al., 2008)
35.	(Neilson et al., 2008)
36.	(Neilson et al., 2008)
37.	(Neilson et al., 2008)
38.	(Neilson et al., 2008)
39.	(Neilson et al., 2008)
40.	(Neilson et al., 2008)
41.	(Neilson et al., 2008)
42.	(Neilson et al., 2008)
43.	(P. F. King, 1975) (Marsh et al., 1988) (Stein, 1980)
44.	(P. F. King, 1975) (Marsh et al., 1988) (Stein, 1980)
45.	(P. F. King, 1975) (Marsh et al., 1988) (Stein, 1980)
46.	(P. F. King, 1975) (Marsh et al., 1988) (Stein, 1980)
47.	(P. F. King, 1975) (Stein, 1980)
48.	(P. F. King, 1975) (Stein, 1980)
49.	(P. F. King, 1975) (Stein, 1980)
50.	(P. F. King, 1975) (Stein, 1980)
51.	(P. F. King, 1975) (Stein, 1980)
52.	(Pettigrew, 1973) (Mintzberg et al., 1976) (Hickson et al., 1986)
53.	(Pettigrew, 1973) (Mintzberg et al., 1976) (Hickson et al., 1986)
54.	(Pettigrew, 1973) (Mintzberg et al., 1976) (Hickson et al., 1986)
55.	(Pettigrew, 1973) (Mintzberg et al., 1976) (Hickson et al., 1986)



56.	(Pettigrew, 1973) (Mintzberg et al., 1976) (Hickson et al., 1986)
57.	(Eisenhardt & Bourgeois, 1988) (Bourgeois & Eisenhardt, 1988) (Butler et al., 1991)
58.	(Eisenhardt & Bourgeois, 1988) (Bourgeois & Eisenhardt, 1988) (Butler et al., 1991)
59.	(Eisenhardt & Bourgeois, 1988) (Bourgeois & Eisenhardt, 1988) (Butler et al., 1991)
60.	Questionnaire improvement items
61.	Questionnaire improvement items

Data processing table:

Q	Variable name	Measurement Level	Description	Answer
1	VAR00001	Nominal	Position in org	1 high - 5 low
2	VAR00002	Nominal	Geographical location	1 NL - 4 Other
3	VAR00003	Nominal	Discipline	1 Mktg 2 Eng 3 Sales etc.
4	VAR00004	Ordinal	Participation SP	1 None - 5 High
if not 1	VAR00005	Nominal	Level of participation SP	1 Div - 4 Product
5	VAR00006	Ordinal	Participation PP	1 None - 5 High
if not 1	VAR00007	Nominal	Level of participation PP	1 Div - 4 Product
6	VAR00008	Ordinal	C-Corp-SP-comm-well	1 Agree - 5 Disagree
7	VAR00009	Ordinal	C- -SP-comm-well	1 Agree - 5 Disagree
8	VAR00010	Ordiaal	C-SP-comm-well-to-U	1 Agree - 5 Disagree
9	VAR00011	Ordinal	C- -SP-comm-well-to-U	1 Agree - 5 Disagree
10	VAR00012	Ordinal	C-comm-dec-upp-man	1 Agree - 5 Disagree
11	VAR00013	Ordinal	C-comm-meetings	1 Agree - 5 Disagree
12	VAR00014	Ordinal	I-SI-picked-up-by-me	1 Agree - 5 Disagree
13	VAR00015	Ordinal	I-lsearch-SI	1 Agree - 5 Disagree
14	VAR00016	Ordinal	I-lknow-SI	1 Agree - 5 Disagree
15	VAR00017	Ordinal	I-SI-sources	1 Agree - 5 Disagree
16	VAR00018	Ordinal	I-effort-man	1 Agree - 5 Disagree
17	VAR00019	Nominal	I-Ihave-SI-docs	1 Yes - 2 No
18	VAR00020	Nominal	I-sharing-protocol	1 Yes - 2 No
19	VAR00021	Ordinal	I-fieldempl-info-up	1 Agree - 5 Disagree
20	VAR00022	Nominal	I-KM-system	1 Yes - 2 No
21	VAR00023	Ordinal	I-adhoc-crss-funct-teams	1 Agree - 5 Disagree
22	VAR00024	Ordinal	I-info-access	1 Accessible - 5 Inaccessible
23	VAR00025	Nominal	DM-procedure	1 Yes - 2 No
24	VAR00026	Ordinal	DM-meeting number	1 <2 - 5 > 8
25	VAR00027	Ordinal	DM-responsibility	1 no one - 5 group of > 3
26	VAR00028	Ordinal	DM-info-seek	1 historical data - 5 active
if 1	VAR00029	Avg.	number of years	number
27	VAR00030	Ordinal	DM-external-source	1 not rely - 5 completely rely
28	VAR00031	Ordinal	DM-number-employees	1 1 - 5 >5



29	VAR00032	Ordinal	DM-consultants	1 no use - only consultants
30	VAR00033	Ordinal	DM-people-func-excellence	1 no - 5 only
31	VAR00034	Ordinal	DM-your-involvement	1 no - 5 high
32	VAR00035	Ordinal	DM-cooperation	1 no - 5 high
33	VAR00036	Make Matrix	Cooperation	1 Mktg 2 Sales 3 R&D 4 OpEx
34	VAR00037	Ordinal	DM-all-level-clear	1 Agree - 5 Disagree
35	VAR00038	Ordinal	Strat-ops-process	1 Agree - 5 Disagree
36	VAR00039	Ordinal	Process-owners	1 Agree - 5 Disagree
37	VAR00040	Ordinal	DM-experience	1 Agree - 5 Disagree
38	VAR00041	Ordinal	DM-authority	1 Agree - 5 Disagree
39	VAR00042	Ordinal	Exec-action plans	1 Agree - 5 Disagree
40	VAR00043	Ordinal	Dirty-hands	1 Agree - 5 Disagree
41	VAR00044	Ordinal	Blurred-responsibilites	1 Agree - 5 Disagree
42	VAR00045	Ordinal	Day-to-day-issues	1 Agree - 5 Disagree
43	VAR00046	Ordinal	DM-F-methods	1 Often - 5 Never
44	VAR00047	Ordinal	DM-F-forecast	1 Often - 5 Never
45	VAR00048	Ordinal	DM-F-cost-studies	1 Often - 5 Never
46	VAR00049	Ordinal	DM-F-integr-SD	1 Often - 5 Never
47	VAR00050	Ordinal	PR-R-procedure	1 Exists - 5 Non existence
48	VAR00051	Ordinal	PR-R-alternatives	1 Exists - 5 Non existence
49	VAR00052	Ordinal	PR-R-screening	1 Exists - 5 Non existence
50	VAR00053	Ordinal	PR-R-fin-dec	1 Exists - 5 Non existence
51	VAR00054	Ordinal	PR-R-evaluation	1 Exists - 5 Non existence
52	VAR00055	Ordinal	P-coalition	1 None - 5 Active
53	VAR00056	Ordinal	P-negotiation	1 None - 5 High
54	VAR00057	Ordinal	P-resitance-int	1 None - 5 High
55	VAR00058	Ordinal	P-resitance-ext	1 None - 5 High
56	VAR00059	Ordinal	P-interrupts	1 None - 5 Many
57	VAR00060	Ordinal	PSD-dis-abjectives	1 No - 5 High
58	VAR00061	Ordinal	PSD-dis-meth	1 No - 5 High
59	VAR00062	Ordinal	PSD-dis-solution	1 No - 5 High
60	VAR00063	NA	Comments	1 Yes - 2 No
if 1	VAR00064	NA	Written comments	open field
61	VAR00065	NA	Interested-in-meeting	1 Yes - 2 No
if 1	VAR00066	NA	Written name	Name

Appendix V: Constructs

Factor	Item	Author
<i>Effective Information Flows</i>		
Communication	C-Corp-SP-comm-well	Chapter 2.2.1
	C - -SP-comm-well	Chapter 2.2.1
	C-SP-comm-well-to-U	Chapter 2.2.1
	C - -SP-comm-well-to-U	Chapter 2.2.1
	C-comm-dec-upp-man	(Neilson, Martin, & Powers, 2008)
	C-comm-meetings	Chapter 2.2.1
Information Flow	I-SI-picked-up-by-me	Chapter 2.2.1
	I-lsearch-SI	Chapter 2.2.1
	I-lknow-SI	Chapter 2.2.1
	I-SI-sources	Chapter 2.2.1
	I-effort-man	Chapter 2.2.1
	I-lhave-SI-docs	Chapter 2.2.1
	I-sharing-protocol	Chapter 2.2.1
	I-fieldempl-info-up	(Neilson et al., 2008)
	I-KM-system	(Neilson et al., 2008)
	I-adhoc-crss-funct-teams	(Neilson et al., 2008)
I-info-access	(Neilson et al., 2008)	

Factor	Item	Author
<i>Effective Information Flows</i>		
Decision Making	DM-procedure	(Papadakis, Lioukas, & Chambers, 1998) (Fredrickson & Mitchell, 1984)
	DM-meetingnumber	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
	DM-responsibility	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
	DM-info-seek	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
	DM-external-source	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
	DM-number-employees	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
	DM-consultants	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
	DM-people-func-excellence	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
	DM-your-involvement	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
	DM-cooperation	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
	Cooperation	(Papadakis et al., 1998) (Fredrickson & Mitchell, 1984)
Decision Making Process	DM-all-level-clear	(Neilson et al., 2008)
	Strat-ops-process	(Neilson et al., 2008)
	Process-owners	(Neilson et al., 2008)
	DM-experience	(Neilson et al., 2008)
	DM-authority	(Neilson et al., 2008)
	Exec-actionplans	(Neilson et al., 2008)
	Dirty-hands	(Neilson et al., 2008)
	Blurred-responsibilites	(Neilson et al., 2008)
Day-to-day-issues	(Neilson et al., 2008)	
Financials supporting decision	DM-F-methods	(King, 1975) (Marsh, Barwise, Thomas, & Wensley, 1988) (Stein, 1980)
	DM-F-forecast	(King, 1975) (Marsh et al., 1988) (Stein, 1980)
	DM-F-cost-studies	(King, 1975) (Marsh et al., 1988) (Stein, 1980)
	DM-F-integr-SD	(King, 1975) (Marsh et al., 1988) (Stein, 1980)



Rule Formalisation	PR-R-procedure PR-R-alternatives PR-R-screening PR-R-fin-dec PR-R-evaluation	(King, 1975) (Stein, 1980) (King, 1975) (Stein, 1980) (King, 1975) (Stein, 1980) (King, 1975) (Stein, 1980) (King, 1975) (Stein, 1980)
Politicisation	P-coalition P-negotiation P-resistance-int P-resistance-ext P-interrupts	(Pettigrew, 1973) (Mintzberg, Raisinghani, & Theoret, 1976) (Hickson, Wilson, Cray, Mallory, & Butler, 1986) (Pettigrew, 1973) (Mintzberg et al., 1976) (Hickson et al., 1986) (Pettigrew, 1973) (Mintzberg et al., 1976) (Hickson et al., 1986) (Pettigrew, 1973) (Mintzberg et al., 1976) (Hickson et al., 1986) (Pettigrew, 1973) (Mintzberg et al., 1976) (Hickson et al., 1986)
Problem Solving Dissent	PSD-dis-objctives PSD-dis-meth PSD-dis-solution	(Eisenhardt & Bourgeois, 1988) (Bourgeois & Eisenhardt, 1988) (Butler, Davies, Pike, & Sharp, 1991) (Eisenhardt & Bourgeois, 1988) (Bourgeois & Eisenhardt, 1988) (Butler et al., 1991) (Eisenhardt & Bourgeois, 1988) (Bourgeois & Eisenhardt, 1988) (Butler et al., 1991)



Appendix VI: Questionnaire Results

Appendix VII: Cronbach's Alfa's per construct

Appendix VIII: Correlations among IF and DM dimensions

Appendix IX: Independent samples t-test

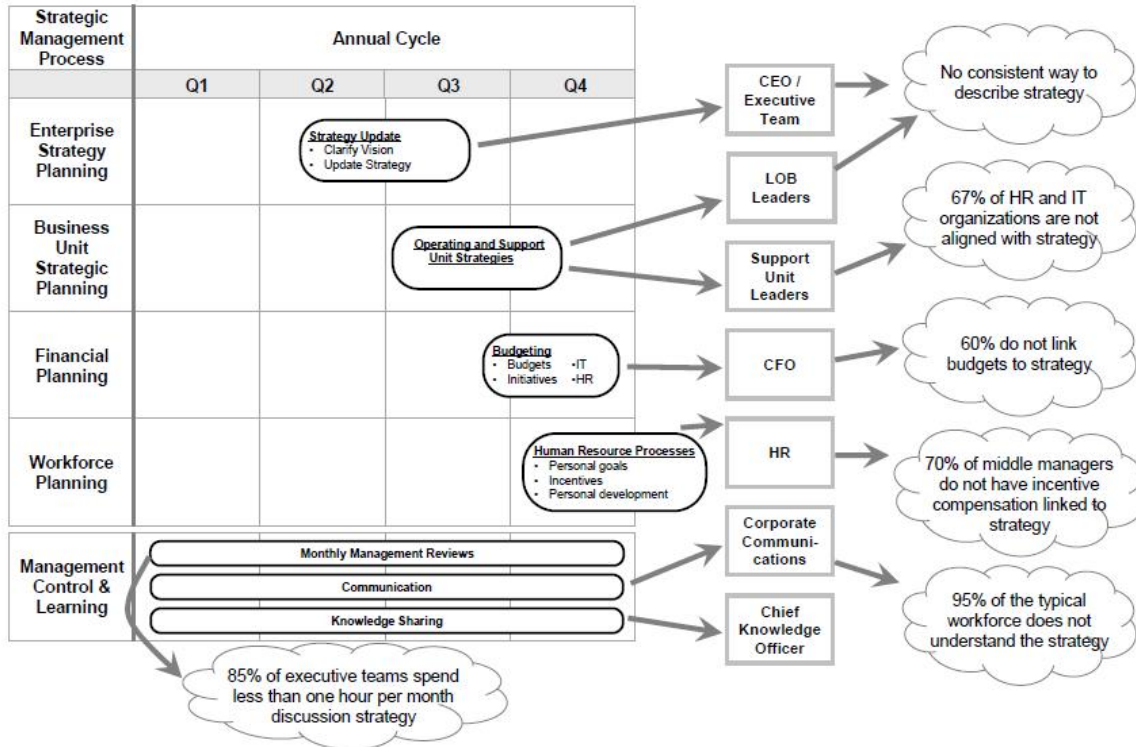
Appendix X: Reasons why Strategic Plans fail.

There are many reasons why strategic plans fail, especially:

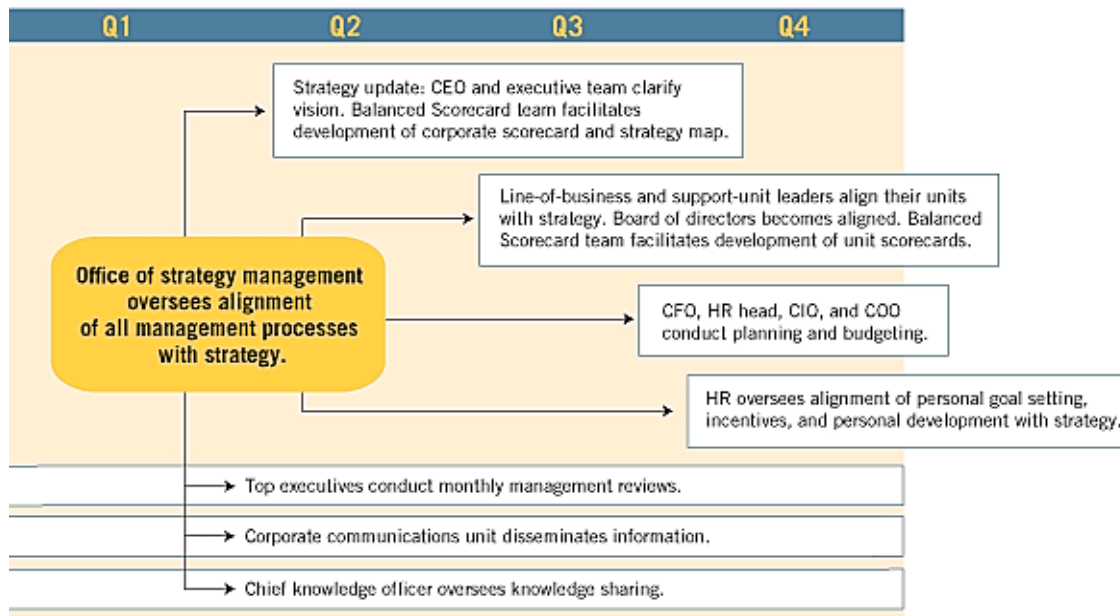
- Failure to understand the customer
 - Why do they buy
 - Is there a real need for the product
 - inadequate or incorrect marketing research
- Inability to predict environmental reaction
 - What will competitors do
 - § Fighting brands
 - § Price wars
 - Will government intervene
- Over-estimation of resource competence
 - Can the staff, equipment, and processes handle the new strategy
 - Failure to develop new employee and management skills
- Failure to coordinate
 - Reporting and control relationships not adequate
 - Organizational structure not flexible enough
- Failure to obtain senior management commitment
 - Failure to get management involved right from the start
 - Failure to obtain sufficient company resources to accomplish task
- Failure to obtain employee commitment
 - New strategy not well explained to employees
 - No incentives given to workers to embrace the new strategy
- Under-estimation of time requirements
 - No critical path analysis done
- Failure to follow the plan
 - No follow through after initial planning
 - No tracking of progress against plan
 - No consequences for above
- Failure to manage change
 - Inadequate understanding of the internal resistance to change
 - Lack of vision on the relationships between processes, technology and organization
- Poor communications
 - Insufficient information sharing among stakeholders
 - Exclusion of stakeholders and delegates

(Wikipedia, 2008a)

Appendix XI: The Old and New Strategy Calendar

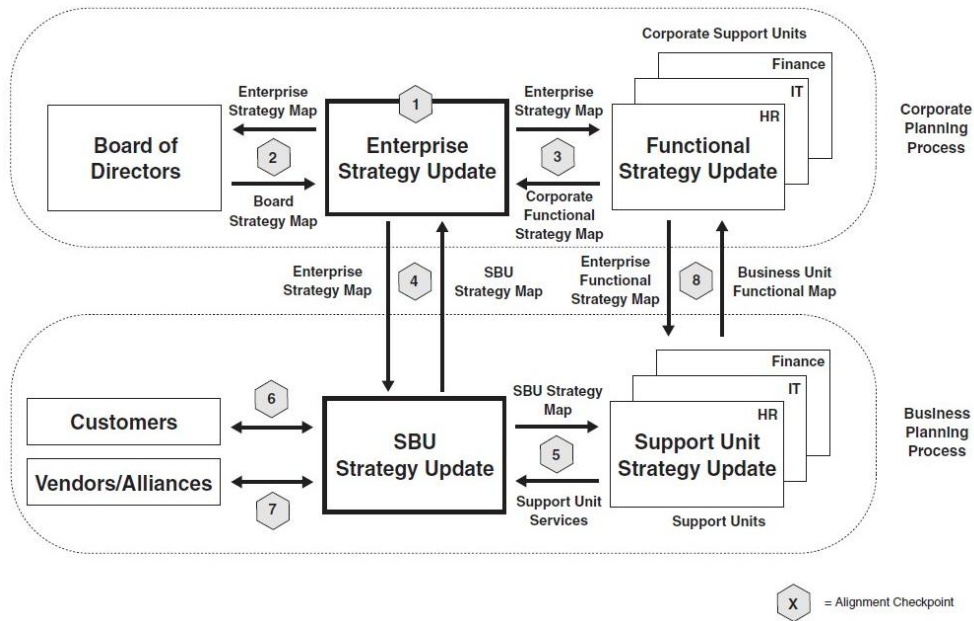


The Old Strategy Calendar: Uncoordinated management processes by different executive groups leads to ineffective strategy execution (R. S. Kaplan & Norton, 2005).



The New Strategy Calendar: Establishing a dedicated Strategy Manager (R. S. Kaplan & Norton, 2005).

Appendix XII: Alignment Checks in the Strategic Planning Process.



Building alignment into the planning process (R. S. Kaplan & Norton, 2006).