Navigating Organizational Identity Crises: How Digital Transformation Affects Strategy Practice in the Auto Industry

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Oliver Böhm

from

Germany

Approved by the application of

Prof. Dr. Wolfgang Jenewein

and

Prof. Dr. Felicitas Morhart

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St. Gallen, April 2022 Oliver Böhm

Foreword

In this thesis, I advance the idea that digital transformation is as much about identity change as it is about business model, technology, or cultural change. Much of my personal motivation fed from my own experience of being part of a digital strategy team myself, trying to drive digital change at a major car company. A central goal of this project has therefore been to report both my colleagues' and my own experiences and link them to the academic discourse on incumbent change.

As typical for research in the strategy field, the focus is on investigating tensions and dynamics that affect organizational outcomes. In the present case, these effects prevented the focal firm from realizing their strategic intentions over a prolonged period of time. At first, the case study may therefore appear like a journey of struggle and, in part, also failure. This is, however, not the main intention. To the contrary, I personally consider the journey of the focal case company as an example for courage and perseverance – two virtues that to me seem key to move a proud legacy into a new, digital era. My hope is that the findings help better understand the often contradictory and essentially emotional dynamics that occur when organizations reinvent themselves in response to external pressures.

Something I personally learned in this project may also be of interest to the academic community: When fundamental change is not grounded in deliberate identity work, having the right intentions may not be enough. Without a shared conviction of who we aspire to be in a changing world, efforts to drive positive change may be futile. In this spirit, I hope that in a world of ever-changing demands, challenges, and distractions, this thesis can inspire both organizations and individuals to not just focus on the *why*, *how*, and *what* of change. To shape a desirable future, it may be at least as crucial to focus on the *who*.

Finally, my dissertation journey taught me that uncommon projects require uncommon people. I continue to be deeply indebted to my former colleagues who openly shared their personal views and trusted me to put them in the right perspective. It is my sincere hope to have met this challenge.

Abstract

In various industries, digital technologies increase pressures for incumbent firms to strategically renew their product offerings. This thesis explores the specific challenges that arise for strategy practice. Shifting the focus to the underlying identity dynamics of digital change, I ask: What does it mean and take to reinvent a proud legacy in response to socio-technological changes in the market? Based on a single case study of a leading European car manufacturer, the findings illuminate the challenges of driving digital change in organizations where members strongly identify with a cherished product legacy.

Overall, this thesis makes four main contributions: First, I identify three paradoxical identity tensions that affect strategy practice at the product level. The study illustrates how these tensions emerge and critically affect focal actors' cognition, choices, and cohesion throughout the strategy process. Second, I identify three identity barriers that impede change on an organizational level. My findings show how such barriers are grounded in members' subjective evaluations of top managers' behaviors and organizational boundary conditions. Third, I reveal how focal actors make use of four practices to nonetheless drive positive outcomes. Centering on managing emotions and interpersonal relationships, these emerging practices break with traditional ideas about strategy as a primarily analytical and rational endeavor. Finally, I develop a novel framework that conceptualizes strategy practice in the digital age as a continuous process of navigating organizational identity crises.

The findings extend existing research on the interplay between strategic renewal and organizational identity change. They also speak to practitioners seeking to drive far-reaching changes in organizational contexts where strong legacies and the corresponding identity tensions are at play.

Zusammenfassung

In den verschiedensten Industrien erhöhen digitale Technologien den Druck auf etablierte Unternehmen, ihr Produktangebot strategisch zu erneuern. Diese Arbeit untersucht die spezifischen Herausforderungen, die sich daraus für die Strategiepraxis ergeben. Die Ausgangsfragen verschieben den Fokus auf die dem digitalen Wandel zugrundeliegenden Identitätsdynamiken: Was bedeutet es, eine stolze Legacy im Zuge von sozio-technologischen Veränderungen im Markt neu zu erfinden? Und wie kann dies praktisch gelingen? Anhand einer Fallstudie eines führenden europäischen Automobilherstellers werden die Herausforderungen des digitalen Wandels in Organisationen beleuchtet, deren Mitglieder sich stark mit einer etablierten Produkt-Legacy identifizieren.

Insgesamt liefert diese Arbeit vier zentrale Beiträge: Erstens identifiziere ich drei paradoxe, identitätsbezogene Spannungsfelder, die die Strategiepraxis auf Produktebene beeinflussen. Die Studie veranschaulicht, wie diese Spannungen entstehen und die Wahrnehmung, die Entscheidungen und den Zusammenhalt der wesentlichen Akteure im Strategieprozess entscheidend beeinflussen. Zweitens identifiziere ich drei identitätsbezogene Barrieren, die den Wandel auf Organisationsebene behindern können. Meine Ergebnisse zeigen, wie solche Barrieren in der subjektiven Wahrnehmung des Verhaltens von Topmanagern und der organisatorischen Randbedingungen durch die Mitarbeiter begründet sind. Drittens zeige ich, wie die Akteure im Strategieprozess vier Praktiken anwenden, um trotz dieser Herausforderungen positive Ergebnisse zu erzielen. Diese Praktiken, die sich im Wesentlichen auf den Umgang mit Emotionen und zwischenmenschlichen Beziehungen konzentrieren, brechen mit den traditionellen Vorstellungen von Strategie als einem primär analytischen und rationalen Unterfangen. Abschließend präsentiere ich ein neues Rahmenmodell, das die Strategiepraxis im digitalen Zeitalter als einen kontinuierlichen Prozess der Bewältigung von organisationalen Identitätskrisen konzeptualisiert.

Die Ergebnisse erweitern die bestehende Forschung über das Zusammenspiel zwischen strategischer Erneuerung und dem Wandel der Unternehmensidentität. Sie richten sich auch an Praktiker, die versuchen, weitreichende Veränderungen in organisatorischen Kontexten voranzutreiben, in denen eine starke Identität und die entsprechenden Spannungsfelder vorzufinden sind.

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Abbreviations

CEO	Chief Executive Officer
DT	Digital Transformation
OEM	Original Equipment Manufacturer
OI	Organizational Identity
ROCE	Return on Capital Employed
RQ	Research Question

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1. Introduction

1.1. Background and Motivation

What does it mean and take to reinvent a proud legacy in response to fundamental changes in a firm's environment? In various industries, digital technologies increase pressures for incumbents to renew central attributes of their long-standing identities. In the auto industry, the resulting identity crises seem particularly salient. Already in 2015, Volkswagen's then CEO asserted: Traditional car makers would need to fundamentally reinvent themselves in response to the "digital revolution" (Sueddeutsche Zeitung, 2015). In 2019, Toyota's CEO Akio Toyoda proclaimed: *"Virtually every industry is trying to predict the future. And from my perspective, nobody wants that crystal ball as much as the auto industry."* The leader of the world's largest car company went on to admit that nobody could tell what type of company Toyota would be in ten years.

The roots of this identity crisis lie at the product level. Today, digitally enabled mobility services have become part of everyday life. Digital connectivity and services in and around the car have become decisive purchasing criteria. New industry entrants leverage digital technologies for building new forms of competitive advantage. Cars are no longer just cars, but digital devices on wheels. For traditional OEMs, these product-driven changes present a major break with a century-old, proud car legacy. Beyond further honing mechanical engineering and production skills, they must recalibrate their identity in an increasingly digital economy.

This thesis explores how digital transformation (DT) alters the boundary conditions for strategic renewal and how this impacts strategy practice in incumbent firms. Based on an in-depth case study of a leading car manufacturer, I retrace how focal actors attempted to drive the transition toward more digital product offerings. The findings reveal how strategy practice must address various identity-related tensions that arise when DT challenges the core of a cherished legacy. Drawing on developmental psychology research, I introduce the notion of *navigating organizational identity crises* to conceptualize the socio-psychological context of driving digital change in legacy environments. By highlighting identity as a key concept for strategy practice, I extend earlier contributions that view identity development as a driving force for organizational progress (K. G. Corley & Harrison, 2009; Liedtka, 2008; Schultz, 2018; Schultz & Hernes, 2020; Tsoukas & Chia, 2002).

The phenomenon of technology-driven change and incumbent adaptation is not new. For decades, research has investigated how organizations adapt to technological disruption (van Mossel et al., 2018). On a normative level, controversy has revolved around the extent to which a prolonged lifespan of firms is even desirable. Schumpeterian views have traditionally emphasized the importance of *creative destruction* to maintain the innovative strength of an economy (Schumpeter, 1942). Influential concepts like the "innovator's dilemma" (Christensen, 2013) or the *incumbent's curse* (Chandy & Tellis,

2000) can be regarded as contemporary expressions of this prevalent view. More recently though, arguments highlighting the critical role of established industry leaders in shaping the transition toward a more sustainable future have gained traction (Agarwal et al., 2007; Agarwal & Helfat, 2009; Iansiti & Lakhani, 2017; Patvardhan & Ramachandran, 2020). Societal and economic progress thus critically depend on incumbents' ability to reinvent themselves in the digital age.

Previous research has also extensively studied how incumbents balance ambidextrous concerns (O'Reilly & Tushman, 2013), adapt business models (Amit & Zott, 2001), develop new capabilities (Teece, 2007), and transform into different kinds of companies (Agarwal & Helfat, 2009; Danneels, 2011). However, academia has only recently increased efforts to explore the complex interplay between strategic change and organizational identities (Ravasi et al., 2020). A recurring theme is that profound changes in *what firms do* are intrinsically linked to changes of *who they are* as an organization (Ashforth et al., 2008; K. G. Corley & Gioia, 2004; Ravasi & Canato, 2010).

At the same time, current research is less clear about how established identities affect strategy practice and outcomes. On the one hand, a strong sense of identity was found to serve as a *"rudder for navigating difficult waters"* (Albert & Whetten, 1985): Under uncertainty, identity beliefs provide direction and enable action (De Massis et al., 2016; Rao & Dutta, 2018). On the other hand, strong identification with the past can impede change efforts (Ravasi & Phillips, 2011), increase inertia (Eggers & Park, 2018), and lead to change failure (K. G. Corley & Gioia, 2004; Danneels, 2011; Tripsas, 2009; Vuori & Huy, 2016). In efforts to understand its role in organizational change processes, organizational identity (OI) has been reconceptualized as malleable: Rather than a fixed trait, it is viewed as socially constructed and evolving over time (Gioia et al., 2000). This has spurred interest in how an identity lens can refine our understanding of the contextual boundary conditions of incumbent adaptation (Anthony & Tripsas, 2018; A. D. Brown, 2001; K. G. Corley & Harrison, 2009; Fiol, 1991).

The main argument I put forward in this thesis is that when firms transform their legacy, strategy practice is about navigating the emotional dynamics of organizational identity crises. This extends earlier research emphasizing that strategic changes do not gain traction if they fail to create emotional resonance among key stakeholders inside the organization (Giorgi, 2017; Healey & Hodgkinson, 2017; Kouamé et al., 2021). My findings nurture hopes that, if carefully managed, identity tensions can in fact play out as a blessing rather than a burden for firms trying to beat the odds of creative destruction. To agree with a quote by the American economist Paul Samuelson, it is therefore my sincere hope that this study can substantiate the conviction that "*in the long run, not all of us are dead"*.

1.2. Objectives and Intended Audience

1.2.1. Research Goal and Context

The main goal if this thesis is to advance empirical and conceptual knowledge on how strategy practice in incumbent firms evolves in response to DT. It was motivated by two main observations:

First, current debates in business and academia center around how DT creates new strategic challenges for firms. However, empirical studies have not kept pace with conceptual advances. We still lack in-depth knowledge about how focal actors experience and cope with these challenges “on the ground” in trying to drive digital change in their organization (Balogun & Johnson, 2005a; Weick et al., 2005).

Second, the existing literature offers little advice on how strong identification with an existing product legacy affects the content, process, and outcome of digital change initiatives (Watkiss & Glynn, 2018). Most studies focus more broadly on technological shifts in the market and the implications for traditional business models (Berman, 2012; Srinivasan & Venkatraman, 2018). The neglect of internal identity dynamics is problematic as it risks sidelining the emotional dynamics that critically affect strategic outcomes (Canato et al., 2013; Nag et al., 2007; Wenzel et al., 2020a).

My research therefore responds to recent calls to develop a novel “conceptual apparatus” (Adner et al., 2019, p. 254) for understanding and practicing strategy in today’s evolving market environment. Strategy scholars have repeatedly emphasized the need to develop empirically grounded, novel theory about doing strategy in an increasingly disruptive world (Birkinshaw & Markides, 2020). Reseachers have also stressed the need to better understand the tensions between strategy and identity (Ravasi et al., 2020). This thesis is motivated by the observation that such tensions are even more likely to occur when firms adapt their offerings to a new digital reality (Simsek et al., 2021).

The car industry presents a particularly suitable research context for investigating these phenomena. Not only have organizational practices been geared toward the car over decades; in its traditional form, the car has also been the emotional core of a proud legacy that members strongly identify with. So far, only few studies have explicitly examined the phenomenon of product-driven identification (Beverland et al., 2010; Dougherty, 1992; Watkiss & Glynn, 2018). However, seminal work has examined the various cognitive limitations existing legacies can impose (Danneels, 2011; Svahn et al., 2017; Tripsas, 2009; Tripsas & Gavetti, 2000; Vuori & Huy, 2016; Warner & Wäger, 2019). My research thus provides novel insights about contemporary challenges in strategy practice by exploring the interplay between digital change and strong legacy identities.

1.2.2. Research Questions

Three research questions have guided the empirical study. In a first step, RQ 1 aimed at exploring the identity tensions that emerge when incumbents seek to drive digital change at the product level. From the perspective of focal actors, it allowed to explore even subtle identity dynamics and the combined effects on strategy practice.

RQ 1:	*What tensions do focal actors experience as they attempt to digitally transform an incumbent's existing product offering, and how do these tensions relate to matters of identity?*

In a second step, RQ 2 aimed at understanding how these tensions can be confronted and resolved. The intention was to deliberately shift the focus to the micro-level and how individual practices influence adaptation success.

RQ 2:	*How do focal actors confront and resolve these tensions to drive strategic outcomes?*

Finally, RQ 3 was devised to aggregate empirical insights into a conceptual framework that epitomizes the main theoretical and practical implications for strategy practice in the digital age.

RQ 3:	*What are the implications for strategy practice in incumbent firms?*

This final set of questions emerged throughout an abductive research process that involved a constant moving back and forth between data collection in the field and reviewing relevant literature (Dubois & Gadde, 2002). A more general version of RQ 1 was initially formulated based on an integrative review of the existing literature on strategic renewal, DT, and strategy practice. At a later stage, identity emerged as a focal theme from collected data and led to reformulations. In parallel to data analysis and returns to the literature, RQ 2 and RQ 3 were added half-way into the project.

1.2.3. Main Contributions and Relevance

The thesis makes three main contributions (see **Table 1**): First, on the product level, I identify several identity tensions that shed new light on the socio-psychological context of product legacies. Second, on an organizational level, I reveal how organizational barriers can reduce members' willingness to take personal initiative in driving change. Third, on an individual level, I show how people and relationships are key to driving digital change. To navigate organizational identity crises, focal actors use various practices to establish trusting relationships with key stakeholders inside the firm.

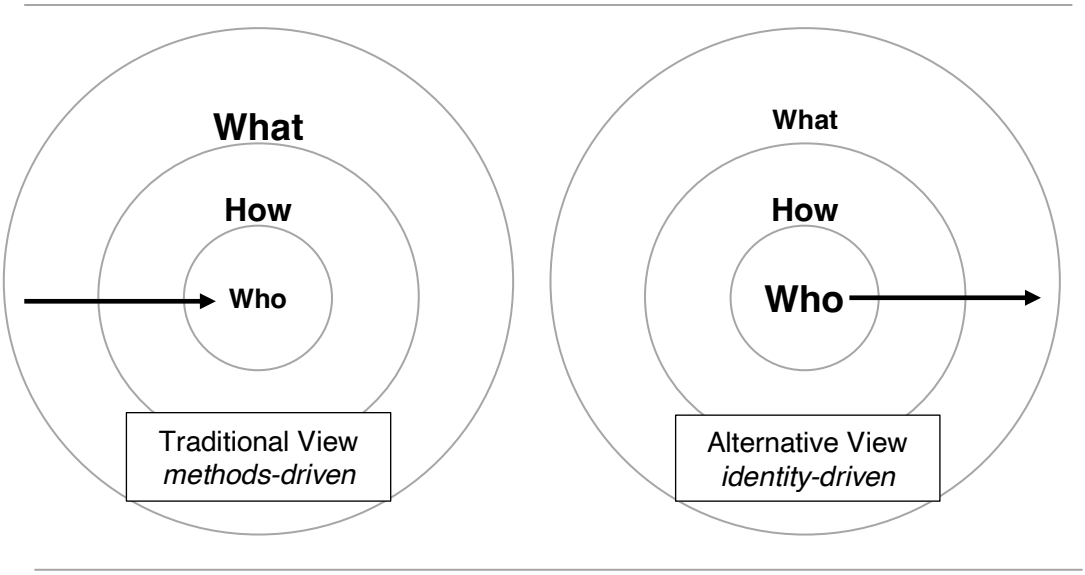
Table 1. Overview of Key Findings and Contributions

Findings	Level	Theoretical Implications	Managerial Implications
Identity tensions	Product	Contexts matter: Strong product legacies create identity tensions throughout the digital strategy process	Thinking: Understand strategy practice in the context of DT as navigating organizational identity crises
Identity barriers	Organization	Perceptions matter: How members evaluate a firm's overall commitment to identity change critically affects engagement	Organizing: Remove barriers that undermine members' willingness to drive change and take entrepreneurial risks
Emerging practices	Individual	Relationships matter: Driving digital change in legacy environments depends on focal actors' ability to forge trusting relationships	Practice: Extend the analytical focus of strategizing to include relational and emotional success factors
Conclusions	Conceptual	In the digital age, strategy practice is about continuously recognizing, confronting, and resolving organizational identity crises.	To drive positive outcomes, strategy practice must attend to the emotional subtleties of internal identity dynamics.

The findings contribute to a better understanding of the micro-mechanisms of driving digital change in incumbent firms (Davis & Marquis, 2005; Glynn & Raffaelli, 2010). They sensitize both scholars and practitioners that the socio-psychological context of legacy identities can have severe repercussions on the process, content, and outcome of strategic renewal (Agarwal & Helfat, 2009; Ethiraj et al., 2018). I also add to identity-driven perspectives on strategy and change (Gioia, Patvardhan, et al., 2013; Patvardhan et al., 2015; Schultz & Hernes, 2020; Tsoukas & Chia, 2002) by drawing attention to the emotional dimensions of product-level change (Dutton & Dukerich, 1991; Ravasi & Phillips, 2011). Finally, the notion of *organizational identity crisis* provides a novel perspective on the role of identity tensions in transitions: Depending on how they are understood and managed, they can either trap incumbents in vicious cycles of conflict and inertia or usefully guide a virtuous cycle of continuous renewal.

Shifting the focus to identity may usefully complement existing approaches to strategy practice and increase the chances of successful implementation. Traditionally, strategic thinking has revolved around finding answers to *what* a firm should do and *how* this can be achieved. Accordingly, the focus was on developing standardized frameworks and methods (Kornberger & Engberg-Pedersen, 2021). An organization's identity was thus often reduced to being an outcome variable of what firms did and how. My findings suggest that in a today's digitalized economy, the reverse may be true: Successfully adapting the *what* and *how* of strategy may require to first answer *who we are* and *who we aspire to become* in a more digital future.

Figure 1. Major Change in Thinking about Strategy Practice Proposed by this thesis



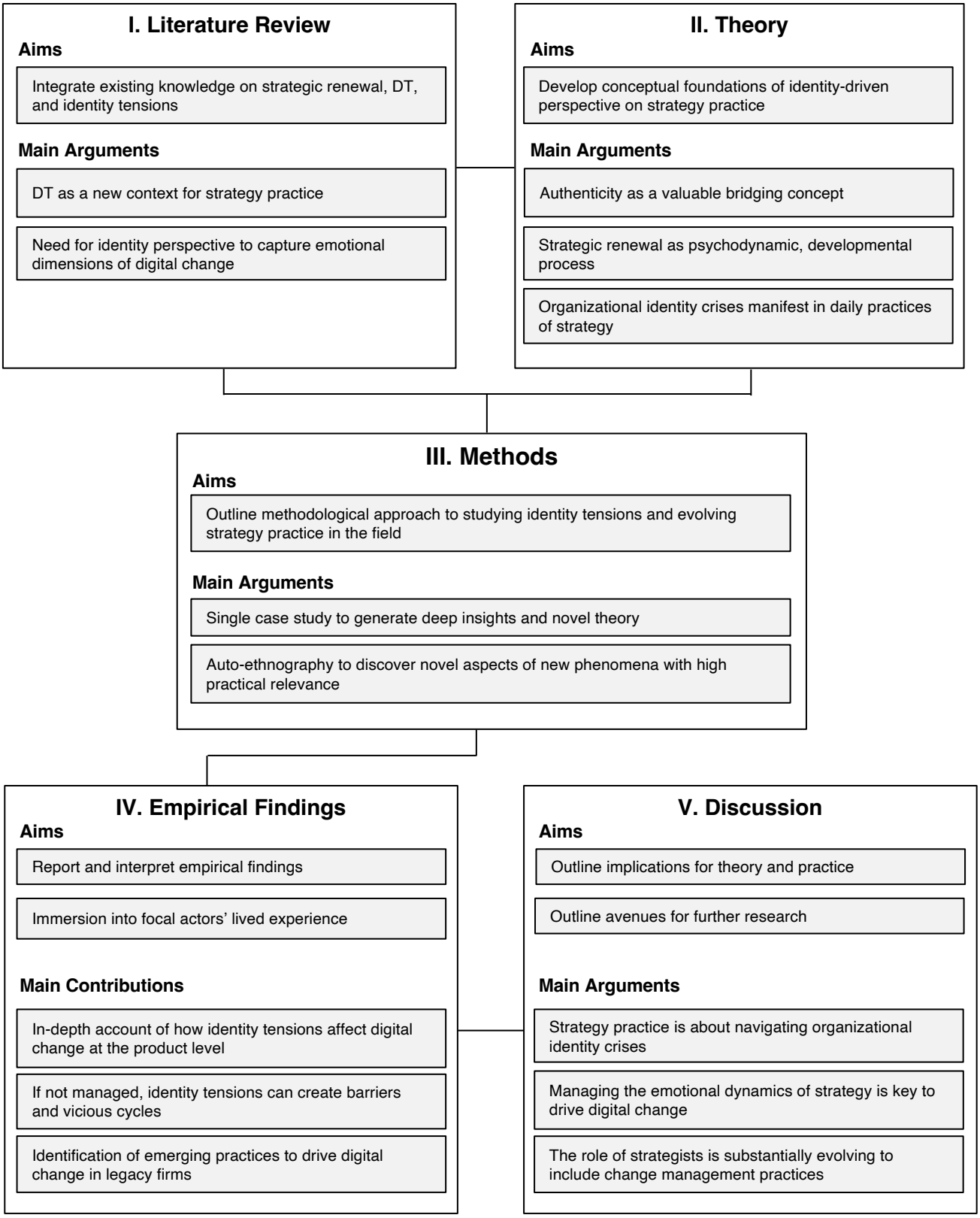
1.3. Approach and Overview

This thesis adopts an ethnographic, single case study approach to studying strategy practice at *Drive*, a leading European car manufacturer. Over a period of three years, I immersed into the daily work of digital strategists and product managers driving digital changes to the existing product offering. The focus is on product-level change, i.e. changes in what firms do and ultimately offer to customers (Svahn et al., 2017). Data was primarily collected in the form of interviews, observations, and internal documents.

In terms of research design, this study follows in the footsteps of seminal case study research investigating strategy phenomena to generate new theory (Burgelman, 1991; Canato et al., 2013; Danneels, 2011; Gioia & Chittipeddi, 1991; Ravasi & Phillips, 2011; Tripsas, 2009; Vuori & Huy, 2016). What distinguishes my approach is that it is auto ethnographic. I have assumed a dual role of being both a researcher and a member of a digital strategy team. I thereby respond to recent calls for engaging in practitioner-led research to increase the practical relevance of scientific studies (Jarzabkowski et al., 2015; Vesa & Vaara, 2014).

The thesis is structured as follows (see **Figure 2):** First, a literature review integrates research on strategic renewal and OI tensions in the context of DT. The aim is to (1) identify relevant research gaps and (2) generate a conceptual starting point. Second, I synthesize theory on authenticity, developmental psychology, and practice theory. The result is a novel lens for studying contemporary change phenomena. Third, I outline the methodological approach. Fourth, I summarize the main empirical findings and how they translate into a novel, identity-driven perspective on strategic renewal. Finally, I discuss the main results and implications for both academia and practice.

Figure 2. Overview of the Structure and Argumentative Flow of the Thesis



2. Literature Review

This section integrates previous research on strategic renewal, digital strategy, and identity tensions in organizations. The purpose is to delineate (1) why DT presents a new context for strategy practice and (2) how driving the transition to more digital offerings creates emotional tensions inside firms with a strong product legacy.

I proceed in three steps: First, I review contributions on strategic renewal as a key concept for understanding today's incumbent change phenomena. Second, I synthesize existing knowledge about how DT increases pressures for strategic renewal and alters the boundary conditions for strategy practice in incumbent firms. Third, I outline how an identity lens can meaningfully extend prevalent understandings of digital change to encompass its emotional dimensions.

The results substantiate various ways in which digital technologies critically impact the content, process, and outcome of strategic renewal: Beyond increases in scope and ambiguity, driving digital change in legacy environments involves heightened emotional ambivalence among members. By integrating different research streams, this review offers a novel perspective on the challenges of strategic renewal in the digital age (Elsbach & Knippenberg, 2020). The results also problematize traditional understandings to open up new conversations about how to fully capture the emotional dimensions of technological change (Alvesson & Sandberg, 2020).

2.1. Strategic Renewal in the Digital Age

2.1.1. Conceptual Foundations

Prior research has examined how incumbents transform their defining attributes in response to shifts in the external environment. In this context, strategic renewal has emerged as an influential concept (Agarwal & Helfat, 2009; Schmitt et al., 2018). Foundational studies have defined strategic renewal as:

> *"[…] the process, content, and outcome of refreshment or replacement of attributes of an organization that have the potential to substantially affect its long-term prospects."* (Agarwal & Helfat, 2009, p. 282)

This broad definition highlights several aspects that distinguishes the concept from other forms of strategic change: First, strategic renewal involves a more holistic view on change. It is not only concerned with isolated changes to a firm's business model (Chesbrough, 2010) or core capabilities (Teece, 2007). It also attends to the micro-mechanisms of subsequent implementation (Weiser et al., 2020). Strategic renewal is both about *what* firms do to renew themselves and *how* they do it.

Second, strategic renewal pertains to more fundamental changes that ensure a firm's long-term survival. It is less concerned with short-term tactics (Burgelman, 1988; Chesbrough & Appleyard, 2007), general shifts in priorities (Gioia et al., 1994), or temporary sources of competitive advantage (Srivastava et al., 2001). When incumbents engage in strategic renewal, stakes are usually high, and changes affect a firm's core.

Third, the concept of strategic renewal is normatively agnostic (Agarwal & Helfat, 2009, p. 283). It does not make claims about how firms should go about renewing themselves. Neither does the concept presume that such intentions are successful. Firms may either "refresh" or radically replace existing attributes. Either way, the fact that incumbents *try* does not necessarily mean that they *should* or succeed (Floyd & Lane, 2000; Huff et al., 1992).

Strategic renewal thus differs from prevalent conceptualizations within the strategy field. Typically, scholars have aimed at developing universally applicable methods to help firms realize a particular strategic outcome such as, for instance, profitability (Rumelt, 1982; Whittington, 2012). Strategic renewal, by contrast, provides a conceptual lens for analyzing and describing a particular phenomenon in the first place.

2.1.2. Current Debates and Normative Implications

Despite its descriptive nature, the concept of strategic renewal has sparked substantial normative debate about how strategic renewal can be enacted in practice. As Schmitt et al. (2018) point out, empirical evidence so far has remained inconclusive. For multiple reasons, no universal blueprint exists for the practice of strategic renewal.

First, different views exist on what ultimately drives strategic renewal: Is it processes of organizational learning (Crossan & Berdrow, 2003) or resource adaptation (Kraatz & Zajac, 2001) that ultimately enable firms to renew themselves? Second, actionable knowledge on how strategic renewal is implemented within established structures is scarce: Must strategic renewal be imposed from the top or does it rather emerge from the bottom of the organization (Ateş et al., 2020; Burgelman, 1991; Mintzberg & Waters, 1985)? Finally, disagreement revolves around matters of agency: Are firms bound to react to pressures from the outside-in (Sandström et al., 2009) or well-advised to shape markets from the inside-out (Jaworski et al., 2000)?

These knowledge gaps continue to motivate further inquiry. Recent studies have explored how firms can radically shift their strategic direction (Kirtley & O'Mahony, 2020), dynamically adapt their capabilities (Teece, 2007; Winter, 2003), or instead venture into entirely different markets (Burgelman, 1991; Floyd & Lane, 2000). Exploring the extreme case, research has shown that attempts to transform into an entirely different company are rarely successful (Danneels, 2011; Kanter, 1990; Nag et al., 2007; Tripsas, 2009). Other studies, however, propose a different view. For instance, firms may succeed in

renewing existing capabilities by reinterpreting their meanings for product innovation (Ravasi & Phillips, 2011) or by extracting different value from them (Danneels, 2002; Roy & Sarkar, 2016).

Across these opposing views, however, a strategic renewal perspective has strengthened an evolutionary view on sustained firm performance (Barnett & Burgelman, 1996; S. L. Brown & Eisenhardt, 1997; Nelson & Winter, 1973; Patvardhan & Ramachandran, 2020): To remain successful over time, firms must constantly renew themselves.

2.1.3. Digital Transformation as a New Context

Understanding how incumbents can strategically renew themselves in response to digital disruption has become a focal concern for both scholars and practitioners (Bughin & van Zeebroeck, 2017; Crittenden et al., 2019). Broadly used as an umbrella term for a wide range of phenomena, DT has become a recognized label for one of today's most fundamental questions in strategy: *How do digital technologies reshape the world as we know it, and how can incumbents adapt to this new reality?*

Despite its undisputed relevance, recent studies confirm a persistent lack of consensus about DT's exact meaning (Hanelt et al., 2021). In practice, definitions vary from the adoption of new tools to embracing entirely different mindsets (Warner & Wäger, 2019). In academia, scholars continue to seek commonly accepted definitions (Amit & Han, 2017; Iansiti & Lakhani, 2017). Notwithstanding these conceptual gaps, consensus exists that DT increases pressures for fundamental strategic renewal and thus presents a new context for strategy practice (Hanelt et al., 2021).

Existing definitions reflect the inherent complexity and transformative nature of the phenomenon. For instance, Hinings et al. (2018, p. 53) define DT as

> *"[…] the combined effects of several digital innovations bringing about novel actors, structures, practices, values, and beliefs that change, threaten, replace or complement existing rules of the game within organizations and fields."*

DT thus necessitates far-reaching changes to a firm's defining core attributes. Two characteristics have implications for how we think about and practice strategy: First, digital technologies increase pressures for strategic innovation. For established industry leaders, this extends the scope of strategy practice beyond incremental improvements (Zhou & Wu, 2010). Second, making strategic decisions involves heightened ambiguity. In a digital platform economy (Eckhardt et al., 2018; Ramaswamy & Ozcan, 2018), lasting success critically depends on the capacity to identify opportunities first and scale them fast. However, such opportunities are often opaque and difficult to assess ex ante (Gans et al., 2019).

Increased Scope: Strategic Innovation as a New Imperative

Digital technologies lower former entry barriers (Stringham et al., 2015) and democratize the capacity to create competitive innovations at scale (Chesbrough & Appleyard, 2007; Heimans & Timms, 2014; Porter & Heppelmann, 2015). This undermines the dominant position of incumbents and increases pressures for strategic innovation. Despite these observations, empirical studies examining how the transition to more digital offerings affects strategy practice have so far remained scarce (Svahn et al., 2017; Yoo et al., 2012).

This gap is problematic as it risks overlooking the inherently different and transformative nature of digital innovation at the product level. To accommodate the new reality of "hypercustomized, predictive, self-improving technologies" (Adner et al., 2019, p. 254), strategy must recognize unprecedented qualitative changes in consumption. Adner et al. (2019) illustrate this by using examples from the music industry. In a first transformation, the physical representation of products evolved from vinyl to easily replicable CD and mp3 formats. Next, software like Apple's iTunes accelerated digital connectivity between different devices, including iPods and personal computers. Finally, streaming services like Spotify enabled entirely new consumption standards. Today, personalized music recommendations critically shape customer expectations and a firm's economic success. This evolutionary pattern has been found to be paradigmatic for contemporary product-level transformations. For instance, Ramaswamy and Ozcan (2018) point toward the example of the Nike+ app and its integration with wearable devices, e-commerce, and community-based innovation: Beyond Nike's legacy as a sportswear company, digital technologies have enabled various new ways to create and sustain customer value (Kumar & Reinartz, 2016).

Digital change thus permeates to the core of what in many cases has over decades defined an organization's past success, including their culture and collaborative approach (Warner & Wäger, 2019), core capabilities (Girod & Whittington, 2017; Harreld et al., 2007), product offering (Ramaswamy & Ozcan, 2018), and, ultimately, identity (Anthony & Tripsas, 2018; Bojovic et al., 2020; Gioia et al., 2000). To untangle the concrete implications for strategy practice, scholars have called for "a new conceptual apparatus" (Adner et al., 2019, p. 254). Specifically, Teece (2020) has argued that current theory still lacks thorough understanding of how strategy practice can sustain the "evolutionary fitness" of organizations. Thus, still little is known about how the contemporary need for ongoing renewal can be put into practice (Regnér, 2008; Suddaby et al., 2020).

Increased Ambiguity: Toward Entrepreneurial Decision-Making

Analyzing how strategic thinking has evolved over time, Whittington et al. (2011) observe a paradigm shift regarding the underlying assumptions of strategy: For decades,

influential concepts such as *strategic intent* (Prahalad & Hamel, 1994) have been grounded in the assumption that a clear target vision can be devised *ex ante*. This allowed strategists to plan and manage change. Today, such blueprints can no longer be taken for granted. Not only is competitive advantage increasingly short-lived and temporary at best (D'Aveni et al., 2010; Funtowicz & Ravetz, 1993); strategic options also seem increasingly ambiguous (Gans et al., 2019; Knight, 1921).

Clearly, and long before the advent of DT, making decisions under uncertainty has been an integral element of strategy (Courtney et al., 1997; Wernerfelt & Karnani, 1987). More recently though, the literature has turned to "strategic ambiguity" as a key concept to denote a new reality for decision-making (Arikan et al., 2020; Denis et al., 2011). Defined as the *"degree of uncertainty inherent in perceptions of the environmental state"* (Carson et al., 2006, p. 1059), ambiguity creates situations in which all identifiable options appear equally viable (Gans et al., 2019; Knight, 1921). This impacts how strategists make choices: While mere uncertainty can still be reasonably assessed with probability calculations, ambiguity cannot. In ambiguous environments, probabilistic thinking does not yield instructive answers.

Traditional decision-making frameworks have been criticized to insufficiently recognize this (Gans et al., 2019). In most cases, they remain grounded in the idea that we can make decisions between a set of well-defined strategic options in relatively stable environments. For instance, to assess the attractiveness of markets, Porter's influential *Five Forces Model* assumes available knowledge about an industry's entry barriers, competitors, customers, suppliers, and products. Similarly, the *Ansoff Growth Matrix* presupposes that future product markets and their boundaries are known. Finally, even *Scenario Planning* requires the ability to forecast how different options affect the organization. To date, strategy is thus understood as the practice of analyzing available options and making optimal choices (Gans et al., 2019).

Digital innovation, by contrast, further amplifies perceptions of ambiguity as its disruptive nature makes it difficult to reliably anticipate and assess relevant developments (Nambisan, 2017). Rather than seeking optimal choices, firms therefore need to embrace a more entrepreneurial approach that seeks to experiment with and validate various options (Gans et al., 2019; Pillai et al., 2020; Sarasvathy, 2001). Such an approach is based on the idea that viable strategic options can only be identified and assessed through experience. Long-term strategic choices then take shape in an iterative process of testing, learning, and revising. Denis et al. (2011) have shown the abysmal consequences of clinging to traditional approaches: In what they label states of "escalating indecision", decision-makers continue to see themselves incapable of identifying the best among multiple viable options. Such prolonged indecision reinforces inertia and curtails a firm's ability to bring about any strategic decisions at all.

2.1.4. Summary and Problematization

In summary, the existing literature substantiates that DT alters the boundary conditions for strategy practice by increasing its inherent scope and ambiguity. Strategy practice in the digital is therefore not only about adopting and adapting to new technologies. Instead, it involves recalibrating the focus on innovation and updating traditional approaches to making choices.

Despite these conceptual advances, we still lack empirical knowledge on how these changes alter the daily practice of strategy inside the firm. Strategy scholars have pointed toward the importance of "strategic agility" (Doz & Kosonen, 2010; Weber & Tarba, 2014) for accommodating the need for both innovation and flexibility. However, the discourse has remained somewhat narrowly focused on the challenges that arise in a firms' external environment. More actionable knowledge is needed on how incumbents can drive digital change inside the organization and adapt their approach to strategy practice (Huy et al., 2016; Kanitz et al., 2021; Sonenshein & Dholakia, 2012).

Closing this gap is even more crucial given that changes to a firm's legacy typically evoke tensions that complicate the implementation process (Canato et al., 2013; Gioia et al., 1994). Recent work has drawn attention to identity tensions as a major source of organizational change failure (Hay et al., 2021). Such tensions were found to arise particularly in contexts where members strongly identify with an organization's existing products and corresponding practices (Canato et al., 2013; Kreiner et al., 2015; Nag et al., 2007). Although DT involves unprecedented changes to a firm's existing product offering, we still know little about how tensions between an established product legacy and the transition toward a more digital future affect strategy practice (Svahn et al., 2017; Warner & Wäger, 2019).

This points toward the need for a more in-depth understanding of the internal socio-psychological context in which current strategic renewal attempts occur. In the next section, I therefore turn to the literature on organizational identity tensions to draw attention to a central question that so far has remained vastly overlooked: *How does having a strong legacy affect strategic renewal in response to DT?*

2.2. Managing Identity Tensions in Incumbent Firms

Organizational identity (OI) research has a long tradition of exploring the central, yet ambiguous role of established legacies in incumbent change processes (Hay et al., 2021). To date, however, research on how the transition toward more digital offerings produce identity tensions and how they can be effectively managed remains scarce. Specifically, we lack empirical knowledge on what tensions arise when organizations (1) transition toward more digital offerings but (2) identity beliefs remain closely attached to a proud product legacy.

Defined as *"members' consensual understanding of who we are as an organization"* (Albert & Whetten, 1985), OI has become a focal concept in the strategic change literature (Gioia, Patvardhan, et al., 2013; Ravasi et al., 2020). Various studies confirm that changes to a proud past require to carefully balance employees' need for both continuity and change (Chreim, 2005; Kreiner et al., 2015; Malhotra & Hinings, 2015). In the context of DT and the still predominant focus on its technological dimensions, these emotional subtleties so far remain vastly overlooked.

In this section, I therefore synthesize knowledge on the interplay between identity tensions and change. Overall, an identity perspective draws attention to the emotional boundary conditions for digital change: When members strongly identify with an existing product legacy, the transition to more digital offerings is likely to evoke feelings of heightened ambivalence. This has profound implications for the process, content, and outcome of strategic renewal.

2.2.1. Process: Balancing Continuity and Change

Existing research suggests that the process of driving digital change needs to balance the need for both continuity and change. Previous research has examined in what ways strong identification with an organization's existing identity impacts change processes (Gioia, Patvardhan, et al., 2013). The results, however, are inconclusive. Some studies argue that strong legacy identities negatively impact change as emotional attachment to the status quo reinforces inertia (Eggers & Park, 2018; Gioia, Patvardhan, et al., 2013; Kogut & Zander, 1996; Patvardhan et al., 2015; Tripsas, 2009). Others have proposed a more nuanced perspective. For instance, strong identification has been found to significantly increase engagement and buy-in to change (Ashforth et al., 2008; Bartel et al., 2018; Baumeister & Leary, 1995; Bhattacharya et al., 1995; Dutton et al., 1994). Across these seemingly opposing views, there is consensus that identity-related emotions decisively shape organizational change processes (Balogun & Johnson, 2005a; Hatch & Schultz, 2002; Nag et al., 2007).

Emerging Identity Tensions at the Product-Level

Previous studies have shown that changing defining attributes of an organization's identity can trigger resistance among internal stakeholders (Canato et al., 2013; Hay et al., 2021; Ravasi & Phillips, 2011; Stanske et al., 2020). For instance, Canato et al. (2013) demonstrate how coercively imposed changes undermine emotional buy-in among middle-managers and employees. Similarly, Stanske et al. (2020) have illuminated employees' tendency to evaluate changes based on their implications for established identity beliefs.

As Ravasi and Phillips (2011) show in their Bang & Olufsen case study, the need for "strategy-identity alignment" is particularly strong in organizations with an iconic product legacy. In various contexts ranging from venerable family businesses (De Massis et al., 2016; Sasaki et al., 2020) to world-renowned iconic brands (Dalpiaz & Di Stefano, 2018; Maclean et al., 2018) to high craftmanship industries (Beverland, 2005; Raffaelli, 2019; Ravasi & Canato, 2010), studies similarly highlight the central importance of preserving an authentic sense of identity throughout a firm's evolution.

Although previous research on DT emphasizes the need for far-reaching product level change, a central strategic dilemma thus remains vastly overlooked: While change is inevitable to secure the long-term survival of the firm, it is also carries the risk of losing one's way as an organization (Chreim, 2005; Malhotra & Hinings, 2015). Only recently, research has started to examine the phenomenon of deliberate identity change in more detail (Bhatt et al., 2018; Chreim et al., 2020; K. G. Corley & Harrison, 2009). The findings echo a key theme within in the behavioral strategy field: To ensure successful implementation, strategy practice must attend to the specific socio-psychological context of organizations (Healey & Hodgkinson, 2017; Levinthal, 2011).

Despite growing interest in the emotional dimensions of strategy (Healey & Hodgkinson, 2017; Hodgkinson & Healey, 2011; Levinthal, 2011) and the role of emotional affect in shaping organizational behavior (Barsade & Gibson, 2007; Q. Huy & Zott, 2019), the concrete implications for strategy practice remain underexplored. Scholars have therefore called to shift the focus to individual actors and their experiences to fully capture the complex dynamics of strategic renewal (Pettit & Crossan, 2020).

Managing Members' Perceptions and Feelings

Deliberately creating tensions between an organization's past and an envisioned future is to some extent necessary to disrupt the status quo and initiate transformation (Gioia & Chittipeddi, 1991; Humphreys & Brown, 2002). At the same time, pushing it too far creates feelings of "change overload" (K. G. Corley & Gioia, 2004) and reduces engagement (Wenzel et al., 2020a). In addition, internal conflicts arise when members lack a good sense of who they are or what the future may hold for them as an organization (K. G. Corley & Gioia, 2004, p. 178).

Nag et al. (2007) specifically examined how focal actors' identity perceptions impact implementation processes: If new ideas about *what we do* are perceived to be inconsistent with established practices that have defined *who we are*, this can lead to failure. The authors therefore emphasize the centrality of social context and day-to-day practices at the micro level, showing that changing behavior is particularly difficult if members regard established practices as *"sources of the organization's defining distinctiveness"* (Nag et al., 2007, p. 822).

These effects are grounded in a well-established psychological mechanism: As members of their organization, people have an emotional stake in directing changes in ways that are consistent with *"what they believe is the essence of the organization"* (Dutton & Dukerich, 1991, p. 550). In legacy contexts, strategy practice must therefore carefully manage how employees make sense of and relate to intended changes in what firms do (Balogun & Johnson, 2005b).

This seems even more important in the context of DT: Enabled by digitally connected services and devices, more and more firms attempt to transform a long-standing hardware legacy into digital experiences (Pine II & Gilmore, 1998; Ramaswamy & Ozcan, 2018). The resulting tensions so far have only been studied at a structural and procedural level (Andriopoulos & Lewis, 2009; Svahn et al., 2017). However, initial studies suggest that intangible, digital offerings are typically valued less by individuals than physical products (Atasoy & Morewedge, 2018). The need to manage emerging identity tensions in the strategic renewal process is therefore likely to grow.

Managing Identity Tensions

To manage identity tensions in transitions, scholars have identified different approaches. Much attention has been paid to the use of framing to legitimize change: From emotional symbols (Fiss & Zajac, 2006) to analogies and metaphors (Cornelissen et al., 2011; Gavetti et al., 2005; Hill & Levenhagen, 1995), studies have identified various means to "sell" transformative change inside the firm (Dutton et al., 2001). Notably, framing was found to be particularly effective when it increased the cultural familiarity of the targeted changes (Cornelissen et al., 2011). Instead of drawing superficial links, managers should therefore strive for profoundly "relational images" that enable deep emotional connections between a status quo and targeted changes (Cornelissen et al., 2011).

Against this backdrop, Sasaki et al. (2020) have explored how such links to a "revered past" are established in practice. They identify three strategies firms use to maintain a sense of continuity in times of transition: By elaborating (i.e. merging past and future identity statements), recovering (i.e. re-interpreting past identity statements to create new ones), or decoupling (i.e. facilitating the simultaneous existence of a historical and a

renewed identity statement), strategists manage identity tensions to drive change while staying true to their legacy.

Overall, these findings suggest that the process of strategic renewal is substantially shaped by how internal stakeholders perceive and emotionally relate to digital changes.

2.2.2. Content: Leveraging the Past to Create New Futures

Directing the content (i.e. the focus and direction) of strategic renewal is at heart of the strategy discipline. Research at the intersection between strategy and identity has investigated several opportunities to leverage established identities as a catalyst for change (Ravasi et al., 2020). In the digital age, this need is further amplified: Disruptive innovations are cognitively more distant and viable opportunities yet to be determined. To drive change internally, incumbents thus need employees to be both open and emotionally committed to taking initiative and to exploring opportunities pro-actively (Raffaelli et al., 2019).

Identities as a Cognitive Resource

Shifting the focus to OI can help organizations find focus and unlock additional motivational potential. Referring to the “heart and mind of resonance”, Giorgi (2017) has argued that to secure buy-in, appealing to members’ feelings, passions, and aspirations is often more effective than purely rational arguments. Drawing on the example of Donald Trump winning the US presidential elections in 2016, she develops a more general argument: Beyond politics, it is the emotional resonance of ideas that spurs activism, empowerment, and cohesion (Giorgi, 2017). This mirrors earlier contributions that view OI as a competitive resource allowing to cast change emotionally resonant and link it to positive emotions (Fiol, 1991).

The literature provides several examples of firms that throughout their history have renewed themselves repeatedly by deliberately leveraging their identity (Barnett & Burgelman, 1996; De Massis et al., 2016; Harreld et al., 2007; Schultz & Hernes, 2013). Studying the iconic Italian brand Alessi, Dalpiaz, and Di Stefano (2018) demonstrate how tensions between novelty and familiarity can generate captivating “metanarratives” that facilitate change. To secure buy-in, Alessi harnessed established identity beliefs by evoking feelings of nostalgia and depicting changes as coherent continuation of the past. A focal concern for strategy practice then becomes the embedding of change in a consistent, overarching story that transcends past episodes (Dalpiaz & Di Stefano, 2018, p. 686). This shows that identity tensions are not necessarily a bad thing. To the contrary, they may help identify unique strategic opportunities that set firms apart from competitors.

Driving Innovation in Ambiguous Environments

The use a firm's historical past as a cognitive anchor to direct innovation efforts has been the focus of the growing field of organizational history (Foster et al., 2017; Oertel & Thommes, 2018; Ravasi et al., 2019; Suddaby et al., 2018; Wadhwani et al., 2018). As Suddaby et al. point out, the capacity to actively manage the interpretation of one's past allows to determine viable and convincing scenarios of the future (2020, p. 531). To establish direction, the authors suggest an "imaginative approach" where legacies enable a creativity-enhancing sensemaking mode: When the future appears uncertain and industry developments are ambiguous, forward-looking narratives of the past present a *"coherent and plausible way forward"* (Suddaby et al., 2020, p. 533).

Examining product innovation at Carlsberg, Hatch and Schultz (2017) propose a similar concept of "organizational historicizing": By rediscovering and reclaiming artifacts or events within their unique history, firms can develop novel, yet authentic identity statements that guide innovation efforts. This mirrors findings in product innovation research that suggest that not all companies can innovate in the same way. For instance, Beverland et al. (2010, pp. 39–41) argue that craft- or design-driven brands give firms a particular edge for innovations that, somewhat paradoxically, are both a continuation of the past and game-changers for an industry. Taking the example of Apple, Rao and Dutta (2018) take this argument one step further. According to them, great strategies spring from identity movements: By clearly demarcating a firm's direction through identity claims, firms drive ground-breaking innovations beyond the status quo.

Finally, Corley and Harrison (2009) have advanced the idea of "generative identity change" where the desire of members to preserve a firm's identity in a changing environment motivates ongoing change efforts. According to their study, placing identity at core of strategic renewal results in *"net positive returns in regard to emotional energy"* throughout the implementation process (K. G. Corley & Harrison, 2009, p. 363). To identify unique innovation opportunities, identity tensions can thus provide both the direction and energy to move forward.

The Motivational Value of Going Your Own Way

Notwithstanding these findings, scholars have remained skeptical about the idea to let legacy identities guide strategic renewal. Such concerns are rooted in the observation that legacy identities can increase myopia by narrowing the range of available options (Kogut & Zander, 1996). However, whether identities turn out to be a blessing or a burden is not set in stone. For instance, Livengood and Reger (2010) propose that a strong identification increases awareness, motivation, and capability to respond to competitive threats within established identity domain. Similarly, Liedtka argued that if strategic changes are consistent with established identities, they can spur a sense of "passionate responsibility" among employees and increase engagement (Liedtka, 2008, p. 243).

In a recent study, Schultz and Hernes (2020) draw attention to different modes that characterize the interplay between strategy and identity over time. An optimum is reached when strategy and identity mutually reinforce each other in what they call a "sustained mode": When a *"strategy is meaningfully framed by identity [and] strategy serves to enact identity"* (Schultz & Hernes, 2020, p. 106), incumbents can successfully transform into a different type of company while preserving their unique sense of identity. Therefore, the value of legacy identities in shaping the content of strategic renewal seems to critically depend on how their interplay with strategy practice is managed.

2.2.3. Outcome: Resolving Identity Tensions

In the previous sections, I outlined how the socio-psychological context of legacy organizations and corresponding identity tensions shape both process and content of strategic renewal. Next, I turn to outcomes: *How can incumbents with a strong legacy identity make sure that their attempts to digitally renew themselves succeed?*

Most existing empirical studies suggest that identity tensions lead to change failure. We therefore know little about how to ensure positive outcomes of strategic renewal (Schmitt et al., 2018). Existing knowledge on OI nonetheless allows to identify three advantages of an identity-oriented approach to strategy practice:

Emotional context of proud product legacies. First, heightened sensitivity to identity matters recognizes the unique emotional context of legacy organizations and the various ways in which identity tensions may emerge and affect outcomes. This is particularly relevant in firms where members strongly identify with established product legacies. As Ravasi and Canato (2010) show, existing products and technologies serve as important identity-referents. In many organizations, such referents are not just regarded as a business matter; they become embedded in shared and emotionally laden understandings of what the organization stands for (Ravasi & Canato, 2010, p. 74). Preserving that legacy is thus linked to strong feelings of pride, self-esteem, and social status (Ravasi & Canato, 2010, p. 64). Brunninge (2007) made similar observations when studying of resistance to change at Scania: As engineers regarded existing product designs as the "essence of Scania", strategies to adopt new trends repeatedly failed. Identity struggles are thus an essential part of strategy practice, especially when existing product legacies serve as a cognitive and emotional anchor (Watkiss & Glynn, 2018).

Increased sense of agency. Second, the idea of navigating identity crises may increase focal actors' sense of agency. By broadening the discursive space to include matters of identity, actors were found to easier challenge the status quo and proactively shape the future of their organization (Patvardhan et al., 2015). Patvardhan and Ramachandran (2020) have therefore re-conceptualized strategy as "artificial evolution" in which a firm's ongoing progress is driven by "forward-looking shaping". In practice, the idea of continuously honing an organization's identity helps overcome the central

dilemma of incumbent change: Stability and change are no longer contradictory forces, but mutually interdependent poles that together enhance adaptability (Farjoun, 2010, p. 206). The interplay between members' psychological need for continuity and strategic changes then play out as a generative force (K. G. Corley & Harrison, 2009).

Developmental view on strategy and change. Third, the fact that identity tensions are a vital part of strategy practice sensitizes members that identity is not a fixed state but a continuous "work in progress" (Patvardhan et al., 2015, p. 429). Identity thus is a temporary outcome of a continuous development process (Gioia et al., 2000). Change then no longer is a deviation from the norm but the *"normal condition of organizational life"* (Tsoukas & Chia, 2002, p. 567). From this perspective, members may come to regard strategic renewal as a means to maintain or even realize ever better versions of a legacy identity in a collective process (Ravasi & Schultz, 2006, p. 433).

2.3. Synthesis

Table 2 summarizes the main results of the literature review. The findings suggest that the transformative forces of DT have profound implications for our conceptual understanding of the content, process, and outcome of strategic renewal. Moreover, shifting the focus to OI matters can illuminate the emotional dimensions of strategy practice that gain importance when incumbents drive change to more digital offerings.

Specifically, on a rational level (**A**), increases in scope and ambiguity alter the cognitive boundary conditions for strategy practice. On an emotional level (**B**), OI emerges as a critical concept for understanding feelings of emotional ambivalence among members when digital changes break with a long-standing product legacy.

In the following, I summarize the main implications for strategy practice and the emerging research gaps. Lastly, I outline how the research questions of this thesis were devised to help close these gaps (**C**).

Table 2. Changing Boundary Conditions for Strategic Renewal and Implications for Strategy Practice.

Dimensions	Literature on Strategic Renewal and Digital Strategy	Literature on Managing Identity Tensions in Incumbent Firms	Emerging Research Gaps and Questions
Process	Need for more entrepreneurial approaches to decision-making to identify and validate strategic options *(Arikan et al., 2020; Gans et al., 2019*) Iterative learning through experimentation *(Pillai et al., 2020, Sarasvathy, 2001)* Engaging employees to proactively explore and develop solutions *(Burgelman, 1994; Whittington et al., 2011)*	Balance focal actors' perceptions of continuity and change to secure emotional buy-in (Ravasi & Phillips, 2011; Stanske et al., 2020) Recognize identity dynamics in organizations with a proud legacy (Cornelissen et al., 2011; Canato et al., 2013) Manage emerging identity tensions at the product level (Ravasi & Canato, 2013)	1. What **identity tensions** arise when incumbents with proud product legacy attempt to move toward more digital offerings? 2. How can incumbents successfully **balance continuity and change** to ensure emotional buy-in and implementation?
Content	Increasing pressures for transformation at the product level *(Ozcan & Ramaswamy, 2018; Yoo et al., 2012)* Paradigm shift to strategic innovation as key priority *(Whittington et al., 2011; Warner & Wäger, 2019)* Balancing ambidextrous concerns for innovation and profitability *(Andriopoulus & Lewis, 2009)*	Legacy identities as a resource for innovation *(De Massis et al., 2016; Stefano & Dalpiaz, 2018)* Leveraging legacy identities to determine strategic direction *(Schultz & Hernes, 2020; Fiol, 1991)* Drawing links to legacy identity to create emotional resonance and passionate responsibility *(Corley & Harrison, 2009; Liedtka, 2008)*	3. In what ways do legacy identities affect the identification and prioritization of **strategic options**? 4. How can strategy practice attend to **focal actors' perceptions** to drive engagement and positive momentum?
Outcome	Incremental or discontinuous change through "re-freshing" or replacing defining attributes of the firm (*Agarwal & Helfat, 2009)* Successful product-driven renewal *(Burgelman, 1994; Ravasi & Phillips, 2011)* Failed product-driven renewal *(Vuori & Huy, 2011; Danneels, 2011; Tripsas, 2009)*	Socio-psychological context in legacy organizations affects outcomes (Gioia et al., 2013; Sonenshein & Dolakia, 2012; Canato et al., 2013) Not managing identity tensions results in change failure (Corley & Gioia, 2004; Nag et al., 2007) Deliberate identity change enables continuous renewal (Patvardhan et al,, 2015, Tsoukas & Chia, 2002)	5. How can incumbents **adapt strategy practice** to enable digital change at the product level? 6. What **socio-psychological barriers** systematically inhibit successful strategic renewal in the digital age?
	A. Rational Dimension	**B. Emotional Dimension**	**C. Research Questions of this Study**
Implications for Strategy Practice	1. **Increased scope:** Strategy practice aims at fundamental renewal of organizations' defining attributes at the product level 2. **Increased ambiguity:** Making decisions and driving progress requires risk-taking and experimentation	3. **Increased ambivalence**: Strategy practice needs to accommodate members' feelings of ambivalence vis-à-vis digital changes that challenge established identity beliefs	**RQ1:** What tensions do focal actors experience as they attempt to drive the transition toward a more digital product offering, and how do these tensions relate to matters of identity? **RQ2:** How do focal actors confront and resolve these tensions to drive positive outcomes? **RQ3:** What are the implications for strategy practice in incumbent firms?

2.3.1. Main Implications for Strategy Practice

Surveys confirm that strategy practice in the digital age still suffers from a knowing-doing gap (Pfeffer & Sutton, 2000): While DT has been a top priority for strategic decision-makers for years, over 80% of attempts fail in the subsequent implementation process (Forth et al., 2020; Rogers, 2016). Less than half of global executives report to realize any significant value from DT (KPMG, 2016). However, despite few exceptions (Svahn et al., 2017; Warner & Wäger, 2019), we lack empirical analyses of how digital change is implemented. Also, we lack knowledge on how implementation is affected by the socio-psychological dynamics of legacy identities.

To close this gap, the review points toward a need for more identity-driven approaches to strategic renewal to capture the emotional dynamics of DT. Understanding how identity tensions arise at the product level and how they impact strategy practice is crucial to advance knowledge on contemporary change phenomena. Based on the existing literature, an identity perspective has three main implications for strategy practice:

Level of analysis. An identity-driven perspective is sensitive to the micro-level activities and emotions of focal actors responsible for driving product level change. This usefully complements previous efforts to study the technological and structural implications of DT. An identity lens helps transcend purely rational dimensions of the phenomenon and illuminate novel emotional sources of change failure.

Role of strategy. In the digital age, managing internal identity tensions emerges as a central task. Doing strategy may no longer be limited to formal analysis and planning. Instead, strategists need to actively engage internal stakeholders and infuse strategic changes with emotionally resonant meanings.

Strategy process. Traditional approaches view strategy as a linear process: Markets are analyzed, plans devised, and their implementation controlled (Kornberger & Engberg-Pedersen, 2021). An identity lens suggests otherwise: Reconciling the tensions between change and continuity, strategic renewal follows an iterative, evolutionary pattern (Patvardhan & Ramachandran, 2020; Tsoukas & Chia, 2002).

2.3.2. Emerging Research Gaps and Questions

To better understand the challenges of driving strategic renewal in the digital age, research must address several knowledge gaps (see **Table 1**, p. 20).

Emergence and impact of identity tensions. In terms of process, we lack empirically grounded knowledge on what specific tensions arise when incumbents try to digitalize their portfolio. The current literature's disregard of identity-related tensions is problematic as it sidelines the emotional dimensions of DT in legacy environments. Therefore, field research examining micro-level experiences promises to generate

valuable contributions. Specifically, studies illuminating how focal actors seek to balance the need for both continuity and change helps understand the evolving challenges of strategy practice in the digital age.

Lived experience of focal actors. Future research should investigate the lived experiences of focal actors that drive product-level change inside the firm. Understanding how subtle, socio-psychological dynamics aggregate to broader behavioral patterns and ultimately affect change outcomes may help close the existing implementation gap. Moreover, it is crucial to investigate how decision-making adapts to the reality of ambiguous environments. While digital changes seem vital to secure long-term survival, their exact shape and direction often remain ambiguous. Examining how decision-makers navigate pressures for change and ambiguity about its directions is therefore key to better understand the mechanisms of successful adaptation.

Barriers to identity development. Finally, empirical work needs to complement existing knowledge on barriers that inhibit strategic renewal on an organizational level. The existing literature suggests that socio-psychological contexts of legacy environments create additional challenges to implementation. So far, however, such barriers and how they relate to matters of OI have not been investigated in detail. Closing this gap will help both incumbents and individual actors in adapting their approach to strategy practice to the reality of an increasingly digital economy.

Table 3 summarizes the focal research questions addressed by this thesis and the expected contributions.

Table 3. Research Questions and Expected Contributions

	Research Question	Expected Contributions
RQ 1	*What tensions do focal actors experience as they attempt to drive the transition toward a more digital product offering, and how do these tensions relate to matters of identity?*	(1) Novel insights on identity dynamics and how they impact strategy practice (2) Improved understanding of product-level tensions in the context of DT
RQ 2	*How do focal actors confront and resolve these tensions to drive positive outcomes?*	(3) Strengthening an actor-centric and context-sensitive perspective on strategy and change (4) Identification of concrete measures to ensure successful implementation
RQ 3	*What are the implications for strategy practice in incumbent firms?*	(5) Refined conceptual understanding of strategy practice in the digital age

3. Theory

In this section, I develop a novel theoretical lens for understanding and studying strategy practice in incumbent firms. I integrate ideas from three theoretical strands: First, I take the notion of authenticity as the conceptual foundation for an identity-driven perspective on strategic renewal. Second, I draw on developmental psychology research to reconceptualize strategic renewal as an ongoing process of developing an organization's identity. Third, I outline how a strategy-as-practice (SAP) lens helps focus the study on the evolving "doings and sayings" (Jarzabkowski et al., 2007) of strategy. I conclude by proposing the foundational pillars of an identity-driven approach that views strategy practice in the digital age as a cyclical and psychodynamic process (A. D. Brown, 2000).

3.1. Authenticity, Identity, and Change

Organizations, in essence, can be understood as an aggregate of individuals (Weick et al., 2005). Organizational behaviors are thus critically shaped by basic human needs and motivations (Ashforth & Mael, 1989; Maitlis & Ozcelik, 2004). The search for authenticity (Peterson, 2005) presents one of the most fundamental drivers of people's behavior in fundamental transitions. As humans, we are driven by the *"intrinsic desire to sense and experience coherence and continuity"* (Weick, 1995, p. 20) in our lives. When confronted with profound changes, we thus make choices based on how authentic we believe them to be regarding our existing identity. Conversely, we rarely feel comfortable when confronted with changes that do not feel true to who we are. The notion of authenticity can thus shed new light on how organizations respond to technological change that challenge their identity.

3.1.1. Authenticity and Socio-Technological Change

Although the "quest for authenticity" (Peterson, 2005) seems pervasive in modern society, different definitions of authenticity exist (Reckwitz, 2017). While authenticity remains a highly fuzzy, subjective, and essentially imaginary concept (Liedtka, 2008, p. 246), most definitions center on coherence and continuity. Originally, the term "authentic" referred to a piece of art *"that is original, not a copy"* (Ibarra, 2015), thus relating to attributes of true origin and authorship.

This understanding evolved since the 18th century and the emerging ideals of the Age of Enlightenment: Growing individualism and the view of society as an aggregate of individuals increasingly linked "being human" to pursuing and preserving one's personal uniqueness (Varga & Guignon, 2020). "Being authentic" no longer just described

attributional value, but also a new social virtue of *"being true to oneself for one's own benefit"* (Varga et al., 2020). These ideals laid the ideological breeding ground for a society that increasingly regarded self-reflective introspection as an integral element of leading a fulfilled life (Taylor, 1989).

Throughout history, socio-technological changes and their repercussions on society have shaped people's need for authenticity. With the emergence of the Bourgeois society, our lives we no longer vastly predetermined by social status or religious doctrine. The opportunity and responsibility to forge one's own destiny were transferred to the individual. Work and organizations became more than means to make a living; they turned into a chance to break loose from the dependencies of premodern societies and lead a life on one's own terms.

The Industrial Revolution almost made the pendulum swing back. Exploitative working conditions, monotonous assembly lines, and feelings of alienation deprived people from feelings of originality at work. The resulting longing for authenticity is expressed in renowned cultural critiques from the first half of the 20th century: In his famous essays, Walter Benjamin contemplates about the demise of true originality and craftmanship in a world in which anything can be easily reproduced; in Charlie Chaplin's *Modern Times*, workers are reduced to small cogwheels in the machine of industrial capitalism.

This critique continued with the transition toward a postmodern service economy (Erickson, 1995). Sociologists kept problematizing the decoupling between work-related activities and the sense of meaning people derive from them (Honneth, 2004) For instance, Hannah Arendt observed a growing passivity among a *"society of jobholders"* (Arendt, 2013) that runs counter to her ideal of a *vita activa*. From an anthropological perspective, Graeber (2019) similarly referred to the proliferation of meaningless *"bullshit jobs"* that create neither societal nor personal value.

In today's digitalized society, the yearning to escape from the often overly convenient, frictionless amenities of a vastly digitalized lifestyle (Han, 2017) has remained symptomatic. Reckwitz (2017) observed that digital technologies and connectivity have made authenticity once again even more salient. In what he terms a *"society of singularities",* differentiating oneself from others and cultivate one's uniqueness has become not just a social need; it is also increasingly an economic necessity. The need to "stand out from the crowd" results in a constant process of authentication that governs behavior and make the search for authenticity ever more central.

In historical retrospect, people's search for authenticity thus co-evolved alongside major socio-technological advances. Authenticity perceptions are deeply embedded in the socio-technological context in which individuals seek to construct and understand their identity. Importantly, when socio-technological changes threaten people's sense of individuality, the desire for authenticity seems to increase.

3.1.2. Authenticity and Identity Change

When studying the mechanisms of identity change, psychologists have closely examined the link between authenticity and human behavior. So far, these advances have received little attention in organizational research. Authenticity perceptions were not only found to influence how people make sense of their identity in relation to changes in the environment; they also influence people's behavior in times of transition (Chreim, 2005). Recognizing these interlinkages across disciplines thus broadens our understanding of the subtle emotional dynamics of OI change.

Personal Identity Change

Social psychology research has identified three sub-needs that drive people's efforts to maintain a sense of authenticity in life and at work: The first relates to the desire for autonomy. The need for self-efficacy and autonomy forms the basis for leading motivational theories (Deci et al., 2017). Rather than being directed from the outside, humans seek to self-author their lives. As we possess the ability to decide for ourselves, we also sense a responsibility to use it.

The second need stems from the desire for coherence. Identity and the self are socially constructed (Hobsbawm & Ranger, 2012; Mead, 1967). People thus make sense of major life events through the construction of coherent stories: Individuals constantly engage in efforts to craft self-narratives that meet forward-looking, personal identity aims (Ibarra & Barbulescu, 2010). Such narratives were found to be effective when they are perceived as authentic, i.e. when they are deemed consistent with one's own observable behaviors (Ibarra & Barbulescu, 2010, p. 140).

The third need concerns our desire for meaning. As Kantian philosophy suggests, what makes us human is our capacity to decide by our free will. Exercising this capacity, however, can be overwhelming: Among all the possibilities we encounter in life, how do we determine our path? The idea of leading an "authentic life" offers a guiding principle: Seeking authenticity means prioritizing options that resonate most on an emotional level. Decisions and actions are thus understood as personally meaningful if they are expressive of our identity.

This shows that perceptions of authenticity and personal identity change are intrinsically linked. When confronted with change, people's desire to maintain a strong sense of autonomy, coherence, and meaning shapes decision-making and behavior in ways that foster the preservation of an authentic self.

Organizational Identity Change

In the organizational realm, the motivational dimensions of authenticity have been studied in different contexts like tourism (Hobsbawm & Ranger, 2012; Schifeling & Demetry, 2020), entertainment (Peterson, 2005; Sagiv et al., 2020), consumption (Beverland & Farrelly, 2010; Demetry, 2019), branding (Becker et al., 2019; Beverland, 2005; Morhart et al., 2015), and leadership (Avolio & Gardner, 2005; Caza et al., 2018; Gardner et al., 2011). Such examinations focused on how people seek coherence and meaning in both work and consumption (A. D. Brown, 2021). To date, however, the concept remains rarely applied to matters of strategy and change (Chia & Holt, 2006; K. G. Corley & Harrison, 2009; Liedtka, 2008).

Liedtka's (2008) exploration of the links between strategy and authenticity presents a rare exception. Arguing that authenticity perceptions are critical for engaging employees in the strategy process (Liedtka, 2008, p. 242), she points to *desire* as a powerful catalyst for behavior change (Helm, 2001). The neglect of desire in what she terms "business-as-usual" approaches, she argues, results in strategies that are not seen as personally relevant or meaningful by employees: Suffering from *"banality and a lack of sincere emotions*" (Liedtka, 2008, p. 242), they often fail to bring about substantial behavioral change. As a result, implementation is, at best, driven by formal compliance, not true commitment (2008, p. 242). To connect on an emotional level, Liedtka argues that strategy practice should become part of people's "personal projects".

Making use of authenticity to make organizational identity change personally meaningful has also been found to improve strategic outcomes. Liedtka (2008) argued that the key is shifting the focus from outcomes to process: As authenticity cannot be prescribed, organizations should focus on creating environments in which change processes do not become the enemy of authenticity, but its host (Taylor, 1991). In such environments, authenticity emerges from creating *"committed communities of shared purpose"* (Liedtka, 2008, p. 243) rather than perfect plans: When strategy is perceived as an opportunity for personal development, authenticity can nurture a sense of "passionate responsibility" (Anton, 2001). Even profound changes to an organization's identity are then not experienced as a threat, but as a shared effort to realize a collectively desirable future (Liedtka, 2008, p. 243).

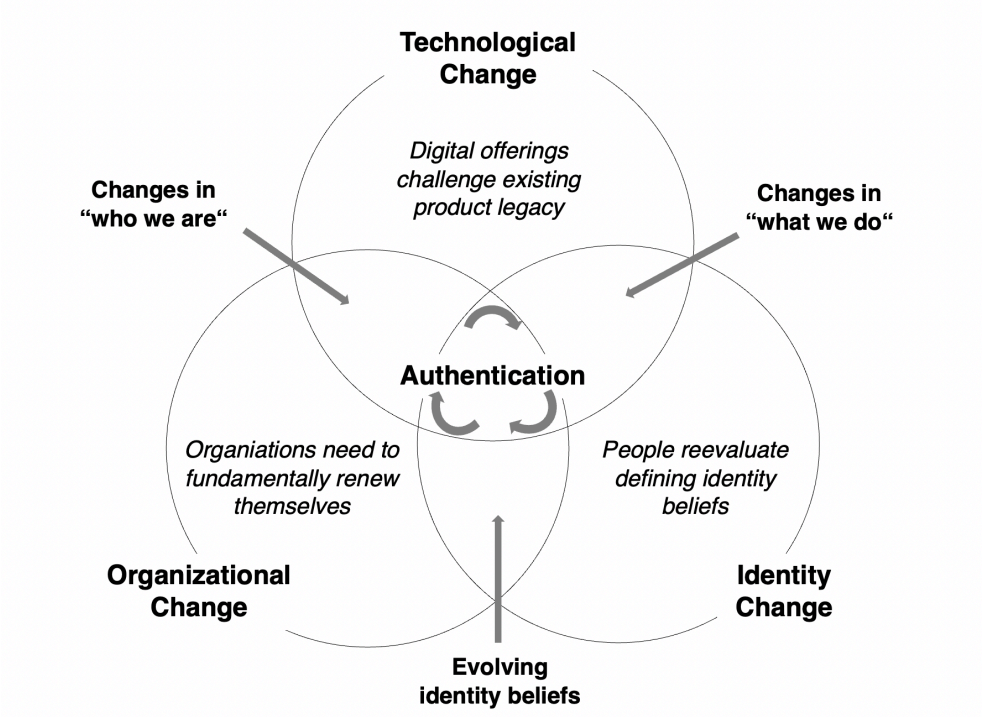
The concept of authenticity therefore bridges the intractable paradox between continuity and change: Through a continuous process of authentication (Caza et al., 2018), people may come to view change as a continuation of their personal identity project. If authentication succeeds, change emerges as *"an opportunity to unfold our unique potential, continuously stretching the limits of who we are and can be"* (Ibarra, 2015).

3.1.3. Strategic Renewal as Process of Continually Becoming

As outlined in the previous sections, authenticity serves as a valuable bridging concept that links contemporary changes in technology, identity, and organizations. An authenticity perspective understands OI change not as a deviation from the norm (Tsoukas & Chia, 2002). To the contrary, it is seen as part of an ongoing, never-ending process of authentication that is conducive to a firm's ongoing progress (see **Figure 3**). Applied to the context of DT, this process unfolds as follows:

As digital technologies begin to challenge an incumbent's existing product legacy, organizational members evaluate how they must adapt what they do and offer to customers. The more profound these adaptations are, the more prevailing identity beliefs evolve along with these changes (Ravasi & Canato, 2010). Both evolving product offerings and identity beliefs require firms to fundamentally renew themselves and who they are as an organization. Strategy practice is thus guided by an overarching question: *How do technological changes relate to who we are as an organization, and how can we adapt in authentic ways?*

Figure 3. Strategic Renewal in the Digital Age as a Process of Continually Becoming



The notion of authenticity sensitizes us for the fact that transformative change is an integral, conducive, and never-ending aspect of organizational life (Tsoukas & Chia, 2002). In his seminal piece *Being and Time*, Heidegger aptly defined authenticity not as a fixed state or attribute, but as *"a process of continually becoming"* (Heidegger, 1962). From a Heideggerian perspective, strategic renewal is thus not just a matter of adaptation in an endlessly reactive game. Instead, it holds the opportunity to proactively shape one's identity in an evolving environment.

The consequence is that change then no longer is an imperative imposed from the outside (K. G. Corley & Gioia, 2004), but a genuine desire originating from within. Instead of feeling to be *driven* by external pressures, people sense there are actively *driving* change on their own terms (Jaworski et al., 2000). Similarly, changes in the environment no longer appear as disruptions that threaten an ideal status quo; instead, they are viewed as evolving boundary conditions of a self-driven quest to realize an inner conviction of what the future should be and of the role one wants to play in shaping that future (Patvardhan & Ramachandran, 2020).

These thoughts may seem abstract and philosophical. Focusing on managing authenticity perceptions and identity tensions seems at odds with traditional strategic thinking. Yet an authenticity lens urges us in very concrete ways to rethink conventional understandings of what it means and takes to do strategy in times of transitions (Hart & Banbury, 1994). From an authenticity perspective, strategy practice is driven by identity concerns and the intrinsic desire of people to shape the identity of their organization. Strategy emerges a means for interpreting and reinforcing identity-related meanings of changes in the external environment. Organizational members become allies in a collective endeavor to transform in authentic ways. Rather than viewing change as a threat to established identity beliefs (Petriglieri & Devine, 2018), identity-based change becomes an opportunity for meaningful development.

3.1.4. Critical Appraisal

Applying fuzzy concepts like authenticity and identity to a sensitive issue like strategy remains controversial. First, one may criticize that both concepts are not objectively assessable (Alvesson & Robertson, 2018). Grounding a strategy in subjective perceptions may seem risky and irresponsible. Rather than thoughtful analysis, gut feeling could eventually determine the fate of organizations (Alvesson & Blom, 2020). Such concerns are valid as they point toward an important issue: To produce desirable outcomes, strategy practice should constantly balance *ratio* and *emotio* in a dynamic process that considers both facts and feelings. Being attentive to the interplay between authenticity, identity, and change, however, does not mean to tilt the balance to emotions. To the contrary, it allows to open up a discursive space where facts and feelings can be

discussed and ultimately transferred into viable, justifiable courses of action (Liedtka, 2000, 2008).

Second, one may criticize that too much emphasis on identity matters may lead to myopic, self-absorbed thinking (Varga & Guignon, 2020). An overly inward-orientation and pre-occupation with inner convictions may risk losing touch with the reality of the outside world (Vuori & Huy, 2016). Exalting the experience of authenticity may thus rather limit than broaden a firm's cognitive opportunity space (Raffaelli et al., 2019). Such concerns overlook the deeply social dimension of forging one's own identity. As Taylor argues (1989, p. 419ff.), turning inward and reflecting deliberately on one's true self naturally leads to deeper engagement with the social world. The project of authenticity does not forcibly result in a tendency to isolate oneself and preserve a status quo. Instead, its trajectory is "inward and upward" (Taylor, 1989), together with the outer world.

Finally, one may criticize authentic approaches as being manipulative. Critical management studies have a long tradition of questioning the legitimacy of interfering into people's working life or even regulating their identities (Alvesson & Robertson, 2018, p. 160). The pervasiveness of authenticity claims in the commercial realm have raised similar concerns about their genuineness and potential abuse (Illouz, 2018). However, these ethical concerns may encourage strategy scholars to intensify the search for perspectives that no longer view transformative change as a top-down process. In fact, enabling an inclusive, collective discourse about identity change and authenticity across all levels of the organization may even be supportive of environments in which the needs of individuals are more recognized and served.

In short, shifting the focus to authenticity may not be the cure for every challenge that transformative change holds for strategy practice. However, it can shed new light on some of the tensions and concerns revolving around organizational identity change. Overall, authenticity helps recognize the ambiguity that change forcibly entails. It directs our attention from how change is *intended* toward how it is actually *experienced* by people.

3.2. Identity Status Theory

In the previous section, I have shown how the notion of authenticity sensitizes us for the often-neglected identity dynamics of strategic renewal. Next, I borrow from developmental psychology to conceptualize the idea of "organizational identity crisis". Specifically, I theorize how identity tensions in organizations bring about emotional and behavioral patterns that impact strategy practice, and vice versa.

The resulting preliminary conceptual framework proposes that (1) identity crises present an integral, vital element of an organization's development over time and that (2) periods of identity stability naturally alternate with periods of diffusion in a continuous, self-reflexive search for an authentic organizational self (Elsbach & Dukerich, 2018).

3.2.1. Identity Development as Socio-Psychological Task

Developmental psychology has a long history of examining personal identity change. In his seminal work, Erikson (1956) has conceptualized identity crises as "socio-psychological tasks" that individuals confront in their lives. Personal identities are constantly in flux: Their stability varies over time as people develop through different stages of their lives. Identity crises emerge whenever an individual perceives established identity beliefs to be misaligned or "out of sync" with external developments. For human psychologists, an identity crisis is thus something developmental and conducive to progress.

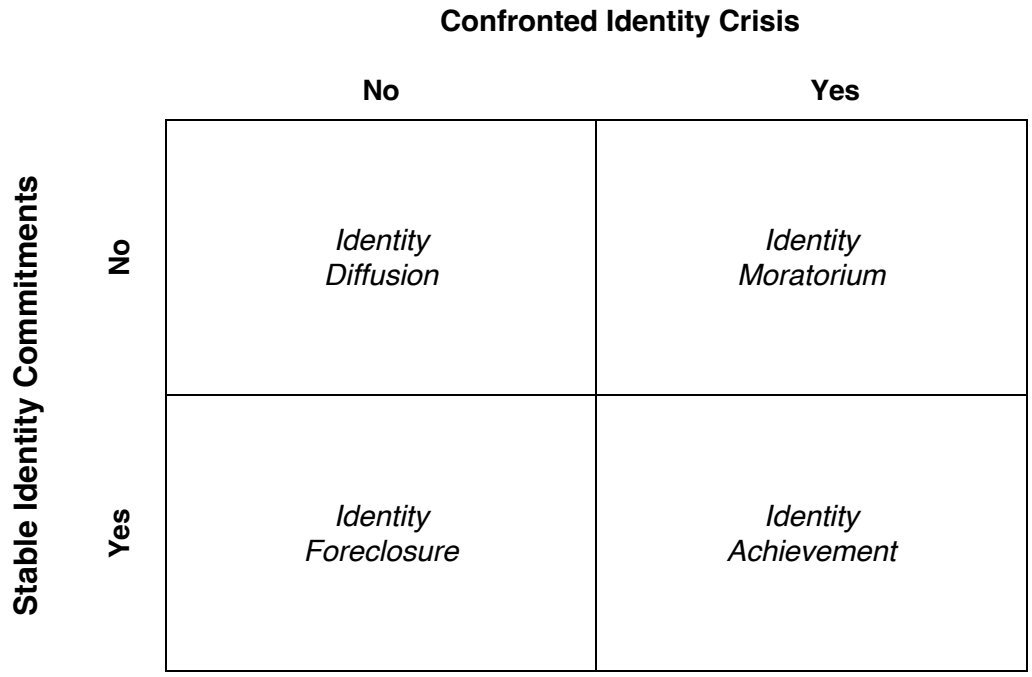
Erikson's conceptualization of personal identity crises is originally rooted in the disorientation that soldiers experienced after World War II. Erikson observed how soldiers struggled to recalibrate their identity and find new meaning in a post-war society (Gioia, Patvardhan, et al., 2013, p. 131). These origins highlight two important characteristics: First, the willingness to actively engage in identity struggles is connected to matters of personal wellbeing. If confronted with changes in the environment and uncertainty, people strive to maintain a sense of *"personal sameness and historical continuity*" (Erikson 1968, p. 22).

Second, identity crises cannot be resolved in isolation. At first, identity may appear as a predominantly inward-looking concept. In fact, however, it results from an outward-looking process of constantly recalibrating one's identity through interactions with others and the environment. Thus, from a socio-psychological perspective, Erikson's idea of "ego identity" is in fact a relational, deeply socially embedded concept as it essentially refers to the task of maintaining a sense of "*continuity of one's meaning for others"* (Erikson 1968).

Building on Erikson, Marcia (1966) further investigated identity change in adolescence. His studies revealed how individuals occupy different "identity statuses" as they reconcile multiple and continuously evolving expectations from peers, society, and themselves (Marcia, 1966). Two variables determine an individual's current identity status: First, whether an individual has experienced an identity crisis, or not. According to Marcia (1966), this requires a period in which an individual confronts the need to make choices among several meaningful alternatives. Second, whether an individual demonstrates genuine and profound commitment to a given identity, or not.

As **Figure 3** shows, the combination of these criteria allows to distinguish between four distinctive identity statuses: (1) *identity achievement*, (2) *identity diffusion*, (3) *identity moratorium*, and (4) *identity foreclosure*. Each of these statuses differs in terms of people's typical behaviors and the progress they make in terms of personal change.

Figure 3. Identity Statuses according to Marcia (1966) and Berzonsky (1989)



The *identity foreclosure* status applies to individuals who have not yet experienced a crisis, but nonetheless demonstrate strong commitment. Typically, they simply adopt the identity-related convictions from others (e.g. their parents) and thus lack the critical element of self-reflexivity. Marcia figuratively refers to them as *"the faith of their fathers living still"* (1966, p. 552).

Identity diffusion subjects, by contrast, lack such a commitment. They may or may not have experienced an identity crisis in the past. Neither have they made clear choices about who they are, nor have they faced up to the challenge of confronting an immanent identity crisis. For them, identity matters do not seem relevant; any commitment seems as good as any other alternative.

Identity moratorium subjects are one step further as they are in the middle of actively confronting an identity crisis. Emerging commitments are still rather vague; yet they actively engage in the struggles to reach clarity in the future. They actively work towards a compromise between changing demands of others and their own aspirations in a deliberate self-exploration process

Finally*, identity achievement* subjects have experienced and resolved an identity crisis. They have questioned their former identity commitments, deliberately engaged a process of weighing different alternatives, and finally committed to a choice on their own terms.

Providing a valuable vocabulary, Identity Status Theory thus allows to categorize different behaviors depending on how individuals experience and systematically interpret

identity-related tensions and their consequences. Also, identity is understood as an outcome variable: Only by repeatedly recognizing, confronting, and resolving identity crises, people make progress in developing their identities.

3.2.2. Orientations and Behavioral Implications

Berzonsky (1989) took Marcia's framework and further specified how an individual's approach to problem solving and decision-making varies in each status, depending on three predominant orientations:

First, an *information orientation* lets individuals actively seek out, process, and evaluate relevant information. This presents a critical step to either making or maintaining identity commitments in the moratorium and achievement status. Second, a *normative orientation* implies a preference for conforming to established identity beliefs. Such behavior is typical for foreclosure subjects who generally avoid engaging in identity considerations. However, also identity achievement subjects may succumb to normative orientations if they become complacent and cling to renewed commitments over time. Thus, even once identity crises are resolved, achievement is not forcibly a status that lasts forever. Third, a *diffuse orientation* characterizes individuals who tend to procrastinate identity-related challenges. This avoidance may escalate at some point and constrain an individual's room for maneuver: When situational consequences dictate a given course of action, this rules out the possibility of self-determined choice.

Developmental psychology thus explains the interplay between identity perceptions and resulting behaviors. How individuals perceive and cope with identity tensions substantially affects how they make decisions. These conclusions point toward a prevailing inconsistency in how we evaluate identity change across different contexts: On the one hand, when we think of ourselves and others, developing one's identity is typically considered a good thing. When we meet an acquaintance again after an extended period of time and proclaim *"You have changed!"*, we usually mean to appreciate that a person has developed and made positive progress. However, when we think of ourselves as members of an organization, identity change is mostly considered a potential threat or setback (Ravasi & Schultz, 2006). Here, change is much more easily perceived as betrayal of inner values and deviation from an ideal state.

Identity Status Theory encourages us to challenge these prevailing understandings. Focusing on identity statuses provides a more detailed account of how people's evaluations of identity change systematically shape organizational behaviors and outcomes. Therefore, the idea of navigating identity crises to reach new identity commitments meaningfully extends previous conceptualizations of identity change in organizations.

3.2.3. Navigating Organizational Identity Crises

Based on these conceptualizations in the field of psychology, what exactly is an *organizational identity crisis* and in what ways is it central for our understanding of strategy practice in the digital age?

Existing Conceptualizations

Only few studies of organizational change have explicitly referred to the term *identity crisis* (Gioia, Patvardhan, et al., 2013; Patvardhan et al., 2015). However, they have not yet provided clear definitions. For instance, Patvardhan et al. (2015) introduce the idea of a "meta-level identity crisis". They refer to identity tensions that occur when several academic institutions with strong legacy identities try to forge a new, collective identity but struggle to reach consensus. The authors reveal how focal actors may experience identity crises as *"a critical inflection point in the formation of [a] field's identity"* (Patvardhan et al., 2015, p. 410) that require extensive discourse. Their study also illuminates how reaching a final, universally accepted consensus may fail when different actors keep insisting on their respective identity beliefs: The crisis and corresponding gridlock could only be resolved by shifting the focus from consensus to coherence. Instead of common meanings for core identity elements, the actors eventually agreed on a set of shared practices and continued interactions that allowed to pursue mutual goals and interests together (Patvardhan et al., 2015, p. 424). This allowed multiple identity beliefs to coexist while at the same time creating sufficient common ground for collective action.

Beyond Misalignment

These dynamics of "crisis" are different from those of perceived identity "threats" or "misalignments" which so far have been the predominant focus of organizational identity change research (Gioia, Patvardhan, et al., 2013). The latter tend to involve "identity-preserving acts" (Gioia, Patvardhan, et al., 2013, p. 139). Such acts are backward-looking as the corresponding behaviors typically aim at restoring a previous ideal state (Kogut & Zander, 1996; Ravasi & Schultz, 2006). The idea to fend off threats and strive for alignment is thus heavily based on the proposition that an identity's core elements are enduring (Albert & Whetten, 1985).

The idea of navigating an identity crisis goes further as it acknowledges a more paradoxical balancing act. As Patvardhan et al. (2015) show, confronting and resolving a crisis aims at creating something new and is thus forward-looking. The goal is not to restore or protect a known form of identity. Instead, a new identity is forged through collective discourse while at the same time seeking to preserve a sense of continuity and coherence for multiple stakeholders.

Definition and Main Implications

Based on these conceptualizations, I refer to the term *organizational identity crisis* as follows:

> *A situation in which (1) members collectively experience an organization's legacy identity as being diffused and ill-defined in relation to a changing external environment and (2) identity tensions produce dysfunctional behaviors internally that impede change.*

This intentionally broad definition has two immediate implications for strategy practice: First, in situations of OI crises, identity tensions and how focal actors subjectively experience them become a focal concern of strategic thinking. The experience of identity diffusion, even at an early stage, indicates that existing identity beliefs may be out of sync with an organization's environment and may thus need rethinking.

Second, it makes clear that identity tensions are not problematic per se. In fact, they may even be helpful in maintaining leaders' cognitive flexibility (Raffaelli et al., 2019). Only if they produce undesirable behaviors, they may put an organization's continued success and ability to change at risk. Such dysfunctional behaviors may include an inability to make critical decisions (Denis et al., 2011), escalating politics (Es-Sajjade & Volberda, 2020; Kaplan, 2008), unfocused attention (Q. N. Huy, 2011) or non-constructive conflict and resistance (Floyd & Lane, 2000; McCabe et al., 2020).

3.2.4. Toward an Identity-Driven Approach to Strategy Practice

Despite the conceptual advantages that an identity status perspective has to offer, several caveats exist. First, Identity Status Theory is rooted in human psychology. One may ask to what extent it can be transferred to organizational contexts. Second, one may question if identity matters ring equally salient for individuals at work as in private life. Third, Identity Status Theory narrowly focuses on episodic instances of personal identity change. Thus, it is not entirely clear how the consequences of different identity statuses apply to other types of transitions. Finally, despite rare exceptions (Gioia, Patvardhan, et al., 2013, p. 131; Patvardhan et al., 2015), organizational scholars so far did not make explicit reference to the notion of identity crisis. One may therefore ask: To what extent, if at all, can these ideas be usefully transferred to organizational contexts and the phenomenon of transformative change? And why would it be worth the effort?

As with any theory, generalizing the underlying mechanisms of Identity Status Theory should be subject to careful consideration. The notion of navigating OI crises is certainly not a panacea to current knowledge gaps. Also, the salience and impact of identity tensions are likely to vary across different types of organizations and their respective

contexts. Neither is the intention to suggest that shifting the focus to identity dynamics can or should replace existing approaches to strategy practice. What I propose is that an identity status perspective meaningfully extends existing perspectives on organizational identity change, and transformative change more broadly. Specifically, it makes four valuable contributions:

1. An identity status lens takes socio-psychological contexts seriously

An identity status lens opens up new ways to trace, describe, and categorize organizational change processes and the behaviors driving strategy processes more generally. It directs the analysis toward the need to constantly recognize, confront, and resolve identity crises over time. As such, it draws much-needed attention to the emotional context in which strategy practice takes place in incumbent firms.

Previous studies have referred to the importance of context as a critical boundary condition for strategy and change (e.g. K. G. Corley & Gioia, 2004; Nag et al., 2007; Svahn et al., 2017; Warner & Wäger, 2019). However, the concrete interplay between emotional context and behaviors have remained a black box. The result is unsatisfactory from a practical point of view: We know that legacy identities and the socio-psychological context of organizations affect strategy practice and outcomes; but we know little about how we can address this *ex ante* in the process.

An identity status view helps overcome this gap. Changes in the external environment do not appear as exogenous shocks that require a specific response. Instead, external changes are understood as a motivation to turn inward and ask: What do these changes mean for who we are today and for who we aspire to become in the future? Organizational contexts are then not just a boundary condition but the starting point for strategy.

2. An identity status lens balances rational and emotional concerns

Shifting the focus to identity-related meanings places people's feelings and experiences at core of the strategy process. This differs from existing approaches that focus on the alignment of strategy and identity (Ateş et al., 2020; Ravasi & Phillips, 2011; Wenzel et al., 2020b). Focusing on misalignments between an organization's identity and strategy implies a backward-looking orientation and the risk of inertia when the aim is to restore a previous order. By contrast, focusing on identity crises implies a forward-looking orientation that aims to generate something new (Arikan et al., 2020; K. G. Corley & Harrison, 2009). Thus, an identity status lens can usefully mobilize and guide individual action in the strategy process.

Recognizing identity-related emotions has also important implications for feelings of agency and identification with the envisioned changes. As part of a process of continually becoming, identity change is not imposed from the outside (Petriglieri & Devine, 2018; Ravasi & Schultz, 2006). Instead, navigating different stages of identity crises over time

is part of an evolutionary process that is endogenous of organizational life (Tsoukas & Chia, 2002). Not only can this usefully guide and enhance strategic thinking in terms of content; it may also make the process more meaningful to its participants (Liedtka, 2008).

3. An identity status lens accounts for the complexity of identity beliefs

The notion of OI crisis points toward the possibility that in times of transition, multiple identity beliefs may co-exist on both an individual and organizational level (Caza et al., 2018; Foreman & Whetten, 2002; Pratt et al., 2018). In times of transition, several ideas about who we are and will be as an organization may compete. The idea of confronting and resolving a collective identity crisis together both acknowledges and leverages this inherent ambivalence: Not only does it enhance creativity by recognizing different perspectives; it also increases engagement by inviting participants to become actively involved in the process and contribute their ideas (Rothman et al., 2017).

Vice versa, ignoring differences in perception is likely to create barriers to change. Research confirms that perceived inconsistencies between different change initiatives can systematically undermine implementation efforts. For instance, Kanitz et al. (2021) revealed how such inconsistencies produce emotional uncertainty and erode emotional attachment to change. Similarly, different stakeholders may respond differently to identity change. For some, changes may appear as an opportunity to pursue more positive forms of an organization's identity. For others, the same path may appear as a betrayal of what for them presents the very essence of the organization. When the goal of strategy practice is to recognize, confront, and resolve these different views in a collective process, identity tensions may ultimately drive creativity more than confrontation.

4. An identity status lens fosters a dynamic view on strategy

Finally, the notion of navigating OI crises bridges the somewhat artificial dichotomy between strategy formulation and subsequent implementation that permeates much of the existing literature (Reitzig & Sorenson, 2013). Strategy and managing identity change are no longer viewed as episodic, separate processes. Instead, they become parts of the same, constantly ongoing process. The evolution of organizations is understood as a continuous, self-explorative interplay between identity-related tensions and strategic responses aimed at achieving renewed commitments to a future direction. Managing existing identity beliefs is already key throughout strategy formulation and to reach eventual identity achievement. Importantly, the outcomes of strategic renewal and identity change are largely provisional and subject to continuous further development (Warner & Wäger, 2019).

Such a dynamic view (Teece, 2007) highlights that not all organizations may be equally well-equipped to meet the challenges of navigating identity crises. In general, the older an organization gets and the more emotionally attached it becomes to its legacy achievements, the more difficult it may be to maintain this continuous change process.

Similarly, identity change in incumbent organizations typically must strike a fine balance between avoiding the lures of rigidity while at the same time maintaining a sufficient degree of stability to carefully transpose a long-standing legacy into the future.

In sum, identity-driven perspectives on strategic renewal draw meaningful attention to how incumbents can understand, anticipate, and effectively respond to an impending identity crisis. Understood as a continuous process of self-exploration, strategy practice would then be about constantly examining how an organization's established identity may evolve in response to external pressures and what the consequences might be in terms of strategic explorations. **Figure 4** summarizes the defining elements of a preliminary conceptual framework.

Figure 4. Defining Elements and Mechanisms of an Identity-Driven Approach to Strategy Practice

Identity Status	Orientation	Typical Behaviors and Dynamics	Implications for Strategy Practice
Foreclosure	Normative	Tendency to seek confirmation for established identity commitments Ignoring the potential need for identity development	Avoid normative orientation as a potential source of myopia and inertia Actively seek to challenge established identity beliefs in light of external developments
Diffusion	Diffused	Reluctance to confront emerging identity crisis Growing tensions and conflicts as critical decisions keep being procrastinated	Recognize diffusion early to identify root causes Avoid prolonged diffusion to mitigate conflicts within strategy process
Moratorium	Information	Consious decision to confront ongoing identity crisis Commitment to self-exploration process	Strive to initiate and maintain continuous self-exploration as guiding principle for strategy practice
Achievement		Achieved renewed identity commitment that is aligned with external world	Constantly evaluate how current identity commitment s are in sync with external developments Avoid complacency regarding established identity commitments to not fall back in normative orientation

3.2.5. On Drawing Parallels Between Human and Organizational Psychology

The suggested conceptualization of strategic renewal as an ongoing identity project deserves critical appraisal. Particularly, it may seem problematic to "humanize" organizational phenomena and stretch the idea of identity crisis beyond matters of personal identity.

At the same time, extending findings from human psychology and sociology to the organizational realm is common practice among the scientific community. In the marketing discipline, concepts like "brand identity" and "brand personality" present concrete and renowned examples (Aaker, 1997; de Chernatony, 1999). In organization studies, influential work is grounded in the idea that organizations present "living organisms" rather than purely functionalistic machines (Laloux, 2016; Morgan, 1980; Weick & Quinn, 1999). Entire academic journals like *Human Relations* dedicate a large part of their publications to exploring the human dimensions of organizational life (Ybema et al., 2009).

Even within the strategy literature – often portrayed as a stronghold of functionalistic thinking (Mintzberg, 1973) – we can also observe a recent turning away from purely rational approaches (Healey & Hodgkinson, 2017; Q. N. Huy, 2011). In fact, the proposed conceptualizations address recent and explicit calls among strategy researchers to further relax the boundaries of psychological research and apply it to organizational contexts (Q. N. Huy et al., 2016; Makadok et al., 2018).

This only confirms that the social reality of organizational phenomena is inherently messy and complex. After all, when reduced to its smallest unit, an organization is a grouping of human beings. Therefore, assuming that people leave their emotions and behaviors outside the door to comply with lean theoretical axioms and functional logics appears overly simplistic.

In the next section, I turn to the question of empirical analysis: If the goal is to identify effective approaches to strategy when organizational identity dynamics are at play, what should research focus on? Drawing on practice theory, I argue that identity-related tensions and behaviors manifest in concrete practices throughout the strategy process. Thus, to develop a holistic understanding of what focal actors do and feel when they navigate situations of organizational identity crises, I focus on micro-level practices.

3.3. Focusing on Practices

Following the "practice turn" in social theory, strategy research has recently turned more and more to practice theory (Jarzabkowski, 2004; Whittington, 2006). In this section, I synthesize how focusing on practices can support the empirical study of how actors navigate identity tensions of transformative change. Specifically, I highlight how a practice lens helps identify ways in which existing approaches to doing strategy in incumbent firms evolve. First, I outline the main principles and implications of a sociological perspective on strategy. Second, I draw on existing conceptual frameworks within Strategy-as-Practice research (SAP) to specify the analytical lens I adopted throughout the field work of this thesis and what assumptions result from this choice.

3.3.1. Practice Theory

Practice theory is grounded in the work of seminal social theorists like Pierre Bourdieu, Michel Foucault, and Anthony Giddens. At core, it is concerned with questions of agency and aims to explain actions and their consequences. When studying social phenomena, a practice lens implies a broader, integrative perspective that attends to even subtle social mechanisms. Both micro-level activities and macro-level societal forces are seen as relevant factors shaping social behaviors and outcomes (Vaara & Whittington, 2012; Whittington, 2006).

Despite being both broad and attentive to detail, practice theory equips researchers with a clear focus. The main assumption is that it is in observable, socio-material "practices" where both macro- and micro-level dynamics intersect and become tangible. Reckwitz broadly defines "practices" as

> *"routinized types of behavior which consist of several elements, inter-connected to one another: forms of bodily activities, forms of mental activities, 'things' and their use, a background knowledge in the form of understanding, know-how, states of emotion and motivational knowledge" (2002, p. 249).*

Schatzki (2002) offers a similar yet more concise definition, proposing that practices are "organized human activities" (Schatzki, 2005). A practice is thus something that people repeatedly do (micro-level) and that is influenced by broader social norms or customs (macro-level) – often involving the use of material artefacts.

Take, for instance, Bourdieu's illustrative study of card players (Bourdieu, 1992). Playing cards is conceived as a practice that players continue to perform, interpret, and adapt as they engage in the game. Both players and observers would regard the practice of playing cards as something that people do and that involves a routinized set of behaviors – perhaps even formal rules. At the same time, playing cards consists of

multiple activities such as shuffling and dealing cards, bluffing, thinking about the next move, and so forth. Moreover, the practice is embedded into a unique social context. Beyond the joy of playing, card games may serve a variety of other purposes such as meeting friends, having a few drinks aside in a bar, educating children, killing time, or gambling. Similarly, practice studies are also attentive to the actors and their active role in the game. Rather than viewing them as passive executors or functional resources that mindlessly operate in line with predetermined rules (Pettit & Crossan, 2020), they are recognized as creative, reflexive, and skillful agents whose actions and intentions make a difference (Giddens, 1991). For practice theory, “people count” (Whittington, 2006, p. 615). Thus, the essence of practice theory is the idea that to understand the social phenomenon of playing cards, it is crucial to carefully study the micro-level practices and activities as well as the broader socio-psychological context in which they are embedded.

This principal idea has been increasingly applied in business and organization studies in various contexts and disciplines. Examples include the examination of discursive practices in organizations to understand how novel ideas emerge and travel over time (Czarniawska, 1997, 2004), the study of Nordic Walking practices to identify novel product innovation processes (Shove & Pantzar, 2005), and the re-conceptualization of how new markets are formed by altering and stabilizing prevailing practices (Kjellberg et al., 2015). In most cases, such studies are motivated by the goal to seek explanations for larger social phenomena by means of zooming-in on the concrete practices at a micro-level. In the strategy field, practice theory has contributed to the emergence of a whole new discipline. A rapidly growing body of Strategy-as-Practice (SAP) research understands strategy as a social phenomenon and seeks to complement strategy scholars’ traditional focus on economic performance, formal modeling, and process analysis.

3.3.2. Strategy as a Social Phenomenon

Practice theory views strategy as ontologically and epistemologically indifferent from any other social practice (Whittington, 2006). Compared to process and resource-based views (Barney, 1991; Langley, 2007; Pettigrew, 1992), practice-oriented studies focus less on economic performance and developing formal models. The predominant interest is in the everyday “doings and sayings” of various actors that engage in strategy work and how this produces strategic outcomes (Jarzabkowski, 2004).

Whittington (2007) further speaks of doing strategy research with a “sociological eye”: Studying strategy practices includes a particular sensitivity to social connections, relationships, and problems (Whittington, 2007, p. 1577). Practices are not studied in isolation, but as being socially embedded in specific contexts (Granovetter, 1985). Practitioners engaging in strategy work therefore occupy a central role in the analysis: Rather than neutral executors assume a given functional role, they are understood first

of all as *"people, struggling to realize their own purposes in and beyond the organizations that happen to pay them"* (Whittington, 2007, p. 1579). Therefore, being attentive to the various micro-stories that practitioners tell as they interact with each other and go about in their daily work helps understand why things are done in a certain way and how this produces certain effects (Fenton & Langley, 2011, p. 1172). From the outset, a practice view on strategy thus implies a heightened sensitivity to how people seek meaning as they engage in strategy work and how this individual agency, in turn, shapes organizational outcomes.

Similarly, understanding strategy as a social phenomenon makes researchers wary of regarding the socio-psychological context of an organization as a mere boundary condition. On the contrary, context becomes a dominant focus of study as it shapes, enables, and constrains individual practices (Nag et al., 2007): A sociological approach requires researchers to *"look inside context and see what it does"* (Seidl & Whittington, 2014, p. 1416). This takes Mintzberg's notion of "emergent strategy" (Mintzberg, 1973; Mintzberg & Waters, 1985) further, allowing to zoom in on the particular ways in which unique contextual dynamics influence both strategy formulation and implementation. Conceptualizing strategy as "habitus" in a Bourdieusian sense, Chia and Holt argue that *"strategies […] emanate from an internalized modus operandi that reflects our culturally mediated disposition*" (2006, p. 637). The consequence is a "flatter ontology" for studying strategy phenomena (Chia & MacKay, 2007): Strategies are regarded at least as much as the result of deeply internalized beliefs, habitual routines, and unconscious dwelling than of deliberate planning efforts. Strategy emergence and outcomes are viewed as phenomena that inhere within socially embedded practices and individuals' sensemaking mechanisms (MacKay et al., 2020).

Finally, a sociological approach to strategy also includes a particular interest in the materiality and *"banalities of strategy"* (Whittington, 2007, p. 1583). While traditional strategy research would limit the analysis to codified strategy documents and processes, a practice lens pays additional attention to seemingly trivial artefacts such as flipcharts and PowerPoint presentations (Kaplan, 2011). Such tools used throughout the strategy process matter as they shape interactions and communication between actors and their thinking (Balogun et al., 2014). Given the rise of digital technologies, artificial intelligence, and algorithms in the context of strategizing, understanding these multifaceted effects becomes ever more relevant (Scott & Orlikowski, 2015).

To summarize, understanding strategy as a social phenomenon comes with specific assumptions about the nature of strategy and what shapes strategic outcomes. What sets a sociological perspective apart is that an organization's socio-psychological context, the focal actors within the strategy process, and the frequently used tools are not neutral. Each of these aspects has agency and thus shapes – and is shaped by – various strategy practices. Therefore, it is crucial to not simply turn to practices as the constitutive element of new formal models (Bromiley & Rau, 2014), but to also

acknowledge the deeper social and psychological layers behind strategy work (Whittington, 2018, p. 344).

3.3.3. Strategy-as-Practice

Building on these assumptions, Strategy-as-Practice (SAP) research has become an increasingly popular discipline that investigates strategy phenomena from a practice view. SAP broadly understands strategy as a *"situated, socially accomplished activity"* (Jarzabkowski et al., 2007, p. 7). The term *strategizing* thus refers to the concrete doings of strategy – the *"actions, interactions, and negotiations of multiple actors and the situated practices that they draw upon in accomplishing that activity"* (Jarzabkowski et al., 2007, p. 8). In contrast to traditional approaches, the goal is not to develop parsimonious and universally applicable models, but to dive deep into and understand the *"messy reality of doing strategy in practice"* (Jarzabkowski & Whittington, 2008a, p. 282). SAP research is thus interested in all types of activities that in some way affect strategic outcomes, the direction of the firm, or its continued survival.

SAP studies also involve a particular interest in the role of strategists and other focal actors in the process (Whittington et al., 2011). Jarzabkowski et al. (2007, p. 19) position SAP research as to focus *"on explaining who strategists are, what they do and why and how that is consequential in socially accomplishing strategic activity".* An SAP lens is therefore primarily motivated and guided by the empirical phenomenon without making any normative or theoretical presumptions *ex ante*. This "practice turn" (Whittington, 2006) implies a fundamental shift in the understanding of strategy: While traditional views regard strategy as a property (i.e. as something an organization has or has not), SAP views strategy as something that *people do*.

Analytical Framework

The analytical framework of SAP centers around three focal units of analysis: strategy *praxis*, *practitioners*, and *practices* (Jarzabkowski et al., 2007; Whittington, 2006). *Strategy praxis* refers to how strategy work takes place (Vaara & Whittington, 2012) as recurring flows of human activities (Reckwitz, 2002). Examples include basic activities like meeting, talking, decision-making, or presenting (Jarzabkowski & Whittington, 2008a). *Strategy practitioners* are the people involved in strategy work. Strategy research has largely focused on top management and upper echelons (Hambrick & Mason, 1984). SAP includes a broader set of stakeholders at multiple levels of the firm as well as external actors such as consultants, media, or regulators. *Strategy practices* refer to the concrete tools and methods through which strategy work is accomplished (Jarzabkowski & Whittington, 2008a). Such tools include well-established mental frameworks that are commonly used in strategy work such as, for instance, Porter's Five Forces model. In

addition, using material tools such as PowerPoint or other applications is considered a relevant practice.

Overall, the framework highlights that strategic agency does not result from a single decision, method, or action. SAP acknowledges the inherent complexity of strategy as a social phenomenon, emphasizing that strategy occurs within a complex web of ongoing socio-material practices and interpersonal connections (Czarniawska, 2004; Vaara & Whittington, 2012, p. 310).

Conceptual Advantages

For the empirical work of this thesis, SAP offers multiple conceptual advantages. First, SAP consistently directs the focus to people, how they cope with identity tensions in times of transformative change, and how this, in turn, produces strategic outcomes. Similar to the motivation for this study, SAP research is driven by the curious absence of people and their actions that characterizes many studies in the strategy field (Hambrick, 2004). The choice for SAP as an enabling theory thus makes this research part of a broader concern to make organization research more human (Jarzabkowski et al., 2007, p. 6; Pettigrew, 1992; Weick et al., 2005).

Second, focusing on practices helps reduce the existing theory-practice gap. Management theory has been repeatedly criticized for not being relevant to practice. For instance, it has been argued that most theory is developed within the mental framework of scientific rationality (Sandberg & Tsoukas, 2011). As a result, practitioners often struggle to identify why and how a theory may be usefully applied to a concrete organizational context. Sandberg and Tsoukas (2011) therefore called on researchers to adopt a different logic of “practical rationality”: Instead of developing “grand theory”, the focus here is on how organizational practices are constituted and enacted by actors (Sandberg & Tsoukas, 2011, p. 339). The results are rich, insightful case studies that may not be as prescriptive as a normative theory, but offer thick descriptions that practitioners can personally relate to (Weick, 1989) and thus provoke a higher level of recognition and reflection (Jarzabkowski & Whittington, 2008a, p. 282). Thus, rather than universal generalizability, the key advantage of SAP is relatable familiarity.

Third, SAP complements existing ideas of organizational performance and how it can be enhanced. Strategy research has typically focused on economic performance as the dominant outcome variable. For SAP, economic performance remains a crucial target figure. However, it is not the only one that organizations should focus on in strategy. SAP holds that *economic* performance is ultimately the result of a *social* performance. Shifting the focus to how and why certain practices can either enhance or harm organizational performance was thus found to usefully complement existing theories (Regnér, 2008). A major conceptual advantage therefore is that SAP places emotions and motivations at core of the analysis (Jarzabkowski et al., 2007, p. 21).

4. Methods

The methodological approach is designed to provide an in-depth phenomenological account of the challenges focal actors face in driving the transition toward a more digital portfolio. The aim was to capture the lived experience (Heidegger, 1988; Husserl, 2012) of doing strategy in a given organizational context. A particular focus was on understanding how the underlying dynamics produced strategic outcomes over time.

A longitudinal field study at *Drive,* a leading European car manufacturer, allowed to generate insights that were both contextually rich and relatable as they represented the life worlds of study participants. The qualitative research design follows in the footsteps of previous influential single case study designs investigating organizational change processes (cf. K. G. Corley & Gioia, 2004; Danneels, 2011; Dutton et al., 2001; Tripsas & Gavetti, 2000; Vuori & Huy, 2016) and strategizing (cf. Balogun & Johnson, 2005b; Gavetti et al., 2005; Grant, 2003; Jarzabkowski et al., 2019; Kaplan, 2011). By taking an auto-ethnographic approach (Vesa & Vaara, 2014), I further respond to recent calls for practitioner-led studies to increase practical relevance of organizational studies (Balogun et al., 2003; Jarzabkowski & Whittington, 2008b; Vesa & Vaara, 2014).

The remainder of this section describes the applied methods in five steps. First, I outline the research approach and theoretical fit. Second, I provide background information on the research setting. The main objective is to provide transparency regarding the boundary conditions of the study and critical phases of the project. Third, I elaborate on the data collection and analysis process. Fourth, I discuss several quality criteria and how they were addressed in the study. Fifth, I discuss ethical considerations.

4.1. Research Approach

4.1.1. Single-Case Study Design

I adopted a qualitative, single case study approach (Eisenhardt, 1989; Yin, 2011) based on longitudinal field research. This combines ethnographic field work with a “thick”, descriptive case narrative (Czarniawska, 1997) and mirrors common practice in studying organizational change and strategy (Pettigrew, 1990; Vesa & Vaara, 2014).

Following Yin (1981, p. 59), a case study design was preferable as the transition toward more digital product offerings represents a contemporary phenomenon. Furthermore, the strong legacy identity of a leading car brand presented a particular real-life context that required an in-depth immersion. Yin (1981) further recommends single cases when the boundaries between the phenomenon and the context are not evident from the beginning. For this study, this was deemed true as product-level changes were expected to affect the long-standing legacy, and vice versa.

Finally, case studies are the preferred choice in early stages of a theory (Eisenhardt, 1989). While theory on incumbent change is certainly at a mature level, conceptual knowledge about the links between identity change and actual strategy practice remains limited. Following MacInnis (2011), the goal was thus to envision a new perspective on strategy practice in legacy environments that takes identity dynamics into account. Rather than refuting existing theory, I aimed to extend the available conceptual repertoire and draw attention to blind spots. Instead of proposing universal "grand theory", I thus aimed to extend existing understandings (Makadok et al., 2018).

4.1.2. Auto-Ethnographic Field Work

The study was embedded in a research cooperation between the author's academic institution and the host organization *Drive* over a period of three years (2017 – 2020). For *Drive*, the motivation for the project was to gain scientific, actionable insights on how to strategically approach and master the digital transformation of its product offering. For the author, the project presented a unique opportunity to get largely unrestricted access to a renowned company during a pivotal transition in its history. At an early stage, empirical investigation was therefore driven more by the phenomenon itself than by a specific research question. The project was motivated by a genuine curiosity to understand what it means and takes to reinvent an organization with a proud, long-standing legacy. The open-ended nature of the project allowed to narrow the focus of the study over time, eventually zooming in on how strategy practice as such evolved and was shaped by identity dynamics when transforming organizational legacy contexts.

The collaborative, long-term setup allowed to take an ethnographic approach. This has so far been slow to enter mainstream strategy research (Vesa & Vaara, 2014). Different opinions exist about how to do organizational ethnography. Ybema and Kamsteeg (2009) called for more studies in which researchers remain sufficiently detached from internal developments. Ethnography then is about "making the familiar strange": Diving deep into the context, such studies help understand why things occur while discovering even subtle dynamics that regular insiders would hardly notice or question (Ybema & Kamsteeg, 2009). By contrast, Vesa and Vaara (2014) argue that to increase practical relevance, ethnography needs to go beyond typical non-participant observations. They propose that researchers should make deliberate use of their own experiences, even if the inherent subjectivity bias may be at odds with the traditional preferences within the strategy discipline (2014, p. 290). Especially when the goal is to gain deeper insights beyond single top managers and departments, researchers should wherever possible act as "auto-ethnographers" (2014, p. 291) that are both fully engaged in strategy making and full-fledged members of the academic community.

Attending to both arguments, I occupied the role of a participant observer. I entered the host organization as a visiting employee supporting the digital product strategy and

portfolio management team for a predefined period of three years. In parallel, I maintained my role as a doctoral researcher at the university. My activities at *Drive* included typical tasks of regular employees. For instance, I was responsible for evaluating competitive benchmarks and doing market research as input for strategically developing the product portfolio. Moreover, I assumed the role of a product manager for a specific digital service. I thus attended regular meetings, workshops, and events, basically engaging in the same activities as all other members of the team.

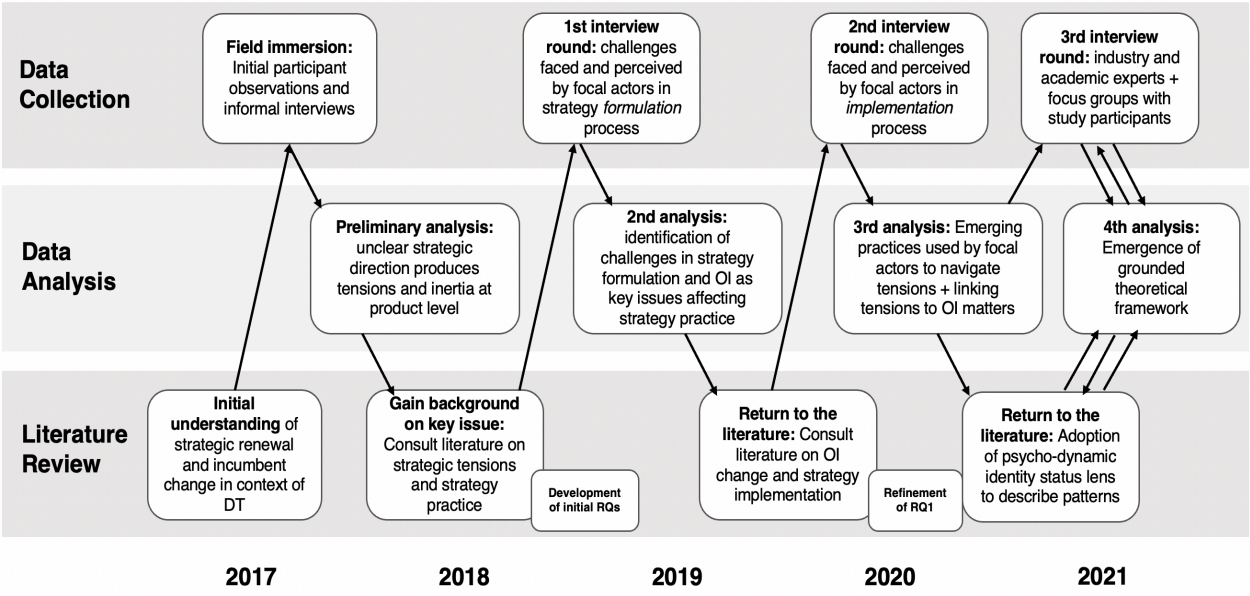
This rare set up allowed to gather deep insights into the daily strategy work involved in transforming the legacy offering. I could experience first-hand what it feels like to engage in the strategy process and be responsible for driving tangible outcomes. As a researcher, these insights helped comparing discourse and action (Mirabeau et al., 2018), i.e. what people said and reported as their feelings on the one hand, and how this was linked to specific actions and events that occurred over time (Langley, 1999, 2007). The predefined time limit of the project further ensured that I could go about more freely in my research: While being enough an insider to develop sufficient expertise and trust, I remained sufficiently an outsider to be largely independent from organizational politics and internal conflicts. This proved particularly useful throughout recurring periods of restructuring and personnel changes and allowed to talk freely and impartially to all members and departments.

Finally, I took measures to mitigate what Langley and Klag (2019) refer to as the "involvement paradox": While researchers are encouraged to engage in field work where they collect data as close as possible to the phenomena and subjects being studied, such involvement is regarded critical in the subsequent interpretation data where researchers are expected to maintain a clear distance. On a regular basis, I challenged my own interpretations and emotions with my fellow team members both on the research site and in academia. I primarily did this to rule out the possibility to include emotions and impressions in my interpretations that were not shared by other study participants. In addition, I report vignettes that make my own feelings transparent to the reader and facilitate judgments on my involvement. Lastly, this auto-ethnographic approach is not to be confused with action research. In action research, researchers actively influence organizational events and outcomes through deliberate interventions. While this increases chances to identify causal mechanisms, critics have pointed out that the boundaries between the actual phenomenon and "artificial" interventions by researchers may easily become blurred (Vesa & Vaara, 2014). In this project, relevant developments at both the team and organizational level were neither significantly influenced nor distorted by my presence.

4.1.3. Abductive Process and Theoretical Fit

The research process followed an abductive logic that Dubois and Gadde refer to as "process of systematic combining" (Dubois & Gadde, 2002). This involved constantly moving back and forth between the literature and data collection in the field. **Figure 5** provides an overview of the process.

Figure 5. Overview of the Research Process and Emergence of Focal Themes



When combining inductive and deductive modes of theorizing, methodological consistency and theoretical fit is a particular challenge. Edmondson and McManus (2007) suggest to first evaluate the state of prior research. In the present case, existing research was mature regarding broader fields such as incumbent change, strategic renewal, and organizational identity. This allowed to deductively draw on available concepts such as strategic renewal, organizational identity, and identity crises to avoid "reinventing the wheel" (Edmondson & McManus, 2007). By contrast, research exploring the links between identity, strategy, and change is at an intermediate stage. Here, opportunity lied in integrating different research streams in new ways (Edmondson & McManus, 2007). Finally, research is nascent regarding the socio-psychological underpinnings of strategizing in the specific context of transforming a proud organizational legacy. This implied the need for inductively generating new theory.

I therefore understood my field research as an "iterative, cyclic learning journey" (Edmondson & McManus, 2007, p. 1174). **Figure 5** depicts how critical concepts and theories emerged throughout the process and how this was connected to different rounds of data collection. The identification of Identity Status Theory as a useful theory for describing the empirical phenomena in a later stage of the project presents an illustrative

example. Empirical data was not “fitted” to the framework; instead, when developing more general themes, I consulted different disciplines that examine identity-related development processes. Within developmental psychology, Identity Status Theory offered a surprisingly suitable vocabulary for labeling the overarching dimensions of the analysis process. Furthermore, it offered a new angle for labeling and developing alternative interpretations of what participants said and the dynamics occurring throughout the strategy process. Therefore, Identity Status Theory never guided data collection. At no point participants were asked explicitly about “identity crises” or “identity commitments”; neither have these aspects been the deliberate focus of the authors observations.

This approach has consequences for the type of theoretical contribution this thesis intends to make. What I propose is a suggestive theory that invites further work on the issue (Edmondson & McManus, 2007). This theory is empirically grounded not in definitive, but illustrative data that offers a *“story about why acts, events, structures, and thoughts occur in a particular context”* (Sutton & Staw, 1995, p. 378). Based on this illustrative case, it is theorized how this may alter our understanding of the broader social phenomenon of transforming legacy organizations (Sutton & Staw, 1995).

4.2. Research Setting

The close embedding into ongoing internal developments at the host company required multiple adaptations throughout the research process. Several periods of reorganization and personnel changes affected my exposure to different aspects of the strategy process. To make the resulting methodological choices transparent (Meyer, 2001), this section provides a case overview including critical events during the study period and a delimits its scope.

4.2.1. Case Overview

As leading car brand, at the time of the study *Drive* looked back at more than 100 successful years as an industry leader in the premium segment. To date, both the economic success of the company and the emotional identification of employees remains closely tied to the legacy of engineering high-end cars. Over decades, a distinct driving experience not only reliably set *Drive* apart from competitors. Honing this iconic legacy always further to perfection also guided much of the strategic thinking.

Since the early 2000s, the growing pressures of digital technologies kept challenging the essence of this original brand promise. As digital services became increasingly important for customers, strategist at *Drive* had to confront existing identity beliefs: How would a digital in-car experience affect the car-focused identity? And how would the increasing focus on digital offerings change who *Drive* was as an organization?

The case study zooms in on digital strategy at the product level. Broader developments are retraced over a period of 20 years from 2000 to 2020. This longitudinal approach provides the context for the more recent period from 2017 to 2020 when the author was in the field.

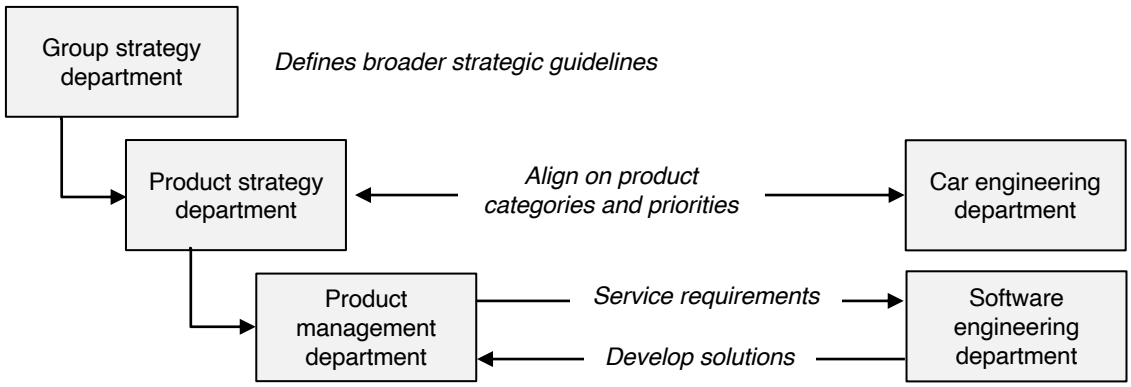
The study's focus is on the personal lived experience of digital strategists and product managers responsible for driving the transition toward a more digital portfolio. As strategy processes in large car companies are both structurally and procedurally complex, I narrowed the study's focus to digital changes in and around the car – and thus to the core of *Drive's* legacy identity. This means that digital innovations like car sharing are out of scope as they present stand-alone business models.

4.2.2. Boundary Conditions and Delimitations

I had on-site access in principally the same way as regular employees. I also had access to internal archives, servers, and communication tools. In the first one and a half years of the project, I was part of the digital product and portfolio management department. The team's main responsibility was to translate a higher-level corporate and product strategy into concrete requirements for digital services that customers could experience inside a car. This comprised both existing and future offerings and involved extensive stakeholder management. A separate division that was originally created to accelerate the DT of the entire group oversaw the subsequent software development. As this software had to be integrated with hardware and comply with car-specific security standards, the engineering department was also involved.

In the remaining one and a half years, I became part of a newly formed digital product and portfolio strategy team. This involved higher-level strategy work and closer cooperation with corporate strategy and engineering departments. Although it remained difficult to investigate every detail and complexity of the strategy process, the broad range of insights that gathered allowed to trace broader organizational dynamics and tensions beyond single steps or events.

Figure 6. Simplified Digital Product Strategy Process at *Drive*



In the car industry, product strategy follows a complex, multi-layered process. **Figure 6** illustrates a simplified version of the strategy process for digital in-car services. At the highest corporate level, group strategists define the broader boundaries and overall direction of subsequent strategy work. This includes the identification of relevant major trends, the definition of core markets, and the formulation of high-level product requirements for a prolonged time horizon of 10-20 years. In a production-heavy industry like car manufacturing, strategic planning cycles typically span across a minimum of seven years, starting with the early conception of a car concept and ending with the actual start of factory production.

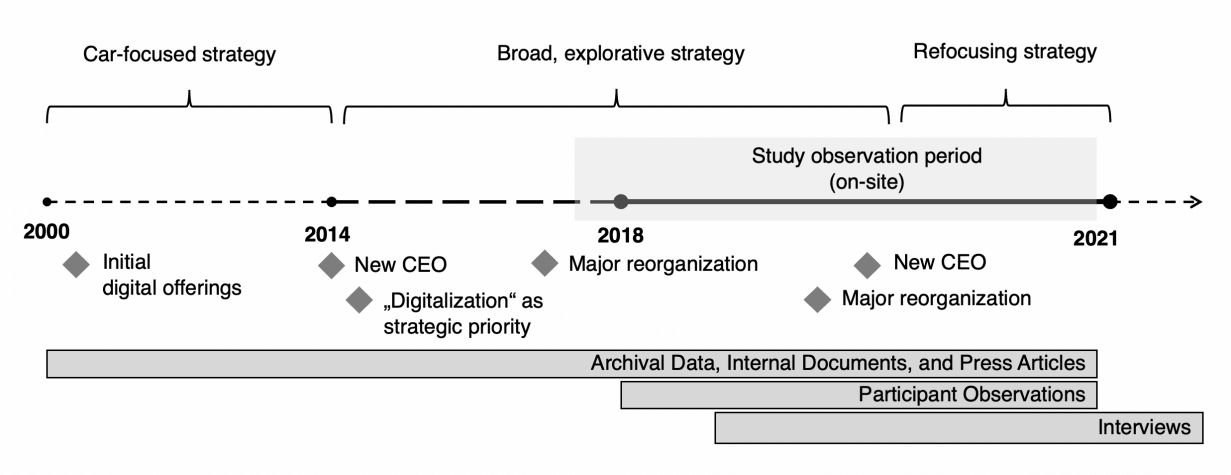
Next, at the product strategy level, strategizing becomes more concrete and complex. Broader strategic guidelines are translated into more specific concepts for individual offerings, such as a car or a digital service like car sharing. At *Drive,* these early concepts took on the form of a product or business vision that specify the defining characteristics of a new offering that is intended to be launched in the next 5-7 years. To develop these visions, stakeholders from different departments had to work closely together, typically throughout a series of committees that eventually resulted in decisions about implementation and budget.

In a last step, it is the product managers' responsibility to define detailed requirements for individual features that a given offering must have to be competitive and in line with the higher-level guidelines of the vision. These conceptual requirements are then technically realized by the engineering and development department. It is thus in this last step where an initial strategy materializes in the form of a concrete offering. It is also where it becomes ultimately clear if efforts to transform the offering portfolio succeed or fail.

4.2.3. Case Timeline

The study period was marked by multiple critical events that affected both the strategy process and data collection. This included major reorganizations, CEO replacements, and changes to the company's overall strategy. Within the study observation period, the author had six different supervisors. To provide orientation for the reader, **Figure 7** offers a timeline, indicating key events at the group, industry, and team level. Overall, the timeline underlines that doing field research on ongoing transformation processes required to constantly adapt to changing boundary conditions.

Figure 7. Timeline of Digital Change at *Drive* and Study Data



The initial car-focused strategy involved a relatively stable phase of 13 years from 2000 to 2013. *Drive*'s product strategy was consistently focused on hardware dimensions of the car. At this point, a decidedly digital strategy did not exist. Digital functions and features where added here and there but did not follow explicit strategic principles. Claiming and defending industry leadership in the traditional car business was on top of strategists' minds. A broader, explorative strategy guided digital change in the following years. For the first time, it included digitalization as a main pillar. In the following five years, the original car legacy became increasingly contested. As a company, *Drive* struggled to determine its position in an increasingly digital world. In a next phase, the strategy was refocused on car-related offerings after another CEO change. It marks a shorter period in which *Drive* refocused its digital portfolio and made efforts to return to what employees typically referred to as the company's "original core strengths". This means that the author personally experienced only the last two periods. Insights on the car-focused period are grounded in participants' retrospective accounts and archival data.

4.3. Data

4.3.1. Data Collection

I conducted a total of 64 interviews, collected 246 pages of field notes, and analyzed over 300 internal documents. In addition, I took detailed notes about over 350 informal conversations with informants. To balance my internal perspective, I regularly analyzed current press articles (163 in total), mostly about current industry developments, relevant technological innovations, and expert opinions on developments at *Drive.* **Table 4** provides an overview of all collected data and how each informed the study.

Empirical data was collected in three stages. In an initial *exploration stage*, I immersed into the day-to-day on-site activities and discussions of the teams responsible for digital product management, strategy, and development. This took approximately one year and was crucial to develop a sufficient understanding and expertise regarding the strategy process (Langley, 1999), the technical details, and the specific challenges and demands placed upon various strategic actors and departments (Rouleau, 2005). At this stage, data was collected primarily in the form of participant observations and extensive field notes. In various meetings, interactions, and informal conversations, I paid particular attention to recurring issues, conflicts, and tensions. In addition, I carefully documented my personal impressions regarding emotions in the team as well as professional questions I had (Kouamé & Liu, 2020). This helped trace developments systematically over time and ensure the accuracy of my observations (Langley, 2007).

Table 4. Overview of Collected Data and Their Use in the Analysis

Type of data	Details	Insights generated
Semi-structured interviews – *internal* *(N = 52)*	Total: 52 Duration: 30-90 min Type: face-to-face or phone Functional roles: Digital group strategists, digital product strategists, digital product managers, digital analysts, company experts Hierarchical levels: Division manager, department manager, team lead, staff	• How focal actors make sense of changes in the marketplace, incl. central motivations, drivers, and influencing factors behind strategic decisions • Challenges, concerns, and tensions within the strategy process and effects on strategy practice • Recurring patterns in emotional responses and behaviors when coping with the challenges of driving digital changes to the portfolio • Retrospective analysis and evaluation of key trends and developments over time
Semi-structured interviews – *external* *(N = 12)*	Duration: 30-90 min Functional roles: Digital strategists, board members, CEOs, department heads, consultants Industries: Automotive, Manufacturing, Insurance, Consulting, Software	• Transferability: Applicability of findings in other organizations and industries • Content: Feedback on plausibility and comprehensibility of generated findings • Prioritization: Feedback on relative practical importance of different findings
Participant Observations *(3 years on-site)*	Participation in internal meetings, discussions, workshops, and events 350+ informal conversations Translated into personal field notes (246 pages, single-spaced)	• Subtle dynamics within the team and among focal actors • How critical concepts, issues, and discussions evolved over time • Insights into the typical dynamics of product initiatives incl. pain points and success factors
Internal Documents *(N = 307)*	Strategy documents and decision proposals (47) Workshop documentation and meeting protocols (82) Internal communication material (39), presentations (52), employee magazines (16), and corporate intranet posts (71)	• How concepts, issues and discussions evolve over time • Framing of key issues • Motivations, drivers, influencing factors regarding strategic decision-making • Process and practices as well as associated challenges and success factors

Press and blog articles *(N = 163)*	Continuous monitoring and review of relevant industry and market developments through press and blog articles	• How internal developments are linked to and affected by external developments, and vice versa • Cross-check to what extent authors' internal perspective differed from external views, and why
Additional sources	Press releases and annual reports (33), company websites (17), specialized books (18), TV documentaries (13)	• External communication and framing of focal issues • Background knowledge on organizational history, context, and products

In a second *focusing stage*, I conducted formal, semi-structured interviews with selected informants within and outside my team. Informants were initially approached based on a purposive sampling principle (Lincoln & Guba, 1985). The main aim was to capture relevant and diverse perspectives from key stakeholders on issues that I identified in the previous exploration stage. To dive deeper into special topics that required particular expertise, I relied on a snowballing technique. Personal referrals from informants proved critical for opening doors in other departments and for creating an initial amount of trust. At this stage, I also systematically collected and analyzed internal documents and press articles. This not only served to verify what informants reported (Vuori & Huy, 2016); documents and media reports also informed the preparation of interviews and allowed to ask very specific questions and the use of concrete examples to facilitate rich descriptions by informants. At later stages, I repeatedly took a step back and asked myself what I did not understand and where I could go in the organization to help me understand it (Gehman et al., 2018, p. 296).

In a last *consolidation stage*, I complemented internal perspectives with interviews with informants outside the case company. Moreover, I exposed preliminary findings to the entire team of product strategists at *Drive* as well as several debriefings with key stakeholders inside the company. Next, I discussed my anonymized findings with a digital strategy team in a different manufacturing company to get a first sense of to what extent the findings may apply to other organizational contexts. These measures helped challenge and critically evaluate the findings of my study from both an expert and participant perspective. Thus, a particular focus was on verifying if the findings accurately described the lived experience and challenges of participants. I also invited critical feedback, especially on what findings were seen as particularly relevant, useful, or novel.

4.3.2. Main Challenges

Several challenges had to be addressed when collecting data. First, studying strategy phenomena at the product-level required to understand how different issues were understood at different hierarchical levels and how interpretations differed across departments (Floyd & Lane, 2000; Jarzabkowski et al., 2015). To understand how certain dynamics and emotions produced outcomes and decisions at both the individual and organizational level, different flows of activity, discourse, and decision-making had to be

traced carefully over time (Langley, 1999). To track firm-level processes and how critical events unfolded over time, I conducted serial interviews with chosen participants (Ma et al., 2020) and systematically kept track of recurring issues.

Second, a key challenge was to capture individuals' emotions and what underlying socio-psychological mechanisms were driving certain behaviors (Kouamé & Liu, 2020). This required to understand how the "sayings" of strategic actors were embedded in their respective organizational context (Ma et al., 2020, p. 7). and their situated "doings" as part of different strategizing activities and their role. To capture these deeper layers, I complemented formal interviews and observations with more than 350 conversations with different members that were documented in the form of additional field notes. These conversations also helped challenge and clarify my personal impressions. For instance, after a heated debate in a meeting, I would later approach different participants and ask questions like: *"I noticed you were a bit upset in the last meeting. Was there something that bothered you?"*

Third, relying on my personal observations and other participant's personal views required addressing potential subjectivity bias. In line with previous studies, I therefore cross-checked informants' reports across different interviews and triangulated data from internal communication channels and documents (Danneels, 2002; Grant, 2003; Jarzabkowski et al., 2019; Vuori & Huy, 2016).

Fourth, from March 2020 onwards, data collection was affected by the Covid-19 pandemic. As home office became the new norm and formally required, most meetings, interviews, and interpersonal exchange happened via online tools such as Microsoft Teams. However, I had been able to establish trusting relationships with most informants in the years before. Thus, switching to remote forms of interviews and data collection did not adversely affect the quality or depth of data collection in noticeable ways.

4.3.3. Interviews and Sampling

I conducted interviews in three rounds with different groups inside and outside the organization. In a first round, I deliberately focused on gathering the perspective of higher-level digital strategists and experts outside my team. This group of digital strategists reported directly to the board. Responsible for the overall digital strategy of the group, they defined principal guidelines for the future product offering. The team's mission was to drive DT at *Drive* forward. Hence, its members could offer meaningful insights on the overall group-level strategic thinking and motivations regarding digital offerings. Additional experts included company historians, communication strategists, and top managers with extensive project experience in digital innovation.

Second, I conducted interviews with members of the original team of digital product managers and the newly formed team of digital product and portfolio strategists. Due to

my detailed knowledge about their tasks and responsibilities, this round helped deepen my understanding of individual critical aspects. At this advanced stage of the project, I included retrospective questions to gather the informants' personal views on specific events that occurred in the past and needed clarification. The fact that we shared similar experiences in various projects allowed to verify my personal impressions that I had included in the field notes. I also ensured that I could ask very tailored questions to maximize the output of each interview. I additionally included interviews with key stakeholders in the digital product strategy process. This included marketing, brand, and design specialists as well as former board members. When needed, I also conducted additional follow-up interviews with previous informants to clarify individual aspects. This interview round helped understand the different concerns and challenges of different stakeholders.

Finally, I conducted a third interview round outside *Drive*. This allowed to include a critical, non-partisan expert perspective on the key issues that emerged from the internal data. Informants included experienced consultants from leading consultancies with extensive experience in DT and executives responsible for digital transformation initiatives in different industry organizations. I used these interviews primarily as an opportunity to expose preliminary findings and conclusions to external criticism regarding their comprehensibility, relevance, and potential blind spots. When initial feedback seemed to disconfirm an aspect, I asked for further clarifications and went back to the data. In a few cases, this helped shift the focus of interpretations or modify wordings slightly in ways that make them more understandable for outsiders, without changing their fundamental meanings. In other cases, I made sure to highlight more extensively why a certain aspect was critical in the particular case.

Individual interviews were prepared by developing a tailored, semi-structured interview guide. Following Ma et al. (2020), I made extensive efforts to identify beforehand what challenges an informant might be facing in his or her daily work and on which issues he or she might be most knowledgeable **Appendix A** includes an exemplary interview guide.

Most interviews were conducted on-site and face-to-face. However, due to the Covid-19 pandemic, a substantial number of interviews had to be conducted via phone or video call. Despite few exceptions, interviews were taped and transcribed verbatim. In two cases, informants asked to not be taped. These informants were willing to share critical thoughts on organizational developments and felt more comfortable when not being taped. In these cases, I took handwritten notes during the interview and developed a more extensive transcript with quotations immediately after the interview. To check for misunderstandings or errors, I showed the transcript to the informants for verification in a printed version a few days after the interview.

Table 5. Interview and Informant Details

Identifier	Role	Level	Type	Duration	Key Insights
Round 1 *(N = 13)*					
GS_101	Group Strategist	3	Face-to-face	64 min	Challenges in formulating and implementing *Drive's* initial digital strategy; Links between digital strategy and overall company strategy; Different mindset and approach to strategy in the digital domain
GS_102	Group Strategist	3	Face-to-face	75 min	
GS_103	Group Strategist	3	Face-to-face	61 min	
GS_104	Group Strategist	2	Face-to-face	79 min	
GS_105	Group Strategist	2	Face-to-face	58 min	
GS_106	Group Strategist	1	Phone	42 min	
OE_107	Company Historian	3	Face-to-face	45 min	In-depth knowledge on Drive's history and past product transformations; Link between product transformations and established legacy of the brand; Top Management's perspective
OE_108	Communication Expert	2	Face-to-face	71 min	
OE_109	Transformation Agent	3	Face-to-face	86 min	
OE_110	Brand Strategist	3	Face-to-face	92 min	
OE_110	Brand Strategist	3	Phone	41 min	
OE_111	Innovation Strategist	3	Face-to-face	45 min	
OE_112	Division Manager	1	Face-to-face	63 min	
Round 2 *(N = 39)*					
PS_213	Product Strategist	3	Face-to-face	74 min	Lived experience and challenges of driving digital change at the product level; Recurring issues, behaviors, and emotions; Perceptions of group level strategic guidelines and translation into product requirements; Portfolio prioritization and budget allocation process How formulated strategies are communicated and enacted in the subsequent implementation process; Benchmarking and product innovation activities
PS_213	Product Strategist	3	Phone	57 min	
PS_215	Product Strategist	1	Phone	51 min	
PS_216	Product Strategist	1	Face-to-face	79 min	
PS_217	Product Strategist	1	Face-to-face	35 min	
PS_217	Product Strategist	1	Phone	67 min	
PS_218	Product Strategist	3	Phone	55 min	
PS_219	Product Strategist	3	Face-to-face	49 min	
PS_219	Product Strategist	3	Phone	61 min	
PS_220	Product Strategist	3	Phone	54 min	
PS_221	Product Strategist	3	Face-to-face	78 min	
PS_221	Product Strategist	3	Face-to-face	53 min	
PS_221	Product Strategist	3	Phone	60 min	
PS_222	Product Strategist	3	Phone	55 min	
PS_223	Product Strategist	3	Phone	26 min	
PS_224	Product Strategist	3	Phone	59 min	
PS_225	Product Strategist	2	Face-to-face	51 min	
PS_226	Product Strategist	2	Face-to-face	61 min	
PS_227	Product Strategist	3	Phone	69 min	
PS_228	Product Strategist	3	Face-to-face	88 min	
PM_229	Product Manager	1	Face-to-face	45 min	Evaluation of digital services from a customer and market perspective Collaboration and working relationship with key implementation partners on the vehicle side Monitoring of competitors and relevant market developments
PM_229	Product Manager	1	Face-to-face	63 min	
PM_230	Product Manager	2	Face-to-face	88 min	
PM_231	Product Manager	3	Phone	54 min	
PM_232	Product Manager	3	Phone	67 min	
PM_233	Product Manager	3	Phone	47 min	
PM_234	Product Manager	3	Phone	39 min	
PM_235	Product Manager	3	Face-to-face	61 min	
PM_236	Product Manager	3	Face-to-face	89 min	
PM_237	Product Manager	2	Face-to-face	53 min	
PM_238	Product Manager	3	Face-to-face	44 min	
PM_239	Product Manager	3	Phone	31 min	
OE_240	Transformation Agent	3	Face-to-face	45 min	Additional expert knowledge on selected issues
OE_241	Brand Strategist	2	Phone	32 min	
OE_241	Brand Strategist	2	Phone	47 min	
OE_242	Sales Strategist	3	Phone	35 min	
OE_243	Service Design Strategist	1	Phone	72 min	
OE_244	Brand Strategist	3	Phone	43 min	
OE_107	Company Historian	3	Face-to-face	71 min	
Round 3 *(N = 12)*					
EX_245	CEO	1	Phone	85 min	Digital strategy in auto industry
EX_246	Product Manager	1	Phone	90 min	Digital strategy in auto industry
EX_247	Division Manager	1	Phone	34 min	Digital strategy in software industry
EX_248	Division Manager	1	Phone	28 min	Digital strategy in software industry
EX_249	Division Manager	1	Phone	31 min	Digital strategy in insurance industry
EX_250	Partner	1	Phone	63 min	Top-tier strategy consultancy view
EX_251	Partner	1	Phone	43 min	Top-tier strategy consultancy view
EX_252	Partner	1	Face-to-face	81 min	Top-tier strategy consultancy view
EX_253	Project Manager	2	Phone	67 min	Top-tier strategy consultancy view
EX_254	Senior Consultant	3	Phone	63 min	Specialized digital consultancy view
EX_255	Project Manager	2	Phone	75 min	Second-tier strategy consultancy view
EX_256	Project Manager	2	Phone	38 min	Second-tier strategy consultancy view

Note: Hierarchical level "1" refers to leadership responsibility for 20 or more employees, level "2" to project lead responsibility for up to 10 employees, level "3" to regular staff without formal leadership responsibility.

4.3.4. Data Analysis

Data analysis followed the general principles of the Gioia method (Gioia, Corley, et al., 2013). Gioia et al. (2013) recommend to inductively identify an emergent data structure consisting of first-order codes and second-order dimensions as a basis for all subsequent theorizing. To increase authenticity and avoid theoretical 'fitting', first-order codes were developed staying as close to informants' original wording as possible (Gioia, Corley, et al., 2013). As data included self-reported information on how informants experienced certain emotions, I tried wherever possible to use verbatim labels (Kouamé & Liu, 2020, p. 4). Moreover, I treated informants as "knowledgeable agents". As a researcher, this meant to avoid imposing preconceived theoretical models and give voice to informants (Gehman et al., 2018).

Coding unfolded in three steps. First, I identified initial concepts in the empirical data and grouped them into categories. This process came closest to open coding: Wherever possible, I sticked to in-vivo or first-order codes that preserved the original wording of informants. When this was not possible, I reverted to a descriptive phrase. **Appendix B** provides a list of exemplary initial codes.

Second, I used axial coding to identify links between these initial categories. This allowed to form second-order themes. Initial codes were dismissed when they could not be allocated to one of the themes or if the underlying aspect did not unequivocally relate to the particularities of digital strategy. An example is matters of organizational politics: Although informants frequently mentioned that internal politics affected the strategy process, follow-up questions confirmed that this was rather a general phenomenon and not a particular characteristic of digital strategy. Instead, the closely related notion of perceived sincerity – or lack thereof – emerged as a distinct problem of digital strategy. Accordingly, initial codes referring to organizational politics were dismissed.

Finally, I combined similar themes into aggregate dimensions. These dimensions constituted the defining elements of the emergent framework.

Although the Gioia method is rooted in grounded theory (Glaser & Strauss, 1967), this does not mean that the present study is purely inductive. The existing literature helped identify relevant concepts and problems also at early stages of the project (Gehman et al., 2018, p. 287). Similarly, coding was not entirely open: Both data collection and analysis were informed by an initially broad research interest in the challenges of driving product-level digital transformation which was iteratively refined based on preliminary findings and relevant theory from the literature. The focus of interviews, observations, and document analysis thus evolved over time and was continuously guided by the established literature.

This iterative process of moving back and forth between the data and the literature therefore mirrored most what Saetre and Van de Ven (2021) call “generating theory by abduction”. Originally, the process started with rather openly observing and confirming anomalies and curiosities in the daily strategy work that seemed relevant for organizational outcomes. This led to generating and evaluating hunches that guided frequent turning back to the literature and deductively narrow down as well as confirm the research focus over time (Golden-Biddle, 2020; Sætre & Van de Ven, 2021).

For instance, identity tensions and the notion of authenticity emerged as relevant themes in later stages of the project after analyzing first amounts of data. In turn, literature on managing and experiencing strategic tensions and on antecedents of authenticity perceptions informed subsequent interviews and analysis. Overall, I aimed to maintain a fine balance between coding as close as possible to the data (Gioia, Corley, et al., 2013) and guiding the focus of the analysis based on current versions of the research questions and relevant theoretical concepts (Eisenhardt, 1989).

4.4. Quality Considerations

Qualitative, interpretative research is commonly challenged on the grounds of credibility. Furthermore, it has been argued that relevance can never be claimed without demonstrating methodological rigor (Gibbert et al., 2008, p. 1466). Yet, proponents of qualitative research insist that there is no universally applicable template available for doing inductive research. According to Corley et al. (2020), a major challenge for theory-advancing researchers therefore remains to convince critical readers that any given study is “not all made up”. Taking an ethnographic approaches adds further challenges: Reported findings not only need to be comprehensible for outsiders; they should also be compelling in terms of a convincing narrative (Golden-Biddle & Locke, 1993; Jarzabkowski et al., 2014).

In this section, I address central quality criteria and the main methodological trade-offs I had to make throughout the process. I do so adopting transparency, trustworthiness, and transferability as the main quality criteria (Golden-Biddle & Locke, 1993; Lincoln & Guba, 1986).

4.4.1. Transparency

Aguinis and Solarino (2019) specify twelve transparency criteria for qualitative research in the strategy field. Summarizing parts of this methodology section, **Table 6** shows how I addressed each criterion. According to the authors, criteria are met when studies provide “detailed or full disclosure of information on the specific criterion making replication possible” (Aguinis & Solarino, 2019, p. 1299). I could not meet the recommended standards for data disclosure, as this would have violated formal

anonymity and confidentiality agreements with informants and the host organization. Specifically, I agreed that reported findings would not allow for conclusions regarding future strategic moves and product decisions of *Drive*.

Table 6. Transparency Criteria for Qualitative Strategy Research, adapted from Aguinis and Solarino (2019)

Transparency criterion	Criterion is met when…	Measures taken to meet criterion
1. Specification of qualitative method	Authors clearly identify the type of qualitative research approach they adopted	• Detailed description of case study and auto-ethnographic approach (see 4.1.) • Description of abductive, iterative approach (see 4.1.)
2. Research setting	Authors offer detailed, rich description of research setting beyond pre-existing conditions	• Explanation of background and relationship with host organization • Case overview and timeline
3. Positioning of the researcher	Authors clearly position themselves on the insider-outsider continuum	• Elaborations on dual role of the author as participant observer, being both insider and outsider
4. Sampling procedures	Authors describe the kind of variability they seek and how they identified the participants or cases	• Detailed information on sampling during multiple interview rounds • Information on gathered perspectives
5. Relative importance of informants	Authors describe how each participant was instrumental to developing one or more themes	• Detailed information on interviews, informants, and generated insights
6. Documenting interactions with informants	Authors describe how each interaction was documented and the associated content	• Information on field notes and content (see 4.3.1.) • Use of ethnographic vignettes (see 5.3.)
7. Saturation point	Authors describe the precise criteria used to conclude that they have reached theoretical saturation	• Information on interview rounds and respective focus
8. Unexpected opportunities, challenges, and other events	Authors describe any unexpected opportunities, challenges, and other events, how they were handled, and their impact on substantive conclusions	• Explanations of key boundary conditions affecting both strategy process and data collection at group-, industry-, and team level
9. Management of power imbalances	Authors describe specific strategies used to address power imbalance between them and specific participants	• Details on approach to preparing and conducting interviews
10. Data coding and first-order codes	Authors describe the first- order coding methodology and present the full code list	• Detailed information on applied Gioia method and data analysis
11. Data analysis and second- or higher-order codes	Authors describe the second-order coding methodology and present the full code list	• Description of coding methodology provided • Disclosure of exemplary first-order codes in appendix
12. Data disclosure	Authors disclose the raw materials gathered and examined during study	• Not possible: anonymity of informants and the host company had to be ensured; raw interview transcripts include project-specific references that allow for conclusions • Confidentiality of internal documents to avoid possibility of forward-looking conclusions regarding *Drive's* strategy

4.4.2. Trustworthiness and Authenticity

According to Lincoln and Guba (1986), rigor in qualitative studies requires trustworthiness and authenticity. I address this by a prolonged engagement in the field over a period of three years and first-hand observations. Moreover, I triangulated different types of data across various sources. To mitigate subjectivity bias, I took various measures to consistently ensure a high degree of self-reflexivity in all steps of the research process. Besides regular peer debriefings in the academic community, I conducted regular member checks to ensure that the project was in line with both academic and practitioners' interests. Moreover, when developing first hunches about relevant themes and tensions, I actively sought for negative cases to disconfirm my intuition (Lincoln & Guba, 1986). Lastly, I made sure that I consistently noted my own emotions throughout the research process. Being subject to organizational and personnel changes in the same way as my team colleagues in the field, I shared many of the emotions they felt throughout different projects and their daily work. When revisiting the field notes, this helped me take a step back and scrutinize how my own feelings and impressions could influence the interpretation of data and critical events.

Authenticity is generally increased when authors are able to convey a deep understanding of the people being studied (Golden-Biddle & Locke, 1993). I therefore made extensive efforts to particularize the everyday life and experiences of various strategic actors using vivid descriptions (Jarzabkowski et al., 2014). Where suitable, I developed detailed vignettes of critical events or moments and composite narratives (Jarzabkowski et al., 2014) that exemplarily described typical tasks, responsibilities, and challenges of individual roles in the strategy process. Direct feedback from organizational members helped adapt these artefacts and ensure they were consistent with their actual experience (Balogun et al., 2003). Finally, I made use of tables and illustrative figures to increase the overall comprehensibility and trustworthiness of the data for the reader (Cloutier & Ravasi, 2020).

4.4.3. Plausibility

The plausibility criterion pertains to the reader's active role in evaluating the study (Golden-Biddle & Locke, 1993, p. 600): From a reader's outsider perspective, the presented findings not only need to make sense to the reader, but also demonstrate a clear contribution to a specific research field or discipline. Thus, while a case narrative should sufficiently "delight" the reader (Van Maanen & Weick, 1989), it should be clearly evident how it is relevant to both academics and practitioners.

To bridge potential gaps between the readers' and the case's lived reality, I took several steps. First, I carefully reviewed critical concepts in terms of their wording and, when needed, modified them slightly to connect to terms commonly used in the literature. In some cases, this led to simplifications or generalizations while preserving the essence

of inherent meanings or developments. As organizational structures, terminologies, and processes are often highly complex and context-bound, I tried to use more universal terms and reduce complexity by including details only where necessary to grasp the issue at hand. Second, I made sure to include sufficient background information on the industry- and case-specificities.

4.4.4. Transferability

The main goal of qualitative research is not to develop universally generalizable theory. Instead, what makes inductive research unique is its ability *"to challenge what is known and do so creatively"* (K. Corley et al., 2020). Instead of making a specific scientific contribution, this project was originally motivated by a unique opportunity to make "new, unanticipated, context-rich empirical observations" (K. Corley et al., 2020, p. 3) and, at a later stage, to explain the emergence and impact of identity-related tensions in unique legacy contexts.

To assist readers in making judgments about the extent to which findings can be transferred to different organizational contexts, I included 'thick', rich descriptions of the observable phenomena (Lincoln & Guba, 1986). In addition, the auto-ethnographic approach may help a practitioner audience to relate to the findings and spot concrete opportunities to apply them in their respective contexts (Vesa & Vaara, 2014). Following Jarzabkowski et al. (2014), further efforts included using vivid narratives, emotion, and context information beyond simple quotations to convey readers a "sense of being there".

4.4.5. Critical Trade-Offs

Throughout the iterative stages of the research process, a few critical choices were made that affected both the nature and outcomes of the study.

First, a trade-off had to be made regarding the eventual type of contribution. Specifically, formulating a set of testable propositions could have been a plausible option to facilitate subsequent deductive testing efforts (Makadok et al., 2018). However, I found it difficult to reduce the highly context-specific language to proposition-type language. Given the particular conceptual vocabulary I chose to describe the empirical phenomena, I felt that some of the contributions' meaning would get lost in the translation process. After all, a major aim of this study is to offer a different way to think about strategy and change in a particular context. Thus, formulating generalizing propositions while advocating for the recognition of unique individual contexts did not seem to be a good fit. Moreover, I do not claim to establish universal causality. What I offer is one plausible, both theoretically and empirically grounded, and context-specific explanation of an observable phenomenon that per se does not preclude alternative arguments.

Second, I had to make choices regarding my role as a field researcher within the research setting. On the one hand, my dual role as both a researcher and practitioner entailed methodological challenges related to subjectivity (Vesa & Vaara, 2014). To some extent, I was studying my own experiences. On the other hand, traditional ethnographic approaches where researchers strictly distance themselves from other participants and aim for neutral observations make it difficult to produce findings that go beyond taken-for-granted assumptions (Balogun et al., 2003). Also, as a prolonged immersion into the field increases chances that researchers eventually tend to emotionally empathize with a study's subjects, it remains questionable to what extent such an ideal of neutrality can even be maintained in reality (Ybema & Kamsteeg, 2009). Therefore, I decided to acknowledge the practitioner-led nature of the project from the beginning and saw other organizational members as research partners that collectively wanted to better understand their work and its particular challenges rather than passive informants (Balogun et al., 2003).

Finally, having access to and collecting extensive amounts of data involved multiple instances where I needed to prioritize relevant issues and reduce data (Goetz & LeCompte, 1981). This required to deliberately put aside other potentially interesting aspects. An example for this is the issue of internal politics and interpersonal conflicts. Although these were omnipresent in informants' reports and influenced strategizing in multiple ways, I chose to not make them a main focus of the study. The main reasons for this were that (1) focusing on corporate politics would unlikely result in much novel insights and that (2) this might distract the study from its original goal, namely to investigate evolving approaches to strategy practice. Although internal politics were not entirely ignored, I treated them as a boundary condition and part of the context in which strategy practice evolved. Similar examples include the divergent interpretations of strategic issues at different levels of the organization (Balogun et al., 2015; Floyd & Wooldridge, 1994) and the well-researched ambidextrous tensions between exploitation and exploration (Papachroni et al., 2016; Raisch & Birkinshaw, 2008). Such themes were not disregarded but did not became the primary focus of the study either to focus the study on the identification of newly emerging phenomena.

4.5. Ethical Considerations

Two main ethical considerations have guided the study: The first concerned the relationship with the host organization and study participants; the second relates to the role of intuition in guiding the research.

4.5.1. Confidentiality, Reciprocity, and Transparency

Regarding the collaboration with the host organization, I had to consider that doing research on strategy involves potentially highly sensitive company data. At the beginning of every interview, I informed participants that I would anonymize the transcript and disguise any potentially sensible information regarding the organization's future offerings or strategic moves that were not publicly available at the time of the study's publication. However, except for the few interviews that were not taped, I did not send informants verbatim transcripts for review or redaction.

Furthermore, doing longitudinal ethnographic studies in collaboration with a host organization involves the principle of reciprocity (Bell & Bryman, 2007, p. 73): In exchange for access, host organizations should benefit from relevant insights and have the possibility to influence the study's overall focus. In the present case, this meant to regularly involve participants as partners in the conceptualization of the study (Vesa & Vaara, 2014), allowing them to comment what aspects and directions might be most impactful in practice. Similarly, findings were shared and discussed together to delineate the practical implications of the study (Balogun et al., 2003).

Regarding individual study participants, I followed standard procedures for conducting ethically sound qualitative research (Bell & Bryman, 2007). This included, for instance, gathering informants' informed consent before taping conversations and clarifying access to internal servers. Moreover, when talking openly in interviews, informants would regularly touch on politically sensitive issues, e.g. by sharing their opinion on strategic decisions or blowing off steam regarding supervisors, colleagues, or departments. I therefore made sure that such conversations remained strictly confidential within the organizational context. I further made my dual role as researcher and team member explicit to all study participants, including the purpose of the research. When engaging in informal conversations with team members, I made sure to clearly state if I asked a question as a researcher or as a colleague.

4.5.2. Intuitive Judgment

Regarding data interpretation, I was sensitive to the role of intuition. As Gehman et al. (2018) point out, intuitive judgments are inevitably part of interpretative research processes that involve large amounts of data. Kump (2020) notes that rightfully relying on intuition nonetheless involves ethical dilemmas: If researchers honestly report instances of intuition, this may imply a lack of scientific rigor. Vice versa, if they downplay its role, this rarely seems honest. I therefore share moments in which I relied on intuition:

First, intuition marked the starting point and vastly guided the first explorative stage of the field study. The study originally began with the objective to identify ways to strategically develop the host organization's digital offering. However, when immersing

into the daily work of product-level strategists, I soon had the intuition that strategizing involved an entirely different, emotional dimension. In various discussions, meetings, and projects, I could sense that many of the challenges my colleagues faced in their daily work were related to matters of organizational identity. At various stages, we kept coming across different shapes and colors of the same question: What is our vision for a more digital future and what does this mean for what we stand for as an organization? These initial hunches resulted in a shift in the study's focus. Instead of trying to identify *what* a strategic direction for the digital portfolio could look like, I turned to investigating *why* and *how* strategizing seemed to be stuck and how this might imply the need for a different approach to thinking about and doing strategy in such contexts.

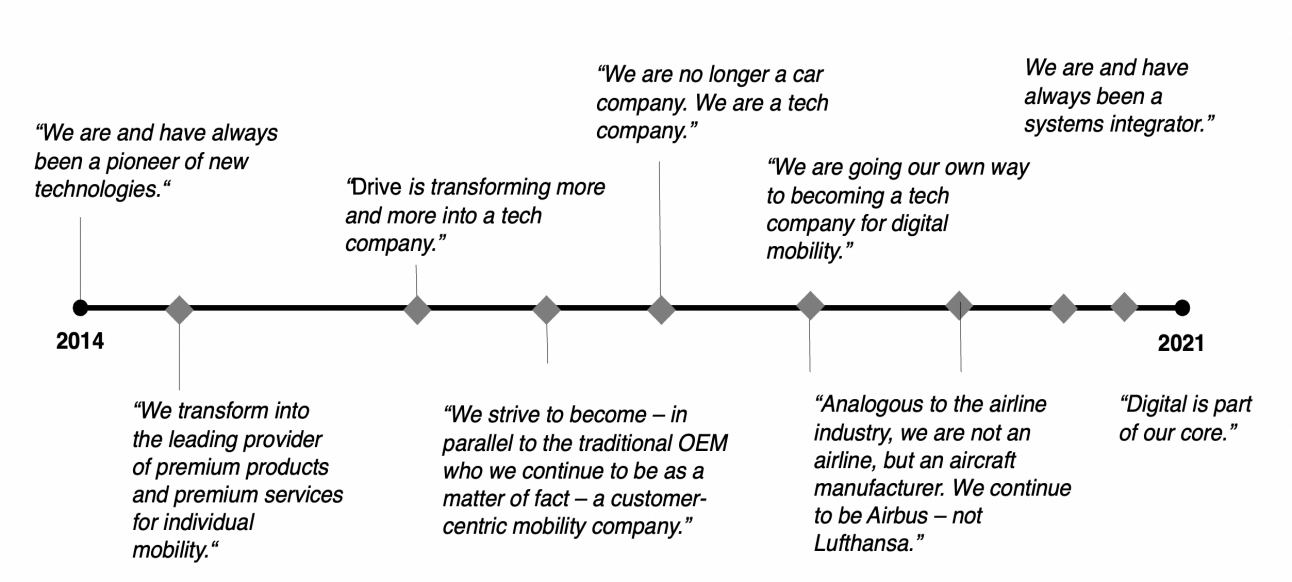
Second, I relied on intuition during data collection and sampling (Kump, 2020). Whenever I felt there was a relevant issue that needed clarification, I approached different informants to seek answers or adapted the focus of interviews on a case-by-case basis. Often enough, these hunches turned out to be dead ends. For instance, "customer orientation" was a recurring theme. However, it seemed to be a symptom of the much deeper problem of different mindsets that prevailed in different parts of the firm. In other cases, by contrast, intuition allowed to identify critical aspects. For instance, I noticed I was frequently touching a sore spot when I asked about the role and impact of an informant within the strategy process. In many cases, such questions revealed that such basic aspects were not clear or highly contested. Informants would state things like: *"This is what is written in the formal job description, but this is what I actually do every day."* When followed by questions about how these discrepancies made informants feel as they engaged in their work, this revealed the more subtle emotional dimensions of the project-related tensions that were visible on the surface.

Finally, data analysis was partly guided by intuition. When coding interview scripts and press articles, for instance, I was to some extent influenced by what resonated with me as a participant observer. To some statements and articles, I could relate differently due to my experiences of, for instance, heated internal debates or recurring challenges encountered in projects. Similarly, such considerations informed judgments about saturation when I felt that sufficient data was collected to explain and confirm a given phenomenon across different sources. Thus, to complement the etic perspective as a researcher informed by relevant theory, I consciously drew on my emic viewpoint as part of the organizational members' team.

5. Empirical Findings

This section retraces how identity dynamics affected strategy practice at *Drive*[1], a leading European car manufacturer attempting to reinvent itself in the digital age. **Figure 8** summarizes the multiple identity claims that were made by different representatives of the board in a prolonged period of transitioning toward more digital offerings. Together, they reflect how focal actors navigated the inherent strategic ambiguity of an emergent identity crisis in which the organization struggled to recalibrate its legacy identity in response to the growing pressures of digital technology.

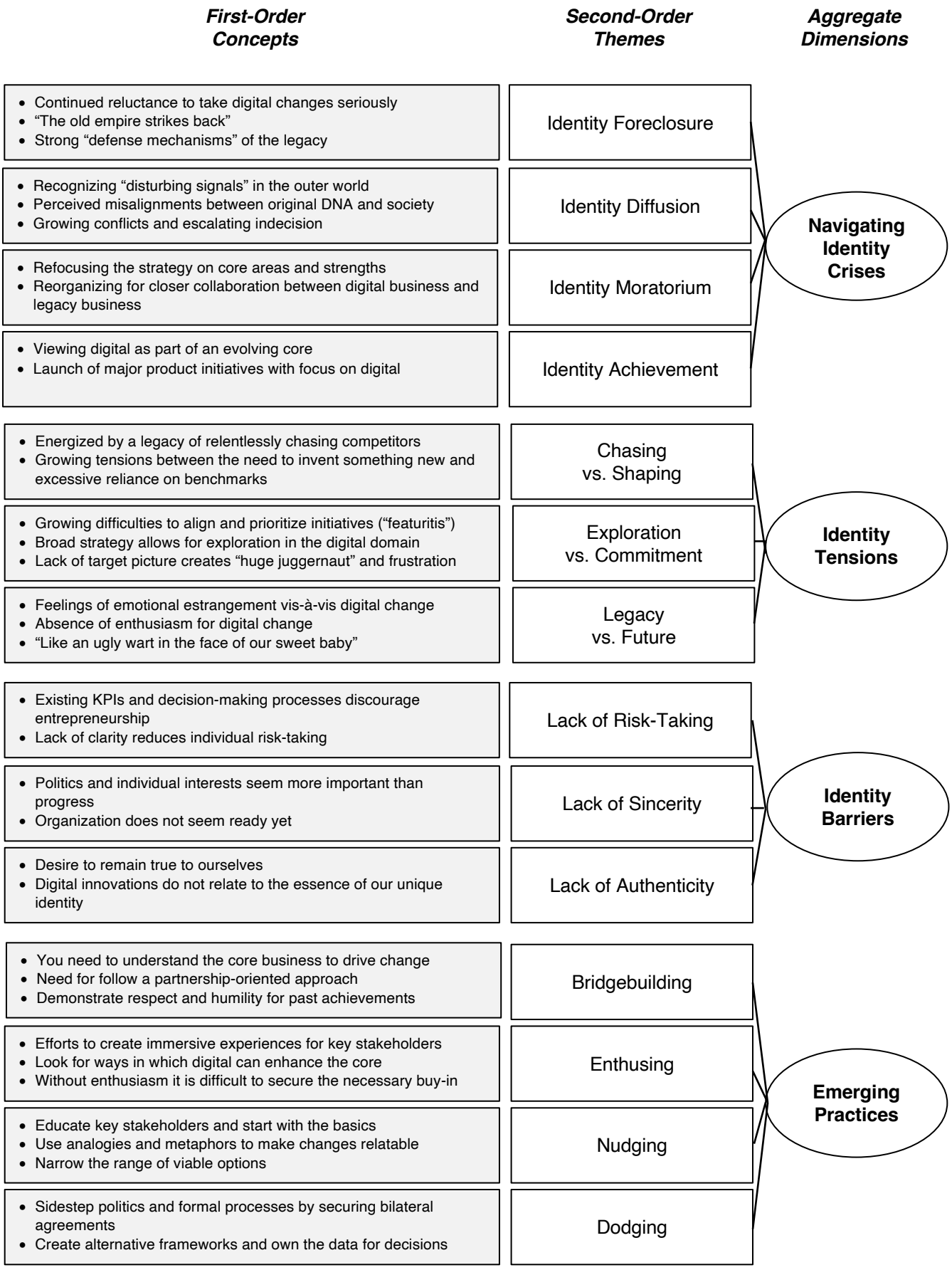
Figure 8. Timeline of Different Identity Claims Made by Board Representatives



The case narrative reveals the various challenges focal actors faced when navigating an organizational identity crisis and how strategy practice evolved accordingly. The findings suggest that driving digital changes to a proud product legacy requires confronting multiple identity tensions and barriers. To drive positive outcomes, focal actors can make use of several practices that place people and relationships at the center of strategy practice. **Figure 9** presents the emergent data structure that guided subsequent interpretation.

[1] The case company's name was changed to preserve anonymity.

Figure 9. Data Structure based on Gioia Method



5.1. A Brief History of Digital Transformation at *Drive*

The focus of this study are the observations made in a three-year period in the field. To place them into context and immerse into the case, it is helpful to summarize the preceding history of digital change at *Drive.*

5.1.1. Early Beginnings: Pioneering the Connected Car

In the 1980s, *Drive* was among the first OEMs to integrate an onboard computer into a Formula 1 race car. Its leading position manifested in the early 2000s: With a SIM card in most vehicles, *Drive* customers were among the first to access basic online functions on the road. Celebrated by leading auto magazines and renowned innovation awards, *Drive* established itself as a forerunner in the auto industry's transition to more digital offerings.

The launch of Apple's first iPhone in 2007 marked the beginning of a new era: Digital innovation was no longer limited to connecting cars to the Internet, but also to a growing number of digital ecosystems and devices that fundamentally reshaped customer expectations. For digital offerings in the auto industry, Silicon Valley tech companies soon set the pace. The car increasingly transformed into a "digital device on wheels" and digital disruptions began to permeate to the core of OEMs' traditional offering.

Drive nonetheless remained strongly committed to its proud and longstanding legacy. For nearly a century, engineers had relentlessly honed the firm's success model: producing premium cars at high quantities at a reasonable price and selling them to an international dealership network. What distinguished *Drive* was a unique consistency between a highly emotional brand and its products. Even close rivals acknowledged than an unparalleled driving experience represented *"a trait bred in the bone"* of the *Drive* brand. This tight coupling between brand promise and product offering shaped the organization's identity for more than a hundred years.

In the early 2000s, a competitor's board member referred to the company as a *"model for any company trying figure out what it stands for".* The pleasure of getting behind the steering wheel and relishing the car's distinct agility were hallmarks of the brand promise. Enthusiasts both inside and outside the organization praised the typical goosebumps experience and associated *Drive* with strong, hedonic emotions. This emotional identification is reflected in comments in fan magazines and blogs:

> *"Even when a competitor achieves more horsepower or a faster 0- to 60-mph time, true car aficionados sense in their gut that those other cars are just trying to be* Drive *beaters."* – Comment in *Drive* fan magazine

Preserving and nurturing this product experience remained the organization's strategic guiding principle. A proud workforce believed *Drive*'s remarkable success to be rooted in precisely that commitment. As a former chairman put it:

"Our brand stands for a promise that we shall always continue to keep. A huge part of this promise is that there will never be a boring Drive*."*

5.1.2. Growing Pressures: An Emergent Identity Crisis

Over time, this legacy was increasingly put to the test by evolving digital technology. Future industry scenarios included fully autonomous vehicles, on-demand mobility, and hyper-connected smart cars. New business models required complex software capabilities. To sustain competitive advantage, a compelling digital in-car experience became crucial. After decades of stability, the auto industry faced the first fundamental transformation in its history. Since the 19th century when the first four-cylinder combustion engine was integrated into a four-wheeled carriage that had originally been pulled by horses, cars continued to have the same defining properties: A low center of gravity, a steering construction on the driver side, handlebars, four equally large wheels, operated in a road-based traffic area. As a historian recalls, strategy practice had come down to *"tweaking this basic thing" (OE_107).* While digital services initially continued to make up for only a tiny fraction of the revenue, signs were that digital technologies would fundamentally reshape individual mobility as a whole.

These broader shifts in the environment raised questions about the future role of car manufacturers in a digitalized world. New market entrants like Tesla set out to disrupt the predominance of established OEMs, focusing on digital services as a major differentiator. In parallel, competitors were slowly catching-up and challenged *Drive*'s leading position. Recalibrating the strategic direction seemed increasingly inevitable. Soon after the first iPhone was launched, *Drive*'s CEO therefore posited a new identity claim: Beyond manufacturing cars, *Drive* aspired to become *"the leading provider of premium products and premium services for individual mobility".*

Over the next years, the auto industry's strategic renewal featured more prominently in both public and internal debates. In 2012, the Consumer Electronics Show (CES) in Las Vegas put a spotlight on digital innovation the car industry. So far, car makers had focused on Frankfurt's IAA Mobility Fair and the Geneva Motor Show to stage their newest car models. Now, the CES emerged as another central platform to showcase the digital future of the industry – side by side with electronics companies like Sony and Samsung as well as software giants like Apple, Google, and Microsoft.

At this point, *Drive*'s overall strategy was still focused on leading the traditional car business. Individual strategists nonetheless sensed the need for a fundamental reorientation. Multiple disturbing signals in the market called existing identity commitments into question. When Uber entered the mobility space, their business model casted doubts on the future relevance of individual car ownership. In China, new consumer segments emerged for which digital services were a critical buying criterion. Similarly, Tesla set out to lead the transition to an all-electric and digitally enhanced car

experience. Traditional car makers' image of a proud flagship industry securing prosperity and international prestige began to crumble when climate activists set their sights on car makers as major carbon delinquents. In parallel, financial analysts called out growing deficits in digitalization as a growing concern. An informant recalled:

> *"I remember when the bankers began to ask us all these questions: 'What's your game plan for digitalization? What are you doing in that domain to protect and expand your business? How will you adapt your business model?' But with the core business still pumping in so much money, many people here didn't see these questions coming so early." (GS_103)*

A group of brand strategists became concerned that the strength of *Drive*'s existing success model could evaporate. They began to fundamentally reassess the essence of the *Drive* brand. One informant recalls how the group sensed an increasing mismatch between the brand's puristic, ownership-based, and status-oriented driving experience and a society whose values had moved on:

> *"We slowly started to recognize that our brand is no longer future-proof. That we needed to rethink this and position ourselves differently. Our thoughts revolved around transforming the brand – from an automotive brand to something new that stretches beyond the car." (OE_241)*

These internal developments were accompanied by increasingly critical media coverage. Journalists argued that leading car makers had slept through vital trends. Experts were skeptical: Would the former flagship industry be able to bring about the necessary changes in the digital domain in due time? Or would they rest on their laurels and let new entrants eat their lunch?

Inside *Drive*, however, few people shared these concerns. The situation seemed schizophrenic: On the one hand, more and more voices warned against the demise of the car industry and the repercussions on society. On the other hand, industry leaders like *Drive* kept driving home record profits year after year. A high-ranking division manager's comment epitomizes the resulting strategic dilemma:

> *"Look, it's indisputable that we continue to be extremely successful with our core business. We still have a ROCE that is second to none. Boom! It just blows you away! In which other industry do you find something even closely comparable? Weapons… Drugs... I can't think of much else. So, no matter what they say: we are on top of our business. And still… At the same time, this makes it so damn hard to bring about any of the changes we would need right now." (OE_112)*

In 2020, a news article commented on the emotional state of the global car industry and referred to a previously unknown *"depth of the identity crisis that has hit the auto industry"* (Waters, 2020). A remarkable speech by Toyota's CEO had caught the author's attention where he outlined the car maker's radical vision for an urban living and mobility

concept. In Toyoda's view, the industry had no choice but fundamentally reinvent itself and finding new meanings in its former origins to adapt to a changing world:

> *"By now some of you may be thinking: 'Has this guy lost his mind? Is he like a Japanese version of Willy Wonka?' Perhaps! But […] if you didn't know: Toyota began as a loom manufacturer. We didn't start by building cars. We began by weaving fabric. And we now hope to use our technology to weave together a new kind of city."* (Toyoda, 2020)

5.1.3. Transforming into a Tech Company: Searching for New Meanings

In light of an emerging identity crisis, *Drive* revised its car-focused strategy. With a new CEO taking office, "digitalization" for the first time became a foundational pillar. In a speech to shareholders, the CEO outlined the strategy's historical scope:

> *"*Drive *has always reinvented itself in its history. As a pioneer of new technologies, the company has shaped change, within both the industry and the world of mobility. We are setting the standard […], both now and in the future. We will lead* Drive *into a new era, one which will transform and shape […] individual mobility […] in a permanent way."*

The announcement occurred at a time when internal strategic discussions revolved around a new threat: Following Apple's CarPlay solution, Google had launched a similar car operating system named Android Auto. These services enabled drivers to connect their smartphones to the car and use their apps through the car's user interface. US tech giants thus further intruded into the car, raising fears among traditional car makers' to lose their customer interface.

Industry reports started to paint bleak scenarios: Car makers could be degraded to mere hardware suppliers to tech companies who would earn most future digital revenue. The new strategy was therefore regarded as a necessary step. To explore the business potential of digitalization for *Drive*, a specialized digital strategy department was created. Apart from experienced strategists, the team was complemented by many younger colleagues, often external hires from outside the automotive industry.

The new strategy differed substantially from its predecessors. Instead of clear guidance and plans, it devised rather broad themes. With digitalization being one, various initiatives gained momentum. Some aimed to figure out how digital technologies could help enhance the existing car business; others focused on entirely new opportunities. This explorative approach was a historical novelty. Like other car makers, *Drive* had been a company where major product changes were driven by concrete lighthouse projects. This clarity had typically pulled the organization together and into a given direction. Over decades, *Drive* had therefore been trimmed toward excelling in precisely that: conceiving a new car in line with the brand essence, turning it into a marketable product, and

producing it cost-efficiently at scale. This had required extensive planning and stable commitments to a clear strategic direction.

For digital topics, however, there was no available blueprint. The newly formed digital strategy team therefore first set out to listen. Based on interviews with key stakeholders and internal surveys, they took stock: What ideas around digitalization did already exist and what initiatives were already ongoing? Combining this inside-out view with external analyses, they developed a high-level orientation framework: On a biaxial diagram juxtaposing time and transformative scope, it outlined several evolutionary stages on the way to potentially becoming a mobility service provider. In such a scenario, car sales continued to be important, but were no longer the biggest revenue contributor. Substantially expanding the portfolio of in-car digital services and building up internal software expertise were deemed critical intermediate steps.

This implied radical changes to a cherished legacy. As cars became increasingly integrated into the driver's digital life, innovation was accelerated on multiple fronts. When configuring a new car, customers could soon add different digital services packages, update their car software remotely, and book individual services in an app store. From integrating external music services to extended office functionalities to online payment options, in-car connectivity was taken to a new level. Even on the hardware side, *Drive* joined the race to develop an ever more futuristic experience. Screen sizes increased and increasingly intelligent functions analyzed usage behaviors and responded to drivers' voice commands.

In line with the strategy's aspirations, the goal was to make digital offerings not just an accessory to the legacy business, but a sizeable revenue contributor that would secure the long-term survival of the company.

5.1.4. Escalating Indecision and Conflicts

Bringing about these digital changes was not a sure-fire success. Five years after the new strategy had been launched, *Drive*'s car legacy was still omnipresent. With digital revenues lagging expectations, it continued to be by far the biggest revenue contributor. At the same time, the long-standing identity as car maker did no longer accurately capture the growing variety in *Drive*'s offering. A growing part of the workforce now focused on software. This shifted *Drive*'s core activities toward digital. Internal and external observers increasingly struggled to tell what type of company *Drive* would be in another five years.

Responding to this growing ambiguity, the CEO reaffirmed his intentions to transform *Drive* into a mobility service provider. Initially, this was understood as a deliberately provocative call to think beyond *Drive*'s manufacturing legacy and initiate a broader exploration process. However, the need for more orientation increased. Public

controversy over the industry's future intensified. Over time, a new consensus emerged: The long-established pecking order in which car makers set the pace, suppliers provide complementary parts, and customers willingly buy whatever rolled off the assembly lines would come to an end. Experts doubted that car makers would stay on top as value creation would increasingly depend on digital services. It was still not clear how car makers would position themselves against growing competition by tech companies. Industry reports started to address the underlying strategic dilemma:

> *"It's easy to underestimate how much is at stake here. But how can OEMs possibly take on the Goliaths of the digital world at their own game... and should they even try?" (Berylls, 2020)*

The biggest fear among car manufacturers: to be left producing the boring mechanical bits of future cars while all the intelligent, exciting technology would be supplied by Apple or Google. Such scenarios suddenly seemed real. Drawing an analogy to Apple's iPhone production, an industry analyst aptly put auto makers' wounded pride into words: *"After all, who wants to be the Foxconn of auto? Who wants to be pushed around?"*

In light of these developments, the board tried to clarify *Drive*'s positioning. Employees saw themselves confronted with a growing variety of identity claims which further increased confusion around the organization's strategic intentions. First, the CEO publicly asserted:

*"*Drive *is transforming more and more into a* ***tech company****."*

Underlining the commitment to build most digital capabilities in-house, this seemed to put *Drive*'s future identity commitment close to born-digital companies like Google. This would mean that digital innovation could gradually replace mechanical engineering excellence as the main strategic priority. Other board members, however, advocated a different view. In an internal interview, one representative envisioned a more ambidextrous future by asserting that the currently biggest challenge was

> *"[…] to become – in parallel to the traditional OEM who we continue to be as a matter of fact – a* ***customer-centric mobility company****."*

Such statements emphasized soft factors such as the organization's main orientation and ways of working without threatening the dominant role of the core product. This broadened the room for interpretation. Few weeks later, a third and more disruptive reading of *Drive*'s future went viral among employees when another board member considered the turning away from the engineering legacy already a fact:

> *"Today,* Drive *is no longer a car company. We are a* ***tech company****."*

In the following months, different interpretations of *Drive*'s evolving identity cemented themselves in different parts of the organization. For some, becoming a tech company was closely linked to digital technologies becoming core of what *Drive* did. For others, being a tech company was simply a more fashionable term for engineering cars with

more code. Another year passed. The CEO then gave a speech to reassure shareholders of *Drive*'s strategic direction, trying to reconcile the different views but again leaving room for interpretation:

> *"There is no doubt that we are going our own way. Our way to becoming a **tech company for premium mobility**."*

Although *Drive* continued to have record-breaking years in terms of profit, the perceived lack of clarity regarding *Drive*'s long-term strategic priorities had severe repercussions. At the product level, product managers were increasingly torn between contradictory requirements. On the one hand, formal strategy guidelines postulated the goal of championing the digital future of the industry. On the other hand, major processes remained geared toward the legacy business. To some extent, this was out of technical necessity as digital services needed to be closely integrated into a car's complex hardware. But as hardware processes continued to be prioritized, software development had to join the end of the queue. Critical product decisions often had to be made many years before a service was launched. In a fast-moving digital world, *Drive* risked being too slow to meet ever-evolving demands and launching outdated services.

Drive increasingly struggled to produce substantial outcomes and the gap between aspirations and reality kept widening. Product managers viewed the offering as a *"fragmented hotchpotch"* (PS_216) with insufficient value for customers. This was partly attributed to the broad, explorative spirit of the strategy. At the same time, the lack of clear priorities had become like sand in the gear of product development and implementation processes. Focal actors did not see themselves capable of bringing about valuable innovations that would excite customers. This made internal stakeholders increasingly critical of what was often dismissed as *"digital mumbo jumbo"* (PS_217)*:*

As attempts to digitalize the portfolio failed to materialize in substantial revenue *Drive*'s digital community increasingly got into disrepute for carelessly *"burning unreasonable amounts of cash"* (PS_215)*.* To make things worse, competitors embraced more uncompromising approaches to DT. Close competitors threatened to overtake *Drive*'s leading position. When one of them announced an entirely new operating and infotainment system, it was clear: *Drive* would soon be drastically outperformed on multiple benchmarks. After years of leading digital change in the industry, *Drive* was put on the back foot.

In the following months, internal conflicts kept growing. *Drive* found itself more and more divided in two camps. While an increasingly worn-out digital community was calling for more decisive commitments to a digital future, skeptics advocated a turning away from digital experiments. For the latter, returning to tried and tested core strengths was long overdue. These conflicts did not go unseen by outsiders. A collapse in stock price confirmed how the market had lost confidence in *Drive*'s future: Over the course of five years, market cap was slashed into half – despite record earnings. A climax was reached

when a leading business magazine made *Drive*'s demise the focus of a much-noticed cover story. According to the editors, *Drive* had fallen off the success track and lost its way. Dismal quotes from internal informants and industry experts reflected prevailing concerns:

> *"For years,* Drive *has been the poster child of the entire industry. Now they are not more than followers. The organization has thwarted itself in a new era of lack of drive."*

Critics explicitly pointed toward the current portfolio: Citing several examples, the article outlined how difficult it was to tell what *Drive* stood for in a transforming industry. An industry manager was quoted: *"Fear of* Drive*? Nobody has that anymore*."

5.1.5. Refocusing on the Core: Toward a New Identity Commitment

As *Drive* kept revolving around a diffused state with conflicts further escalating, competing ideas regarding what the company stood for continued to co-exist. Critical decisions kept being delayed. Employees perceived both strategic decisions and eventual outcomes as increasingly erratic. With the long-term priorities of the organization remaining opaque, informants increasingly struggled to determine where to focus their time and energy. As a result, top leaders who once initiated the biggest transformation in *Drive*'s history started losing support. The eventual announcement of a CEO was received differently. For some, the replacement nurtured hopes for more clarity and direction. Others feared that the initial progress toward a more digital future could be reversed. Few days after taking office, the new CEO took a stance regarding *Drive's* evolving identity:

> *"Analogous to the aviation industry, we are not an airline, but an aircraft manufacturer. We continue to be Airbus – not Lufthansa."*

This implied a return to *Drive*'s original self-understanding as a car manufacturer and a clear departure from the former emphasis on mobility services. In an internal company magazine, the CEO went on to position *Drive* as a *"systems integrator":* Instead of developing all kinds of services, the focus should be on integrating external solutions into the car's hardware to create a compelling, overall digital experience.

The future role of software nonetheless remained ambiguous. Following a narrow interpretation, developing digital services in-house now seemed out of scope. However, this would mean giving up valuable data to external players. One of the industry's worst nightmares risked coming true: If customers simply logged into Google's Android or Apple's CarPlay once they got into their car, OEMs like *Drive* would be pushed to the sidelines in a digital future. As industry experts speculated in influential blogs, not developing own software could therefore leave iconic car brands effectively *"brain*

amputated". A central strategic question thus remained unanswered: Would digital services be seen as part of *Drive*'s evolving core or not?

A few more weeks passed until the CEO clarified in a public speech:

> *"Not everything in our environment is volatile. […] We need to return to our core competencies and strengths. For instance, seamless connectivity is becoming a decisive product feature. That's why we focus on the customer, his vehicle, and its connection with its environment."*

This statement reflected a new conviction that viewed software as an integral part of the core business. For *Drive*, a leading digital in-car experience had become a strategic priority. This bridged the gap between the car legacy and a more digital future: Although the CEO kept advocating a strong focus on cars and hardware, digital services were acknowledged as critical enablers that were no longer treated separately from the car. In line with this evolving understanding, the organization was restructured to integrate software and hardware development more closely. A newly formed team of digital product strategists started to develop a dedicated portfolio strategy for digital services. This strategy that was expected to define a small number of core areas that internal software development should focus on.

In the following months, however, this prioritization process remained stuck. In early 2020, the Covid-19 pandemic began to hit the global economy and additionally forced *Drive* to aggressively cut costs. This external shock put the entire organization in crisis mode. However, the data suggests that this was not the main challenge for digital strategists. In countless interviews, conversations, and meetings, informants pointed out that there was no clear target vision for a more digital product offering. This not only made prioritization difficult; it also presented a novum for a historically product-driven organization like *Drive*.

In previous transformations, not sophisticated strategies, but very concrete product visions had both the direction and momentum to propel the organization forward. Explaining the crucial role concrete product visions had in the past, a company historian put the ongoing challenges into perspective:

> *"Honestly speaking,* Drive *is not really a 'strategic company'. We are a culture […] of doers. […] Everyone here is always convinced to be right. It's incredibly difficult to steer this company. We have so many independent, intrinsically motivated people. But they tend to drift apart. Look at the past five years! There was too little focus. We went too broad, doing too many things. And whenever this has happened in the past, this company always lost traction and speed. If you go back to all the archives, you won't find many formal strategy documents. But you'll find many moments when we either had a crisis or we managed to rally the entire company behind a common, focused idea. Not letting things loose but putting a big idea into the room to which the company can align itself… This brought us back on track every single time."* (OE_107)

In the following months, digital strategists took a wait-and-see approach. Tensions kept rising: A workforce that found itself exhausted from the conflicts and ambiguity of the past years was increasingly craving for clarity. The following announcement by the CEO therefore came as a relief:

> *"We understand the scale of today's challenges, and how urgent they are. As a company, we've always been at our best when met with a challenge. We have a track record of more than 100 years tackling challenges with groundbreaking engineering. And we've reinvented ourselves more than once. […] At the heart of everything we do is our passion for mobility. Mobility brings us together. It is a deep-seated need within us. […] And we're determined to offer the very best mobility solutions for our customers. Solutions that are […] every bit as thrilling and emotional as the products that have made* Drive *synonymous with an exciting driving experience for almost a century."*

After setting the stage, the CEO went on to announce a new product vision for an entire range of vehicles. The product offensive was intended to set new digital standards for the industry. Within five years, *Drive* would launch a *Future Series*[1]: a series of progressive cars combining an all-electric and fully digital driving experience – all wrapped up in a new, one-of-its-kind emotional design language.

Despite these high ambitions, the name *Future Series* was a clear reference to one of *Drive*'s major achievements in its history: Decades ago, the original *Future Series* turned into a revolutionary product success that propelled *Drive* to the very top of the industry. In what journalists described as a "mini revolution" for the industry, *Drive* had created an entirely new vehicle segment combining unknown levels of sportiness and safety. This not only positioned the brand as an innovation leader; it also paved the way for its later triumphant progress. Back then, after a period of economic decay, the original *Future Series* had allowed *Drive* to rise again like a phoenix from the ashes.

If the emotionally charged vision of a renewed *Future Series* will produce the desired effects remains to be seen. From a historical point of view at least, there is a real chance that it will. For many among the digital community, however, this shift came too late. Worn down by the tedious trench warfare of the recent years, several members of the digital community left the company. For others, hopes were that in both further strategy development and implementation, things would get better. In an ideal case, the transition toward a more digital offering would no longer be regarded as an onerous duty where people across divisions would work more against than with each other. Instead, a more digital future would eventually emerge as a commonly shared desire that could set free *"the unbending will to high performance"* (Internal video) that once was considered typical for *Drive*.

[1] The name of the series was changed.

5.2. Identity Tensions at the Product Level

In the previous section, I retraced *Drive*'s transition to more digital offerings from its beginnings to the end of the study period in late 2020. This section further zooms in on focal actors' experiences at the product level. The findings shed new light on emerging identity tensions in firms with strong legacy identities and how they affect organizational outcomes.

Specifically, the data reveals three paradoxical identity tensions that were rooted in continued identification with a cherished car legacy. The findings suggest that failure to actively confront and resolve identity tensions led to an increasingly diffused identity status that adversely affected cognition, choices, and cohesion throughout the strategy process. At *Drive*, this undermined operational efforts to digitalize the portfolio.

Table 7 summarizes the main findings. They substantiate how unresolved tensions between a strong legacy identity and the transition toward a more digital future have severe repercussions at the product level. This extends our understanding of the contextual boundary conditions for digital change: Often it is the subtle, emotional micro-mechanisms of incumbent change that critically affect outcomes. The example of *Drive* shows how failure to address identity tensions can trap organizations in a vicious cycle of continued paralysis and conflict.

Table 7. Identity Tensions at *Drive* and Impact on Strategy Practice

Tension	Impact on	Key Finding	Organizational Outcomes
Chasing vs. Shaping	Cognition	Legacy focus on chasing competitors blurred strategic cognition and thwarted capacity to respond to evolving demands	Reduced digital innovation Reduced product substance quality Feeling to be trapped in reactive catch-up game
Exploration vs. Commitment	Choices	A tight coupling between software and hardware processes hampered strategic exploration and decision-making	Paralysis and delayed decisions Inconsistent portfolio Growing frustrations and internal conflicts
Legacy vs. Future	Cohesion	Digital changes failed to spark the same level of enthusiasm as the legacy product	Reduced buy-in Resignation Talent exodus

5.2.1. Cognition: Chasing vs. Shaping

The first tension concerns focal actors' cognition. At *Drive*, strategists' attention became increasingly torn between two poles. On the one hand, digital technology increased pressures for innovations beyond the car manufacturing legacy. On the other hand, over decades, strategic thinking at *Drive* had been trimmed to chase a well-defined set of competitors. Cognition was thus geared toward comparing and outperforming

rivals on clearly established criteria. Attempts to shift the focus from chasing to shaping created tensions that thwarted outcomes at the product level: Instead of breaking new grounds and set new standards for the digital world, strategists could rarely break away from *Drive*'s dominant focus on beating available benchmarks.

A Track-Record of Chasing Competitors

When asked about *Drive*'s most defining characteristics as an organization, informants frequently referred to a unique determination to relentlessly chase competitors and assert oneself in a highly competitive market. Expressions like "beating benchmarks" and "coming out on top" were not only part of the corporate jargon; they also carried a deep-seated spirit that energized teams in their daily work.

The obsession with competitors surfaced in different ways. For instance, formal control measures heavily centered on benchmarks. For every new car, every single detail was meticulously compared to rivals' existing offerings. Specifications had to outperform benchmarks by a precisely defined minimum. Also, resources were systematically focused on so-called "must-win battles" where *Drive*'s strategic positioning demanded nothing less than the best available solution. Even in marketing campaigns, no opportunity was spared to highlight moments of superiority over close rivals.

For many employees, *Drive*'s assertiveness was an essential ingredient to the organization's remarkable success. In its history, *Drive* had repeatedly proven skeptics wrong who doubted its ability to conquer highly saturated and competitive markets. For many, the courage to uncompromisingly chase competitors was a defining element of *Drive*'s identity and the pride people took in it. Informal exchanges mirrored how chasing was a deep-seated aspect of *Drive*'s strategic cognition. For instance, conversations over coffee would often center around latest car tests that compared *Drive*'s models to others. Similarly, it was common practice for engineers to take a recently launched competitor car, dissemble it into all parts, and identify neuralgic points where *Drive* risked falling behind. News of both victory and defeat spread quickly and often ended up being referenced in formal meeting protocols and decision papers. A seasoned strategist explained how the comparison to others ultimately drove internal decision processes:

> *"Competition remains what ultimately drives this company. It's our lifeblood. You can spend years going round in circles, from committee to committee, presenting all the data and arguments. Nothing will ever happen. But if you can go in there and say 'Hey, look, competitor X is doing that. Perhaps we should do that, too!', then things suddenly go very quick. It's absurd, but that's just how things work here."* (GS_101)

Chasing Into the Void

For a long time, chasing had helped continuously grow the legacy business. However, digital technologies had changed the rules of the game. The key challenge was no longer to beat others, but to invent novel solutions and be first in setting new standards. An informant explained how this placed new demands on strategists:

> *"Ten years ago, the toughest questions were like: 'By how much is the premium segment growing? Do we need any other body styles in our vehicles, yes or no?' The issues that we're facing now in the digital domain are of a completely different caliber. They force us the challenge the core of what we are doing."* (GS_102)

The prevailing mindset and process landscape was increasingly perceived as a corset that was tailored to a past reality. To make decisions, committees kept demanding clearly defined benchmarks. In the digital domain, however, these were seldom available and technological trends often short-lived. As a result, informants felt increasingly misunderstood and forced to chase constantly moving targets. One informant expressed her growing frustrations as follows:

> *"Look, we know that we have to go after these topics. To get a piece of the pie, it's crucial that we start now making our own experiences and identify how a valuable solution for customers could look like. But to get the budget, they keep asking me for benchmarks. How am I supposed to do that? They ask: 'Who else out there has done this and was successful doing that?' But how can there be benchmarks for stuff that yet has to be invented? It's so silly. It starts making me sick."* (GS_101)

To get approval, digital strategists had no choice but to play the game. They thus engaged in continuous analyses of market trends and competitors, even as this rarely produced useful insights. Focal actors felt increasingly trapped in an endless catch-up game in which they struggled to chase ever-changing external developments:

> *"The more we analyze competitors, the more I feel like piggy-in-the-middle. We keep being pushed around. It's an endless catch-up game. We're never ahead of things. The worst is that it's just theatre! We keep being preoccupied with ourselves and our processes. You work your ass off for years, and nothing ever comes out of it."* (PS_221)

Informants felt they often had no other choice than waiting for a competitor to make the first move. This put *Drive* in a constant reactive mode. Focal actors felt they kept wasting valuable time. Pressures and conflicts therefore started to intensify. In an internal workshop, a sales representative expressed his growing anger about a deteriorating substance and quality of the digital services portfolio:

> *"How am I supposed to explain customers why we still refuse to offer services that are standard for most people? Don't tell me that we lack clear benchmarks! What are we waiting for? We'll never know if these*

> *things fly unless we put them out there and expose them to customer feedback. Yes, many things will not work right away. Yes, some decisions will be reversed. But that shouldn't stop us!"*

Digital Castles in the Air

Tensions between a legacy of chasing and the evolving demands of digital innovation kept curtailing substantial changes to the portfolio. In absence of tangible results, people outside the digital community began to regard digital innovation with growing skepticism. In addition, a still solid core business made efforts to actively shape a digital future seem optional. The comment of a high-ranking executive reflects the underlying dilemma:

> *"To be honest, that's the multi-billion-dollar question: How do you get a capital-intensive, risk-averse company like ours to move without yet feeling the pain?"* (OE_112)

A key challenge was that at *Drive*, success was still measured in car sales. As long as digital innovation did not increase volume, it was not considered a priority. The idea to make larger investments before any other rival did thus triggered resistance. Although studies confirmed that digital offerings were becoming a decisive criterion for car buyers, top leaders regarded strategists' proposals as "castles in the air". Their fear was that digital innovation would divert the organization from its profitability targets. Informants felt increasingly not heard:

> *"Tesla already today offers the best digital experience. Every customer can see what our executives still refuse to admit. Tesla was ridiculed here for over ten years. Now they sell more cars than our leaders would have ever considered possible. But nobody asks: Who would have sold these cars if Tesla didn't exist? It's obvious: We would! But nobody wants to face it. We still focus on the other old players and pat ourselves on the back. You can talk until you're blue in the face. We just keep and keep on doing the same thing."* (GS_106)

Over time, the digital community found itself increasingly detached from the corporate mainstream. Advocating digital change appeared to be an oddity, scorned by an organization obsessed with outpacing competitors. The comment of an informant shows how these tensions undermined personal engagement:

> *"The corporate consensus is the status quo. It's what seems reasonable when we look at the current competitive environment. As soon as you slightly go beyond this consensus, you are stigmatized – as a dreamer, or an illusionist, who is completely detached from reality. As someone not integrable. You don't do that for a long time."* (PS_213)

The overall effect on strategic cognition was paradoxical: A legacy identity of being a relentless chaser blurred *Drive*'s view on relevant market developments. Instead of

actively shaping an evolving industry, this thwarted digital change and forced strategists to reactively chase ever-changing requirements without producing tangible results.

5.2.2. Choices: Exploration vs. Commitment

The second identity tension concerned the ability to make choices. Determining the direction toward a more digital future required a turning away from *Drive*'s legacy of extensive analysis and planning. Instead of clear goals and action steps, digital strategy followed rather vague guard rails.

This put focal actors in a difficult position: On the one hand, they needed to broadly explore viable strategic options first. On the other hand, a lack of overall direction made it difficult to later prioritize these options. Instead of pulling together behind a common goal, different divisions continued to pursue their own convictions of what the company's future should look like.

Over time, *Drive* maneuvered into a state of paralysis where critical product decisions kept being deferred. Sustaining a competitive portfolio became increasingly difficult and *Drive* started to fall behind competitors.

***Product-Driven Transformation at* Drive**

Examining previous strategic shifts in *Drive*'s history, a recurring pattern stood out: Whenever the organization had brought about fast and far-reaching changes, this was tied to a clear product vision. Examples included, for instance, the decision to conquer the premium car segment, to be the first to optimize the engineering process for environmental efficiency, and to take a pioneering role in e-mobility. In each case, transformation success was linked to a clearly articulated, tangible product vision. Similarly, when facing severe economic crises, product visions had mobilized what informants referred to as *"a unique fighting spirit".*

A much-cited example was the 2009 financial crisis. When many employees worried about the future, *Drive* announced a major product offensive. An informant recalled how this had restored confidence:

> *"I will never forget this moment when I was in this building and they made the announcement. This wave of hope and excitement that went through the engineers in the hall… From one moment to the next, the company had been completely turned around. There was courage again. There was desire, the determination to go the extra mile. You could touch it with your hands! I think today we need something like that again."* (OE_107)

An internal video suggests that the digital age seemed to require a similar commitment to a concrete product vision: Guiding viewers through a series of historical

accomplishments and contemporary challenges, the narrator emphasized how *Drive* would have to reinvent itself once again in an evolving environment. The emotional clip ended on the following lines:

> *"Today more than ever, we need to clearly define what drives us. What is the narrative that will take us through the next hundred years? How can we spark the unique powers that have made us successful in the past? We need a mission that is meaningful and unites us globally. Something that unleashes our fighting spirit, our soul, our unbending will to high performance, and allows us to again achieve something truly great. What is the purpose behind all our actions?"* (Internal video)

Need for Exploration

Compared to previous instances, however, informants reported a lack of a clearly defined target picture. Focal actors had to work with broad guidelines that included rather vague aspirations such as to develop "exciting premium products for individual mobility", to "ensure high profitability", and to "focus on customer needs". To some extent, this inherent ambiguity was considered part of a new normal where things were no longer as plannable. On the one hand, strategic guidelines had to be concrete enough to enable actual decisions. On the other hand, they also had to be flexible enough to allow for frequent adjustments along the way. As an informant explained, the challenge was to hit the right "flying altitude":

> *"The framework conditions in which you operate in the digital environment are super volatile. They turn super-fast. You have to constantly ask: What can I actually set as a strategic guard rail? At what altitude do I need to fly?"* (GS_104)

However, to translate strategic requirements into concrete decisions about what services to develop, responsible product managers needed both: Clarity regarding the boundary conditions under which they could operate and make autonomous decisions – and flexibility regarding how the final solution would eventually be designed. *Drive*'s digital navigation services provided a typical case in point. As more and more customers were using the smartphone apps instead of car makers' proprietary navigation systems, the question was if *Drive* should continue pouring more resources into developing own solutions. An informant explained the optimal level of guidance for enabling focused exploration:

> *"I should not bother so much asking: 'Google, yes or no?' We need boundary conditions like 'Always opt for the solution that provides most value to customers' or 'Choose partners who are well connected, have the right capabilities and maybe even share the same values as we do'. Then I can decide later if we integrate Google or Apple or Tencent or*

> *Baidu or continue with our own solution. It would not matter; I could choose whatever works best at any given time."* (GS_105)

Need for Commitment

The iterative, explorative nature of digital innovation broke with *Drive*'s long-standing approach to making product-related choices. A novelty was that the exact specifications for a digital service had to remain open even after starting its development. This was unthinkable in the car business and met with incomprehension by many internal stakeholders. This comment illustrates how the approach to digital strategy clashed with established mindsets:

> *"Our predominant understanding of strategy still is: 'A strategy is a universal commitment that's set in stone'. But in my view, that's no longer true. Today, strategy is a permanent weighing up of unsolvable problems in order to now and then take a side. We always dream about… And that's why it's often so exhausting… We dream that when you sit down long enough with a bunch of smart people doing smart research, you reach a point where you can say, 'This is how it is!' We dream about reaching a level of certainty like: 'The usage of that digital service will be 28,347 percent and I can project that through a ten year decade'. That's nonsense. Of course, you need to take a stance every now and then. But we fail so often in the process because we keep chasing this universal master plan that simply cannot exist."* (GS_102)

A part of this problem was rooted in technical necessity: Due to given hardware requirements, the launch of a digital service remained forcibly tied to the launch of a new car model. Therefore, to bring a service to the market, digital product managers needed a counterpart on the vehicle side who had to provide his car as a hardware platform. Until the launch, software development was therefore bound to traditional hardware processes. By design, this created friction: While digital services required iterative development cycles of a few months and involved frequent changes, a car's major specifications had to be set in stone multiple years in advance.

The consequences stretched beyond procedural hiccups. Due to frequent short-term changes, vehicle managers increasingly considered digital partners unreliable and erratic. Vice versa, digital strategists argued that fully specifying a digital offering multiple years in advance was impossible. Neither side was willing to make compromises: While vehicle managers feared that short-term changes would harm both quality and security of cars, their digital counterparts argued that long-term commitments would result in outdated, useless services. An informant described the typical bickering that characterized internal collaboration:

> *"Last year I was asked by a car manager: 'What services will I get in the next model? Will I get Snapchat?' I explained: 'We don't know if that will be relevant yet. Plus, Snapchat probably doesn't want to make special updates just for a few* Drive *vehicles. All I could offer was to say: 'Look,*

> *we aim for a competitive solution for social media and chatting. If you need more details, let's talk again a few months prior to launch.' Of course, he wasn't so happy."* (GS_105)

Searching for the Right Balance

The need for clearer strategic commitments was also felt among the digital community. It had become clear that the strategy's broad guidelines did not gain enough traction. The portfolio lagged originally defined aspirations: Neither were services perceived as exciting, nor were they substantial revenue contributors. Most importantly, without a clearer commitment to a digital future, focal actors found themselves increasingly incapable of making decisions. The results nurtured frustrations:

> *"After all the years, it is still not clear what goal we want to achieve. Depending on the department, we pursue entirely different and mutually conflicting goals. Depending on what is currently 'en vogue', everyone is heading into different directions. All that wheelspin… It's creating so much inefficiency and resignation right now."* (PS_216)

For product managers, it was hard to determine if their decisions were in line with *Drive*'s overarching intentions. Making decisions thus frequently involved the perceived risk of working for nothing. In absence of a shared commitment to a few irrevocable principles, informants felt that decisions could arbitrarily be reversed. They also reported decisions to be susceptible to organizational politics and something that internally was referred to as the "HiPPO syndrome" – an acronym for "highest-paid person's opinion". As one informant complained:

> *"I still cannot see that we have a clear point of view regarding digital. We lack a binding strategic commitment. The board is trying to hide it by repeating that the customers will choose. But what on earth is that even supposed to mean? It's an empty phrase! It's an excuse for not stepping up to the decision! Just leaving the choice to customers is the exact opposite of a strategic commitment. I believe that's exactly the reason why we end up having so many political decisions that make no sense from a customer perspective."* (PS_215)

As a result, focal actors felt increasingly worn out. Providing a concrete example, an informant sarcastically described the prevailing sentiment:

> *"If I'm responsible for a product, I expect a clear specification from the strategy. Something that goes beyond abstract scenarios. A statement of what* Drive *actually wants to achieve. Some guard rails in which I can move in the further specification process. In the case of online payments, for instance, that would be: 'We want to be either a merchant or a reseller' or 'We want to simply connect and collect commissions'. So, in essence, I expect strategy to make choices. But all our strategy is saying is: 'Yeah, well, that's how it could be done.' Well, many thanks for that. A scenario alone is not enough for me to deliver on my responsibilities."* (PS_231

Inertia, Quality Issues, and Inconsistencies

In combination, a broad strategy without clear target picture had serious repercussions on the portfolio. Digital offerings started to suffer from quality issues. Longing for more concrete guidance, focal actors felt trapped in a tedious state of paralysis where ongoing struggles failed to materialize in progress. In an internal whitepaper, a group of strategists bluntly pointed out the current inconsistencies in the portfolio. For instance, the emphasis on the profitability was perceived to neglect evolving customer demands. An opening passage read:

> *"We are used to charging a fixed price with a certain contribution margin for our offering. But today we are facing a digital service paradox: While customers want digital services more than ever, they are less willing to pay for them."* (Internal document)

When asked about the motivation to write the paper, an informant referred to an underlying dilemma that seemed to leave no other choice:

> *"The problem is not trivial. You can't know exactly how digital offerings will affect customers' purchasing decision. But at some point, you must take a stance. Are we going to try or do we keep stalling? Right now, we are completely paralyzed. We keep trying to sit it out a little longer. At the same time, we slowly start to wake up. We see how much we're struggling with outdated hardware that simply cannot support competitive software. Years ago, we failed to make the necessary choices. So now here we are, watching the house catching fire."* (PS_221)

Turning to external consultants for support did not seem helpful either. Informants argued that strategic commitments had to come from within the organization:

> *"Especially at the product level, digital strategy becomes incredibly complex. Think of integrating software with the car… You need so much detailed expertise, so many people… That's why consultants are heaving such a hard time. They are the typical master minds. They analyze things, calculate the best option, make tons of slides, and then steer the process. But they realize that they are beginning to flounder. You need way more expertise."* (GS_213)

A senior partner responsible for the auto sector at a leading global consultancy implicitly confirmed these observations:

> *"From my experience with digital innovation projects in these organizations… Setting up a separate speed boat to showcase the opportunity, that's doable. But as soon as you slightly touch the core, it's a different story. The standard approach just doesn't work here. There are no best practices yet. At least we don't know of any."* (EX_250)

Transforming the core of *Drive*'s car legacy thus placed higher demands on focal actors. To make choices, effective collaboration within an iterative discovery process

became key. As the next section shows, however, internal collaboration at *Drive* was increasingly hampered.

5.2.3. Cohesion: Legacy vs. Future

The third tension pertains to the internal cohesion among key stakeholders. On the one hand, most organizational members strongly identified with *Drive*'s legacy identity on an emotional level. The car and a distinctive driving experience continued to be among the top reasons why people deliberately chose to work for the *Drive*. On the other hand, DT called essential elements of this legacy into question. How this legacy would change in a more digital future remained ambiguous.

This fueled feelings of reservation and estrangement outside the digital community. As this section shows, growing conflicts between those championing a digital future and those defending a cherished past further impeded strategy practice.

Petrol Running Through Our Veins

At *Drive*, emotional identification with the car as the defining legacy product and the engineering skill needed to put it out into the world was strong. Over decades, a collective identity had been defined by what informants referred to as having *"petrol running through our veins"*. Posters from early advertising campaigns hanging in selected meeting rooms carried an emotional message that still resonated with members: Next to a black-and-white photo of a car dynamically racing around a scenic curve, one copy epitomized the heart and soul of a culture that viewed cars not just as a means of transport but as the carrier of a dream and distinct attitude to life:

> *"Every* Drive *is fulfilling a dream. The dream of the perfect automobile. The dream of exclusiveness – both the technical and the aesthetic. In a* Drive *you still can experience it: the original experience of driving."*

Emotional attachment was fueled by the fact that cars could be physically touched, sensed, and experienced. This passion manifested itself in various observable idiosyncrasies. For instance, countless observations include situations in which people at *Drive* passionately emotionally shared and discussed product highlights: the launch of a new car, the personal experience of a corporate driving event, or winning a prestigious car test. On social media, employees frequently shared how proud they were of having personally contributed to such accomplishments through their work.

As a rule, most engineering accomplishments created substantial internal buzz. For instance, when *Drive's* top-of-the-range model had beaten a competitor in a drag race by a few milliseconds, the corresponding video on YouTube went viral internally within hours. For weeks, it continued to be the top subject in both meetings and coffee breaks.

Similarly, the long process of developing a new car model followed a deeply internalized sequence of established rituals. Before external communication started, ambassadors were touring weekly department meetings in different divisions to promote upcoming product highlights. Typically opened by emotional mood films, such visits primarily aimed at sparking enthusiasm and anticipation among employees for the upcoming launch.

With software becoming more important, external observers wondered how this would affect an industry that was built around the car, both structurally and emotionally. In a 2021 TV documentary by the *Economist*, a journalist summarized:

> *"In the auto industry, for a century, engineers have been at the heart of the industry. Making components, putting them together, making them look beautiful. The digital skillset has traditionally taken a backseat and that's going to have to change."* *(The Economist, 2021)*

Strategy consultants shared similar concerns. For one informant, the strong emotional identification with a proud car legacy was a burden for digital change:

> *"In every project, there's this unbelievable identification with the car as a status symbol and this unbelievable passion for hardware technology. What makes digital change so emotional is that customer requirements have evolved dramatically, and they don't want to face it. Sorry, but the car is no longer a status symbol. In urban areas it's already all about on-demand. This is not being understood. They just love selling cars so much."* (EX_254)

Reservations About a 'Digital Mambo Jumbo'

Digital innovation continued to have a difficult standing. Members of the digital community reportedly felt as if they were caught in a bubble. In their view, many colleagues treated digital services with a sense of estrangement – as something that was neither an integral part of the organization's identity, nor of its future. Reflecting on his personal experience of proposing changes to the portfolio in top management meetings, a seasoned strategist argued that reservations about investing in a digital future were rooted more in emotional than rational grounds:

> *"I recently showed a slide with basic investment figures of two major competitors. Just the plain, hard facts. The number of software engineers: more than tripled in two years. The combined investment: multiple billions until 2025. […] But they asked me to skip the slide. They didn't want to have the discussion. They also didn't want these numbers to be shown elsewhere. That's interesting, right? From my point of view, the organization still regards digital services as 'chichi', as some unnecessary mumbo jumbo. It's a nice add on, but nothing that will get anyone out from behind the sofa."* (PS_216)

Other informants reported similar experiences that made clear: Internal stakeholders did not share the same level of passion for digital services as for cars. Therefore, being

responsible for driving digital change often involved managing a culture clash. Despite digitalization being a strategic core pillar, focal actors saw themselves confronted with the recurring need to set out the basic right for digital initiatives to exist:

> *"In a lot of meetings, you still need to make the basic case for digital. They are not open for this topic. That makes it so emotional. They say: 'That's nonsense, people will continue to buy cars!' This type of statements. It's like in a relationship that starts breaking apart. Sometimes this happens to be a brutal cut. At least that's how these discussions feel like."* (GS_103)

Other informants similarly reported that digital services were often regarded as a disturbing factor:

> *"Beyond all the buzzwords, what is 'digital' even supposed to mean? Could be anything. It's not just about selling cars online. It requires rethinking entirely what we do. And these people typically don't look at that as a positive thing – not as something, that could possibly make the car even better than it is right now. It's a threat that can only make things worse than they are."* (GS_102)

Whereas in the past, passion had driven product-driven transformations, this time was different. Digitalizing the portfolio was by many regarded as a rather onerous chore. For a brand strategist, the underlying reasons remained nebulous:

> *"Maybe it's just me and I don't get it – but where has the passion gone inside this company? Where is the passion we need for driving these digital changes forward? Passion is part of our brand DNA. But I cannot sense it inside the organization."* (OE_241)

Lack of Mutual Understanding and Escalating Conflict

To outsiders, these observations may seem trivial. After all, it is not uncommon that incumbent change encounters resistance. At *Drive*, however, the hesitancy to embrace digital services as a strategic priority came from a deeply rooted, protective mindset. Even the slightest changes to a cherished product substance were subject to fierce scrutiny and skepticism. For a comparatively small digital community, digital change was an urgent priority to secure the long-term viability of the firm; for many of their colleagues, however, this presented an unwanted break away from what made *Drive* unique. As competitive pressures further increased, the organization became increasingly divided in two camps talking at cross purposes. One insisted that *Drive* remained a car manufacturer, not a service provider. The other argued that this would have to change sooner or later as otherwise *Drive* would risk lose ground to tech companies.

Different ideas existed about the sources of these centrifugal forces. One explanation was based on differences in know-how and professional socialization. As a digital

strategist drastically argued, top managers lacked the necessary competencies to truly assess both the urgency and complexity of digital change:

> *"If you look at how we discuss and make decisions about digital offerings… Especially the higher you go up the hierarchy… I mean, even in the board room… These things couldn't be further from where these people are coming from. I might get fired saying this, but I mean it: The way we make far-reaching strategic decisions… You could also put seven monkeys in a room and have the same decisions as a result."* (GS_103)

Statements like these must be placed in context. Recalling their personal experience of many exhausting projects and failed initiatives, many informants could not help but voice long-standing frustrations. A transformation agent trusted with facilitating cultural change throughout a major restructuring period found particularly harsh words. Describing the attitude often perceived by the digital community, she said:

> *"The attitude you find in many parts of the organization is this: [digital] is treated like an ugly wart in the face of our beloved, sweet baby. There are many people who think 'Do we really need this? Hence with it!'"* (OE_109)

Other informants, however, argued that the digital community also had an obligation toward the rest of the organization. A brand strategist observing the developments at the product level emphasized the importance of understanding and respecting the legacy of the organization:

> *"It may be true that the main issue is competence and know-how deficits. But that holds in both directions! Managers here have mainly grown up in the traditional car business. Of course, they have a hard time changing their views now just because the digital guys are telling them to. But anyone who comes in here and doesn't understand the classic car business will have just as much trouble getting anything implemented. Because you must understand that, too."* (BS_241)

Fighting a Losing Battle

The unresolved tensions between a cherished past and an uncertain digital future continued to undermine internal cohesion among employees. Informants recalled these times as a period of diffusion with more internal fighting than collaboration. A responsible manager described how he kept repeating the same warnings over and over again in different committees. Despite having fact- and data-based arguments, he felt increasingly powerless in the face of the organization's defense mechanisms:

> *"It's so typical for our company. We just hate uncertainty! We can't deal with it. We try to hide behind bold statements and big balls. That's how most executives have been raised here. When in doubt, you are taught to nonetheless stick to a strong opinion, to defend it against all*

> *arguments until someone comes with an even stronger conviction who smashes your thesis in ruins. But the problem is: The bigger the balls, the longer it takes to prove someone wrong. We keep losing so much time."* (PS_216)

Beyond experiencing failure to mobilize the necessary support and initiative to drive substantial changes in the portfolio, focal actors felt as if they were fighting a losing battle. Informants reported to be increasingly worn out by the ongoing trench warfare that drained time and energy but did not produce enough outcomes. This state continued over years. People started to lose confidence. Doubts if the organization was ready for digital change in the foreseeable future proliferated. The consequences were severe: More and more members of the digital community left the organization. The colleagues who stayed worried about the ongoing brain drain:

> *"If you look at who left the company in the last few months, these were the best people. People that we need desperately on this mission. But now they work for Google, Amazon, Apple, startups. They all came here years ago because they wanted to work for a unique brand with a unique history and a tangible product offering and a soul. But after this huge juggernaut, I guess they did no longer want to risk their careers."* (PS_225)

5.2.4. Summary of Key Findings

Taken together, the findings allow to demarcate three identity-related tensions that emerged when digital changes at *Drive* permeated to the core of a long-standing product legacy. This section organized the underlying mechanisms based on their consequences on cognition (5.3.1.), choices (5.3.2.), and cohesion (5.3.3.).

Importantly, as shown by various examples, tensions were not always deliberately noticed and recognized by focal actors. Instead, they occurred in more subtle ways on the emotional level and surfaced in the shape of recurring conflicts and organizational gridlock. Not reconciling identity tensions had severe repercussions on strategy implementation success. Over time, transformation efforts were trapped between the centrifugal forces of two opposing poles: the urgency to drive forward a more digital future and the inertial dynamics of a deep-seated legacy identity.

5.3. Barriers at the Organizational Level

In the previous session, I outlined how identity tensions at *Drive* created a vicious cycle in which efforts to drive digital change at the product level got stuck. This section delineates three barriers on the organizational level that made it difficult for focal actors to escape this cycle. For each barrier, I draw on illustrative vignettes to support the reader's immersion into recurring issues that impaired strategy practice at *Drive*.

Table 8 summarizes the main generated insights. Again, findings are grounded in subjective perceptions of focal actors. In their view, the lack of three critical enablers imposed barriers to escaping a diffused identity state and driving meaningful change.

Table 8. Barriers on Organizational Level and Impact on Strategy Practice

Barrier	Key Finding	Organizational Outcomes
Lack of Risk-Taking	Legacy systems and mindsets undermine efforts to develop renewed identity commitments	Reduced confidence in driving change Reduced willingness to share own opinion
Lack of Sincerity	Perceived lack of commitment among top managers reduces momentum further downstream in the strategy process	Reduced engagement Growing resignation
Lack of Authenticity	Envisioned product changes that fail to relate to a cherished legacy create a growing reluctance to drive change	Feelings of estrangement Lack of enthusiasm for digital change Problems to mobilize internal support

First, *Drive* failed to adapt formal decision-making principles and success criteria to the demands of digital innovation. Making decisions under uncertainty required more entrepreneurial risk-taking. However, digital strategists were formally obliged to comply with existing control measures that were still geared toward optimizing the car business. A heavy emphasis on profitability consequently impaired entrepreneurial risk-taking and constrained digital experimentation.

Second, the organization's overall commitment to digital change was perceived neither as credible nor as robust. A series of contradictory signals made focal actors believe that top decision-makers were only paying lip service without truly supporting digital change. This perceived lack of sincerity reduced the willingness to take personal risks and further weighing in on driving change.

Third, digital changes to the portfolio were not considered authentic. For people strongly identifying company's legacy, it remained elusive how a digital future could strengthen rather than compromising the essence of what made *Drive* unique. These perceived inconsistencies made it difficult to engage key stakeholders and mobilize necessary support.

5.3.1. Lack of Risk-Taking

The need to balance ambidextrous concerns constitutes a well-known challenge in the incumbent change context. *Drive*'s case offers additional insights into the underlying, identity-related mechanisms that curtail entrepreneurial initiative. Specifically, a strong engineering legacy was found to systematically discourage entrepreneurial risk-taking:

First, strong identification with established core competencies and ways of working led to feelings of estrangement via-à-vis digital projects. These typically involved higher levels of ambiguity and thus clashed with established standards of reliability and predictability. Second, reluctance to revise formal control measures led to a budget allocation bias: Instead of enabling experimentation in the digital field, entrepreneurial initiative was systematically disincentivized.

This section provides concrete examples of selected innovation projects to illustrate the main consequences of a continued lack of entrepreneurial risk-taking. It also shows how the underlying barriers are rooted in a deep-seated reluctance to question *Drive*'s fundamental self-understanding as a reliable, results-driven engineering company.

Feelings of Estrangement

On an emotional level, subtle feelings of estrangement vis-à-vis the nature of digital service development restrained *Drive*'s capacity to make bold moves. Digital innovations required extensive and iterative experimentation. However, operating under high uncertainty, adjusting to frequent changes, and accepting the risk of failure broke with engineers' deeply internalized self-understanding. Ever since, *Drive* had honed a reputation for delivering on highest quality standards. This required key stakeholders to commit to and deliver on clearly defined deliverables.

Vice versa, engineers felt an obligation to maintain a reputation of following up on commitments. Prior to any product decision, the goal was to reduce uncertainty to a quantifiable minimum. This was not only considered an essential part of being a premium manufacturer; it was also part of people's self-understanding as precise and reliable engineers. Most people who started their careers in car manufacturing therefore regarded experimenting as synonymous with betting the company and what it had made successful.

The unwillingness to compromise on established collaboration standards imposed a major barrier for digital change. Clashes between a digital and a legacy mindset could not be avoided as both were operating under contrary logics. For traditional engineers, digital service requirements appeared chronically vague and meaningless. A digital strategy consultant referred to this as the "auto industry's mindset challenge":

> *"It's extremely difficult to change a waterfall logic and a perfection cult that have been nailed into this culture over decades. It's this mindset that*

> *poses most of the problems. What I experienced specifically in the auto industry: Strategy processes still vastly work according to the traditional model. It's an extreme obsession with technology and squeezing out maximum efficiency. But there's basically no room for long-term thinking and flexibility – you know, all that stuff you need in the digital domain."* (EX_252)

Engineers commonly referred to supporting digital initiatives as "buying a pig in a poke": Despite putting in substantial efforts and resources, they felt they never knew what would come out of it. An informant self-critically observed how feelings of estrangement reduced the willingness of implementation partners to take the necessary risks:

> *"When you look at how many conflicts we had in the last years… It's really been a huge juggernaut. If we want to gain more traction, I think it's key that we finally get out of the mud corner. We need to show our colleagues that our topics are worth taking the risk. That we can create something truly great together. That what we try to achieve is also part of their future."* (PS_215)

Such statements underline the importance of not dismissing these dynamics as a simple clash between different mindsets. The key to understanding them is to recognize their inherent identity dimension: While the need for increased risk-taking challenged parts of *Drive*'s legacy identity, supporting digital change also seemed to require engineers to sacrifice parts of their own self-understanding.

Power Imbalances and Old Reflexes

Digital strategists increasingly felt they lacked the power to enforce new ways of collaboration. Compared to their traditional counterparts, they found themselves in an inferior position. In the car domain, product managers were responsible for a tangible, finished product. This enabled them to invoke robust revenue forecasts whenever they needed to add weight to their demands. By contrast, digital product managers reportedly felt like "tigers without teeth": Not only were projections of digital revenues much more speculative; they also had to constantly weigh in on chronically unfinished products that others could not fully grasp. When fighting over limited budgets, digital initiatives were therefore often overruled. An informant explained:

> *"Digital breaks with the traditional principles of product management in our industry. Typically, you are responsible for a finished product that you manage and that you try to integrate everywhere you can. When you have a clear product, you can put pressure on projects and colleagues. In the case of digital services, products are seldom finished. You are always a little bent down. All you can say is: 'Oh well, I might need something like this in perhaps this number of months, but maybe it will also look a bit different in the end.'"* (PM_228)

Demands for more risk-taking reportedly triggered “old reflexes” of the established planning and controlling apparatus. The bolder the intentions of digital strategists, the more critics tried to fend off potentially “irresponsible experiments”. This made the number of meeting requests explode and required focal actors to spend the majority of their working time on “committee work” – a term used to describe the mandatory participation in formal coordination and decision committees. Informants reported how they were buried under meeting and reporting duties, left with little time for “actual work”:

> *"You can't tell anyone how many committees we have to get through. It’s excessively absurd – and the exact opposite of agile. In this company, there are way too many steersmen and too few people actually making decisions. We’re aligning ourselves to death.”* (PM_230)

Playing Along the Business Case Game

Drive’s decision committees focused on maximizing profitability. This meant that the same success and control metrics were applied to digital services as for any other product. This confronted focal actors with a challenge: To secure necessary budgets, it was critical to present a robust business case. If the business case was not green the first year after the investment, chances were high that it was rejected. This approach stemmed from a legacy of mechanical engineering where product innovation had followed clear procedures and risks could be meticulously assessed ex ante. However, in digital domain, this was no longer possible. To at least drive some minor changes, focal actors had no choice but to play along the game: Prior to decisive committees, an extensive amount of time and energy was spent on tweaking business cases until the result was deemed “compatible” for the audience. These tactics were time-consuming and left little room for entrepreneurial action.

During the preparation phase for major committees, several informants described their experience as schizophrenic: One the one hand, the organization charged them with the formal responsibility to drive digital change and act as entrepreneurs; on the other hand, when executing on their responsibility, they felt they had the entire organization against them. These headwinds nurtured a tendency to shy away from proposing bold strategic moves:

> *“At some point, you must recognize the basic dynamics of a large company like ours quite pragmatically: it's about revenue, it's about costs, it's about profit. You have to reflect that in your slides, in a way that is clear to everyone. Otherwise, you come across as the eyewash troupe again. Attending to KPIs stands above everything else.”* (PS_227)

An Example of Killing Digital Initiative

The following vignette provides a concrete example of how originally strong entrepreneurial initiative to drive digital change was eventually died out. Although top managers often verbally encouraged employees to take initiative, systematically discouraged momentum was by no means an exception. Only in few cases, bottom-up initiatives were met with the necessary top-down support to commit and develop a digital solution.

Vignette 1. Dampening Entrepreneurial Initiative Beyond Hardware

At *Drive*, digital initiatives typically remained dispersed. Informal networks therefore played a crucial role in connecting ideas and people across different departments. In multiple cases, different actors within the digital community joined forces to explore what they deemed relevant future topics. The so-called Digital Luxury Circle presented such a bottom-up initiative. Within the design department, a small group was concerned with the design language of *Drive*'s future service portfolio. Its members kept coming across a fundamental issue: Since *Drive* was a premium brand, how would a premium positioning play out in the digital domain? Could there be even something like "digital luxury"? And if yes, what would it look like?

These questions were not trivial. *Drive*'s car legacy had been tied to the experience of exclusivity, status, luxury, and high-class materials. Digital technologies were accompanied by a different spirit. Many market-leading apps and services were driven by values like democratized access, open-source transparency, or social community. It was therefore not clear if digital luxury was a valid opportunity or, to the contrary, would risk *Drive* appear outdated. Pitching to various colleagues, the group of service designers secured a small budget from a neighboring engineering department. Here, colleagues shared a similar concern: How would *Drive* need to adapt its interior to accommodate the growing importance of in-car services and autonomous driving? This budget allowed to create a one-year pilot: the *Digital Luxury Circle*. On a weekly basis, the service design team hosted a cross-functional exchange bringing together different stakeholders from digital product management to IT-development to market research. The goal: combining different perspectives to immerse deeper into the phenomenon and develop a prototype for positioning *Drive*'s digital services in the luxury segment.

The *Circle* gained momentum over the year. The group of participants was continuously extended or refocused, depending on the current demands of the project. Intermediate results were presented to critical decision-makers and regularly exposed to feedback. Over time, the collaborative approach caught more attention and raised expectations. Due to the buzz, the responsible manager had to repeatedly justify his engagement: "*It's taking 15 to 20 percent of my time right now, but due to all the buzz, my boss keeps asking: 'What are you guys doing there? Don't forget about your actual tasks!'*"

Based on a pilot study, the *Circle* developed a set of design principles for *Drive*'s future digital portfolio, underpinned by futuristic product visions. A product manager commented: *"What we learned from this is that we must break new grounds here. There*

is no blueprint for something like digital luxury. It's on brands like Drive *to invent it. We don't know if customers will love it. But unless we give it a try, we'll never know."*

To communicate the results, the *Circle* created an emotionally engaging mood film providing a behind-the-scenes view into the group's work and setting the stage for the newly developed principles. Key stakeholders and high-ranking decision-makers were invited to the movie premiere in a representative cinema room. After a short introduction, lights were dimmed, and the film started. 15 minutes later, an open Q&A session began. The feedback exceeded the *Circle*'s members hopes and expectations by far. Even suspectedly critical executives commented that the film's message had been an eye-opener. Others agreed that the film had made much clearer how digital services might enhance *Drive*'s positioning as a premium brand.

About 30 minutes later and close to the end of the session, the highest-ranking executive in the room raised his hand. Until then, he had quietly followed the discussion taking notes on a small notepad. Now, his comments were awaited with suspense. *"Guys, let me thank you for your extensive efforts*", he began. *"The excellent film reflects the hard work you put into this over the year. Let me quickly share my perspective on this topic."* After clearing his throat, he paused for a few more seconds before sharing his personal conclusion: *"To be honest, I don't think we should focus more resources on searching for the next digital unicorn. For me, that's just out of our core competencies. Since you have emphasized the idea of customer-centricity… Well, our customers love us for our cars, right? So that's were our focus should be."*

After a short pause, he added into the silence of the room: *"What I like about your principles though is that they also apply to hardware and interior design. So, my suggestion here is: Let's shift the focus to digital screens and hardware. That's where we know how to play and make serious money."* This message was received quietly and with stiff smiles. Members of the *Circle* exchanged telling looks with people in the audience. The moderator then promised to *"keep this valuable remark in mind"*.

At this point, however, it had become clear how difficult it would be to translate the newly developed principles into actual services beyond vehicle hardware. The high entrepreneurial momentum of the *Digital Luxury Circle* had received a serious damper. In the following months, these suspicions came true: Budget requests for further investigating the *Circle*'s ideas were rejected and put on "resubmission status". Also, the digital service design department was formally requested to stop the pilot and instead focus members' time on supporting more hardware-related topics.

5.3.2. Lack of Sincerity

At *Drive*, a perceived lack of sincerity among top decision-makers undermined focal actors' willingness to drive digital change. Although the strategy formally defined a more digital portfolio as a strategic priority, focal actors lost confidence that the organization was serious about following through on these intentions. Whenever product decisions came to the crunch, hardware kept being prioritized over software. These signals increased doubts that top decision-makers were sincerely committed to "touch the core". As a result, challenging these decisions and weighing in on digital topics became increasingly associated with taking substantial personal risks for one's further career.

Such perceptions were articulated in countless conversations and meetings. However, the author made similar experiences also himself as part of the digital product strategy and management team. This section thus complements informants' quotations with a vignette based on excerpts of the author's personal field notes. The purpose is twofold: First, the aim is to provide the reader with a first-hand insight into the state of mind that characterized the experience of driving digital strategy at *Drive*. Second, I aim to ensure transparency regarding my own role. By sharing a concrete example of my personal reflections throughout the research process, I intend to increase the reader's ability to assess my own personal involvement.

Wash Me, But Don't Get Me Wet

Product managers and strategists perceived the lack of sincerity among top decision-makers most strongly. In internal discussions and meetings, they frequently used expressions that implied growing cynicism. For instance, when preparing committee documents and presentations, common phrases included *"I don't think the company is ready for this yet"* or *"We have to tone this down a bit to make it digestible"*. Although they may seem like casual remarks, such comments often triggered a backlash among colleagues. Often they voiced general irritations like *"How can't this company be ready when it's part of the strategy?"* or *"I don't care if that's digestible or not. It's my job to make them at least hear this!"* An informant described the inherent inconsistency between strategic ambitions and the perceived determination higher up the hierarchy as follows:

> *"The attitude at the top is: 'Wash me, but don't get me wet'. In my view, strategy means I commit to something. Sure, there are always several options. You have no guarantee which of these options will occur in the future. But I still have to commit myself to certain things that I believe make sense. If I do something, I have to do it without compromise. Today, I don't see that our approach is uncompromising. We are not prepared to say: 'That's what we're doing it for!' If I want to be an olympic champion, then I have to train without compromise. It just doesn't help to calculate beforehand which discipline I want to do, which sport has*

> *the greatest probability of winning, et cetera. I can try to take that into account… But, at some point, I have to go all-in."* (GS_101)

Strategists repeatedly pointed out why current developments stood in clear opposition to *Drive's* digital strategy. For instance, they challenged top managers' recurring mantra that "data is the new oil" and that *Drive* could make huge profits from it. For the authors, this was one of many possibilities, but not set in stone – especially not in the short- and medium term. Decisions, they argued, should therefore not be tied to a business case logic. Instead, they emphasized the need for "strategic no regret moves": To sustain a minimum chance to be competitive in five years, a robust commitment to several digital priorities and the corresponding resources was needed now.

A department head who had for long been quarrelling with internal stakeholders to make these concerns heard reported to be close to resignation:

> *"To be honest, I have a hard time continuing on this path. I mean, look at the team: Everyone is worn out, tired, disappointed. It's becoming irresponsible to continue sending them into a battle that can't be won."* (PS_216)

Internal Politics Trump Customer Focus

Outside *Drive*, industry experts were speculating about the underlying reasons why the brand avoided bold digital moves. For a consultant, digital was simply not a business priority:

> *"OEMs like* Drive *have good reasons to focus on their profitable core. They continue to have best years one after the other. And they are already quite busy mastering the transition to e-mobility. That's a big one. Digital services would add only a fraction to the top line. Also, look at their key asset: it's production. It makes sense to first secure that base. That's on top of their minds right now."* (EX_252)

Inside the organization, however, focal actors felt that other reasons were more decisive. In their view, political trench warfare and the fear of top leaders to lose formal power obscured the need to respond to evolving customer needs. An informant commented:

> *"The problem is the typical* Drive *mentality. Take navigation services: To date, we are not deciding on behalf of the customer or based on what's best for us as an organization. Instead, we decide based on what's best for individual departments and individual people who personally benefit from maintaining old products. It's about protecting privileges and headcounts. Decisions are not strategic. It's political."* (PS_228)

Other colleagues reported similar views. While nobody had illusions that transforming the core product would be easy, many were worn out by the need to – as they called it –

spend a lot of time and energy on *"working for the garbage can"*. They felt they often worked more for personal and political sensitivities than for actual results:

> *"There are so many meetings that are only about the formulation of slides. I think that's wrong. The customer couldn't care less about that. It should not make up 80% of our work how we formulate something internally. We should deal much more with finding solutions."* (PS_222)

Focal actors felt that changes were anything but radical; that beyond a narrow circle of the digital community, people did not share their enthusiasm for a digital future; that critical capabilities were lacking; and that their team was not really capable of seizing the opportunities of the digital age. More and more people therefore struggled to maintain their originally high levels of individual motivation.

Effects on Personal Motivation and Strategic Confidence

The negative effects on personal motivation and the confidence about the success of *Drive*'s DT were severe. The comment of one informant shared in an informal conversation reveals the wide-spread impression of being part of a sinking ship:

> *"Honestly speaking, I would not even buy any* Drive *shares. It's sad to say, but I'd rather buy Tesla. They're doing the exact same thing that Apple did. They create an entire ecosystem. I'm sure they will claim most of the future profits in the mobility space, not us."*

To further let the reader immerse into these feelings of reduced confidence, the following vignette draws on the author's personal field notes. The excerpt was written in the final year of the study, immediately after an interview with a company historian. The main goal of the interview was to understand to what extent, if at all, the reluctance to engage in more extensive experimentation was reflected in the company's history. Interview questions thus centered around previous product transformations and potential differences to current digital transformation efforts.

As the vignette shows, the interview did not end as expected. As it turned out, my questions had been colored by my personal experience of trying to drive change at the product level for more than two years. Unconsciously, they appeared to be motivated by a lack of understanding and growing frustration. Just a week before the interview, I had written down in my self-reflexive field notes a question that mirrored my own emotions in a tedious project and conversations with like-minded colleagues: *"Why does all this need to be so hard and complicated?"*

Importantly, the interviewee was not operationally involved in any project. As a historian, he was responsible for curating expositions in the museum and contributing a historical perspective to strategic considerations of the board. His views and experiences

can therefore be regarded as neutral in terms of ongoing projects. It is in this context that the following situation needs to be placed.

Vignette 2. Excerpt from Author's Personal Field Notes

The interview lasts for about one hour. At the end, the interviewee firmly asks me to put off the recording.[1] Looking me straight into the eyes, he asks: *"Now, please tell me. What is it that really bothers you?"*

I'm taken by surprise. The interview, from my perspective, went well. Did the interviewee feel offended by some of my questions? Did he have doubts regarding my motives? Did I ask leading questions? I asked him to explain what he meant.

"I can see that something is dragging you down. That there is something you are grabbling with and that I can feel in many of the questions you are asking and how I perceive you in general."

I'm still a bit shocked by the straightforwardness. I feel it is not a good sign when the an interviewer is not perceived as being objective. Nonetheless, I must admit that it was to some extent true. I realize that I am emotionally attached to many of the questions that I asked. I try to explain: That my research project is also motivated by my personal experience of more than two years of working at this company; that I keep having in mind many discussions with esteemed colleagues; the observations I made in countless meetings.

I go on to describe my personal experiences in more detail: *"Many colleagues in the digital community work passionately on their topics. They deeply care about the digital transformation of* Drive*. They could also work for Microsoft, Amazon, Google, Apple, IBM. But they deliberately chose to work for* Drive*. Because they identify on an emotional level with the brand, the product, the cars, what the company stands for. Its rich history. Yet more and more of them are frustrated. They perceive that there is no real commitment inside the company to digital services and their efforts. Budget is allocated elsewhere. Decisions are made elsewhere. The traditional car business is where the company, as a whole, becomes passionate. The digital business is perceived as an annoying 'to do' – a rational box that needs to be ticked, but that has not much to do with the emotional core of the business. In projects, there is this lack of strategic direction. Many projects fail. It's not clear who is responsible and if a project is really backed and supported by the CEO and other key leaders in the organization."*

I go on to criticize that there is basically no or only shallow internal communication. I speculate that only few people could respond to questions like: *"What is our common goal at* Drive *regarding digital? What are you working on right now, what's important? And how does it contribute to our common mission? What do we focus on, and what not?"*

[1] The interviewee gave his consent to report the non-taped part of the conversation.

I share my impression that currently a lot of potential is wasted at *Drive*. That the commitment of those who have worked hard to drive digital services forward against all resistance and obstacles is declining. That team members are exhausted and increasingly frustrated. That many highly skilled and intrinsically motivated people have left the company after years of relentlessly putting energy and commitment into their work. Because they do not trust that the company as a whole really means it and do not want to waste their time wearing themselves out.

I explain that if this situation did not change, more colleagues would leave the company in the next few months. I also make clear that I do not believe that this situation is someone's personal mistake. I spontaneously share my enthusiasm about the discussions with company historians like him who have plenty of historical evidence that *Drive* has often successfully reinvented itself in the past – and that I wished more people in the company could hear that.

The interviewee listens patiently and then expresses his astonishment and concern about the situation. He then provides me with two contacts of colleagues in leading positions and encourages me to tell them exactly what I just told him.

5.3.3. Lack of Authenticity

The third identity barrier concerned people's perception of digital changes in relation to a cherished product legacy. Many critical stakeholders viewed the advocated digital future as an excessively disruptive break with where *Drive* as an organization was coming from. For them, digital services remained a foreign body – a sidetrack that was disconnected from the original core and the essence of the brand's identity. If digital changes were pushed too far, skeptics feared that *Drive* would no longer be true to itself.

The findings reveal how the perceived lack of authenticity made digital strategists increasingly struggle to mobilize the necessary support in projects. For many, the few digital services reaching market maturity often appeared random and failed to carry the unique spirit of *Drive*'s original brand. To illustrate the underlying identity dynamics, a vignette reports a meeting with representatives from an external advertising agency prior to a major digital services launch.

Overall, the findings suggest a paradoxical interplay between authenticity perceptions and product-level change. On the one hand, worries about authenticity were everywhere in strategic discussions. At the same time, authenticity was perceived nowhere in the resulting changes to the portfolio. This further reinforced fears that digital change would harm rather than strengthen *Drive*'s identity.

Balancing Continuity and Change

In strategic discussions, the preservation of *Drive*'s brand legacy consistently played a prominent role. Informants frequently referred to the brand's core values as a binding "framework for the future". Proposed changes to the portfolio were therefore subject to fierce scrutiny: Did they build on *Drive*'s core, or did they jump too far? Such considerations were rooted in a highly competitive market for cars where clear differentiation had justified a significant price premium.

Digital strategists, however, had mixed feelings regarding the brand as a major reference point for change. On the one hand, they continued to explore possibilities to differentiate digital offerings based on *Drive*'s brand values. As soon as tech companies like Apple and Google began to offer their own external ecosystem and access to in-car digital services, providing a unique digital experience seemed vital to not lose the customer interface. On the other hand, strategists worried that an excessive focus on authenticity could reinforce myopia and overly narrow the playing field. After all, they saw their main responsibility as to disrupt the company from within and break with established thinking patterns. Authenticity claims where therefore often perceived to disguise a lack of willingness to change. Interview statements reflect the inherent ambivalence between continuity and change:

> *"What appears today as a strength can also be a weakness in the future. It's a question of how I define that. If I say 'our strength is building cars', then I will not do anything else in the future. If I say 'our strength is to mechanically assemble highly complex technology products with supply chains in time with high quality', then maybe we could also start building laundry dryers. It depends on what freedom I give myself for the future. It's about finding the sweet spot between the existing skills that I will still benefit from in the future and the new ones that I must learn. But you rarely find this openness to learn here. Today, it's more like 'What else can I do with what I already have?'"* (GS_102)

Digital Overload

At the same time, people at *Drive* struggled to see how a more digital future was consistent with *Drive*'s identity. For many, it was critical to not hastily give up on the defining characteristics that had made *Drive* unique and successful in the past. Even within the digital community, there were concerns to push changes too far:

> *"The thought of us single-handedly creating a whole new digital ecosystem for customers from within the car… To me, that seems way over the top. But you can still read that in some official documents and presentations. I mean, honestly… Why would we ever succeed in developing a better Spotify?"* (PS_213)

In other parts of the company, both the relevance and meaningfulness of digital services remained controversial. As one informant explained:

> *"In principle, digital is important to consider. But my critique is: it must remain credible! The crucial thing is: Can we really prove the values that we claim to stand for as company through our behavior and products? If we fail to do so, we will destroy more than we can gain. Then these changes are arbitrary and not credible. It must be authentic. Our products need to carry our values inside."* (OE_243)

As new competitors like Tesla kept pushing the boundaries for a digital in-car services, this was seen as a threat and triggered a rejective stance. This is reflected in statements like this:

> *"My view is: Let's please stay with ourselves. We've always been best when we decided for ourselves what's good and what's not. Tesla is only cooking with water. How do we know if the Tesla way is even right for us? Do we really have to put a huge, ugly touchscreen in the middle of the center console? That used to be a no-go for us. But now all of a sudden everyone thinks it looks great. Do we have to do that now, too? That has always been a mainstay of our interior design: a neat, concise cockpit that gave drivers the deeply immersive feeling of becoming one with their car. We're losing our own identity if we just keep peeking over to Tesla."* (OE_244)

'Featuritis'

Ironically, efforts to authentically differentiate *Drive*'s digital portfolio repeatedly resulted in the exact opposite. Product decisions had to follow formal brand steering tools that were rooted in the prevailing benchmarking logic. This required product managers to meticulously compare each of a service's sub-features to the existing offering of traditional car OEMs. For truly innovative milestones, such comparison was mostly impossible. By contrast, the sheer number of individual features was something that could accurately be benchmarked against competitors. This perverted original intentions: Instead of focusing on a few clearly defined, differentiating services, an ever-growing number of micro-features was added to already existing functionalities. As a result, the digital services portfolio became increasingly fragmented and even more difficult to grasp for internal stakeholders.

Among the digital community, the term "featuritis" emerged to denote this phenomenon. Providing an illustrative example, an informant explained:

> *"We were always very strong at differentiation through additional functions that a competitor didn't have. For example, there is this utterly weird and pointless function called 'road magnet'. Imagine you plan to drive from Paris to Prague, but then, on the map, you add a 'magnet' in Frankfurt. Your navi then makes sure that you definitely drive via*

> *Frankfurt. Of course, you could also just add an intermediate destination, like basically all other competitors do it. But no – we decided to offer an additional road magnet that takes you past wherever you like. At some point, we had to realize: Yes, it's a function. Yes, we had it. Yes, it has somehow differentiated us. But did any of the customers notice? Probably not even one. For me, that's a perfect example of 'featuritis' gone largely out of control."* (PS_226)

The resulting outcomes at the product level were met with incomprehension among employees. As an informant self-critically remarked:

> *"There's way too much bullshit bingo. What we have to do is look more at the customer journey and then decide: Where can we credibly score as* Drive*, and where not?"* (PS_228)

Another colleague described his own experience of using *Drive's* digital services in his car:

> *"I can see why we are still not able to evoke the same amount of enthusiasm that we have for our cars. My current car is brand new and has all digital extras. Every time I sit in it, I'm thinking: 'Oh my god! The interior craftmanship, the driving experience, all the traditional vehicle attributes… They are simply amazing. They are well thought through, they work perfectly smooth… They just make a pretty perfect car. But as soon as I go into the digital content, I also think: 'No way we are bringing this in front of customers!' It's just embarrassing. We should actually shut a lot of it down immediately or do it in an entirely different way."* (PS_223)

Lost in Features

To let the reader immerse into the typical project dynamics that ultimately resulted in perceivably inauthentic outcomes, the following vignette provides an in-depth account of a meeting episode during a major digital service launch.

The meeting marked the escalation of an underlying problem that had been building up over months. For more than two years, *Drive* had invested in developing a new digital service package. Extending existing voice control functions in the car, it was hoped to differentiate *Drive*'s overall digital experience substantially over competitors. A large cross-functional team of product managers, software engineers, marketing experts, and external consultants had been working intensively on the specification of the service. Pressures grew as a major competitor launched a whole new digital entertainment and control system. This offering mirrored much of what was in the pipeline at *Drive*. However, the launch had been delayed multiple times as responsible managers feared that the service would not yet sufficiently meet user expectations. This had allowed the competitor to make the first move. Backed by an extensive communication campaign, the new system excited both customers and the press. For many observers, it had

become the new benchmark for digital innovation in the industry. At best, *Drive* could now be a fast follower.

A few months before the launch, focal actors made final arrangements to fight back. Time was running: As long as there was no better alternative in the market, the competitor would bolster its leading position. Over months, different parties joined forces to create an ever-growing number of detailed documents. Countless PowerPoint charts and templates specified the service's positioning, USP, and individual functionalities. A massive Excel sheet had turned into a pivotal artefact: the so-called "feature quantity structure" (FQS). In a highly complex project environment with frequent changes and multiple parties involved, the FQS represented a solid rock: It contained a binding, always up-to-date list of several hundred service features, including a short description, relevant benchmarks, details on customer value, costs, and current development status.

To prepare the market launch campaign, another column was added: "Communicative value". The goal was to narrow down a handful of "highlight features" that were suitable for the upcoming ads and promotions. For each feature, responsible software developers and product managers had to indicate to what extent a given function could potentially excite customers and add value to the upcoming campaign. After multiple consolidation rounds, the prioritization was finalized. A meeting with the responsible advertising agency was scheduled to confront external communication experts with the principal ideas around the product and a pre-selection of potential highlight features. Ideally, at the end of the meeting, the agency would have collected enough food for thought and inspiration to craft a campaign that would blow the minds of both customers and competitors. It is in this situation that the following vignette was observed.

Vignette 3. "Guys, may I ask you something?"

When the meeting started, the room was crammed with over 40 people representing different departments involved in the launch campaign. Those who did not catch a spare seat at the central table formed an outer circle leaning against the walls or sitting on the floor. At the very back of the room, four representatives from the advertising were sitting somewhat exposed on bar stools that somebody had brought in from the cafeteria. Quietly watching a few more participants coming in, they waited for the meeting to start.

Consulting his wristwatch, *Drive*'s responsible service owner took the floor: *"OK, everyone – we should start."* The room went quiet. *"Thank you all for coming. We have four guests from the agency here today. The topic, as you all know, is the upcoming market launch. I think it's key that today we define the key feature highlights."* Grabbing the paper copy in front of him, he went on: *"You all got from me this feature list beforehand – the latest version of the FQS. It shows you the result of our internal prioritization process. So, I think we should take this as the springboard for our discussion. Before everyone jumps in, I'm curious what the communication experts think."*

One of the agency members smiled. As he was about to start speaking, the service owner quickly added: *"If you ask me, we should focus on the system's intelligence as the main highlight!"* Without hesitation, a representative from the sales department jumped in: *"I'm sorry, but I have a completely different view. I looked at all the supposedly 'intelligent' features. It's clear that competitors are eating us alive here. How can we possibly make this the basis for our campaign?"* Taken by surprise, the service owner rowed back. *"Perhaps you're right. How about the 'chit-chat' stuff then? Maybe we will come up with a funny dialogue or something."* Raising her eyebrows, a product manager rose to speak. *"I don't know if that's a good idea. It's a nice gimmick, but we need to demonstrate the substance of the product. We need to make clear how it adds value to the customer. It needs to be more than 'Hey look, your car is able to tell a joke now'."* The discussion went back and forth for another twenty minutes. Different colleagues shared their opinions on individual features without finding much common ground. Tensions rose and the room became increasingly stuffy.

When a participants opened a window to let in fresh air, the oldest among the agency representatives cleared his throat. Having all eyes on him, he asked: *"Guys, may I ask you something?"* His request was met with silence and surprise. During the heated debate, people seemed to have forgotten about the four external guests who curiously kept observing the events from their bar stools. The advertiser continued with a roguish smile: *"You know, we were just wondering as we listened to your discussions… I mean, we also had a good look at this massive list you guys sent us over before the meeting. We might be missing something, but to be completely honest here: We had a really hard time to find anything useful in there. So, my main question is: What do all these features have to do with* Drive*?"*

Still, nobody said a word. Another advertiser went on to break the silence: *"What we mean is: You, as* Drive*, as an organization, as a brand – you really stand for something. You stand for a uniquely emotional driving experience, for a unique emotion that sets you apart from anyone else. We cannot find that in any of the features you gave us. You guys are obviously more into the details. But from what we could read and understand, any of your competitors could have given us the exact same list. Sorry! It's really hard to knit an award-winning campaign around that."*

Among *Drive* employees, the service owner was the first to react. *"Well, that's interesting feedback"*, he sighed. The third advertiser took the opportunity to respond. *"There was one feature though that got us excited. Where we felt goosebumps and that original* Drive *spirit that we are longing for here. You see, when we think about the campaign, we don't think about a customer who wouldn't bother getting behind the wheel of some Dacia or Hyundai. We also don't think about some digital geek how can't wait to play around with the screen. We are thinking about the petrol heads, the enthusiasts, those who obsess about full speed and getting maximum performance out of that machine."*

The fourth advertiser went through another paper copy of the feature list. When his index finger stopped, he added: *"Yep, feature number 134: 'Launch control assist'."* Advertiser one continued jumping up from the bar stool: *"Yes! That's where we finally started having pictures in our head. Imagine: The new* Drive *series on an empty parking lot. It's the middle of the night. Headlights on. Drone footage accentuating the edgy body design and rims. Light rain, maybe. Water drops caressing the c-pillar. The driver grabs the wheel. A determined look ahead, full of joyful anticipation. Interior ambient lights on. A pulsing*

red glow. The car: 'Are you ready?' The driver tightens up. 'Yes, ready.' Countdown starts. Kick-down. Boom! Pure Drive *magic."*

The other participants listened as if thunderstruck. Murmurs and whispers started in different corners of the room. Trying to get back hold of the meeting, the service owner stammered: *"Oh, really – the launch control assist? I actually never looked at it this way. Never thought it could be such a cool feature. We also didn't prioritize it. What was it again? A '2' out of 5 possible stars?"* But at this point, people were no longer listening. Within minutes, the simple yet powerful comments of the advertisers had exposed a major weak spot. In its current shape, the new service was not perceived as authentic by an external audience.

After the meeting and on the way back to his office, a product manager concluded: *"Gee! This just really felt like waking up from the FQS nightmare and being slapped in the face by reality."*

5.3.4. Summary of Key Findings

In sum, the findings illustrate how three identity-related barriers can impede digital change in legacy environments. Original momentum at *Drive* died out over time as focal actors experienced doubts about their ability to take necessary entrepreneurial risks (5.4.1.), about the sincerity of top decision-makers' commitment (5.4.2.), and about the authenticity of digital innovations (5.4.3.).

As shown by the illustrative vignettes, organizational barriers to digital change were rooted in members' existing identity beliefs. At *Drive*, observable behaviors and product outcomes were perceived as inconsistent with what members believed the company should stand for. Moreover, when digital changes materialized, they were perceived as an estrangement from what made the organization unique. As a result, efforts to turn digital change into a collective mission overall came to a halt.

The next section turns the attention to more hopeful developments on the individual level. Drawing on empirical evidence from rare projects where, it is shown how despite these numerous adversities, sporadic progress was nonetheless possible.

5.4. Emerging Practices at the Individual Level

The previous sections outlined the tensions and barriers complicating digital strategy practice at both the product and organizational level. This section now turns to the individual level. The presented findings indicate how focal actors at *Drive* used four practices to navigate identity tensions and barriers to drive outcomes: *bridgebuilding, enthusing, nudging,* and *dodging*. The findings are grounded in observations and informants' experiences of particularly successful projects where a combination of these emerging practices played a decisive role. Vice versa, project failure often seemed to be linked to their neglect.

Across all four practices, two defining characteristics stand out: First, all practices focused on people. Rather than dealing with strategic analyses or data, focal actors spent most of their time and energy on actively managing interpersonal relationships and emotions. Second, all practices served in some way to soothe identity tensions. Instead of taking a disruptive approach, focal actors sought to overcome the dichotomy between a digital future and a strong hardware legacy. **Table 9** provides an overview of the practices and how they affected project outcomes.

Table 9. Emerging Practices to Navigate Identity Dynamics and Drive Outcomes

Practice	Definition	Examples
Bridgebuilding	Establishing trusting relationships and networks with key implementation partners	• Actively building and maintaining trusting relationships by making the first step • Demonstrating humility and understanding for competing concerns
Enthusing	Sparking enthusiasm by enabling stakeholders to experience a more digital future	• Finding creative ways to expose top decision-makers to the benefits of digital innovation • Actively search for ways in which digital changes can enhance traditional product lines • Making use of pilots and real-life experiments to involve key stakeholders early
Nudging	Narrowing the range of viable options to influence decisions through framing	• Using analogies and metaphors to educate key decision-makers • Casting options in ways that make preferred choices seem more viable
Dodging	Bypassing organizational politics and conventional processes to force decisions	• Secure early buy-in from key decision-makers before formal committees in bilateral agreements • Compartmentalize large decisions into smaller ones to make follow-up investments seem reasonable • Establish alternative frameworks that facilitate the adoption of novel decision-making logics

Taken together, the findings provide insights into how focal actors can escape the vicious cycle of organizational identity dynamics by initiating a more virtuous cycle of trusting collaboration.

5.4.1. Bridgebuilding

When investigating the underlying success factors of positive project outcomes, a recurring theme was the need to build bridges to other departments and stakeholders. Reported practices centered around deliberate efforts to bring together the different concerns of driving digital change and preserving a cherished legacy.

Over the years, *Drive*'s approach to DT had evolved. In the early stages, separate divisions had been set up to disrupt the company from within and break with established routines. This, however, failed to materialize in desired outcomes. Consequently, the pendulum swung back and the emphasis became to strengthen the core. This shift was received differently. For some, it proved that the defense mechanisms of *Drive*'s strong legacy were still intact. While digital strategists had been guided by strong convictions to drive major change, they now had to abide by the traditional rules again. This provoked uneasy feelings. Several informants reported how they felt that the "old empire struck back". For others, the refocusing process was the outcome of a learning process. For them, the past years had made clear: Digital change could only be realized together with the legacy, not against it.

Building Trusting Relationships

In many ways, digital innovation required different ways of strategic thinking and practice. However, informants emphasized how indispensable it was to also *"understand and respect how the company works"*. When asked about what ultimately drove the success of selected initiatives, a seasoned product manager underlined the idea of true partnership:

> *"True partnership is the key. If you trust each other and see the others as partners instead of service providers, projects go well. It's mostly about interpersonal topics. When you always need to set things straight with hierarchical power and escalations – then it's much more difficult."* (PM_239)

Informants who repeatedly delivered positive results consistently made relationships with key implementation partners a top priority in their daily work. Instead of banging their heads against the wall with formal arguments or requests, they primarily understood their role as being a mediator and change agent. For them, this implied an obligation to make the first step and forge partnerships on eye level:

> *"Lone warriors don't get far here. Your first reflex must be: 'OK, who is my counterpart on the vehicle and development side? Who is making the decision with me at the end?' You need to identify these people before even getting into the details. If you don't establish that relationship from the start, you'll have a hard time to push anything through."* (PM_233)

When asked how such relationships were forged, informants stressed the importance of demonstrating sincere commitment to work side by side. By contrast, carrying a sense of entitlement or excessive assertiveness could easily undermine collaboration. Not only was it crucial to abandon personal and departmental vanities; daily conduct also had to reflect a collaborative spirit:

> *“It's always better to do critical things together. Just the other day I said: ‘Hey, this is my study, but I need you for it to have impact. It might help you, too.’ I proactively share information because I think it’s key to act together as a tandem. That's very, very important for building trust, especially at the beginning of a project.”* (PM_239)

Other statements similarly underscored that establishing a robust relationship required to take oneself back and put own goals second. Informants referred to this frequently as a willingness to go beyond formal job descriptions and responsibilities:

> *"You can't consider yourself to good for anything in such a partnership-based approach. I can see many of my colleagues say: ‘No, that's a purely technical or hardware meeting, I won't go there on principle.’ I think that's exactly wrong. Also, I never say: ‘Hey, this is non-technical, I'll do it all by myself now since I’m the product guy.’ What kind of signal would that send?"* (PM_234)

Outside *Drive*, interviews with digital experts from different industries confirmed the growing importance of interpersonal relationships. Actively networking across different departments was consistently referred to as a key responsibility. One comment by the responsible department head in a large manufacturing company reflects an overall shift in priorities:

> *“The community approach is key for us. Community is more important than efficiency. With digital projects, it’s not a problem to have some overlaps between interface partners. It can even help as it brings the right people together much faster. I think it’s only natural that the importance of individual departments becomes less and less over time.”* (EX_246)

At the board level, informants similarly highlighted how critical relationships were to put digital product changes on a strong footing right from the outset. This regularly triggered fears over losing power. The CEO of an automotive sales organization shared his personal experience of taking a relationship-oriented approach:

> *“To secure the commitment of all board members, we had to go beyond established KPIs and decision metrics and invest heavily in the relationships within the top team. I never accepted excuses. Every Tuesday, we met in the morning for half of the day. In person. In a dedicated room. No other topics, except strategy and how we implement it together. We did that for more than half a year, just talking. A bit crazy, right? But slowly, we managed to build the necessary trust to finally say:*

> *'OK, we'll do this, and this is how we start.' It was necessary to have this qualitative, personal sounding before anybody was willing to make any concessions. Of course, you always want to go faster. But in my view, you need to invest this time first. If you don't, it will always haunt you and mess things up."* (EX_245)

Demonstrating Humility and Understanding

To lay the ground for trusting relationships, informants emphasized humility as a key virtue. Focal actors shared the feeling that at *Drive "nobody ever rolled out the red carpet for digital innovation"* (PS_223). Actively pushing for digital topics therefore remained crucial. At the same time, experienced colleagues unanimously warned of acting like a "battering ram": For them, showing respect and understanding for the concerns of the legacy business was critical. As one informant said:

> *"Of course, you need to fight for what you believe is right for this company; but all the fighting becomes useless if you don't get anybody to join you on that journey."* (PS_213)

In practice, a humble presence often included developing an in-depth expertise of established manufacturing and car development processes. Several informants explained how this helped strengthen an image of "being prepared" and of "having done your homework". Vice versa, refusal to go deep into the details was commonly cited as a root cause of previous project failures. Taking a critical view on her own department's role in multiple projects, an informant affirmed:

> *"You need to understand how car development works. There's no way around it. In too many cases, I feel that this willingness to seek proximity to the car colleagues… It's lacking. In retrospect, the main problem was that many colleagues didn't know enough about the established processes and didn't bother building the network you need."* (PM_232)

Retrospective comments also included references to a confrontational "us-versus-them" attitude. A product manager reflected how this had fueled internal division:

> *"A big problem lies with us. Many of us see the engineering department as the big, overpowering adversary. Instead of building bridges, we duck away. For instance, we used to create our own studies a lot, acting as lone warriors and claiming sole interpretative authority. That destroyed more than it helped. It's about decency: We have the responsibility to look first if there are already experts on the engineering side. Often there are people who have been doing nothing else for years than such studies, for precisely this topic. Sometimes it's way faster to build a bridge than to pretend walking over water."* (PM_233)

Where projects turned into successful development and market launches, responsible actors frequently reported to spend more than half of their time establishing

connections to other departments. A big part of this effort was trying to understand who else would have a stake in a new digital service and what was possibly on their minds. This practice is not only expressive of a sense of humility and willingness to go beyond formal responsibilities. It was also a sign of a shared sense of responsibility that stretched beyond the immediate confines of the digital service domain:

> *"In the end, we are responsible for digital services in a car. We thus need to take the car seriously – and understand it as a platform! We need to use it! Otherwise, nothing ever comes out of our efforts, no matter how cool a service may be. You need to show up proactively, inform, get involved early. We have an obligation to make the first step."* (PM_233)

Building Robust Implementation Networks

Bridgebuilding was grounded in heightened sensitivity and attention to the emotional buy-in of critical stakeholders. Focal actors were aware that for the strategy to have impact, psychology mattered as much as technical know-how. Rather than winning the argument, courting the legacy seemed to be key. Digital strategists therefore invested in what they called *"meeting colleagues where they are coming from".* Their prevailing mindset was often still heavily rooted in the legacy. Also, digital expertise was not particularly high among top decision-makers who had built their career in the car business. Securing their buy-in required time and patience. Depending on the respective roles and responsibilities, focal actors applied different practices. A long-time product manager who later became a product strategist described his experience as follows:

> *"It's important to understand what your actual task is and how you approach it. It may seem martial, but I experience it like this: If you're a product manager, you're fighting battles. If you're a strategist, you're trying to win the war."* (PS_221)

While product managers forged relationships within a smaller nucleus to make collaboration work on an operational level, strategists focused on establishing a much wider network among critical decision-makers. This was seen as a crucial step to build broad agreement and protect digital initiatives from potential resistance and vetoes. As the head of the product strategy department remarked, such networks also presented a powerful tool for aligning strategic considerations with organizational realities:

> *"For me, strategy means: 'It works!' I've learned in my career that a strategy dies out when you shut yourself off from reality. You have a great strategy full of great intentions – but it never comes to life because it's too detached from reality. That's why you must take all these detours. You need to get key partners involved early and understand their constraints. When you constantly adapt your strategy to organizational necessities, then it becomes real strategy."* (PS_217)

Describing in more detail how they went about establishing networks for successful implementation, strategists referred to a careful balancing act between provoking new ways of thinking and not breaking the relational bonds:

> *"The mindset is still very much stuck in our legacy business. That's what they know in perfect detail. It's totally human, I guess. We tend to focus on where we feel most competent. We need to be careful: We need to stretch them a bit so that they get up their butts; but we can never push it too far if we don't want to lose them on the way."* (GS_102)

Promoting the Future, Honoring the Past

To secure stakeholders' buy-in, informants deliberately engaged in change management. They would carefully anticipate possible reactions and objections from critical stakeholders and think about possible ways to build a bridge. They explicitly asked themselves: What could make it easier for their counterparts to recognize the inherent value of digital changes? A informant described:

> *"A typical reaction you get outside the digital bubble is: 'Oh nice, a strategy. Why should I bother?' You need to highlight the relevance. Everyone asks: 'What's in it for me?' To get their attention and support, you need to be crystal clear on how a digital service will affect someone's work or product – either for the worse or for the better."* (PM_237)

However, simply highlighting the relevance of digital changes was not enough. If not done right, doing so could even have the opposite effect and put stakeholders off. Effectively promoting changes outside people's original technical expertise therefore required tact and courtesy. An informant explained these sensitivities in more detail:

> *"You always must be careful to not affront people. You need to start from zero, again and again. You need to repeat and repeat how a solution works. That's just typical for* Drive*. It has a lot to do with losing face and the risk of appearing like a fool in a meeting. Always be very careful, because otherwise you'll have created a new enemy who no longer supports your topic. If necessary, go the extra mile and individually approach people before the meeting. Always do that when you feel they are not deep enough into the topic and need catching up before. But this doesn't apply specifically to digital topics. It's just how* Drive *works. It's part of our consensus madness."* (PS_216)

Informants agreed that this people-centered approach favored a particular type of personality. Beyond analytical skills, strategy work was increasingly dependent on communicative talent. Not only was it key to proactively sell and promote digital initiatives; it also needed substantial diplomatic skill to make proposals heard. When asked about a single advice they would give to a new colleague, several informants referred to the need to embrace humility and tact regarding the legacy as key virtues:

> *"I'd recommend recognizing* Drive *as the company it is today. Respect the people who have served this company and did successful work here for many, many years. Look at the past ten years: A lot of people from outside came in: from Google, Amazon, Microsoft, and so forth. Almost all of them have left again. Why? Because they never bothered getting truly involved in this unique culture here. Yes, it's difficult. Especially for someone who comes in from a tech company. But I deeply believe that if you want to change something here, you must understand this culture and live with it. You cannot close your eyes to it. We're talking thousands and thousands of people. It's impossible for ten ex-Google guys to completely flip this company without recognizing its DNA."* (PS_225)

5.4.2. Enthusing

The second emerging practice centered specifically on securing emotional buy-in of critical decision-makers. Informants perceived a lack of enthusiasm for digital offerings that complicated strategy implementation. Outside the digital community, digital initiatives often appeared too abstract and distant to spark the same vibrant passion that was felt for cars. Focal actors therefore experimented with unorthodox approaches that aimed at enabling tangible experiences of a more digital future.

Emotional buy-in was crucial for two main reasons. First, digital innovation could not be done along due to complex interdependencies with existing hard- and software. In projects, however, car engineers often had the upper hand. Having much higher budgets at disposal, they dominated the ongoing power play: If personally not convinced of a service, they had many levers to infinitely complicate and delay implementation. Second, digital change lacked clear, visible backing from the top. Without pressure from the board, refusal to cooperate on the operational level typically did not seem to have any dire consequences. Focal actors thus had to make extra efforts to ensure impact and create a pull dynamic. When using enthusing practices, they often managed to increase the emotional buy-in of stakeholders to actively drive digital change.

Prioritizing Emotional Experiences

For many people at *Drive*, getting behind the wheel of a new model remained "the ultimate thing": After having personally contributed to a car's development over years, the result could be touched, sensed, and experienced. A short-term rental scheme for employees additionally encouraged product experiences for every model on the market. It was therefore common practice to rent out new models over the weekend even before customers could get hold of one. This not only allowed to take pride in one's own work; it was also an opportunity to showcase the outcome to family and friends.

By contrast, experiencing digital services was much more difficult. For instance, the internal vehicle fleet offered not more than one fully equipped car that included all

available digital extras. Even members of the digital community typically had to wait several months to experience the outcome of their work. Similarly, demos to highlight the benefits of a service to internal stakeholders were rarely possible. An informant complained:

> *"I begin to feel like a telemarketer. It's ridiculous: Last week, I wanted to showcase our current portfolio to a division manager, but it wasn't possible. The demo car was booked for two months. I even went to the local dealership, but they didn't have a single car with the latest package. All I could do was to show the same old PowerPoint charts on my laptop while raving about how great the experience is in reality."* (PM_229)

Others pointed out similar pitfalls. For instance, they pointed out that there were substantial marketing budgets for *"putting journalists behind the wheel of our cars in hopes they write something great about it"* (PM_229). However, requests for much smaller sums to host internal events and promote digital innovations internally were usually turned down by controlling. In lack of alternatives, some informants invested their free time to host internal workshops on the benefits and opportunities of digital change. One informant explained the underlying motivation:

> *"We are mostly talking on a rational level. It doesn't take us anywhere. Everyone knows the facts. People are not stupid. What we keep missing is the emotional dimension. You need to take people with you emotionally and make them believe in the new. Think parenting: You can't approach this in a purely rational way. Try approaching your marriage in a purely rational way. Good luck. Even if your wife may be a bit more emotional than our engineers – to me, it's the same thing."* (GS_102)

Enabling emotional experiences was also critical to improve the internal image of digital services and reduce prevailing skepticism about their economic viability. Many colleagues critically eyed the development budgets that digital services consumed. If expenses could not be justified by a valuable product experience, the right for digital initiatives to exist was easily questioned:

> *"In the past, people could see how digital divisions couldn't even spend all the money they got. And if you honestly look at what ends up in the cars, it also doesn't quite live up to the promises we made. I can see why more and more people ask themselves if we manage our budgets responsibly and if pouring in more money would result in better output. It's a matter of belief: Does investing more into digital result in any positive changes, or not?"* (PS_215)

Enabling Immersive Experiences

Focal actors found creative solutions to enable more tangible experiences of digital services. Success, however, often depended on individual initiative and persistence. One intervention stood out as it resulted in immediate improvements.

The intervention aimed to raise key decision-makers' awareness about the potential of digital services. Taking an unorthodox approach, a product manager sought to demonstrate how they could substantially increase customer value and enhance the overall in-car experience. In a first step, he joined forces with a car software engineer in the IT department. Both shared similar concerns: In their view, top executives failed to recognize the true economic potential of digital services. For instance, they worried that leaders did not take industry entrants like Tesla seriously enough. In committees, they frequently experienced how the urgency to double down on digital was downplayed.

To disrupt existing thinking patterns, the tandem spent several months contacting the executive assistants of their respective department heads. The request was simple, yet unusual: On a day of their choice, they offered the executives a full-day driver service. As *Drive* had different premises across the region, intraday commutes were frequent and an essential part of employees' daily meeting routine. Several email exchanges and phone calls later, they were able to secure a date.

What top managers did not know in advance: they would not be picked up in one of *Drive*'s latest models, but in an entry model Tesla. Throughout the day, their drivers guided them through selected highlights of the competitor's digital offering. This included "magic moments" such as, for instance, a personalized welcome ceremony when passengers entered the car, seamless voice control of navigation services, and a relaxation program including dimmed interior ambient lights, chimney fire on central screens, and relaxing music. They also could connect their smartphones in a seamless and convenient way, allowing them to use major office functions such as accessing their calendar or conducting video calls. Finally, the drivers made sure that after a long day on the last ride to their passengers' office, they had to charge the electric car. The charging slot was conveniently booked through voice command and the charging process accompanied by watching the TV news on the screen.

There were several immediate outcomes of this one-day intervention that lastingly impacted subsequent discussions. First, the tandem managed to secure the executives' principal support. After the immersive experience, both reported how they could see that such digital offerings were relevant for *Drive,* and that current offerings were not yet living up to the brand's premium aspirations. Second, subsequent decisions for selected services were made much faster and involved less internal bickering. Third, Tesla became finally part of the standard set of competitive benchmarks for digital services.

Over time, it became common practice to create immersive interventions for key stakeholders. For instance, after developing an initial idea for a new service, product managers used live experiments as an effective tool to get key implementation partners

on board early. To enable a tangible experience, they would install mockups or prototypes in a demo car and ask stakeholders for feedback. If, for instance, profitability was anticipated to present a major concern in the subsequent process, such experiments would involve asking participants about their willingness-to-pay for this type of service. Their responses would then be compared with other feedback and external studies to help participants form a favorable opinion.

Importantly, such interventions targeting individuals in a protected space allowed key decision-makers to change their minds without losing face. A key success factor was to involve internal partners early on and spark enthusiasm before an idea had entered formal processes and meetings. Instead of rational arguments, people's own experience and discovery then often made the difference in securing effective collaboration and objective decisions in line with the strategy.

Showing What's Possible

Another approach centered on piloting a working solution before asking for substantial budget. This originated from a learning process. As one informant explained, the initial exploration of car sharing and ride hailing services had generated a valuable lesson for *Drive*:

> *"The big problem with these topics to date is that they are completely detached from established structures. They are hard to combine with our brand. Most people in the traditional business think that we don't need it. A premium brand doesn't fit the idea of on-demand mobility and a taxi experience. It's hard for them to see the added value."* (GS_104)

With that in mind, focal actors strategically prioritized initiatives that highlighted how digital solutions could strengthen the company's core assets. The following example illustrates the underlying approach:

In a successful lighthouse project, responsible product managers sought to leverage *Drive*'s existing driver app to unlock new business models. The focus was on exploring the potential of peer-to-peer sharing. In contrast to traditional car sharing, customers remained owners of their car. However, the app enabled them to share digital car keys with peers and split running costs based on usage. This approach capitalized on *Drive*'s existing network of car dealerships who took care of necessary hardware upgrades, initial registrations, and compliance with car insurance policies.

Instead of requesting central budget, a small team of product managers approached the manager of a small car dealership to whom they already had an established relationship. Together, they launched a small pilot with 20 lead customers who were offered the service for free. One year later, the project team took stock: Not only did the opportunity to create an entirely new offering strongly motivate team members; operating

outside the constraints of formal processes also allowed to move a lot faster. According to the responsible project leader, this paved the ground for a larger rollout:

> *"After the pilot, we're now entering a new phase. In the small pilot team, everyone worked their asses off and was 110% motivated. Now we need to work through the standard processes. That's less fun. You need to get through that. But it's much easier now as we have something concrete in our hands. Our role in meetings is completely different. We can show what this organization can do when it really wants to. Just by leveraging the assets that we already have. We have customers that happen to love our new solution. We have dealerships. We have an app. And we have the hardware. It's easier now for them to say: 'OK, let's roll this out in one market and see what happens.' You need to get them there step by step."* (PM_234)

Other initiatives followed a similar approach. When product managers sought to prove the inherent revenue potential of an aftersales market for digital services, they waited for the right timing. For several years, *Drive* had offered an online store where customers could subscribe to individual digital services even after their purchased informants, a main reason was that corporate marketing efforts had largely ignored digital topics. To direct the focus toward the store's untapped potential, they waited until November to launch a Black Week sales campaign to promote a limited number of available discounts on social media. In addition, they installed a large black screen in the headquarters' entry hall. Under the headline *"This week's digital store revenue",* it counted both online sales in real time. In a week, global revenue exceeded revenues for an entire year. The campaign was positively received throughout the company. Two weeks later, for the first time, digital product managers were invited to next year's marketing planning session.

External informants confirmed the importance concretely showcasing the potential of a more digital future and spark enthusiasm among a core team of ambassadors. The division manager of a large insurance company who led a major digital initiative stated:

> *"In your head, you always have 1000, 2000, 5000 employees […]. But when it comes to digital change, you first focus on a core team of 10-15 people around you. You first have to get them emotionally involved and enthusiastic. You address things like: 'Where is this going? Do I feel excited about this mission? Do I feel personally involved in this journey or is it someone else's strategy?' You aim to trigger a snowball system, that inspires the rest of the team. But the motivation has to come from your 15 core people - if that doesn't happen, forget it. You can do all the gymnastics you want, it won't work."* (EX_249)

A strategy consultant shared similar experiences:

> *"For successful implementation of digital change, it is paramount to communicate properly internally. Not just via the intranet. All departments need to be on board. It's not something you can impose from the top. You need to create enthusiasm for a common mission. And*

> *for this you need to start with a focused project group, with representatives from all departments. It can only work if you have all critical stakeholders with you."* (EX_251)

These presented examples show how focal actors were both inventive and resourceful in making a virtue of necessity. In the face of many constraints and challenges, they nonetheless found opportunities for small, yet powerful interventions to increase enthusiasm for digital change. Clearly, these small successes often were not more than a drop in the ocean. However, although enthusing practices could not turn around the overall sentiment on a company-wide scale, the findings suggest multiple ways in which they can create positive impact on the individual level:

First, enthusing practices helped facilitate internal collaboration by increasing the emotional buy-in of individual stakeholders. This did not always materialize in immediate advances on the product level. Nevertheless, in the longer run, prioritizing positive experiences around digital services lay important groundwork for accelerating decision processes and placing digital topics higher up the agenda.

Second, enthusing practices had positive effects on focal actors within the digital community itself. Showcasing highlights and piloting digital solutions seemed to increase focal actors' sense of self-efficacy in an otherwise adverse and often frustrating environment. This is relevant as instances of personal resignation remained frequent. For some, being able to do at least something within the own sphere of influence therefore helped keep motivation high and compensate for various difficulties.

Finally, the findings substantiate the idea that solutions to more macro-level organizational changes are to be found at the micro-level and in the actions of individuals. As established formal processes and structures restricted the room for maneuver, focal actors proactively looked for more unorthodox ways to make an impact. Rather than by massive budgets or coordination efforts, these ways were primarily enabled by creative ideas and the audacity to try them out.

5.4.3. Nudging

Focal actors made use of three nudging practices to nudge top decision-makers into supporting the transition to more digital offerings: (1) using analogies and metaphors, (2) narrowing the range of available options, and (3) elevating the core.

Facing an organizational environment that did not share the same vision, sensitivity, and know-how regarding a more digital future, focal actors over time developed strategies to nonetheless drive progress. Overall, the findings illuminate how successful strategy implementation often depended more on subtle influencing skills than on formal strategy processes. A lack of digital know-how among key decision-makers at the hierarchical top was frequently cited as a major challenge. Not only did digital changes

require different ways of thinking; they also frequently involved high levels of technological complexity outside car engineers' traditional expertise. Digital strategists thus had to accommodate a new phenomenon: Often only fractions of their concerns and proposals were understood in higher decision-making committees. Educating critical stakeholders and simplifying choices therefore emerged as crucial tasks.

Catching Up on the Basics

Both strategists and project managers affirmed that the need for nudging was a new phenomenon. In their view, DT had inversed the know-how distribution: For the first time, there was little technological experience at the top. This resulted in a dilemma: Regular employees typically had most technical expertise, but the hierarchical power to make critical choices and push through major changes stayed with less savvy managers. For a digital strategist, the outcomes at the product level spoke volumes:

> *"Our top leaders don't know much about this new world. I really want to know: who of our board members ever tested our current digital offering? It's impossible that even one of them did that. Nobody could have ever approved something like this!"* (GS_101)

Informants reported how their role and responsibilities had shifted. As a result, they frequently shared memories from the early beginnings of DT when their ideas were met with opposition and incomprehension. As the core business was still booming and established success metrics were far from showing any signs of decline, digital experts initially failed to mobilize a sense of urgency. Based on these experiences, strategy formulation started to involve more careful considerations of how contents would be received by various stakeholders. As a strategist recalled:

> *"Digital strategy is a different game. When developing the strategy, you need to be pragmatic. You must think from the end: How are we going to get this point across when we talk to different gatekeepers? How do we make it sexy and sticky? And what type of message is still understood at this level?"* (GS_104)

When presenting to key decision-makers, previous strategy work had required strategists to come straight to the point. With digital topics, this approach no longer worked. Informants felt they first needed to create substantial background and plan for frequent coordination loops until recipients were on the same page:

> *"You need a certain frustration tolerance. I simply cannot assume to walk into a meeting, show my slides and then get away saying 'OK, guys, this is how it is!' – and then everybody says, 'Alright then, let's go.' It doesn't work like this. Before you can come to the crunch, you need these people to get up to speed. They need to catch up on the basics first."* (PS_217)

Catching up on digital basics often included breaking with the deeply internalized self-understanding that governed strategic thinking for decades. Traditionally, *Drive* had assumed the role of an OEM whose primary task was to integrate different suppliers' solutions into a holistic car experience. However, digital services had shifted the power balance. Third-party providers like Apple did not act in the same way as traditional automotive suppliers. *Drive* was obliged to enter partnerships on eye level and concede power. This implied an evolving understanding of *Drive*'s position:

> *"Our product is essentially the integrative capacity. Take Apple CarPlay. It's Apple who owns this product. It's Apple who decides whatever happens to it and what customers will be able to do with it. Most of our top managers still don't have that understanding. They think it's the same supplier relationship – that we can dictate everything and then they just send over the customized elements. […] This loss of control… That's something we need to carefully get them accustomed to."* (PS_228)

Using Analogies and Metaphors

To educate top managers on digital topics, informants made frequent use of analogies and metaphors. This allowed to frame proposals in ways that recipients could relate to. Framing was seen as essential to overcome defensiveness:

> *"When you first focus on key stakeholders up the hierarchy, you can usually get much further with concrete benchmarks or best practices – concrete images and examples from which you can learn something. It helps build trust first and reassure them that you are not a crazy person betting the company."* (PS_226)

When preparing critical board meetings, discussions among strategists frequently revolved around finding powerful analogies. Analogies were regarded as an effective vehicle to let top executives immerse into a different world:

> *"Analogies serve as a justification. But in part they are also a transportation vehicle that allows us to beam board members into a different world. For instance, when I say: 'A car as a digital device on wheels', then I can take any other digital device such as the smartphone as an analogy. If I don't screw up and push it too far, I can use this analogy to paint a more concrete picture of the future."* (GS_105)

In several conversations and workshops, strategists pointed toward the importance of not trying to force a change of heart. One informant referred to a "Socratic approach" that, instead of imposing ready-made opinions, facilitated top managers' own realization through the right analogies and questions:

> *"When I want to make something clear to the board that they have no clue or shy away from decisions, then I would not say so. I would rather say: 'Take a post-it and write a number: How many cars are we going to*

> *sell next year?' When the answers diverge, they will have learned that there are different opinions – even when we talk about the car business. Alternatively, I could prepare a slide that basically reads: 'You just don't have a damn clue.' With statistics, figures, and all that. But how will they react to that? They will say: 'Well, who on earth do you think you are – of course we have a clear idea of where we are going.'"* (GS_103)

Strategists reported that they viewed their responsibility as to "irritate the system" without overriding established opinions. As one informant explained, analogies and metaphors could get points across more easily as they were seldom perceived as overly prescriptive. Not overstepping such boundaries ultimately helped promote new images and changes in thinking:

> *"I want to irritate because it is through irritations that we can create lasting movement inside the system. It helps initiate deeper reflection and update the images with have in us. What I aim for is triggering a fundamental question: Can we go on like this or do we need to become something different?"* (GS_101)

Narrowing the Range of Viable Options

Another key focus was on simplifying decisions. When presenting decision-makers different options, focal actors not only sought to reduce complexity as much as possible. Often they also framed available alternatives in ways that favored own convictions. Several techniques helped narrow the range of viable options. First, focal actors tailored key massages to the respective concerns of their audience. Before confronting decision-makers with an idea for the first time, strategists carefully examined their attitude. According to one informant, this helped determine the "right dosage" of visionary thinking and the "right buttons" one had to push:

> *"It's not that we propose a different service depending on different types of personalities. But you need to know which buttons you have to push. For instance, our former CEO was much more open for digital topics. To get him excited, you had to go in with a bold vision. The new CEO is different. If I delivered him the same speech, he would probably ask me what I've been smoking. Now I focus much more on making clear why a service helps strengthen our core business, how it leverages our existing assets, et cetera."* (PS_217)

Second, strategists regularly made sure to set powerful anchors that would narrow the focus of the discussion. Such anchors took on different forms. For instance, to back up proposals, focal actors frequently referred to external studies or eye-catching statistics while omitting counterfactual evidence. Alternatively, they "fitted" business case projections to indicate positive returns based on particularly optimistic assumptions. Especially at early stages of a project, the primary goal was to place a topic successfully on the agenda and secure the means for more conscientious exploration at a later stage.

Strategists wanted to protect their ideas from hasty disagreement or rejective reactions. As the following statement confirms, they advanced their own interpretations of the data:

> *"To be honest, you must always be a bit strategic about this. Yes, you need to have robust arguments, but that's not enough. Especially at the beginning of the process, you need to spice it up. Even if it's just the beginning of a validation with a small, informal, non-representative study – go for it. It's directly much more difficult for them to fundamentally oppose it. Having a business case more or less backed up with data in advance also helps. An early-stage business case is never robust, everyone knows that. It's just a quite effective tranquilizer."* (PS_226)

A concrete example was when product managers wanted to highlight the business potential of digital services for fleet customers. To frame the discussion from the beginning, they trimmed their massaging to a deliberately flashy figure: For one of *Drive*'s flagship models, over 60 percent were large corporate clients. By emphasizing that a sizable number of cars were thus configured and purchased by fleet managers, they narrowed the range of viable options: Not pursuing their ideas further now meant to potentially leave serious money on the table. As an informant recalled:

> *"It's not about collecting as much evidence as possible. What you need is one or two striking numbers or statistics. This can be little nuggets that previously went largely unnoticed. When you know that it's fleet managers who make the decision to buy our cars, then you start thinking: Do we really need all the complexity in our offering structure? If we're talking professionals buying 500 vehicles – what services would make their lives easier? What could be taken out to make* Drive *the easiest choice? It directly changes the frame of the discussion."* (PS_228)

Third and finally, strategists contrasted viable options with overly extreme alternatives. As one informant explained, this helped create a decision bias toward their favored direction:

> *"To get them where you need them to be, you add one or two alternative scenarios that are much more extreme than what you actually want to propose. There's always this tendency to opt for the middle way because it seems to be the least risky one. You then deliberately build in scenarios that are much more radical because you know: OK, then they will bear down on the middle. If you don't, they will be like: 'Please refine your proposal in more detail!' And then you lose time again. You need to come back a few weeks later and explain the same thing."* (PS_222)

As these statements show, driving digital strategy required focal actors to go beyond simply executing formal analyses and presenting the results. Observable practices rather suggest that they first had to form a provisional conviction themselves. In a next step, they had to be both determined and strategic in making their point and nudge decision-makers into the desired direction.

5.4.4. Dodging

A fourth emerging practice was dodging. To assert strategic convictions, focal actors applied various techniques to bypass organizational politics and formal processes. In essence, dodging practices were driven by a new, defiant attitude started to characterize strategy practice at *Drive*: Having accepted given organizational constraints, some focal actors were determined to nonetheless do their best in making a difference.

The findings suggest that efforts to dodge politics and established processes often involved considerable controversy, sensitivity, and extra work. Only in few cases, informants reported to apply such practices. They otherwise became apparent by observing subtle nuances of project work and recurring behaviors over time. Notably, a sizeable part of the digital community did not engage in dodging. While some had internally resigned in response to the recurring challenges, others expected existing organizational conditions to change first before taking action oneself.

In the following, I first outline why dodging was perceived as essential to drive strategic outcomes. Second, I retrace how bending formal rules and procedures was often key in pursuing digital interests. Third, I show how creating an own fact base allowed to shield digital initiatives from resistance. Fourth, I summarize how establishing alternative frameworks and methodologies helped sidestep burdensome and time-consuming requirements of the traditional controlling apparatus.

Confronting Antagonistic Politics and Processes

Informants reported how they perceived organizational politics to systematically curtail transformation efforts. Their responses shed new light on how a particular attitude helped mitigate corresponding repercussions on strategy implementation.

In principle, structural factors incentivized political tactics especially among middle managers. As formal processes were not adapted to a new digital reality, it remained easy for skeptics to delay and complicate decisions by hiding behind formal requirements. Informants reported how they were regularly inundated with requests to provide more detailed analyses and documentation to back up their strategic recommendations. This extensive committee work made it difficult to spare time for what informants deemed “actual work”. Middle managers were seen as partial: Advocating digital change often ran counter to their career interests. As an informant specified:

> *“The problem is that we’re trying to do strategy with people who are inherently biased. For them, changes to the status quo always imply giving up power. We don’t have a realization problem. As a company, we are actually quite smart. Everyone knows what ought to be done. But the hurdle we don’t clear is that we are stuck with political tactics. The primary question for leaders remains: Is a given proposal opportune in*

> *the current corporate mainstream or am I risking my career here?"* (PS_217)

Instead of promoting changes that seemed self-evident from a customer perspective, individual department heads were preoccupied with protecting their existing areas of competence. If changes threatened to shift priorities and undermine a department's relative importance, political considerations often overruled the willingness to act in the strategy's original intentions. As a result, middle managers were perceived to only support changes in so far as they cemented rather than curtailed their current power:

> *"It's sad but I've never heard any of the leaders say a phrase like 'We need to make sure that our product gets better and that customers are excited!' Instead, they always run around saying things like 'We need to be part of this topic!' That's always on top of their minds. I mean, who cares about that outside of these office walls? We need to deliver value to customers, and not waste our time playing games."* (PS_226)

Taking a "Freestyle Approach"

Coping with this dilemma, required a particular attitude. Focal actors found themselves required to revert to what one informant referred to as "taking a freestyle approach" to sidestep traditional processes and political dynamics. As an informant explained, a first step was to accept that organizational politics would continue to exist:

> *"To be honest, I'd love to go tell some of my colleagues: 'Please, stop whining already!' It's part of our responsibility to get up and fight for our topics. It's how things work here. Especially in these times. The company is not waiting for you and your digital ideas. And it will never be. It's take it or leave it."* (PM_234)

Others similarly emphasized the need to expand one's formal role. Advocating product-level change required taking ownership for technical dimensions as well:

> *"If a project is successful depends a lot on you personally and how you interpret your role in the process. I have a lot of colleagues who, as customer representatives, just stick to their stuff and let the technical side dictate everything. I feel absolutely in the lead for my topics on the product side. But I also show up and do the dirty work. You have to decide for yourself how much you want to be involved when it comes to the customer journey and how it's translated into a technical solution."* (PM_233)

External industry experts confirmed that digital strategy required emancipation from traditional processes that were often too slow. According to an experienced consultant, digital strategy thrived on a particular mindset:

> *"I'm not sure if there always has to be a sophisticated, structured process. Especially for these [digital] topics, it seems more like a shared*

> *mindset. Take the tech companies: They work with many small, dynamic teams that bring in their own ideas and push them through. There are many small networks – and the clear expectation to drive innovation and push the organization forward. It's part of a certain culture."* (EX_251)

At *Drive*, however, focal actors felt they had to continuously find ways to dodge the formal requirements the organization placed on them. One informant vividly described her personal experience of accepting a more freestyle approach:

> *"I've spent more than two years searching for ways to improve the existing processes. But it's a fake process. You're expected to follow the protocol, but the result is completely messy. You need to live with what's there, but you also have the responsibility to think beyond the official process. I now live by what I call the 'Goofy approach': You need to take your idea and sneak it through the existing process landscape, always prepared that at every single step, there's a crazy Goofy popping up trying to take you off the track. Accepting this reality has set my mind much more at ease."* (PS_215)

Bending the Rules

Moving within given procedural constraints, focal actors found ways to bend the rules to their will. Their conviction was that breaking rules was not an option. However, they regarded it as part of their responsibility to think beyond established routines to accommodate the specific demands of digital innovation. To advance projects, strategists relied on two main strategies:

First, big decisions were frequently compartmentalized into smaller ones to outwit strict budget allocation rules. This was achieved by either proposing initially small pilots or, where applicable, by shifting the focus from final services to critical hardware enablers. While the former helped to get a first foot in the door, the latter served to create facts through the backdoor: Once necessary hardware was approved, getting additional approval for building suitable services on top was often a lot easier. One informant explained the underlying rationale as follows:

> *"In major projects, we try to think of different ways to mitigate the perceived risks. If you have a big problem to solve, you must break it down into more digestible pieces. What you don't want is having to ask for a massive decision. A sequence of smaller decisions works better. It may seem like a waste of time, but the opposite is true: It takes more time to prepare, but you don't have so many loops in fighting for a 'go'. It's also less risky, because if you are wrong two times out of ten, then you haven't blown so much money out of the window."* (PM_232)

Others added that taking good decisions required to test options and gather experience first. Instead of wasting time trying to predict the best option, seeking

agreement for a small pilot helped set an example and facilitate subsequent decisions. As an informant stated, *"you had to be very pragmatic about proposals and not overthink it with smart strategy heads"* and instead *"test viable options through experience"*. Similarly, when strategists expected approvals for a service to be unlikely, they drew attention to related hardware components. As one informant explained, a hardware-oriented proposal was typically received more favorably than the request to develop a novel service:

> *"If you tell them: 'Look, we need to have this control unit in five years from now because that's where technology trends are clearly going', then they understand much more easily. By contrast, if you tell them 'We have to start investigating this type of service now because it could be differentiating in five years', then they shut themselves off. For them, you are then talking possibilities, not necessities. Once it's clear that we'll have the hardware, though, then you can come back in a year and say: 'Guys, we have all we need in the car, we can build these types of services for a little extra on top – what we plan to do is run a small pilot and validate if we should even pursue this any further' – then they are much more open. It just needs more patience."* (PS_224)

Second, to camouflage work on controversial services, a frequent practice was cross-financing. Knowing that money was usually less tight for existing services, budget requests would often include higher requests for maintenance. Resulting surpluses were then channeled off to support various innovation and development activities in areas that strategists deemed strategically important. Although this helped alleviate short-term bottlenecks, it also made digital financing increasingly untransparent and messy. One strategist explained how this also had drawbacks:

> *"By now we have so many cross-finances that really nobody can really tell who ends up getting money from whom. I don't know, but this may backfire at some point. At some point, people may get suspicious and turn off the taps completely. But I also don't know of any solution to this."* (PS_215)

Leveraging Spokespeople and Sponsors

To dodge political games, focal actors wherever possible sought to secure critical agreements on a bilateral level before entering decisive committees. Ideally, decisions would have been made informally before getting formal approval. In a first step, this required to identify key spokespeople within the company that could use their hierarchical power and personal network to weigh in on topics that strategists deemed essential. As comments by external consultants confirm, "knowing the company" became an essential success factor:

> *"Reality is that there's always some people who are spokespeople in the company. You have to find them. Then you get a lot of things through. By contrast, if you don't have these people with you, everything becomes a damn nightmare. I'm experiencing this in an automotive project right now and have seen that many times before."* (EX_254)

Another consultant specialized in digital innovation projects confirms that emphasizing people over process tended to be particularly important in the auto industry where structures were typically complex and opaque:

> *"For us, the actual decision-making process is highly untransparent. You always hear that phrase: 'You need to understand how this place works'. For me, what this actually means is that you only get the things you want and push through anything because you have the right network. […] I experienced many times that you need to know the right people to get certain things just because the structure is so complex and people exploit that to hide away."* (EX_253)

What external experts observed was indeed part of daily internal practice. Rigorous stakeholder mapping and management was regarded crucial to shield implementation work from blocking and inference attempts. While leveraging supporters' help, this also involved a careful balancing act in dealing with opponents. Informants reported that it was key to give opponents the feeling of being involved while at the same time making sure that they could not get involved too much:

> *"For every priority, we ask: who are the go-to-people, the high performers, within the company, who can really drive momentum and traction for this topic? At the same time, we consistently try to avoid people who, as a matter of principle, tend to be blocking things. Who don't want to take any decisions, who are risk averse, et cetera. You need to meet these guys where they are coming from, but you need to keep them out of the decisive steps of the process."* (EX_253)

After having brought supporters on board, next steps frequently included bilateral talks on a higher hierarchical level. Ideally, strategists had managed to show supporters a way to personally benefit from a digital initiative, for instance by distinguishing themselves as a sponsor for a progressive topic. This frequently provided an incentive to approach more critical stakeholders on the same hierarchical level and ask them to either support or at least not block a given initiative when it came to the vote. Such counteraction did not work out in all cases. However, more often than expected, it allowed to substantially moderate political headwinds. As one informant remarked bluntly: *"Sometimes the best recipe for dealing with politics is to act politically yourself."* (PS_227)

Establishing an Own Fact Base and Alternative Frameworks

To narrow the range of viable options and objections, focal actors repeatedly emphasized the importance of "creating an own fact base" before entering discussions. It is important to demarcate such efforts clearly from what is commonly referred to as

"alternative facts": For strategists, the goal was not to paint a different image of reality. Instead, they intended to establish a robust argumentation basis that left little room for critics to fundamentally oppose their ideas. Therefore, they strived to "own" the key facts and methodologies underlying their strategic convictions. As an informant stated:

> *"Often for our topics there is not yet an adequate method or a responsible insight manager. Then it's best if you can bring your own facts, then you know the data and that it's trustworthy. It's not exactly 'bring-your-own-beer', but 'bring-your-own-data' follows the same principle: You get to decide yourself what you bring to the party. It's harder for someone else to knock you out with other arguments and you are sure they will need to listen to you."* (PS_226)

For instance, when a new team of digital product strategists was formed, a first step was therefore to create a new insight center that aggregated both vehicle and customer data. The generated insights were used to complement other internal studies in market research as well as external sources. Ultimately, they served to bolster strategists' claims to invest in different initiatives. In the long run, creating this additional data source was seen as a major step toward independence from formal committee pressures. As a member of the department stated:

> *"Our first measure was to build an own veritable 'facts machinery'. It's important to build a solid foundation. Our main goal is that we don't even need to participate in any committees anymore because we have the facts already and the power to decide directly at our level."* (PS_226)

A second example presented a newly developed framework that allowed to rate different services based on customer value. Established prioritization methodologies heavily emphasized benchmarks and individual product features. Therefore, strategists sought ways to create a counterweight to *Drive*'s obsession with optimizing its existing products. Creating alternative methods was considered crucial to direct focus on customer needs. As the responsible strategist asserted:

> *"When you encounter a prioritization logic that basically kills most innovation attempts, then it's crucial to keep going. Don't give up because what the company needs is a different method. A different mental framework. It's our job to deliver that because think of it: who else can do this?"* (PS_225)

To anchor the new framework in formal processes, strategists had to go a long way. Besides developing a well-founded, convincing framework, they had to present its benefits in various committees and get influential sponsors. The outcome, however, seemed to justify the upfront investment. Owning the guiding framework for prioritizing different digital initiatives extended strategists' possibilities to influence what options

were ultimately moved to the decision stage. Paradoxically, success seemed to lie in attending to old reflexes:

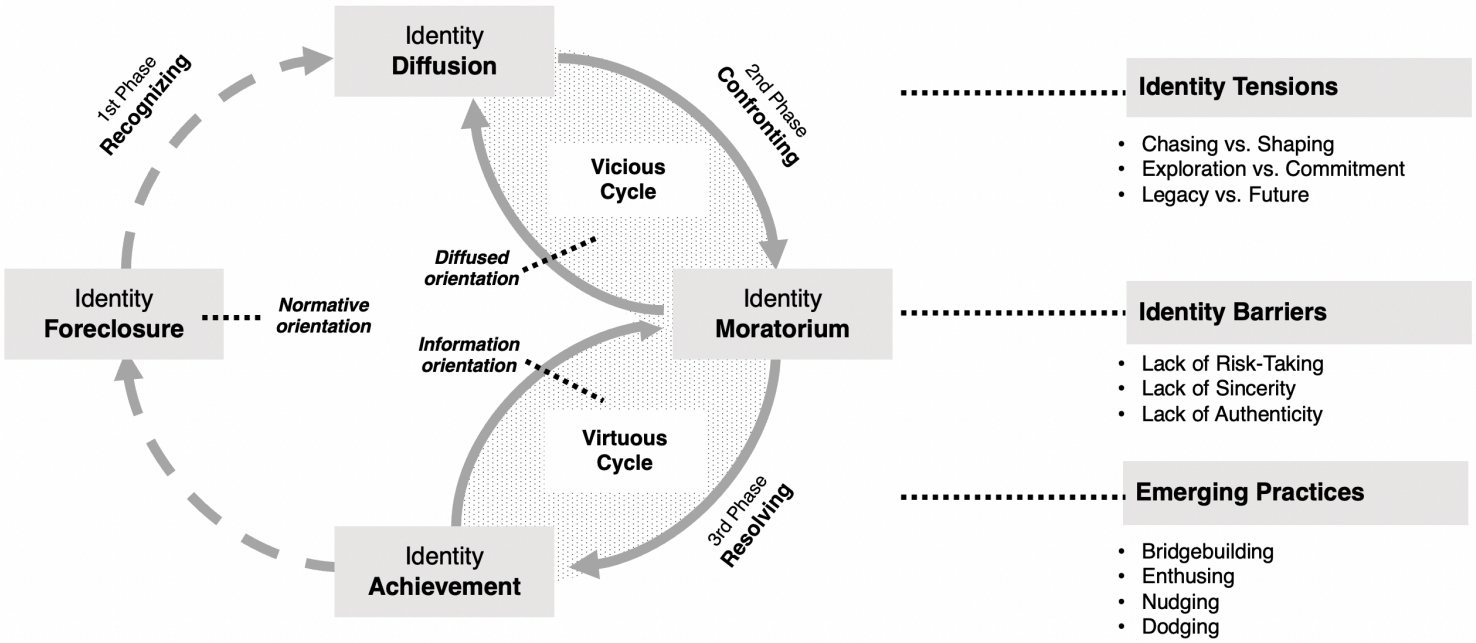
> *"It's actually a bit strange, to be honest. People here tend to buy well-founded arguments as long as they come in the shape of a more or less sophisticated and structured framework. Since we back up many of our proposals with the framework, they are almost no longer challenged. I'm not sure if that can really be part of the original intention, but well… They now say: 'Oh, alright, great – now we have that framework.' And then everyone just applies it. It's quite a bizarre phenomenon."* (PS_226)

As these findings show, dodging the political and procedural pitfalls of a legacy system often involved the creation and anchoring of alternative systems that run in parallel to the established structures.

5.5. Synthesis and Conceptual Framework

Until this point, I have outlined and categorized the main findings of the study. **Figure 10** presents the conceptual framework emerging from the data. It posits that (1) strategic renewal in response to fundamental technological change follows a dynamic, multi-level process and that (2) strategy practice is concerned with recognizing, confronting, and resolving organizational identity crises.

Figure 10. Emergent Framework Conceptualizing Strategy Practice as Navigating Organizational Identity Crises



5.5.1. Navigating Different Identity Statuses

The proposed identity-driven perspective helps broaden our understanding of the multi-faced role of strong product legacies in fundamental transitions. The example of *Drive* illustrates that digital change does not follow a linear process. Rather than adapting to a clearly defined target state, organizations are to engage in an inherently messy identity development process. At *Drive*, this required accepting that the original identity had become out of synch with the evolving realities of the digital age. Confronting the corresponding crisis involved a shared determination to actively search for and work toward a new identity commitment. At *Drive*, the process of navigating organizational identity crises underwent several stages. Each was characterized by different emotional dynamics and behaviors:

The first stage mirrored an *identity foreclosure* status. For about a century, *Drive*'s self-understanding had been stable and consistently linked to a proud legacy of car manufacturing. Strong identification among employees fostered an ongoing reluctance to question the defining elements of this long-established identity commitment. Initially, digital changes looming in the market environment were often seen as an unwanted break with what *Drive* did as an organization – and what they stood for. Questioning the existing commitment for a long time also did not seem necessary. A clear and uncompromising focus on perfecting the traditional car business was still as much linked to outstanding economic success as it had been for the past decades. This is expressive of a *normative orientation* that dominated strategic thinking.

Two mutually reinforcing developments allowed *Drive* to eventually recognize the emergent identity crisis and move beyond this inertial state. From the top, a broad, explorative strategy largely expanded the strategic focus; from the bottom, a pioneering group of strategists took personal initiative to sketch out and advocate possible future selves that differed from the status quo.

In a second stage, internal conflict intensified as *Drive* further moved into an *identity diffusion* status. Mirroring an increasingly *diffused orientation*, existing identity commitments were increasingly challenged. Different convictions about how digital change should alter *Drive*'s product legacy co-existed. For focal actors, the direction and focus of the strategy process became increasingly obscured. As a result, strategy practice became trapped in an emotionally charged tension field: While the transition to more digital offerings appeared vital to secure long-term survival, efforts to drive digital change lacked focus and orientation. As *Drive* struggled to bring about tangible changes to the portfolio, resistance of internal sceptics vis-à-vis "digital experiments" at the expense of the legacy identity kept growing.

The combined effects give rise to a critical turning point in transformation processes. At *Drive*, they reinforced a vicious cycle: While efforts to push forward digital change produced even more internal resistance in projects, focal actors increasingly wore out and the quality of product outcomes further decreased. This aggravated conflicts and dismissive attitudes toward a more digital future. Over a long period of time, multiple organizational barriers prevented *Drive* from escaping this dynamic. Top executives' commitment to digital change was not perceived as sincere, product changes not as authentic, and entrepreneurial risk-taking as discouraged. As a result, personal engagement was increasingly undermined and top talents started leaving the company.

Drive escaped this vicious cycle only when entering a third stage: In an *identity moratorium* status, strategy practice regained focus. Focal actors entered an *information orientation*: Efforts were geared more deliberately toward confronting and resolving the proliferating identity crisis. A new CEO focused the strategy on reconciling ongoing tensions between a digital future and a still vibrant legacy. This involved a reinterpretation of *Drive*'s initial identity commitment: In continuation of *Drive*'s history of being a "systems

integrator", digital solutions were now considered part of an evolving core. This helped accommodate the demands of an evolving marketplace while preserving the essence of the legacy. In addition, deliberately shifting the focus to redefining what belonged to the core and what not also provided more focus.

On an organizational level, a revised identity statement helped alleviate the persisting barriers that had trapped focal actors in the diffused status: Acknowledging digital solutions as part of a state-of-the-art driving experience seemed both feasible and sincere. The reframing of a digital future as a consequential continuation of *Drive*'s origins appeared more authentic.

On an individual level, a set of newly emerging practices supported this momentum and allowed focal actors to gain more traction despite existing organizational shortcomings: Establishing trusting interpersonal relationships and networks for implementation accelerated both discovery and decision-making processes. Similarly, carefully navigating the emotional and political dynamics of the strategy process helped drive positive outcomes.

According to the framework, the final stage results in achieving a renewed identity commitment and reentering an *identity achievement* status. This stage was not reached by *Drive* within the study period. However, the findings indicate several initial steps toward resolving the crisis and reaching a more stable identity commitment.

First, a reemphasis on original attributes renewed clarity regarding *Drive*'s role in an evolving industry. Rather than developing most digital solutions on its own, the dominant focus became to prioritize a few core areas. Where possible, the goal became to integrate external solutions and focus more narrowly on orchestrating a differentiating overall experience and integration with proprietary hardware.

Second, this shift materialized in the announcement of a new car series. Recognizably alluding to the emotional esprit of historical achievements, this new series combined genuine pride in the organization's past with the renewed ambition to lead a more digital future. The study's findings cannot reliably project if these efforts will turn out to be successful. They nonetheless allow to discern what measures may increase a firm's chances in achieving the necessary internal alignment on members' shared identity beliefs.

5.5.2. Strategy Practice as Ongoing Identity Development

Overall, the resulting framework depicts successful strategic renewal as the outcome of a continuous, iterative learning and development process. The case of *Drive* suggests that there is likely to be no shortcut to recalibrating long-standing identity commitments. Redefining who we are as an organization in an evolving world thus requires living the experience and struggles of crisis. Without recognizing and confronting identity crises,

strategy practice not only risks lacking a vital creative element for identifying a differentiating approach to shaping one's future. Simply resolving identity tensions on paper without the element of struggle may result in only formally adapted identity claims. Avoidance to work through emotional conflicts together may thus result in failure to form a more solid and sustainable conviction among members to collectively shift the focus and practice of strategy. As a result, an organization's capacity to bring about lasting change and continuously adapt is likely to be compromised.

From this viewpoint, the findings suggest that identity achievements can only be temporary. If established identity commitments are not repeatedly scrutinized as part of an ongoing development process, incumbent firms may fail to initiate strategic renewal fast and profoundly enough. In line with Heidegger's definition of authenticity as a process of continually becoming, a developmental approach to strategy practice does not focus on breaking with an organization's past. Instead, bringing about meaningful change is the result of collectively striving for a continuously better version of the organizational self. External pressures then provide not only the impetus for strategic renewal, but also the opportunity to reassess one's original potential.

The implications for the understanding and practice of strategy practice in incumbent firms are profound: First, in terms of process, implementation success hinges on maintaining a delicate balance. While thorough analysis of external developments remains crucial, strategy practice also requires a substantial self-reflexive element. External analysis is key to recognize early signs that question established identity commitments. It also helps form initial hypotheses about the potential strategic options and the broader opportunity space. However, if firms fail to deliberately confront emerging identity crises in a collective self-exploration process, strategy implementation are likely to be undermined by internal conflict. As the case of *Drive* suggests, resistance can be largely grounded in failure to actively address emerging identity tensions and members' continued efforts to protect a cherished legacy identity. Therefore, an identity-driven approach embraces the idea that strategy is never done. Instead, strategy practice is at core of an ongoing development process that cyclically progresses through different identity statuses. Continued survival therefore depends on a firm's capacity to interpret external developments in ways that allow to constantly reinvent what we do while staying true to who we are.

Second, in terms of content, focusing on people and their emotions matter as least as much as adapting on formal plans and processes. This reiterates Peter Drucker's much-cited wisdom that "culture eats strategy for breakfast". An identity perspective helps substantiate the underlying reasons. If not carefully managed, identity tensions have the potential to trap organizations in a tedious inertial state in which members work against each other rather than collectively pursuing a common cause. Especially in incumbent firms with identity commitments that have been stable for multiple decades, chances are that organizational systems and strategy processes are geared toward

efficiency. However, when identity dynamics are at play, chances are that this predominant concern produces false efficiencies. As the study reveals, a preoccupation with maintaining structural and procedural efficiency comes with a series of negative repercussions on focal actors' experience. In the worst case, those responsible for driving much-needed change may start questioning the organization's sincerity and willingness to change at all. By contrast, if strategy practice is carried by a genuine and positive emotional momentum, rather informal and interpersonal networks not only become key for driving results; they can also make up for many of the structural and procedural shortcomings that exist on the organizational level.

Third, in terms of outcomes, an identity perspective highlights the importance of recognizing the particular context of strong legacy identities. The stronger existing identity commitments, the more important continuity becomes for enabling change at the product level. Perceived continuity among members is important beyond formal identity claims. As the example of *Drive* shows, such claims may appear ambiguous and short-lived and thus fail to provide the necessary direction. Similarly, not addressing identity tensions is likely to fuel internal resistance. This is even more the case when top decision-makers seem to be divided regarding the organization's future. The findings show how strategy practice benefits from efforts to work toward a shared commitment to engage in a common exploration process beyond superficial rhetoric. To secure members' buy-in and sufficiently narrow the focus, the exploration should not threaten to break with a firm's past, but promise to result in an even better version of what it stands for.

Therefore, the ongoing quest to rethink what we should do becomes linked to open-ended, yet focused attempts to develop a shared conviction about what it means to be us in an evolving world. Understanding strategic renewal as part of a collective endeavor to remain true to ourselves as an organization not only reduces the inherent confrontational potential. It may also help unleash previously untapped motivational potential. At *Drive*, this happened in selected projects where representatives of digital and car domains did not act as opponents, but as close allies.

These implications urge us to adapt our understanding of the challenge of strategic renewal. **Table 10** summarizes the major shifts in thinking and juxtaposes a traditional approach with an identity-driven approach.

Table 10. Juxtaposition of a Traditional vs. Identity-Driven Approach to Strategic Renewal

Dimension	Traditional Approach	Identity-Driven Approach
Process	Linear, time-bound	Cyclical, ongoing
	Outward-driven	Self-explorative
	Unidirectional, top-down	Bidirectional, top-down and bottom-up
Content	Managing the process	Managing tensions and emotions
	Concern for efficiency	Concern for networks and relationships
	Optimal use of existing resources	Unleashing potential
Outcome	Replacement of defining attributes	Enhancement of defining attributes
	Driving execution	Driving a movement
	Adaptation	Evolution

6. Discussion

This section discusses central findings of the study and links them to the existing literature. I conclude by discussing the broader applicability of the findings and outlining avenues for further research.

On a theoretical level, an identity-driven perspective contributes to existing knowledge on strategic renewal and strategy practice in at least three ways. First, the study sheds new light on the micro-mechanisms of incumbent adaptation to technological change (Eggers & Park, 2018). The concept of organizational identity crisis sensitizes us for the subtle emotional dynamics that critically determine if and how incumbents adapt to disruptions in the external environment. Second, the findings extend knowledge on how fundamental transitions produce paradoxical tensions and how they affect organizational outcomes (Andriopoulos & Lewis, 2009; Kreiner et al., 2015). Extending previous research, this study suggests that strategic tensions are not limited to rational dimensions. Instead, often rather unconscious identity struggles affect how changes are perceived and translate into organizational behaviors (K. G. Corley & Gioia, 2004; Patvardhan et al., 2015). Third, an identity perspective underscores the importance of examining the socio-psychological dimensions of strategy practice (Jarzabkowski et al., 2019; Whittington, 2007). Rather than developing universally models for tackling the challenges of the digital age, recognizing individual legacy identities seems key to enable change (Anthony & Tripsas, 2018; Ravasi & Canato, 2010).

On a practical level, there are three main implications for how decision-makers can create favorable boundary conditions for enabling meaningful change and ensure continuous renewal. First, the findings suggest that the role of the strategist is evolving substantially in response to the changing demands of the digital age. Beyond analytical skills, driving digital change depends on active involvement in strategy implementation and the ability to forge trusting relationships (Mao et al., 2019; Owens & Hekman, 2016). Second, the results contribute to research exploring the importance of social networks for driving innovation and strategic outcomes (Argyres et al., 2020; Tasselli et al., 2015). Third, I discuss how the findings extend previous research on how identity movements can drive organizational change (Rao & Dutta, 2018).

6.1. Theoretical Implications

6.1.1. Identity-Driven Adaptation to Technological Change

A key insight generated by this study is that, in some contexts, incumbent adaptation mirrors the dynamics of navigating organizational identity crises. An identity-driven approach to strategic renewal shows how the corresponding identity tensions emerge at the product level and affect strategy practice.

This extends previous research seeking to understand why incumbent firms within the same industry respond differently to technological disruptions (Kammerlander et al., 2018) and why the outcomes of such efforts vary in terms of adaptation success (Eggers & Park, 2018). Previous studies have shown that OI plays a critical role in determining how incumbents make sense of external changes and adapt their strategic response (Kogut & Zander, 1996; Livengood & Reger, 2010). In this context, Kammerlander et al. (2018) have distinguished between "domain identity" and "role identity": Depending on whether technological disruptions are interpreted as either enhancing or challenging existing identities, and depending on whether firms understand themselves as either shapers or followers within their industry, the degree of adaptation and innovation varies.

These conceptual advances have increased the capacity of academics to explain and predict how incumbents respond to change depending on their identity beliefs. However, they offer little advice for practitioners on how they can actively increase their firm's capacity for successful renewal. By proposing an identity-driven approach to strategic renewal, I contribute to closing this normative gap.

First, recognizing emerging identity crises early is key to identify the need to engage in a reassessment of existing organizational identities. This confirms that increased alertness to dissonance between prevailing identity beliefs and an evolving environment is key to devise adequate responses and mobilize action (Livengood & Reger, 2010). In addition, increased attention to the alignment between strategy and identity (Ravasi & Phillips, 2011; Schultz & Hernes, 2020; Wenzel et al., 2020a) is crucial to avoid the lures of an "identity trap" (Tripsas, 2009, p. 444): As the examples of failed adaptation in the photography (Tripsas & Gavetti, 2000), music distribution (Ansari & Krop, 2012), and typewriting industry (Danneels, 2011) show, not anticipating growing misalignments between who we are as an organization and how technology is evolving can be fatal. By contrast, if searching for early signals of an emerging identity crisis becomes a strategic priority and core element of strategy practice, an identity-driven approach may function as an early warning system, immunizing incumbents to at least some extent against the risks of prolonged inertia (Gilbert, 2005).

Second, I identify several levers focal actors can use to confront and eventually resolve organizational identity crises. Recent studies have shown that experimentation is key to identify and shape opportunities for developing an incumbent's identity (Bojovic et al., 2020). My findings indicate that such "experimental spaces" (Bojovic et al., 2020, p. 21) are deprived of their benefits if they are not complemented by decision-making and control systems that encourage entrepreneurial risk-taking. When identity dynamics are at play, driving product-level change seems to require substantial cultural entrepreneurship (Lounsbury & Glynn, 2001): To drive change, focal actors need to advocate for new ways of thinking and gain legitimacy for products that transcend the confines of prevailing identity beliefs. If such efforts appear to be "punished" by organizational systems, a growing inconsistency between strategy content and actual

decision-making undermines the willingness of individuals to take risks. Similarly, if decision-makers fail to project their genuine sincerity about envisioned changes and to cast changes as authentic with a cherished past (Cornelissen et al., 2011), this further increases internal conflicts and undermines adaptation efforts. This draws attention to the importance of guiding members' perceptions (Gavetti, 2012; Raffaelli et al., 2019) and how they cope with identity alignments throughout the strategy process (Wenzel et al., 2020a).

Taken together, these contributions add to the ongoing efforts to advance knowledge on managerial sensemaking (Rouleau, 2005; Rouleau & Balogun, 2011) and the intraorganizational ecology of strategy (Burgelman, 1991) as critical determinants of adaptation success. To recognize, confront, and resolve organizational identity crises, leaders need to step up to the opportunity to further enhance an incumbent's legacy: By actively exploring the innovative potential of new technologies and enabling focused exploration at the product level, they can increase chances that strong identification and strategic change mutually reinforce rather than antagonize each other (Schultz & Hernes, 2020). If embedded in a deliberate, self-reflexive process, organizational identities may then act as a source of sustained competitive advantage (Fiol, 1991).

Finally, shifting the focus to identity warns us to regard incumbent adaptation as a rather simplistic and sequential process. For instance, popular change models are often grounded in Lewin's three-step logic of "unfreezing", "changing", and "refreezing" original states of the organization (Cummings et al., 2016). An identity-driven view proposes a more nuanced perspective: The continuous renewal of organizations follows a cyclical and inherently messy dynamic in which identity beliefs are contested and renegotiated in a never-ending development process.

6.1.2. Managing Paradoxical Tensions in Transitions

This research also makes meaningful contributions to the ongoing debate on how fundamental transitions produce paradoxical tensions and how they can be navigated (Papachroni et al., 2016). Many of the phenomena described in the case study of *Drive* center around well-researched phenomena of overcoming problems of inertia (Tripsas & Gavetti, 2000) while balancing ambidextrous concerns for both innovation and profitability (Andriopoulos & Lewis, 2009). This study sheds new light on how these tensions emerge, how they produce conflict, and how they are linked to matters of OI.

Prior research has examined paradoxical tensions in the context of product innovation (Andriopoulos & Lewis, 2010; Atuahene-Gima, 2005; Leonard-Barton, 1992). The dominant focus has been on the role of existing capabilities and why they may turn into rigidities in times of transition. Recent contributions highlight that managing paradox is a key enabler for strategic agility, arguing that proactively identifying and raising strategic tensions is key to overcome paralysis (Lewis et al., 2014, p. 68). My findings draw

attention to identity tensions as another important challenge in navigating paradox and ambidexterity.

First, I show how identity tensions can constrain strategic cognition. This is the case when existing identity are strongly grounded in a legacy of chasing competitors, yet adaptation demands actively shaping new solutions. This extends earlier research on frame flexibility. As Raffaelli et al. (2019) have shown, incumbents are more likely to embrace innovation when they deliberately regard their identity as more "elastic". According to their study, frame elasticity allows firms to reinterpret their identity in ways that makes innovations seem compatible and worthwhile to pursue. In the case of *Drive*, this was the case when the originally narrow focus on being a car manufacturer was replaced by a more elastic understanding of being a "system integrator". This shows how reinterpretation helps broaden strategic cognition and enabling new, broader meanings of established identities and the underlying defining capabilities (De Massis et al., 2016). Therefore, increased elasticity also seems to facilitate smoother transitions from exploitation to exploration. This has been found to result in better performance than discontinuous jumps (Kang & Kim, 2020).

Second, I reveal how the capacity to make strategic choices is negatively affected when broader exploration is not accompanied by a collective search process aimed at reaching renewed identity commitments. Denis et al. (2011) have similarly argued that prolonged strategic ambiguity may result in situations of "escalating indecision". I extend these findings by showing in more detail how conflicts at *Drive* intensified as focal actors' exploration efforts lacked sufficient focus. Previous studies have shown that different convictions about what an organization should stand for in the future can result in a tedious, inertial state (K. G. Corley & Gioia, 2004; Patvardhan et al., 2015). My research complements this knowledge by drawing attention to the role of clear commitment in enabling strategic action: If exploration and renewal attempts are not carried by a deliberate, collectively shared commitment to revisit existing identity beliefs, conflict is not constructive (Lewis et al., 2014) but destructive.

Third, my findings draw attention to members' identification as another source of paradoxical tensions. At *Drive,* the opportunities of a more digital future were perceived as opposed to identification with a proud car legacy. Failure to reconcile these tensions undermined cohesion and effective collaboration among internal stakeholders. This emphasizes a still underrecognized aspect of socio-technological change: For firms with a proud product legacy, digital change is identity change (Canato et al., 2013; Ravasi & Canato, 2010; Stanske et al., 2020). While this study used digital change as a timely opportunity to study these dynamics in the field, the underlying patterns may also apply to other types of fundamental changes in the marketplace. For instance, the developed framework may usefully guide efforts to meet other grand challenges such as the transition to a carbon-neutral economy (Dowell, 2022).

Implementing change thus requires a deep understanding of the strategy-identity-nexus (Ravasi et al., 2020). For instance, Hatch and Schultz (2017) similarly suggest that leveraging a firm's history for authentic innovation can help gain legitimacy. Shifting the strategic conversation to identity matters may therefore be crucial to engage all members in a more open strategy process and drive meaningful change together (Chesbrough & Appleyard, 2007; Liedtka, 2008). This further points toward authenticity as a key concept for driving implementation success (Anthony & Tripsas, 2018; Liedtka, 2008).

Conversely, the study highlights the negative consequences of not managing identity tensions. The identified mechanisms add to the ongoing debate on how conflict and inertia emerge and how they can be resolved (Huff et al., 1992). Prior research has shown how individual action to drive organizational transformation can be constrained by vicious cycles (Es-Sajjade & Volberda, 2020; Masuch, 1985). Using the example of excessive bureaucracy, Masuch (1985, p. 19) argued that vicious cycles occur when at least two mutually reinforcing dynamics create "pathological conflict". In such situations, actions by one group produce counteractions by another until the organization is drained of its energy. Besides further escalation, the eventual result is underperformance, apathy, and, in the long run, decay (Masuch, 1985, p. 14). At *Drive*, this happened when initial ambivalence toward digital change was not resolved and tedious operational conflicts over time drained the strategy process of its original momentum. When quality and output decreased, this further reinforced internal resistance up until a point where focal actors perceived the strategy process to be stuck and "paralyzed."

These insights complement recent research on the "originators" and "perpetuators" of vicious cycles that lead to escalating conflict in transitions (Es-Sajjade & Volberda, 2020). In the present study, vicious cycles originated from discrepancies between the nature of digital change and the organization's legacy identity. While most research on digital change has focused on structural and procedural problems (Warner & Wäger, 2019), this study suggests to shift the focus on the underlying identity dynamics that shape both organizational behaviors and outcomes. To anticipate potential sources of conflict, organizations can thus focus on how existing identity beliefs affect their strategic cognition, their approach to decision-making, and what ultimately binds members together on an emotional level. As De Keyser et al. (2021) show, such reflections should be embedded in a "recursive process" in which members collectively strive to soothe tensions and develop a synthesis that reconciles changes with a cherished past.

6.1.3. Socio-Psychological Dimensions of Strategy Practice

Research has only recently turned to the socio-psychological dimensions of strategy practice as major determinants of change and implementation success (Healey & Hodgkinson, 2017; Patvardhan et al., 2015). My findings contribute to these efforts by further illuminating the emotional context of strategy practice in incumbent firms and linking it to identity matters. Three shifts in our previous understanding stand out:

First, legacy identities shape unique contextual boundary conditions for strategy practice. Shifting the focus to socio-psychological contexts increases our understanding of how incumbents can overcome resistance (Humphreys & Brown, 2002; Nag et al., 2007) and initiate a process of continuous progress (Tsoukas & Chia, 2002). Previous research tends to view legacy identities primarily as a source of conflict and change failure (K. G. Corley & Gioia, 2004; Kogut & Zander, 1996). While organizational identities increase member identification, they can also increase inertia as members work toward maintaining existing identity beliefs (Tripsas, 2009).

The notion of organizational identity crisis helps overcome this ambivalence. My findings suggest that identity tensions may be neither good nor bad; in the first place, they are an integral part of strategy and people's efforts to shape the future of their organization (Patvardhan & Ramachandran, 2020). Acknowledging experiences of identity crisis is thus a natural part of a firm's strategic evolution over time (Tsoukas & Chia, 2002) that helps identify novel ways to initiate and drive change. My findings suggest that every identity crisis can be turned into a productive state. Recognizing and managing the socio-psychological dimensions of strategy may thus enable continuous change and maintain a strong sense of authenticity (K. G. Corley & Harrison, 2009).

Second, this study extends research on behavioral strategy. Initial contributions have emphasized the importance of members' perceptions and experiences in shaping behaviors and outcomes (Cornelissen et al., 2011; Gavetti, 2012; Gavetti et al., 2005). My in-depth account of digital change substantiates how successfully developing and implementing strategy increasingly depends on a firm's ability to open up the process and engage a wider range of people (Warner & Wäger, 2019; Whittington et al., 2011). Previous work has emphasized that to drive impact, strategy work should not be regarded as a "cold" endeavor governed by rational thinking alone. For instance, Healey and Hodgkinson have called to "make strategy hot" and shift the focus to emotions (Healey & Hodgkinson, 2017). In line with such thinking, I show that how focal actors perceive and emotionally relate to envisioned changes critically affects engagement.

This urges scholars of strategy and change to revisit long-standing assumptions that remain very much focused on leading a top-down process, aimed at convincing members of the *necessity* of change (Kotter, 2007). However, an identity-driven perspective invites us to shift the focus to appealing to members' intrinsic *desire* for change. While my findings confirm that a clear commitment to change at the top is crucial, they also indicate

that to motivate genuine commitment, strategy practice should be an enabler – or "host" (Liedtka, 2008, p. 246) – for an organization's ongoing identity project. If members perceive and experience a strategy as an opportunity to develop their organization's legacy in an authentic way (K. G. Corley & Harrison, 2009), this may spark meaningful, buttom-up momentum beyond a small nucleus of digital strategists.

Third, my study contributes to further strengthening organizational identity as a bridging concept that illuminates the links between strategy practice and human motivation. Much of the research on strategy practice aims to understand how the doings and sayings of people translate into organizational behaviors and outcomes (Jarzabkowski et al., 2007). My findings suggest that in certain organizations, strategy work is, at core, identity work. Mirroring Bourdieu's notion of *habitus*, our behavior as humans is vastly motivated by what we want to express by means of our identity. The mechanisms of identity-based motivation (Oyserman, 2009; Oyserman et al., 2006) seem to apply also to organizational life: If members perceive external pressures to diffuse an organization's identity, they feel the urge to act and regain clarity about who we are and what we do as an organization (Farjoun, 2010).

My findings challenge the dominant assumption that the underlying motivation of such efforts is backward-looking. Instead of restoring established identity beliefs (Livengood & Reger, 2010), an identity-driven approach implies a forward-looking dynamic. If consciously managed, instances of identity diffusion can provide an important impetus for motivating people to further develop their organization's identity and identify ways to unleash previously untapped potential. Such attention to identity-related emotions seems even more critical for incumbents that need to motivate fundamental change despite a still successful legacy business – a situation that we can expect a growing number of incumbents to face in the digital age.

Overall, the key message of the study is not to replace strategy's focus on analysis and facts with an exclusive focus on emotions. The message is that emotions are likely to be there, and that they impact strategic outcomes. Whether the consequences on individual motivation and decision-making are toxic or beneficial (Maitlis & Ozcelik, 2004) seems to depend to a large extent on how well focal actors understand and manage the underlying identity dimensions.

6.2. Practical Implications

6.2.1. Rethinking the Role of the Strategist

My study contributes to an evolving understanding of the role of strategists in fundamental transformation processes. Previous studies have stressed the need for "crossing the chasm" between strategy formulation and implementation (Tawse et al., 2019). My findings suggest that actively driving implementation becomes even more important in the digital age. More than ever, strategy depends on experimenting with possible solutions and iterating initial strategic guidelines (Gans et al., 2019). As the example of the auto industry shows, digital strategists play a key role in leading and supporting this process. Not only do they need to analyze changes in the environment and outline future directions; they also need to engage internal stakeholders in a collective search process to identify and realize viable options.

The emerging practices identified in this study show that this requires a different skillset: Strategists act as critical catalysts that *"B.E.N.D."* long-standing identity beliefs into future directions that stakeholders can identify with. Strikingly, all four practices – bridgebuilding, enthusing, nudging, and dodging – focus on carefully managing people's emotions in ways that facilitate change. While established approaches to change management recognize this (Beer & Nohria, 2000; Q. N. Huy et al., 2016; Q. N. Huy & Sonenshein, 2017), my findings suggest that managing change needs to be built-in feature of strategy practice already. In the digital age, more than ever, practitioners should therefore be wary about viewing strategizing and change management as a separate, linear process (Mintzberg, 1973). Strategists instead need to lead a cyclical dynamic in which strategy formulation and implementation co-evolve and mutually depend on each other in a collective learning process (Rockart & Wilson, 2019).

This has implications for how strategists interpret their role (Mantere & Whittington, 2020). Simply championing their own conviction about what is best for the firm may encounter resistance as different opinions are likely to compete. As Sibony et al. (2017, p. 12) have argued, initiating a sincere and inclusive strategy debate is crucial to drive impact. By shifting the focus from what is right to what is possible in a collective effort, strategists might be able to nurture constructive rather than confrontational conflict while maintaining a common focus of the debate. To build bridges and spark enthusiasm among implementation partners, existing research unanimously suggests that demonstrating humility is key (Mao et al., 2019; Owens & Hekman, 2016; Wang et al., 2018). Therefore, shifting the focus from designing and managing the right process to forging trusting relationships on eye level emerges as a key success factor.

Similarly, the growing importance of practices like nudging and dodging suggests that in the digital age, strategists must master the art of effective framing and storytelling (Cornelissen et al., 2011; Kaplan, 2008; Küpers et al., 2013). Given the heightened ambiguity involved in digital strategy, such efforts need to manifest not only in formal

strategy papers, but in the daily interactions and decision-making processes (Kaplan, 2011). As Martin (2009) suggests, the ability to reconcile seemingly opposing views and develop unique solutions to strategic challenges requires "integrative thinking". In the context of this study, integrative thinking proved key in situations when digital strategists had to reconcile concerns for a past legacy with the need to shape a more digital future. Enabling internal stakeholders and decision-makers to relate to envisioned changes and regard them as part of the organization's original identity (Raffaelli et al., 2019) was a recurring success pattern. Preserving the identity of being a car manufacturer allowed members at *Drive* to embrace digital solutions as part of an evolving core. The result often was thus not a trade-off between '*either, or'* – but a creative resolution between identity tensions that generated superior '*both, and*' solutions (K. G. Corley & Harrison, 2009; Martin, 2009, p. 15).

When staffing strategy teams, incumbent firms thus seem to substantially benefit from teams that are sensitive to managing the tensions between continuity and change (Malhotra & Hinings, 2015). To drive meaningful change, this study suggests that strategists must attend to both the desire to maintain a cherished past and the opportunity to shape an even better version of the organization's self.

6.2.2. Strengthening Interpersonal Networks

Another major practical implication of this study is that ultimately people and what they do shape strategic outcomes. This echoes recent work by seminal researchers like John P. Kotter that emphasizes the importance of agile, network-like structures for advancing the transformation of incumbent firms (Kotter, 2012). The in-depth account of digital change at *Drive* has made clear once again: In very rare cases, focal actors can rely on favorable organizational structures and processes that support strategic change to exist *ex ante*. Part of the reality of digital strategy is that digital change needs to occur even when the organization is not yet entirely ready and paradoxical tensions impede progress. However, the study also highlights that the key to nonetheless driving progress is to focus on people and establish trusting interpersonal networks for strategy implementation (Argyres et al., 2020; Tasselli & Kilduff, 2020).

This study therefore underscores the importance of understanding and practicing strategy as something that is deeply embedded in the social fabric of organizations (Granovetter, 1985). What organizational sociologists like Granovetter have established for intrafirm relations also seems to apply to the intra-organizational realm: Rather than waiting for the perfect organizational setup to emerge, transformative agency critically depends on the power of "weak ties" between individual actors (Granovetter, 1973). Leaders should therefore focus on enabling and encouraging cross-departmental connections. One promising approach has been outlined by Bojovic et al. (2020) who have examined the benefits of "experimental spaces". When leaders nurture a culture

that makes room for collective experimentation, strategy enables a dynamic that the authors label “becoming through doing” (Bojovic et al., 2020). This reminds us of the fact that only in rare cases change can be prescribed (Canato et al., 2013). Instead, chances of transformative change are increased when people are enabled to experiment in autonomous, yet focused strategy processes (Burgelman, 1991). As recent work by Janardhan et al. (2020) shows, this requires focal actors to develop an in-depth understanding of each other’s’ dominant concerns. As the authors argue, team goals can be an effective measure that even within existing structures can increase motivation and performance. Vice versa, their study shows that overly relying on performance goals has the opposite effect by undermining people’s willingness to take entrepreneurial risks. The findings of my study offer additional support for this view.

The importance of interpersonal networks has important implications for how incumbents approach the strategic challenges of the digital age. The recent popularity of data-driven approaches to decision-making suggests that relying on data is regarded at least to some extent as a remedy to the challenges of making strategic decision under uncertainty (Brynjolfsson & McElheran, 2016). While data science may indeed support the identification of viable options, strategy scholars have pointed out that having the facts is seldom enough to guarantee sound choices and their implementation (Gans et al., 2019; Raffaelli et al., 2019). Incumbents should equally ensure that both the collection and interpretation of data is embedded in a meaningful conversation between key stakeholders within the firm.

My study suggests that only if implementation partners regard strategic decisions as transparent and meaningful in terms of existing identity beliefs, a collectively shared spirit of driving change can emerge. Investing resources, time, and energy into building social networks may at first seem costly and time-consuming. However, prioritizing relationships at least as much as analytical facts may eventually turn out to be much more efficient.

6.2.3. Creating Identity Movements

In many organizations, strategy work typically focuses on developing clear strategic goals and managing their implementation (Bourgeois, 1985). The findings of this study propose a different approach for driving change in the digital age. Instead of paternalistically searching for the right strategy, sparking a movement among organizational members to collectively search for a renewed identity commitment might prove more effective.

Not only in the auto industry, strategic ambiguity (Denis et al., 2011) has become the new normal. Incumbents thus increasingly face situations in which knowing who we want to become in the future is increasingly difficult. Shifting the focus to identity may mitigate the corresponding challenges. For instance, Rao and Dutta (2018) have argued that

great strategies originally arise from identity movements. Using Apple's success under Steve Jobs' leadership as an example, they show how successful strategy formulation depends at least as much on activism than on formal analysis. Interestingly, they argue that leveraging people's desire to take a unique, differentiating approach to technological change can enable firms to identify novel and disruptive ways to reshape their industry. This mirrors the findings of my study: People seem to care more about following one's own way as an organization than about following a potentially short-lived technological trend. Especially for firms with a proud legacy, strategy emerges as a powerful vehicle to spark identity movements that aim at taking a personally meaningful, authentic stance about the future (Liedtka, 2008).

Focusing on creating identity movements could therefore support incumbents to shift the collective attention to the opportunities rather than potential threats of change (Ocasio et al., 2018). As the example of digital change in the auto industry shows, sparking enthusiasm for often abstract changes requires hands-on experience (Barsade, 2002). As Gorbatai et al. (2020) show in a comprehensive study on legitimacy and collective identity formation, emotional contagion and positive momentum requires lived experience to empathize with envisioned changes. Therefore, an identity-driven approach to strategy formulation benefits from stakeholders' deep immersion into the potential of new technologies. Creating positive emotions and experiences to make people opening up emotionally (Sanchez-Burks et al., 2016) might ultimately matter more than simply conveying the facts and strategic intentions.

The motivational and creative powers of identity movements thus sensitize practitioners that carefully building emotional momentum is key to driving technological change. When responsible leaders in incumbent firms seek advice on how to approach change, current recommendations often mirror the ideal of "move fast and break things" (Taplin, 2017). The findings of this study suggest otherwise. While speed is of course critical, the findings show that moving fast may not work when, on an emotional level, it means breaking with a cherished legacy. Especially when a firm's legacy is routed in a proud history of mechanical engineering, the transition to digital high-tech needs emotional sensitivity. Creating positive experiences of possible digital futures on a concrete product level that connect to the emotional core of the legacy is therefore a critical step in the strategy process. When strong legacies are at play, a humbler yet practical guiding principle may therefore be: "move fast and *serve to enhance* things".

Strategy practice further benefits from emotional storytelling: Acting as cultural entrepreneurs (Lounsbury & Glynn, 2001), strategists need to activate people's motivational potential to be part of shaping their organization's identity – and regard technology as a means to create even better versions of who they are as an organization. As Carton and Lucas (2018) point out, this requires crafting an emotionally activating vision that not just transports rational meanings. Rather than obsessing about the right wording of a strategy, the goal should be to generate vivid mental images of what the

future could look like (Carton & Lucas, 2018). This may avoid the typical bickering about whether or not a strategy is right, and instead focus members' efforts on shaping an even better future together. To create a powerful, collective movement, agreeing on a perfect plan or goal is thus not the focus of strategy; instead, turning organizational members into true allies in an evolutionary process is the dominant concern.

6.3. Limitations and Further Research

6.3.1. Applicability of Findings and Boundary Conditions

This study has captured the dynamics of organizational identity crises that occur in the context of digital technologies and the auto industry. As various traditional industries will continue to transition toward more digital offerings, the findings are expected to usefully inform many other strategic renewal phenomena. Clearly, the objective of a single case study design is not universal generalizability (Makadok et al., 2018). A key massage of this study is after all that to understand the dynamics of strategy practice, individual contexts matter. Yet my hope is that the in-depth account of the dynamics at *Drive* helps both researchers and practitioners identify aspects that are of relevance for their particular concern. They may also identify ways in which the case context differs from theirs and how this may affect interpretation.

Regarding the nature of incumbent change, the theory developed in this thesis speaks not only to digital or technological change. Technology-driven changes are expected to trigger particularly profound transformation processes in technology-heavy firms (Greenwood et al., 2019). Also, the link between digital change and identity change may be particularly strong as DT typically affects most defining features of an organization (Hinings et al., 2018). However, this does not preclude the relevance of an identity-driven approach to strategic renewal for a much wider range of change phenomena. Wherever members strongly identify with their organization's existing identity and products, similar identity crises may occur in response to external change. The nature of such changes may be rooted in shifts in technology, societal values, legislation, or socio-economic shocks like the Covid-19 pandemic. Grand, global challenges such as climate change may similarly offer an opportunity to revise one's existing identity beliefs to strategically renew oneself (Dowell, 2022). Thus, whenever external developments appear to challenge existing identity commitments, the presented findings may offer a useful lens to complement existing approaches to strategic change.

There may also be instances where an identity-driven approach is less suitable. This appears the case when an identity crisis has remained unnoticed for a sufficiently long period of time to have translated into an existential business crisis. When firms need to fight for short-term survival, initiating and leading an internal conversation about identity may take too long. Identity-oriented messaging may help activate members' buy-in, but

in acute crisis, the only way to stay in business may require a fast, radical response. Conversely, this points to a major benefit: When firms are determined to initiate the transformation already from a position of strength, focusing on the *who* may help anticipate necessary changes in *what* the firm does and *how*. Thus, an identity-driven approach to strategy presents an opportunity particularly for organizations who can look back at a proud history of success and are still hungry to lead their legacy into the future.

6.3.2. Limitations

This study is not free of empirical, methodological, and conceptual limitations. On an empirical level, the study period of the case is limited. It is long enough to provide an in-depth account of a novel, ongoing transformation process and several of its critical stages. However, it remains difficult to tell if *Drive*'s transition toward a more digital portfolio will turn out to be successful. Therefore, this study primarily contributes to knowledge about how vicious cycles emerge and how they are sustained in strategy processes. The emerging practices nonetheless indicate what initiating a more virtuous cycle could look like: At the individual micro-level, actors can "bend" instances of collaboration and decision-making in favor of product-level change and new identity commitments. Such theorizing is forcibly to be seen as grounded more in illustrative than in definitive data. This, however, does not make a theory wrong or less valuable either (Sutton & Staw, 1995).

On a methodological level, the auto-ethnographic approach and the corresponding role of the researcher forcibly involve subjectivity and intuition. Indeed, much of the proposed theorizing would have not been possible without my own subjective experience (Vesa & Vaara, 2014). Therefore, it is important to state that an external observer might have come to alternative interpretations and conclusions. My methodological approach and the subsequent theorizing are grounded in the assumption that the subjective experience of focal actors critically determines organizational behaviors and outcomes. Epistemically, my study is also influenced by the idea that organizational phenomena like strategy are essentially human phenomena. This holds that they can only be fully understood by acknowledging subjective emotions. Specifying to what extent the findings apply to other organizational contexts may thus be the focus of further studies.

Finally, on a conceptual level, the proposed framework might risk being misunderstood. Alvesson and Willmott (2002) have raised ethical concerns about instrumentalizing organizational identity as a means to exert organizational control: When identity becomes an overpowering means to frame internal debates and align behavior, this may increase pressures for conformity and allow executives to produce "appropriate individuals". In the context of strategy and change, this may have additional negative effects: When an identity-driven approach to strategic renewal is misunderstood as a means to artificially abricate alignment top-down, it may suffocate diverse opinions

and constructive debate which are vital for true renewal. Therefore, it is important to emphasize that the proposed framework is intended to support rather than avoid healthy conflict throughout the strategy process. Ideally, it may serve to open up new spaces for dialogue and to invite people throughout the organization to contribute their views and ultimately commit to a renewed identity in a collective process.

6.3.3. Avenues for Further Research

When do organizations benefit from an identity-driven approach to strategy?

The results of this study point toward several avenues for further research. First, further theory is needed on when and how incumbents are likely to benefit from identity-driven change. The presented findings confirm that identity is a particularly relevant concept for strategy in organizations with a strong product legacy (Patvardhan et al., 2015; Schultz & Hernes, 2020). This is mirrored by research in the context of family firms and iconic brands: Whenever members have a strong emotional stake in their firm's legacy identity, an identity-driven approach seems to benefit new product development (Beverland et al., 2010; Cassia et al., 2012; De Massis et al., 2016) and buy-in to change (Patvardhan et al., 2015; Ravasi & Phillips, 2011).

Further research is needed in contexts other than the product domain. For instance, is the nature of emotional identification significantly different for more intangible offerings like software or services? More broadly, do certain firm characteristics imply a stronger need to revise and adapt existing identity commitments than others? In what cases may an identity-driven approach not be suitable? To further explore these questions, recent advances on the differentiation between role and domain identity (Kammerlander et al., 2018) may offer a useful starting point. Similarly, Bourdieu's notion of "emotional capital" (Cottingham, 2016) and the growing interest in work as a means of self-expression (Tasselli, 2019) may provide useful guidance.

How can organizations avoid vicious cycles and nurture more virtuous cycles?

This study also speaks to how incumbents can manage periods of fundamental transitions by turning their focus to identity dynamics. Not only in the digital domain, strategic change increasingly depends on the capacity to navigate heightened uncertainty and iterative experimentation (Gans et al., 2019). While my findings have shown how vicious cycles may emerge in response to identity tensions, more research is needed on how their emergence can be avoided. The concept of "frame flexibility" (Raffaelli et al., 2019) seems particularly suitable to inform such efforts. Future studies may, for instance, ask to what extent cognitive flexibility can support actors in coping with paradoxical tensions and make existing identity beliefs more receptive for change

(Wenzel et al., 2020a). Similarly, research on how organizations can build the capabilities for strategic flexibility (Zhou & Wu, 2010) and how actively managing identity can help increase flexibility (Anthony & Tripsas, 2018) seems particularly promising.

Conversely, more research is needed on how firms can initiate and sustain virtuous cycles in identity-driven strategy processes. Ambidexterity research has stressed how paradoxical tensions can fuel virtuous cycles that enhance a firm's agility when navigating transitions (Andriopoulos & Lewis, 2009). Future studies should investigate in more detail how firms can actively nurture such cycles. These efforts could focus on how firms can increase the emotional relevance of organizational change processes for individuals (Liedtka, 2008), how identity movements can initiate the necessary momentum (Patvardhan & Ramachandran, 2020), and how structural environments can encourage entrepreneurial risk-taking (Gans et al., 2019).

How can organizations build emotional bridges between future and past?

The presented findings underline the need to better understand how the complex interplay between stability and change in organizational transitions can be managed (Chreim, 2005; Farjoun, 2010). As shown, a key challenge for incumbents remains to build emotional connections between an uncertain future and strong identity beliefs. Prior work has stressed the importance of strategic authenticity to gain legitimacy vis-à-vis consumers (Beverland, 2005; Pine & Gilmore, 2008; Schifeling & Demetry, 2020). More work is needed to fully understand how organizations internally can become genuine hosts for authenticity in transitions (Liedtka, 2008).

Specifically, future studies may investigate the exact psychological mechanisms of how organizational members evaluate the authenticity of strategic intentions and how strategy processes can be designed accordingly. Given the inherent subjectivity, they might also clarify if such perceptions vary across different hierarchical and functional parts of the organization (K. G. Corley, 2004). For instance, firms would benefit from more in-depth knowledge about potential differences in the need for continuity across different groups within the organization.

My findings also point toward the importance of interpersonal relationships in building bridges between an organization's future and its past. The growing interest in social networks and network agency (Tasselli et al., 2015; Tasselli & Kilduff, 2020) may offer fruitful guidance for further investigating how individual actors can build bridges with key stakeholders across different departments. The practices identified in this study may indeed be only the tip of the iceberg. What other practices are needed to facilitate collaboration when members relate differently to the established strategic intentions? How can strong networks compensate for the lack of top-down direction and nonetheless enable action? Influential concepts like agility have permeated research and project

management practice, yet much remains to be understood about how people can be truly engaged in such new approaches to cross-functional collaboration (Kotter, 2012).

In line with my findings and recent calls among organizational scholars (Yip & Fisher, 2022), future inquiry should investigate the importance and practice of listening in establishing truly trusting networks.

7. Conclusion

This study was originally motivated by a genuine curiosity in what it takes to reinvent proud legacies in response to external pressures for change. Studying a leading car brand's effort to transition toward more digital offerings allowed to generate initial answers. Regarding this study's guiding research questions, the following overarching conclusions can be made:

RQ1: *What tensions do focal actors experience as they attempt to digitally transform an incumbent's existing product offering, and how do these tensions relate to matters of identity?*

When proud legacies are put to a test, transformation efforts become closely intertwined with identity tensions that affect focal actors' cognition, choices, and cohesion. Recognizing and understanding these tensions require the determination to deeply engage with the socio-psychological context of organizations and what drives their members emotionally.

RQ 2: *How do focal actors confront and resolve these tensions to drive strategic outcomes?*

The findings of this study sensitize us that the key to resolving organizational identity crises is not always found in designing the perfect organizational setup or process. Instead, progress in legacy environments is largely driven by individuals and the practices they use to navigate the arising operational challenges. As organizations in various industries continue to face growing pressures for profound renewal, we may see how the dominant focus of strategy practice will shift from analytical frameworks to interpersonal relationships and emotional dimensions of change.

RQ 3: *What are the implications for strategy practice in incumbent firms?*

Predominant understandings of strategy practice are likely to benefit from a fundamental rethink. The conceptual framework proposed by this thesis may provide useful orientation on how to adopt an identity-driven approach to strategy practice. Making identity matters a dominant concern allows to alter the way we think about change in organizations: Rather than viewing change as a means to becoming different, it may in fact be an opportunity to becoming more of oneself and unlocking a firm's inner potential in dynamic environments.

The essence of this work echo the thoughts of the German philosopher Odo von Marquard. In his essay *Zukunft braucht Herkunft* (*English: Future always needs past*), he argued: To drive progress and positive change in society, the future must always be made "humanly possible" (Marquard, 2003). Without the future, the past risks to become boring over time. But without reference to the past, the future appears too cold to evoke the necessary passion among people to turn it into a reality.

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Appendices

Appendix A. Exemplary Interview Guide

The order and exact nature of questions depends on the role of the informant and evolution of the interview.

General introduction and interview rationale:

Thank you for taking the time to speak with me. I am a doctoral researcher at the University of St. Gallen in Switzerland. I am also part of the Digital Product Strategy team at *Drive*. I am conducting research that focuses on understanding how strategy practice evolves in response to Digital Transformation. To do this, I am interviewing people who are involved in strategy work at *Drive* or who have deep expert knowledge on the company.

I want to assure you that your responses will be anonymous. Your name, any other names you mention [and, if relevant, your role] will not be disclosed to anyone; there will not be any information reported that will identify you. I will report the findings anonymously. Your participation is voluntary and if you wish, you can withdraw at any point. You can also choose not to respond to any question. The duration of the interview will be approximately 45 minutes to one hour.

Please let me know if you agree with this procedure and if you agree that our conversation is taped to facilitate my analysis of the data. If you agree, we can proceed with the interview. [Pause; give the interviewee time to provide consent.]

Participant Background and Role in the Strategy Process

1. Could you describe your main responsibilities and roles you had at Drive throughout your career, and particularly in the study period? [Preparation: CV from LinkedIn and company intranet profile to facilitate recollection, improve accuracy of timing, and focus eventual follow-up questions]
2. Please describe the key events or activities that are important to the pursuit of your task within the strategy process.
3. Could you please describe the approach and process of a typical strategy project? In what ways, if at all, has this approach changed over the last years? Why? Why not?
4. Please give me some concrete examples. Can you describe the reasons that led to this approach/these changes?

5. Please describe various aspects related to strategy making, digital technology, role of different individuals, structural arrangements, products, information sharing, motives, innovation, change management, and other themes that are relevant to your work activities.

Impact of Digital Transformation on Strategy Practice

6. Based on your personal experience over the last years, and within the scope of your work activities, can you describe particular themes that you felt had a significant impact on *Drive's* approach to digital transformation?
7. What do you think are the key challenges for *Drive* with regard to the current transformation? What were and are challenges that you encounter together with your team? Can you provide concrete examples that substantiate your thinking?
8. The current strategy includes digitalization as key pillar. Could you describe how your role has been affected by the company's approach to digitalization?
9. In what ways have your role and the key activities within your team changed as a result? Can you provide concrete examples?

Deep Dive on Individual Topics

There are a few specific themes that I would like to clarify. Could you elaborate whether and how the following have had a significant impact on strategy work at Drive*?*

10. [Process/Culture] Developing a strategy is one part; implementing it is another. To what extent are you and your team involved in the implementation? Can you provide concrete examples?
11. [Identity/Culture] *Drive* is known for being a premium engineer and producer of a highly emotional product – cars with a unique driving experience. In what ways, if at all, do you feel this plays a role in the strategy work?
12. [Culture] How would you describe the culture and climate at *Drive* with regard to a more general transformation toward extended digital service offerings?
13. [Decision-Making] In your view, how are different strategic options prioritized? What is your view on how decisions are made here?
14. [Outcomes] *Drive* has frequently proclaimed in public the transformation from a traditional car manufacturer toward a more digital tech company. From your perspective, how far has this transformation progressed so far? What are the key reasons for your assessment?
15. [Role] From your experience, what are the demands placed on strategists today at *Drive*? What does it take to effectively fulfill your role in the current environment? If

you could give one advice to a new colleague on how to successfully do strategy here – what would that be? Why?

16. [Process] Drive has plenty experience in strategy making with regard to traditional cars. To what extent and how is strategy making different when digital offerings become part of the portfolio?
17. [Process] A clear positioning and differentiation in the marketplace used to be key in most prior strategies at *Drive*. How do these aspects play out in the context of digital services?

Those are all the questions that I have. Is there anything else you would like to tell me about digital strategy?

Do you have any questions for me?

Can I follow up if I have any additional questions?

Thank you for your time and participation in my study!

Appendix B. Additional Supporting Data for Key Findings

Theme	Representative Quotations
Navigating Organizational Identity Crises	
Identity Foreclosure	*"If you look at our history, we've always been best in the most severe crises. When we're close to bankruptcy, eaten alive by a competitor, or stand with our back against the wall, like in 2009 during the global financial crisis… This were the moments where we pulled together and came back stronger than ever. Drive is excellent in crises. By contrast, whenever we had long periods of success, we became too broad and lost focus. We grew fat and complacent."*
	"Of course, it's not satisfactory to simply say: 'Those guys at the very top just didn't get it'. It seems too simple. But I honestly cannot think of much other reasons. Everything we try to achieve here takes a lot of courage because it is something new. Doing something new always takes courage."
	"Digital transformation always means that many seasoned managers have to get out of their comfort zone. They haven't learned that and they don't have the skills. The resistance is personally motivated. It's about personal interests. They know they don't have the competence and have to give up power. I'm noticing that in current practical projects also."
	"You always run into defense mechanisms. The core question is systematically avoided: How does our business model change in a digital world? It's the main task of strategists to create this awareness and to keep pushing so that the organization is eventually confronting that question."
	"Automotive still understands digitalization primarily as an efficiency topic – especially in combination with automation potential."
	"Older CEOs typically don't get what digital means. The discussion is always the same. How much money do I make, what are the costs. But what it actually means to become a digital company – they don't have a clue.[…] It's not because they can't do it, they just lack the expertise and know-how. What it means to implement it, the concrete steps – there are blatant gaps."
	"In these type of companies, depending in which function you are – we still have to make a convincing case that digital transformation is something that you really have to do. It cannot be taken for granted that this need is acknowledged."
	"An agile approach is just impossible for established services. You cannot break it up. You cannot change how they work there."
	"I don't know what needs to happen for us to work in a different way here. People keep yelling 'Tesla! Apple! Google!' – but we keep doing our thing."
Identity Diffusion	*"Our company has started to recognize that our brand is no longer entirely future-proof. We need to rethink this and position ourselves differently. Our thoughts revolved around transforming the brand. From an automotive brand to something new that stretches beyond the car."*
	"I remember this period as being full of internal fighting. It was always against each other. We wasted the whole time on thinking about: OK, how do we frame this now so that the other one has to go along with it the way we want to. Hardly any substantive work, only against each other. And no decisions at all – that was the result."
	"I couldn't even tell what the scope of the department was. Do we know what we are doing and what we want to achieve – there was no answer to this. Everyone has been muddling through for his own topics and how he thought it was correct. But it made no sense."
	"Digital transformation is the key challenge for our industry. What got us here won't bring us further."
	"Throughout the last years, we always had the problem that we generated a massive amount of input for the question what we should do. Much less effort was spent on the much more decisive question: How do we gain traction inside the organization? How can we implement it?"
	"I miss that feeling of security of knowing: if I do it this way, I'm acting in the spirit of the strategy. No one who I know here currently has that."
	"It's frustrating to the max. We spend months reprioritizing on the basis of more restrictive budget targets. Then we come up with it and are told: 'No, you now have to cut so and so many millions again!' When are we actually going to

	get down to work? We only concern ourselves with ourselves. I haven't dealt with anything else all year. People are extremely pissed off and on the edge. The issue is worse than ever."
	"What does digital transformation mean, and what not? In this company there are at least 17 different definitions."
	"The initial strategy was too broad, with too many heavyweight topics that were not prioritized strongly enough. However, the strategy itself was very well communicated to the company via appropriate formats and broad communication to the team. In other words, relatively quickly many people knew what it entailed. But this did not help to say what we are focusing on."
	"I feel the problem is a little bit that we are now somewhere at the tipping point. Until now, you got somehow away if you had something. And soon, this will change. You will soon have to have something really good, otherwise people won't buy our car anymore."
	"What I'm missing today is a goal which we work toward as a digital unit. What does the CEO expect from us as a digital unit? What is our contribution to the company?"
	"I think there is really no lack of theory and good ideas and also good people and theoretically good methodologies. Challenge number one for me is that everyone is cooking their own soup. So from my point of view there is not really an overarching platform or committee that somehow brings it all together."
	"What bothers me most? Well, I mean, it's actually that Drive is very consensus-oriented. The development of a strategy is supported and shaped by very many departments. It's therefore actually really difficult to find a point of view that's actually still exciting and not just a compromise in order to somehow sort out any opinions, that deviate very much. But the result is that we might never reach anything like groundbreaking strategy. We will just continue to somehow muddle through to a position that isn't particularly new, but where everyone somehow can agree. And I'm asking myself very strongly right now how we can really come to a strong statement or to a strong decision to do something or not to do something. Something that may perhaps also represent a break with our past. In this consensus culture… We're having a very, very hard time right now."
	"In a short period of time, multiple events made clear: there's something smoldering out there. Not just in our industry, but in society at large. In retrospect, each of these events put a small crack to how we used to understand ourselves and our role in the market."
Identity Moratorium	*"We started with the question: 'What does mobility mean today? Have we really understood this?' The next step then is to ask: 'Who are we? What role do we play as Drive if we assume these various perspectives?' And, unfortunately, it is there where we are still stuck as an organization. Our current CEO is using the term 'system integrator' to explain who we are. But look… He cannot even explain this properly to my mother."*
	"100% Digital Mindset means: Aiming for a sticky ecosystem, understanding the car as a digital device, simplifying for the customer, focusing on experiences, embracing new ways of working, and being relevant for an always-on world."
	"We need to adopt these agile principles. This 'let's start with 80 percent and see how far we get'… This is what we need on a strategic level."
	"Is digital differentiation or hygiene? Where do we have some unique advantage that sets us apart?"
	"Continuity is important. Without continuity in a least a few positions you cannot be successful. You need a stable community. Within that community, there can be changes. That's normal. But otherwise, there is no true cohesion. Communities are the key to make this constant iteration work."
	"You have to keep questioning the guard rails you once set: Are they still valid? To what extent are they still sustainable? And you must always check: Which strategic guard rails do we have to soften in order to adapt to new circumstances?"
	"What you can notice is that we move away from thinking about single features more toward a holistic experience. In the past, we have always been very strong on differentiation through additional features - through functions that a competitor did not have. For example, in the navigation context, there used to be a feauture like a "route magnet" - totally pointless but what we used to see

	as 'differentiating'. That is, you can drive from here to Barcelona, but then make a magnet in Milan, so you definitely somehow drive via Milan then. You could also just add an intermediate destination. But no – we decided to make a route magnet that takes you past there. At some point, we realized: That's a feature, yes. And yes, we were the only one having this feature. And yes, it also somehow differentiated us. But did anyone of our customers care? No! Hell no, of course not. What I want to say is that we used to be very functionally oriented when it came to differentiation. And then you realize that this will no longer work in the future, because if other manufacturers simply nail in a complete ecosystem like GAS, then they will have more and more services with more functions in the car. In other words, we now ask: How can we really differentiate ourselves now beyond micro-features?"
	"That's probably what the most difficult questions were ten years ago: How much is the premium segment growing? Do we still need any other type of vehicle model, yes or no? As you know, the issues that we are now concerned with, especially these digitalization issues, are of a completely different caliber. It's more about: What kind of company will we be in the future? What is it that we are going to offer together with our cars?"
	"It's been a huge juggernaut. We have taken the liberty of covering mobility services in their entirety in all its facets. We have taken the liberty of broadly addressing the issue of digital services. And, of course, we continued with our core vehicle business just as before. But over time, these very broad and substantial areas of activity brought us to a situation where we needed to prioritize once again, and this has now been done to a large extent by the new CEO."
	"Where we have not yet reached an agreement is: How digital should our product offering be? And how wide is the gateway? We actually made a de facto decision here by reorganizing the structures and saying: We do digital in and around the car. This is already in some ways the realization of the' iPhone on wheels' approach - that we have said that at least the car and the app have to go in this direction."
Identity Achievement	*"What fits the company? I think that's already an advantage for us. I mean: we've been around for over a hundred years. We don't just have one brand, we have a wide variety of brands. Of course, one of the things we have to discuss is the joy of driving and self-driving cars. But of course that's also something that resonates: that we're not suddenly selling ping-pong tables because that might be digitized and profitable, but that it's also a topic, the process, that's been developed: Coming from the automotive sector, we will focus on the area of mobility and all the accessories around it - be it financing, be it insurance, be it perhaps also health and so on - but we will focus on the core of mobility and not open up everything now."*
	"Vehicles are always very strongly associated with design, quality, and certain technical requirements, whether it's horsepower or whatever, has always been associated with Drive. I think that this brand core has to be transferred a little bit like that. I continue to believe that there will be a premium and desirability aspect. But in my view, it will be defined a little differently. I do believe that Drive, for example, would have room in this digital world - more in the direction of privacy, security, doing trustworthy things, where there is also a lot of concern among citizens in this digital world about data and privacy and things like that."
	If" we as Drive come from a history that is very much characterized by driving dynamics, then that is definitely an asset and a differentiating feature that you have to maintain and carry forward in case of doubt. But that doesn't absolve us of the task of complementing the whole thing, of linking it with a digital experience - with a coherent, adequate, target group-relevant, digital experience. And that's why prioritization is the wrong approach: the customer, the premium automobile customer who buys a Drive vehicle now and in the future, wants exactly both "in case of doubt. They want driving dynamics - and they want digitality."

	Identity Tensions
Chasing vs. Shaping (Cognition)	*"Why do we have such a hard time to bring about true digital innovations? Because we optimize the portfolio for competitors, not for the customer. The horse only jumps as high as it has to."*
	"The question is whether that's really the right thing for us to do. We are put in a bit of a supine position again and again by the competition and then only react. But that's how it's working here, at least for now."
	"It's easy to move things here if you can use a short but powerful sentence: 'Competitor XYZ is doing this already.' Then you will see big decisions being taken within hours that you have been trying to bring about for years before." – GS:112
	"If you are looking for top decision-makers' support, there's a simple rule: If you ask for budget to beat the competition, you'll get it; if you ask for budget to create something that no other player has done before, come back next year." –PS:223
	"As a company, we have always been at our best when we had a clear, tangible target. The most brilliant achievements in our history were made when we obstinately set out to assert ourselves in an established market. In situations where anyone would call us crazy – this was when we got the whole organization united behind a common goal. And against all odds, we always came out on top of the competition. We eventually overtook established players – left-hand lane, indicator set, headlights flashing." CS:246
	"We are not just running against mental walls here. It's enshrined into the deepest depths of this organization. We set goals and measure our success mainly based on benchmarks and competitor analyses. But the problem with digital innovation is: It's not there yet! It needs to be invented! How are we ever going to differentiate ourselves by copying our traditional competitors?" – PM:102
	"The danger with [the] mainstream is… First, it is constantly changing. At the end, you keep running after it. Second, after the mainstream, it's game over. There is nothing more left that you can fall behind. Once you ended up being mainstream, there is nothing more you can fall behind. You have no longer the capacity to create new trends – to be ahead of the mainstream. Instead you are always pushed around, you are never ahead of the train. That's frustrating – and not sustainable from a business perspective."
	"I used to be a fan of benchmarking, but for these topics I'm not. There are actually only limitations coming out of it. On the other hand, you have to ask the question about the root cause. Why do people keep asking for benchmarks? And it's clear that the carmaker CEO has to provide answers to his stakeholders. And he is always asked how others are doing it. And they have to have answers. And they will only look for other answers when they are asked something else by their stakeholders. In other words, when the supervisory boards are made up of more diverse members from other industries, etc., they will look for other answers. They need more cross-industry thinking." EX_252
	"A strategy must always ultimately […] lead to a competitive advantage. This is misunderstood as we look at the competition today. And not at competition as it will be in the future. It's unbelievable how something like this can happen in a company like this." GS_102
	"Competition has traditionally always been a major driver at Drive. It has always been a very, very important trigger. I don't know if that's also the case at other car makers, but that's something I've noticed at Drive." GS_104
	"Take the example of Apple Car Play or Google Auto, years ago. We always ruled them out per se! Then suddenly seen in the competition. The reaction directly was: 'Watch out, the first ones are using it! Watch out, it's becoming the standard!' And as a result, we have always been a bit of a late mover. That's just how Drive ticks." Group Strategist
	"Our obsession with the competition is distracting. What we are still suffering from is that the focus used to be more on destroying competition than on serving the customer. But in the end, you're doing business for the customer

	here, not to destroy the competition. You want to create customer value." PS_221
Exploration vs. Commitment (Choices)	*„Unfortunately, I don't see that Drive has a point of view for digital. I guess we do have a point of view for mobility overall. And that's being more than just a car manufacturer. But we still need to confront the question: What does the car mean to the customer? What role do we as Drive want to play in a digital world? And that's where I'm still searching. We don't yet have this strategic foundation."* *"In these projects, typically the clients have the most specialist knowledge and depth of detail when it comes to these [digital] topics. What we bring in as a supplement is, above all, the market perspective. The basic ideas usually come from them, which is also better. They know the company better."* *"Especially in these uncertain times, I deeply believe that you need a robust, basic strategic conviction which you can hold on to over a longer period of time. You need to trust in the overall direction to be able to take risks within these boundaries."* *„To make an organism manageable, a strategy must be clear and tangible enough to guide. So that it can guide and give direction. You can't say 'digitalization is our direction'. I read that everywhere. It's all bullshit. That's actually, if you're honest, a failure of strategy! They have to be willing to say in the formulation: ' In which target area do I want to end up.' You have to say that this is the direction we want to go in. So that the people can get their bearings. Even in times of great uncertainty and upheaval, you must force yourself and take enough time with your management team to create sufficient clarity, even if it is difficult for you."* *"You need to commit to something to make it stick."* *"When it comes to strategy, you have to ask yourself: What do I believe in? If I believe in an electric future, I think maximum flexibility as a strategy is simply wrong, fundamentally flawed. If you believe in diversity in terms of drive systems and think there are five different ways of powering a car that are demanded by customers in roughly equal proportions - then it is consistent and right. But it is also true that flexibility can never be used as a basis for leading the different teams in the company in a clear direction. Doing everything at the same time simply means that you have to pack resources everywhere. None of this is good in the end. You end up having E-cars without range. You always compromise for certain parts. But it's a question of starting point and what you believe in. I think the maximum flexibility strategy is irritating, especially for the team. And I also notice that they are starting to change."* *"Most problems occur in the final implementation phase. It's extremely difficult to change a waterfall logic that has been enshrined into the culture over decades. It is this established mindset that poses the biggest barriers."* *"With these topics you always feel as in a never-ending state of limbo. There is no clear plan on the company side. For me there was always only one thing that helped: To fully jump into it and get started. Otherwise you keep waiting forever – as if you were ordered and never picked up."* *"What keeps making it really difficult for our topics: there is no real fixpoint that you can work toward."* *"What does this strategy mean now, exactly? What are the concrete derivations on a product level? I don't see anything at the moment. I don't have a framework within which I could decide for myself now for my topics. Zero guidance! Anyone can put together slides and figures, even a consultancy. But the effort to break it down into operational, actionable pieces - that's missing."* *"I'm wondering: Does a company like Tesla even have such a finely detailed strategy? Or do they just do it? Is this work worth it for us? I'm really not sure. The insight for me from the strategy - it's extremely limited. As soon as we get to the point of making a concrete decision for a product… That's where the thread of the strategy breaks."* *"I would put much more energy and money into being able to change things in the short term. Especially in software development - like the cell phone manufacturers do it already. Instead of always pretending to know what will be in 2025 or even 2030. That's always wrong."*

	"We don't really do things differently today, we try to stick to the old. That means using the traditional methods of market research, asking the customer for help, trying to make predictions about the future. We are schizophrenic. On the one hand, the permanent credo 'Nothing is predictable anymore!' Only to say in the next sentence: 'Now let's set up premises as to what the future will look like in 2025 and 2030, 2035, so that we have something to orient ourselves to.' We won't have that. That means we can only set these premises in a completely different way. You can no longer specify in that detail. You can only define the framework conditions, and then you have to build your own strategy on that. And this pressure to be dependent on a long-term strategy was not as strong in the past. That leads to a huge fear. And… This sentence will certainly get me fired after this interview: We currently try to sneak our way out saying that we want to leave all the choice to the customer."
	"First of all, it's important to have a kind of flock in place. And to say: Well, that's our position for now. But it's also important to have a certain flexibility and not to say: 'This is what we defined five years ago in Strategy XYZ and now we're going to stick to it whatever it takes. I think that was a lot simpler in the past."
	"I think a basic conviction is crucial. An aspiration what you actually want to stand for. These basic guard rails, like 'We want to be premium' and 'We also want to make driving a highly emotional experience' or 'We want to grow in general'. Things like that are good. I believe that how I eventually get there – there you simply have to show real flexibility these days."
	"The key question is always: Hm, what strategic guardrail can I really put in place now? In the sense that you have all the basic hardware options in the cars and can then react quickly and add things if you need to."
	"If we continue to lack this overall target picture… This overall ambition for the company… We will never get rid of this 'featuritis'. We will remain caught up in these detailed micro discussions about individual features and budgets without really taking on the big, decisive questions. It's just operative ping pong, it's not strategic at all."
	"Where we're not so good, is saying: Hey, there are three paths, and I can go this way or that way, and I can't tell you today exactly which one it is. But: I enable myself and the company and us to look at everything again on the basis of certain milestones and then decide differently if necessary."
	"It's really a tight balancing act. One the one hand you need to be as flexible as possible; on the one hand, you cannot open the door too much to allow for every crazy idea that might be out there."
Legacy vs. Future (Cohesion)	*"There is this ritual for final approval. When we launch a new model, every board member spends about 20 minutes inspecting the car in detail. It's a very special and emotional moment. You have worked for seven years on something and then it's finally out there. There is a schedule. Every minute is planned out in advance. About 5 minutes for the powertrain concept. 3 minutes for the chassis design. Another 4 minutes handling and driving experience. You get the idea. How much time will the guy spend on digital services, if you're lucky? The last 30 to 60 seconds, if at all. This tells you much about our priorities and the significance we attach to digital things here."*
	„The problem with digital transformation is that no established OEM or company that I know of has been really successful with it. That means the whole endeavor is like a discovery tour at its core. When transformations touch the core of a cherished past... You can't take too much of it with you, you have to be able to think anew. You need a shared idea that is new, otherwise you will have constant difficulties in implementation."
	"You still have meetings where you need to make the basic case for digital. They don't understand the topic. This is what makes it so emotional. They say: 'That's nonsense, the people will need to continue to buy cars!' This type of statements. It's like in a relationship that starts breaking apart. Sometimes this happens to be a really brutal cut. At least that's how these discussions feel like."
	"You always have these buzzwords flying around. What is that even supposed to mean, 'digital'? Could be anything, after all. It's a culture shock. It's not just about selling cars online. It requires rethinking entirely what we do. They typically don't look at it as positive thing, as something, that could make the car even better than it is now."

	"It is mainly about competencies and know-how deficits. But in both directions! Of course, we mainly have managers here who have grown up in the traditional car business and have a hard time with changing their views because the digital guys are telling them to. But anyone who comes in here and doesn't understand the classic car business will have just as much trouble getting anything implemented. Because you have to understand that, too."
	"There are two camps here. One says: We are Airbus and not Lufthansa. The other says: Yes, okay, that's how it is today, but perhaps we should move more in a different direction, because otherwise we will lose the customer interface."
	"If we as Drive come from a history that is very much characterized by driving dynamics, then that is definitely an asset and a differentiating feature that you have to maintain and carry forward in case of doubt. But that doesn't absolve us of the task of complementing the whole thing, of linking it with a digital experience - with a coherent, adequate, target group-relevant, digital experience. And that's why prioritization is the wrong approach: the customer, the premium automobile customer who buys a Drive vehicle now and in the future, wants exactly both in case of doubt. They want driving dynamics - and they want digitality."
Identity Barriers	
Lack of Risk-Taking	*"With these large corporations, it is essential that incentives are aligned. That's a hard fix - but there's no other way. There has to be a monetary component. Otherwise, there's always trench warfare. As soon as the goals are the same, things go better."*
	"There are many people who are not willing to change their logic. There's this ridiculous term 'committee work'. It's just PowerPoint!. I did that all day long when I was a consultant. Nothing ever comes out of it. 'Committee work' unfortunately still remains a major justification for any department head position. When you justify the position, you still need to fill one of these forms that asks you about all the committees in which you are sitting flat on your butt."
	"What we desperately need beyond our own team is a shift in mindset. 80% target achievement is awesome! If we make 100% that's just a sign that we set targets that were way too low and that we underperformed. We review our targets every quarter. When we miss a target, we don't blame each other but run a lessons learned session: What can we do to hit 80% next time? Of course we need targets and KPIs. But in the end, that's people business! A method is a method. How it is applied is a different story than writing it on paper."
	"New collaboration models mostly fail in traditional parts of the organization because long-standing leaders would need to give up power. They block this successfully. None of them wants to become a supplicant."
	"You simply have to recognize the basic dynamics of a large company, quite pragmatically: it's about revenue, it's about costs, it's about profit. You have to reflect that in your strategy, in a way that is striking and recognizable to everyone. Otherwise, you're just an eyewash troupe. When you're on the stock market, these KPIs are the first thing you do. Everything else follows."
	"What I experienced specifically in the automotive context is: Strategy processes still vastly work according to the traditional model. It's an extremely high tech focus, it's all about squeezing out maximum efficiency. But there's basically no room for long-term thinking and flexibility – you know, all that stuff you need in the digital domain."
	"It's a paradox: we have formal responsibility for the product, but we can't decide anything. Because we don't control the development budgets. It's the old game: if you want to influence something, you need the money."
	"We currently allow ourselves to make product decisions every six to nine months. In the meantime, we do coordination and prioritization jabbering. I think that's remarkable, given the urgency and the problems. That we can still afford to do that."
	"What we typically have to do in preparation for one of those committees is cutting the overall digital experience into its very smallest particles. At a micro-feature level, we then evaluate it, breaking it down to 'this now costs €1,250, this costs €800 - not €10,000 or €100,000. And then a higher level decides

	out of nothing: 'No, we'd better put that feature in that budgetary bucket there.' There is a ridiculous amount of meaningless work being produced. Total overkill for very little benefit."
	"We already have more qualitative metrics focusing on the customer. That has already changed. But quantitative metrics are still dominant. It's a financially driven company."
	„As the saying goes, the horse only has to jump as high as it has to. And that's exactly the kind of attitude I sometimes see when it comes to really getting a bit better, generating just a little bit more customer value. It's not what we measure here."
	"We are still very, I would say, engineers-driven. Everything has to be perfect. We only do something where we are sure that we can actually get it right, at least we try to avoid any mistakes. And if one happens at some point, you have to conceal it somehow rather than saying: Yes, it was an attempt, it didn't work. Next. We just don't do that."
	"Motivation is highest when you can really move something. When you can do something radical. When you can excite people and take them with you. We have these capabilities at Drive; but you need to be allowed to make something out of it."
	"A management team is only convincing if it can really believe in the strategy. You can't sell a strategy that you don't believe in yourself. You won't succeed, and that's what your employees will sense first and foremost. That is essential."
	"I participated in multiple pitches in the auto industry. It was always about integrating the customer throughout the entire life cycle. Taking away more power from the dealerships and so on. And every single time I realized how hesitant and political the discussions were. I always asked myself how radical they can really be. So much politics, so little innovative drive."
	"My main problem is the typical Drive mentality. Take navigation services as an example. To date, you can see that we are not deciding on behalf of the customer or based on what's best for us as an organization as a whole. Instead, we decide based on what's best for individual departments and individual people who are responsible for maintaining old, existing products. It's all about the protection of privileges and defending headcounts. It's not strategic decisions that we take. It's political."
Lack of Sincerity	*"Digital is currently still regarded as an add-on. Both in the heads and in terms of structures. This has to change fast."*
	"From my point of view, we don't have any problems on the theory side. Once the customer journey has been cleanly defined and set up, it works. After that, it gets difficult. The problem is that we simply don't have enough money. Quite banal. We have good concepts, but everything is currently being deprioritized. And not with a focus on the things that really make a difference - but with a watering can - everything minus 20%."
	"That's often the frustration: You work everything out, you prepare, you put yourself out there. And then everything gets smashed by the budget cudgel. At some point, you also think whether it's worth the effort."
	"And then there are experts and supposed experts. And basically, because everything is new and everything is so broad and complicated, it's important to do as much bullshit bingo as possible instead of specifically writing down what's important to the customer and what's important to us as a brand and what's not. But then also to say: if this is important to us now and we believe in it, then we will also implement it."
	"There are meetings that are only about formulations of slides. I think that is wrong, because the customer couldn't care less about that. It may be needed to some extent, but it should not make up 80% of our work how we formulate something internally. We should deal much more with finding solutions."
Lack of Authenticity	*"Sometimes external consultants can be helpful. They can help sharpen a target picture. But on the other hand, strategy fails in the implementation process when it originated only from the outside. If you transform the core of your company, the nature of what you do – I don't think you can do that only using external help. You need to shake up the system. Nobody takes that off your shoulders. It's painful. But you need to go through that by yourself. When you have a shaping idea, you need to work on that with your internal strategy*

	team and frame this idea in a way that it becomes your own – that it's not a consulting idea but an idea from your team. And then implementation gets much easier."
	""The thought of us single-handedly creating a whole new digital ecosystem for customers from within the car - that seems almost absurd now, with a few years and some internal conflicts behind us. Why would we ever succeed in developing a better Spotify?"
	"You need to be careful with stressing the importance of core competencies. It's more about reinterpreting our strengths and what we aspire to achieve as an organization and for our customers. We're the masters of managing complexity, but that's also becoming our main pitfall. Tesla simply cuts out complexity and overtakes us. That's where our core competency is of little help."
	"All digital services are still viewed very controversially here. My view is: Let's please stay with ourselves. Drive has always been at its best in its history when it has decided for itself what was good or not. Other car makers are cooking only with water. When the decision is ripe to say we're getting in somewhere or we're getting out somewhere – that's also an identity issue. Too often in the past, we've done things while focusing on others. But orginally, Drive used to be a role model of beating our own path. I'm convinced we'll see in a few more years that this will again work to our advantage."
	"We looked a lot at the competition and said that Competitor X does everything right – now have to do it exactly like that competitor! Then it will be fine. And the result was that of course that it doesn't work at all. Because we are not Competitor X."
	"There's too much bullshit bingo. What we have to do is to look at the individual facets of a customer and a customer journey and a customer expectation and then decide: Where can we credibly score as Drive, and where not?"
	If you start something like that now, you're immediately branded as completely unworldly, as not integrable, as an illusionist and a fantasist somehow, that you don't do that for long, yes? And, from that point of view, it will always be a link to what was already there and what is the core of the brand and what one could somehow imagine as adjacent, but that is never something completely new, because the organization immediately slaughters you with it."
Emerging Practices	
Bridgebuilding	*"The main responsibility of my team is networking across different departments."*
	"Typically, the project setup is super inefficient. There's often a tandem – internal guy, external guy. The internal guy provides the network and the external does all the work. That's super inefficient, a massive overhead. Ideally, the internal guy would own both sides of the coin – and use us as impulse generator."
	"It's clearly not enough to simply create a new, separate department for digital transformation. Because at some point, this department has to knock at the other departments' doors and say: 'So hi everyone, now I'd like to digitally transform you a bit.' And of course, these guys then say: 'No, thanks. Go look for someone else, I still have enough things on my plate.' If this needs to work, it has to be a strategic priority for every single department."
	"You need to understand how cars and their development work. There's no way around this. In too many cases, I feel that this willingness to seek this proximity to the car colleagues… It's lacking."
	"Your first reflex must be: OK, so who is my counterpart on the vehicle side? Who is making the decision at the end?"
	"You need backbone. For vehicle managers, you are not a real product manager. You always have to start from scratch and make the case why your products are important and awesome. For developers and enginners, you always have to show that you are not the little marketing girl trying to develop a product herself. You need to be committed to this and believe in the topic. If you stick to a work-to-rule-mode, you don't produce any results. It's not enough."
	"Lone warriors won't get far here. It's always better to do the critical things together. Just the other day I said: Hey, this is my study, but I need you for it - it's good for you, too. We act together. That's very, very important for building trust, especially at the beginning." Product Manager

Enthusing	*"Putting in the money is critical, but alone not sufficient. You have to get people excited about the topic. That's crucial. Not for the specific content in detail. But for the topic as a whole. And then push it out into another entity, pump money into it."* *"Successful strategy work in this context has a lot to do with breathing the necessary energy back into the organization. These are then also the moments when you personally draw energy out of it! Stupidly, this usually works with very simple, clear guidelines - i.e., for rather uncomplex topics. Then the implementation also works."* *"I've always believed in the people that I had. I never had the drive to hire tons of people from outside. I actually believe that for the vast majority of issues, you can get it done with the people you have. You can always get top performance out of them."* *"You need to wrap it nicely so that becomes sexy. You need to use strong images. In our case, our main focus was sustainability – a radical change for our company. We spoke of two planets: Red planet, blue planet. We were on the way to become the red planet. Nobody wanted that. Really simple images, extremely concise for what you are doing. And then you start breaking it down year per year into steps. People then say: 'OK, I don't know 100% where this is going, but this could work.'"* *"You have to stress the benefits and find something for every stakeholder along the process. For instance, if you end up having a guy who is becoming crazy because he spends a ridiculous amount of time just copying excel sheets because the existing tool sucks – get him excited about the many benefits a more digital process has to offer. The key is: look for a way how your project can offer substantial value for others."* *"I always approach it like this, saying: Hey, look – we are still a carmaker. What we try to do with digital services is to upgrade the car and make it even better. This is the way to go for a car manager. If you communicate like this, they get excited to communicate digital services to the customer as well!"*
Nudging	*"With all the other strategy topics, basically anyone who has slept properly has some basic knowledge can work on that. But the digital stuff, and I am experience this myself right now – at the beginning you don't understand anything. You don't understand what it's all about. In other words, there is a very, very high entry hurdle in terms of the technical competence that you need in order to get to grips with these strategic topics at all. And that is a characteristic that I think is different from other strategies."* *"Besides working on the strategy content, the main focus is on formulating and writing down the strategy in such a way that it can be internally incorporated."* *"The topics are so complex. We carefully need to own the process. For each meeting, we need to have the relevant people. We need to prepare and follow-up conscientiously. We ensure that we remain focused on the big picture and the interface partners take care of the details. But we need to moderate this strongly – always chasing them, always ensuring that we are working on the right things and questioning ourselves if we are still heading into the right direction."* *"It's important to make this emotional connection to the legacy. I was always the new guy, the newcomer. I never had much to do with the legacy myself. Sometimes it was a matter of rediscovering the legacy, sometimes it was a matter of reinventing it. In fact, most of the time the team is very proud of the legacy. That also comes strongly from the sense of belonging […] – 'My place, my colleagues, my people'. It's imperative to respect that. You have to outline a path that recognizes and accepts what has brought the brand to this point and made it strong. And for the employees who have been with the company for 20 or 30 years, it's not a break, but a way forward. It's not 'What's past is rubbish' – but rather: 'We've come this far, it's been extremely successful, but parts of these axes of success won't take us any further. We need something new here, and that's the plan for how we're going to continue.'"* *"It's different from the green field startups that are young and agile by nature. The more successful a legacy is, the prouder it is, the more important it is that people can see the connection, the continuity. You cannot beat the people for what they have done in the past – but you tell them: 'Look, guys. You have been and still are great. And to continue to be great for the next 10 years we*

	need to do some things differently around here. Stuff we must change. You need to take them with you."
	"You need to focus on the key stakeholders up in the hierarchy. You can usually get further with benchmarking and best practices - concrete examples from which you can learn something. You first have to build up trust and reassure them that you are not a crazy person betting the company."
	"*As a matter of fact, the most suitable people are seldom those who are high enough up the hierarchy to push these changes through. It's like that in every project and it's the biggest dilemma we face."*
	"The DNA of our brand is often the origin of our thoughts. The DNA provides us with the needed authenticity, the needed credibility – the needed power vis-à-vis the customer."
Dodging	*"It's best if you can bring your own facts, then you know the data and that it's trustworthy. Our first measure was to build a veritable 'facts machinery' to build a solid foundation. My main goal is that we don't need to participate in any committees anymore because we have the facts already and the power to decide ourselves at our level."*
	"For every priority, we ask: who are the go-to-people, the high performers, within the company, who can really drive momentum and traction for this topic? At the same time, we consistently try to avoid those people who as a matter of principle tend to be blocking things. Who don't want to take any decisions, who are risk averse etc. You need to meet these guys where they are coming from, but you need to keep them out of the decisive steps of the process."
	"To be honest, I would love to go and tell some of my colleagues: 'Please, stop whining already!' It's part of our responsibility as product managers to get up and fight for our topics. This is how things work here. Especially in these times! The company is not standing there waiting for you and your digital ideas. And so it will never be! Take it or leave it."
	"It also depends a lot on you personally and how you interpret your role in the process. I have a lot of colleagues who, as customer representatives, just run with it and let the technical side dictate everything. But I feel absolutely in the lead for my topics on the product side. But I also show up and do the dirty work. You have to decide for yourself how much you want to be involved when it comes to the customer journey, et cetera."
	"I now see it like this: The system forces us to waver around. It forces us to put a random number into an excel sheet that indicates how it will be in 2030. And I now tell myself: If the system wants me to put a random number there, I put a random number there. Or one that I expect will not raise any issues and will buy me time to further work on my topics."

Appendix C. Exemplary First-Order Codes

Please note: Initial coding resulted in a total of 637 first-order codes. A full code list is only available upon request to respect formal confidentiality agreements with the case company as wording would allow to draw conclusions regarding the brand.

List of selected first-order codes (extracted from Atlas.ti)

[Categorization in Second-Order Codes]

_"A huge moloch" – Weaknesses of very broad strategy [Identity Crisis]

_Lack of target picture as a challenge [Exploration vs. Commitment]

_Use of analogies to break up old thinking patterns [Nudging]

_Always running behind as we are chasing trends and benchmarks [Chasing vs. Shaping]

_ Patience and frustration tolerance needed to explain and educate decision-makers [Nudging]

_Securing stakeholder support for implementation [Bridgebuilding]

_Strong emotional identification with legacy complicates digital strategy [Legacy vs. Future]

_Different ideas about current identity [Identity Crisis]

_Digital viewed as part of the core [Identity Moratorium]

_Feelings of estrangement vis-à-vis digital [Legacy vs. Future]

_Lack of enthusiasm as problem [Legacy vs. Future]

_Cultural imprint of top managers rooted in legacy [Chasing vs. Shaping]

_Different understandings of what strategy is [Chasing vs. Shaping]

_Willingness to adopt freestyle approach [Dodging]

_Company needs to fundamentally question itself [Identity Crisis]

_Doubts about success of DT [Lack of Sincerity]

_Need to strike the right altitude level [Exploration vs. Commitment]

_Goose bumps not felt in digital domain [Legacy vs. Future]

Curriculum Vitae

Name:	Oliver Böhm
Date of Birth:	February 6, 1992
Place of Birth:	Freiburg im Breisgau, Germany

Selected Work Experience

06/2019 – 12/2020	Product and Portfolio Strategy, Digital Services Leading European Car Brand
11/2017 – 06/2019	Product Management, Digital Services Leading European Car Brand
04/2017 – 05/2017	Business Design & Strategy Intern GreatWorks, Stockholm
04/2015 – 07/2015	Client Service Intern Ogilvy & Mather Advertising, Frankfurt
02/2014 – 05/2014	Business Development Intern Porsche Engineering Services, Weissach
09/2013 – 12/2013	Sustainability Strategy Consulting Intern Systain Consulting, Hamburg

Education

11/2017 – 04/2022	PhD in Management University of St. Gallen, Switzerland
08/2016 – 07/2017	MSc in Business & Management Stockholm School of Economics, Sweden
08/2015 – 07/2017	MA International Public Management & Diplomacy Sciences Po, France
08/2010 – 07/2013	BSc Business Administration University of Mannheim, Germany