Strategy Process Research: What do we know, what should we know?

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Abstract

This article offers a review of strategy process research. It covers the main research streams of the field from a historical as well as a phenomenologic point of view. In general, strategy process research can be defined as focusing on the central research question of how - and whether at all - strategies of firms are formed over time. In order to understand the complex phenomena connected with this question, we will discuss a broad range of issues such as the concept of strategy process, evolutionary patterns or the impact of cognition, language and strategic planning.

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1. Introduction

Knowledge is known to be based on differentiation. Differentiation is carried out by defining terms that again serve as a platform for defining hypotheses and building theory. One of the best known and most influential differentiation in the realm of strategic management, which has been growing since the 1960s, is the differentiation between strategy content and strategy process. This differentiation has been introduced in the scientific discourse by works of Chandler 1962, Ansoff 1965 and Andrews 1971 and represents the leading differentiation which still distinctively shapes the development of the strategic discipline today.

On the one hand, the distinction between process- and content-research has turned out to be utterly fruitful. Various new research trends have emerged from this distinction and have therefore supported the generation of hypotheses and the building of theory. Strategy content-research focuses primarily on research questions linked to the relationship between corporations and their environment. In practice this topic is often dealt with under the following terms: competitive strategies, entry- and exit-barriers, strategic groups, diversification, etc. Additionally, strategy process research, which we will primarily put emphasis on in this article, focuses on strategically relevant events and procedures within a corporate unit. *The focal point in process-research is the question whether at all and how strategies of a firm are formed over time.* Therefore the influence of cognition, the dealing with uncertainty, the impact of strategic planning etc. are topics that this article will deal with.

On the other hand, the distinction between process and content has also attracted a lot of criticism. Key-point of criticism is the explanation of firm performance by artificially separating important, interrelated elements. The overall usefulness is considered to be doubtful and some researchers even consider the distinction to be counter-productive and partly hindering further development of the discipline (Huff/Reger 1987; Pettigrew 1992; Ketchen/Thomas/McDaniel 1996). Consequently, a realignment of the current distinction is called for. However, considering the status quo of published papers in recent years, this call has not fully reached the scientific community yet as can be seen from the high numbers of publications that predominantly deal either with content- or process-research issues, i.e. closely sticking to the traditional distinction between them. The reason for this slow development might be seen in the lack of persuasiveness of alternative conceptions, the structural lethargy of the scientific community or the fact that the traditional distinction offers advantages that cannot be abandoned from today's research. E.g. Chakravarty/Doz 1992 support this opinion, by determining fundamental differences between content- and process research concerning the focus of analysis, methodology, applied theories as well as underlying basic sciences and they assume a continuing separate development of the discipline.

Structure of the Paper

In this paper we want to present the state of the art in strategy process-research without neglecting the existing interrelations to the field of content-research. We believe that the strict distinction between the two strategy fields can only be partially justified while to a great extent they will also be merged. This point of view is not expressed due to a simple-minded "longing for integration", but because raising hybrid questions requires a close consideration of all scientific fields and their environments involved, i.e. not only an analysis of one isolated, mono-causal dimension. To give an example: Noda/Bower 1996 raise the question in an empirical study why two mainly identical corporations choose different strategies for the development of a new business unit (content). The answer to this phenomenon is given with reference to varying internal patterns of interaction and their specific context (process) (also Rindova/Fombrun 1999).

The primary challenge when giving an overview of the process-research field is to categorize the high number of sources that have been collected over the years in a homogeneous and non-overlapping manner (Rouleau/Séguin 1995). Due to the following reasons this is not always a simple task: First, the papers analyzed often do not rest their argumentation on preceding publications, they overlap in terms of the phenomena observed, they operate with differing constructs or base their studies on scientific research-conceptions that differ in terms of ontology, epistemology or methodology (Burell/Morgan 1979; Putnam 1988). This problem is intensified by the disciplinary plurality of the process research (Huff/Reger 1987; Chakravarty/Doz 1992). Aspects of organizational theory, economics, psychology, sociology or politics are used as well as aspects of newly evolving disciplines such as research on cognition, conflict or complexity. Second, every attempt to classify the existing literature faces the following general dilemma: On the one hand, a standardized classification scheme has to be established in order to provide a consistent and transparent categorization of the sources and additionally to increase comparability. On the other hand, this approach runs the risk of perceiving the different scientific contributions not close enough to their specific context and therefore to deprive them of their individual ”past”. It can be said in this respect that every attempt to compare and interrelate scientific contributions is itself an autonomous and unique research achievement (Ogawa/Malen 1991).

The approach that we have chosen which determines the structure of this work is (1) historical as well as (2) phenomenological. First, it is historical since the *classical process model* is used as a starting point (it will be introduced in the next chapter) which has predominantly shaped the discipline and partly still does in two ways: On the one hand the development of the discipline can be mainly understood as a differentiation and refining of the classical process conception. The focus of research lies on specific unknown "blank spots" in which according to a ”gap-analysis” (Schreyögg 1999) certain phenomena are selected where empirical experience differs from the classical process model. According to the specific context, assumptions of the classical process model are put into perspective and partially weakened, but the central reference to the classical process model remains all the while. On the other hand, due to criticism of these very assumptions a second stream of scientific discourse has evolved, which considers the classical model as opposed to its own ideas and therefore increasingly moves away from the classical model approach (cf. Mintzberg 1990, 1944; Quinn 1995; Noda/Bower 1996). Based on detailed longitudinal studies, alternative process conceptions are presented that call the reference status of the classical model into question. Since both discourses are present in the current process research, we will take both streams of thought into consideration.

However, this will be carried out according to a phenomenological approach. The article focuses on questions that are of relevance when process-research is applied for the examination of corporate strategy formation. These research questions are of meta-analytical nature and can be understood as phenomena through which the discipline can be structured. For our purposes we can therefore accept them as inductively generated classification schemes which link smoothly to the field of process-research - as opposed to deductively generated classification-criteria. Therefore, the two dimensions of scientific discourse which have been briefly outlined above, are well embedded into the structure described here and can also be analyzed in respect to their scientific contribution to particular questions. The following three questions are to be distinguished:

- *Basic questions*: E.g. questions referring to the existence or non-existence of strategies are constitutional for every kind of process-research, since they provide the fundamental platform for further research.
- *Phase-specific-questions* are based on a phasal conception of strategy processes, as e.g. brought forward by the classical model. But there are also process conceptions that differ from the classical model and still apply a phasal conception. However, in theses cases the assumption of a sequential strategy process is mostly abandoned and aspects of multiple, overlapping and integrated current of events are integrated.
- *Cross-sectional questions* such as the influence of cognition cannot be assigned to a single phase but runs across the whole strategy process. In research practice however they are often related to special phases, since an increase of phase-specific knowledge is hoped for. Generally their relation to phase specific phenomena can be imagined as a matrix from which a lot of combinations can be derived. These combinations have partly been researched, as e.g. the influence of cognition on decision-making processes.

The paper concludes with a reflection about the current state in process-research. Besides critical remarks, new impulses for further research activities are given. Due to the high quantity and variety of the available data-material, no comprehensive overview of the strategy process research can be achieved. Nonetheless we claim this article to be representative since it includes and presents the most important streams of research on the topic of strategy process. Main sources of data were journals such as the following Strategic Management Journal, Journal of Management, Journal of Management Studies, Academy of Management Journal, Academy of Management Review, Administrative Science Quarterly, Long Range Planning, Die Betriebswirtschaft. Additionally informative books and articles have been used. The focus here lied on contributions from 1987 onwards (for a review on earlier years, see Huff/Reger 1987).

The Classical Process Model as Starting Point

Let us first turn to the classical process model. It has been introduced to management education and practice by Andrews (1971) and publications from the Harvard Business School. Core element is the division of a strategy process into two subsequent phases: The first one is called ‘formulation’, the second one ‘implementation’. While the emphasis of the formulation-phase lies on strategic decision-making, the implementation-phase rather deals with how to transfer these decisions into actions in order to generate some pre-defined output. The classical view is based on the following assumptions which are described in greater detail in the following paragraphs (cf. Andrews 1971; Ansoff 1965, 1991; Gluck/Kaufman/Walleck 1982; Mintzberg 1990, 1994):

- First, the strategy process is regarded as a *sequential series of clearly defined phases*. What is in the beginning called ‘formulation’ and ‘implementation’, later is refined into the two phases of ‘agenda building’ and ‘decision, implementation & control’. Along these phases various strategic planning steps such as an internal (corporate) and external (environment) analysis have to be gone through. This view further differentiated, leads to utterly complex planning schemes that are based on an evaluation of the strengths/weaknesses of the corporation and of the opportunities/threats of the environment (the planning model of Ansoff depicts e.g. 57 different fields of action).
- Second, research within the classical process model focuses on *decisions* as relevant object of analysis. Strategy processes are perceived as decision-making processes, since it is through decisions that the main-direction of the corporation is shaped and defined.

- Third, the formulation and implementation of strategies is an *active, goal-oriented process*. It does not simply happen, neither does it take place spontaneously nor is it subject to an ex-post rationalization, but it is proceeded explicitly and deliberately.
- Fourth, this process is initiated and driven by *top management*, in some cases even from the individual chief executive. Strategies imply crucial decisions about the future of a corporation and therefore rest in the responsibility of the top executive board. It is on the top management level where the corporation's strategic intelligence is located, and therefore where crucial stimuli have to start out from. The members of the organization provide in turn a basis for reflection of the top managers' initiatives (Hambrick/Mason 1984). Other management levels such as middle and lower management have to participate in the ongoing process by providing the necessary information, serving as facilitators and engaging themselves with adequately implementing the formulated strategies.
- Fifth it is implicitly assumed that strategies do exist, that there is in fact something like a strategy of a corporation at all. The possibility that corporations might not have a strategy is not dealt with, even not considered.

In its original version the classical process model argues in a prescriptive way as opposed to descriptive. There are detailed steps and rationally justified instructions of what has to be done in a strategy process in order to achieve maximum performance. Since strategy processes in practice are assumed to stick to this scheme, strategic planning per se is a logical consequence. The classical process model therefore functions as a basis for strategic planning. It is needless to say that in this respect the general manageability of strategy processes is therefore not called in question.

Rigid and normative assumptions and statements as applied within the classical model automatically lead to criticism and contradicting opinions in the scientific community. In the following paragraphs we therefore need to examine whether these statements are justified, whether they can contribute to the ongoing scientific discussion, which phenomena are isolated, where theoretical "bottlenecks" evolve and whether there are any alternative explanations.

2. Basic introductory Questions

In this chapter we will refer to four basic introductory questions. First the concept of corporate strategy will be prescribed more precisely, subsequently the question whether strategies do actually exist or whether there can also be non-strategic situations will be dealt with. Afterwards it will be discussed how strategies emerge and finally how strategy processes can be defined.

What is a corporate strategy?

Since the concept of corporate strategy is versatile, no general answer can be given to this question. Consequently Mintzberg (1987, 1994) presents an extensive but unsystematic concept. He differentiates between five Ps which he calls *Position, Ploy, Perspective, Plan & Pattern*.

Referring to a strategy as a position connotes to the content-research approach and tackles the well-known question which market- and competitive positions are particularly advantageous and how to achieve them. Focusing on the tactical behavior of competitors, the term strategy refers to ploy through which the corporations involved pursue and game for their interests. Perceiving the term strategy as a perspective opens a broad range of different meanings, i.e. the company's view of the world and its self-conception, its business and its environment. Plan & pattern emphasize the course of events within a corporation. Given the assumption that strategies are the result of a formalized explicit planning process (Plan), then a strategy can be seen as a more or less detailed plan showing how to get from the status quo to the targeted position. However, if strategy is perceived as a pattern, the focus virtually changes into an external observation of corporate actions and regularly occurring and repeating patterns that can be recognized over time. Thus Mintzberg/Waters (1985) define strategy in a first version as "pattern in a stream of decisions" and in a later version "pattern in a stream of actions".

Clinging to the latter concept, the transitional phase becomes interesting since it is this phase during which single actions turn into a consolidated pattern. Is this a gradual or a radical transition in the course of events? Does the point of observation matter? According to the opinion of some authors a strategy can be characterized due to the *coherence* of decisions and/or actions (Nath/Sudharashan 1994). MacCrimmon 1993 for instance differentiates between three stages of escalation through which strategies are gradually formed. In a first stage, coordinated actions that aim on specific targets are required in order to speak of ‘strategy’. In a second stage they have to include aspects of time and space, and in a third stage an explicit connection to the environment and its transformation is added. Kirsch (1997: 479) takes this point even further. From his point of view it can only be called a strategy when the following *four conditions* are met. First a real-life orientation of actions has to exist characterized by certain principles, second these principles have to have a political motivation, third they have to implicitly or explicitly affect the corporate capabilities, and fourth people involved have to share a common knowledge of the three traits mentioned above. Various interesting possibilities of differentiation are connected with this relatively demanding "criteria-catalogue". Thus a *strategy* is connected to the real-life internal corporate perspective and deliberately distinguished from an external observation that reconstructs the corporate behavior "from outside" as a *strategic maneuver*. It seems likely and feasible that an external observer (such as a competitor or a financial analyst) attentively observes corporate actions, perceiving them as specific strategic maneuver, even though a *corresponding* action orientation does not exist in the corporation. Consequently, depending on the point of observation strategies have to be differentiated from strategic maneuvers (as distinguishable patterns of action à la Mintzberg).

Do Strategies actually exist?

For a long time the question *whether strategies do exist* was not discussed in the field of process research. It was implicitly assumed that strategies simply do exist and the only things that were observed and analyzed were their content and the way they were formulated and implemented. Yet the question has to be raised from what point of time it can actually be called a strategy? Would it be sufficient to call it a strategy when an executive articulates his or her intentions? Are there possible situations where the whole corporation does not have a strategy at all?

Among others Inkpen/Choudhury (1995) demand a profound analysis of the phenomenon of the *absence of strategies*. They start out from a situation where corporations do not have any strategies, therefore being "strategyless". In order to explain this phenomenon they offer three possible interpretations. First management can be made responsible for not having strategies and therefore be blamed for failure (negative concept). Second it can be a transitional phase during which strategies emerge (transitional concept); and third the phenomenon can also be assessed positively and interpreted as a deliberate attempt of the management to create more flexibility and innovation by simply not having strategies (positive concept).

According to Kirsch (1997) the existence of corporate strategies is a *phenomenon that requires explanation*. What an individual such as a chief executive pursues as a strategy does not necessarily have to match with the views and actions of other executives in the company, not to mention the rest of the organization. To what extent a common inter-subjective opinion has emerged which is supported at least by the members of the dominating coalition in the company or to what extent the individual ideas are "adequately" homogenized cannot be assumed implicitly but has to be examined empirically. Specific to the situation there can also be none or only few corporate strategies. Therefore Kirsch suggests differentiating between individual strategies referring to the corporate contents, and solely corporate strategies. Subsequently, the political interplay of individual and collective interests is to be examined during which a corporate strategy can emerge. This paper considers both the non-existence as well as the existence of strategies as an underlying basis.

How and where do Strategies evolve?

According to the classical model, strategy formation is an explicit and creative act by management executives (the argumentation runs along the perspective of the top management).This assumption has been criticized and rejected as unrealistic. One of the most distinct criticisms comes from Mintzberg's research team (Mintzberg 1978, Mintzberg/Hugh 1985, Mintzberg/Waters 1982, 1985, Mintzberg 1994). Their reflections originate from several empirical research projects in which they found out that the strategies actually realized often did not correspond with the ones originally intended but differed to a certain extent (Therefore they are arguing from an external perspective as opposed to an internal one). This is contradictory to the assumption of strategies as analytically shaped processes where long-term goals and action programs are developed and subsequently implemented. Besides identifying strategies that are intended as well as realized, i.e. deliberate strategies Mintzberg and his colleagues identify two other types of strategies. First the so-called *unrealized strategies*, which are intended, but turn out not to be feasible during their implementation and are therefore dropped. Moreover strategies which lead to a coherent strategic pattern without having explicitly formulated intentions in the first place. This type of strategy is called *emergent strategy* and can be explained by the fact that various unrelated actions gradually move towards a consolidated collective pattern which -as can be observed retrospectively- has evolved not deliberately but emergently (Again the line of argumentation follows an external perspective. Though it is unclear in this model who judges over intention, realization, etc.). Arguing from Kirsch’s perspective (1997, p. 441) Mintzberg's terms of reference are not scientifically rich enough since there e.g. is no differentiation of perspective).

Mintzberg et al. consider the empirical relevance of the deliberate-type strategy as overestimated in practice since this type of strategy would require not only a precise articulation of ideas and goals but also a collectively shared understanding by all corporate members leading to the intended outcome of the strategy despite all external and internal restrictions – obviously conditions that can hardly be met in practice. Mintzberg assumes that strategies in reality are a mixture between the two extremes emergent and intended strategies. Where exactly they can be found depends on factors such as the extent of central control, collectively shared and specified intentions, and the predictability of environmental activities. Similar to Mintzberg et al., authors such as Burgelman 1991, Quinn 1995, or Noda/Bower 1996 tend to perceive the emergence of strategies not as a singular event but as a gradually evolving process.

What is a Strategy Process?

An understanding of strategy processes is inevitably connected to a clarification of the term process. The scientific definition of process affects aspects of content and methodology. Van de Ven (1992) presents three different approaches for investigating strategy processes: First a process can be represented by a line of logic which explains the causal relation between several inputs (independent variables) and outputs (dependent variables). Secondly a process can describe a category of constructs implying individual or collective actions. The focus of such an approach does not lie on h o w changes take place but only on w h e t h e r a discrete change of process variables takes place. Last but not least, a process can be a sequence of events and activities that describe how phenomena change over time. According to Van de Ven the latter is still among the least understood meanings of strategy process, even though it is the only approach that allows for opening the black box between input and output and for directly observing variable changes over time. The development of dynamic forces that shape the strategy process and the development of the logical sequence that it goes through will then be of interest. Regarding most scientific contributions in the realm of strategy process all three approaches are being applied. Quantitative papers mostly follow the first approach and to some extent the second; whereas qualitative papers mostly apply a process terminology that originates from the third approach.

3. Phase-specific Questions

Due to the predominant influence of the classical process model most process research papers are based on the distinction of the following phases: agenda building, decision, implementation and control. Mostly this phasal framework is then used as theoretic terms of reference, differentiated and empirically examined. Thus the state-of-the-art in these fields will be presented before depicting scientific papers that present alternative process conceptions.

How are Organizational Agendas set?

The concept of the organizational *agenda* and the related agenda building has been shaped by Dutton et al. (cf. Dutton/Duncan 1987; Dutton/Ashford 1993; Dutton 1995; Ocasio 1997). It describes "a process through which strategic issues gain decision-makers' attention and are legitimated in the organization. Through a series of agenda building episodes, a strategic agenda is built." (Dutton 1988: 127). Thus only issues that are considered relevant and legitimate by the decision-makers gain access to the corporate agenda. Other issues, even if collectively shared and discussed in the corporation, are not represented on the agenda and therefore play no vital role. But how can an issue gain the decision-maker’s attention, i. e. how can a general issue be turned into a strategic issue? Since an executive team of managers normally has very little time and in this short period of time has to deal with a badly structured range of tasks, the team will focus its attention on those issues that supposedly bear the highest benefit for the corporation. This selection process is influenced by factors such as the individually perceived pressure of action, the estimation whether the corporation is capable of an appropriate reaction and context factors such as prevailing values and norms. Resulting from this indefinite selection process an agenda is built that contains all important corporate issues. Comparing agendas between corporations, shows a high number of variations with regard to their size, the issue diversity dealt with as well as the speed they change with.

Empirical studies show interesting details of the *agenda building process*. Thomas/McDaniel (1990) state that a management team's capability to gather, process and transfer information increases with time. Simultaneously the structure of cognitive perception and interpretation changes. The management team learns how to learn and recognizes and selects important issues faster. In addition there is a strong connection between an issue's interpretation and its context. The structural environment as well as the specific situation have a significant influence on the explanation, prediction and control of agenda issues. An empirical study by Gioia/Chittipeddi 1991 emphasizes the importance of the chief executive officer who has to -as a process of "sensemaking"- develop a feeling for the internal and external environment and based on this a revised conception of the corporation. Subsequently, the process of "sensegiving" extensively reveals the vision and distributes it among the stakeholders concerned. Symbols and symbolic action serve as communication devices. Contrary to the above, Weick 1993 and Weick/Roberts 1993 take an approach that does not connect sensemaking with single individuals, but understand it as an autonomous, collective process of an organization.

Not only top management level, but also middle management is involved in building an agenda (Dutton et al. 1997). Middle management continuously analyzes potential issues with regard to their strategic relevance and seeks to attract the higher management level's attention by proposing potential candidates. Whether this process of "issue selling" does succeed, heavily depends on various factors: Supportive factors are e.g. the corporate culture, the top management's willingness to listen actively or pressure by competitors and markets. Hindering factors are e.g. the fear of negative consequences, uncertainty as well as downsizing. Whether or not the context will have a supportive affect also depends on how the middle management evaluates the danger to suffer an image loss in the "selling process". Risk is classified as high the more remote middle management is from top management, the more politically vulnerable they are and the less they stick to standardized procedures. Wooldridge/Floyd (1990) also examine the importance of middle management and determine that there is a positive correlation between the middle management's degree of participation and corporate performance. The study claims that this result is not due to the higher consensus between the two management levels or the improved implementation process, but to the improved quality of strategically relevant decisions. Hence involving middle management and thus integrating its knowledge will lead to strategies of higher quality compared to strategies solely developed by a small top management team. Bower (1970) comes to a similar conclusion in a study about strategically important investment projects. Since it is exclusively the middle management which is capable of making appropriate evaluations of these projects due to its knowledge on the specific situation’s context, Bower recommends to explicitly involve the middle management. Burgelman (1983) takes this one step further by considering middle management as the crucial connecting link between old and new strategy initiatives.

How are decisions made?

Since the beginning of the process research the focus on decisions has produced an utterly rich research field (for an overview see: Eisenhardt/Zbaracki 1992, March 1994, Schwenk 1995). An extreme decision-orientation is found when a strategy process as whole is conceptualized as decision process. The reason given for this is due to the high importance that decisions have: "Central among strategic process issues is strategic decision making. It is crucial because it involves those fundamental decisions which shape the course of the firm" (Eisenhardt/Zbaracki 1992:17).

Due to the abundance of theoretical models presented in the realm of decision making research in this field has meanwhile reached a stadium of meta-analyses (cf. Hitt/Tyler 1991; Rajagopalan/Rasheed/Datta 1993). Rajagopalan/Rasheed/Datta 1993 suggest a categorization of the existing theoretical models into four categories: Rational-analytical models start out from a linear decision making-behavior that runs along a systematic line and is focused on given targets. Within political and power-oriented models divergent individual- as well as power-interests are at the center of observation as well as the resulting conflict and compromise processes. Organizational and bureaucratic models emphasize the influence of routines and established structures on the decision making process course, and adaptive models observe the decision process through which organizations adapt to their environment. Cray et al. 1988 present an empirically supported distinction between decision making processes: Based on 150 decision processes in British corporations they derive three *process patterns*: fluid processes are characterized by high speed, constant impulses and the embedding in formal structures; sporadic processes by numerous interruptions and irregularities, and limited processes by restrictions in terms of course, processed information and involved people.

In order to examine decision processes very few *criteria* are normally focused on. According to Papadakis/Lioukas/Chambers 1998 they can be summarized as follows: first factors about the nature of the decision process such as cause and targeted direction, second process criteria such as the extent of the underlying rationality, the intensity of the problem solving process, the degree of formalization, financial reporting, centralization and decentralization, communication, political behavior and the exchange on disagreeing opinions; third management criteria such as risk awareness, education, ambition and aggressiveness of the CEO and the top management team and fourth external context factors such as the environment's heterogeneity and dynamism as well as internal context factors such as corporate size, structure or performance (The authors use this criteria list to interrelate them in a multifactor approach and establish correlations).

Other papers have a significantly narrower focus. One research study examines the top manager's role (Priem 1992). The focus here lies among others on circumstances and consequences of corporate succession decisions (Zajac/Westphal 1996), the correlation between the industry structure and the selection of CEO-personnel (Datta/Rajagopalan 1998), the effects of an interdependent top executive mandate on the advisory board as well as on the management team (Harris/Helfat 1998), how CEOs collaborate with other members of the board and what resulting performance consequences there are (Westphal 1999) and ultimately what interrelations there are between characteristics of the top management team and the strategy and performance of the corporation (Hambrick/Geletkancyz/Fredrickson 1993).

Research on decision making processes does not only focus on the role of the chief executive officer but also integrates the decision behavior of the whole top management team. Iaquinto/Fredrickson 1997 for instance raise the question what happens when a top management team has *differing norms* and holds differing opinions about how a decision process should proceed. They find a reduction of general uncertainty, less disruptions in the decision process and alongside an increased effectiveness resulting in a positive correlation to corporate performance. The subsequent question what influences a management team’s chances to establish collectively shared norms is answered by the following figures: team size and team membership duration. Positive financial results in the past of the company have turned out not to have an affect. Put in other words: commonly shared norms are positively correlated with firm performance, whereas vice versa this does not apply.

Other studies focus on the effects of *consensus* as the central theme. However the results in this field are not homogeneous (Bowman/Ambrosini 1997). According to Woodridge/Floyd 1990 consensus leads to a deepened understanding within the management team as well as between top and middle management, but has otherwise no immediate impact on firm performance. Homburg/Krohmer/Workman 1999 however, claim that such a question can only be answered in reference to the specific competitive strategy. Whereas consensus turns out to be a significant success factor in a differentiation strategy, this cannot be affirmed in a cost leader strategy. Therefore consensus cannot be benefited from in any case. In addition the correlation between consensus and corporate success is stronger the less dynamic a corporation's market is and the correlation is weaker the higher the turbulence in its industry is (interesting about this study is the link between a process-research topic and a content-research one, brought forward by integrating competitive strategies).

According to some authors the emergence of consensus in a management team significantly depends on its *diversity* which again is linked to demographic and cognitive differences (Wiersema/Bantel 1992; Smith et al. 1994; Miller/Burke/Glick 1998; Sutcliffe/Huber 1998). There is however disagreement in the scientific community on whether and how this influences performance. On the one hand, it is argued that a high diversity has positive effects on the decision process, since diversity leads to increased creativity, more intense problem-analyses and increased team-cohesion. Contrary to the argumentation above is the following: diversity leads to communication difficulties, since everyone speaks his/her own "language" and it is more of a verbal exchange of different point of views than a joint problem solving process that can be expected. According to a study by Miller/Burke/Glick 1198, who rely on three empirical samples, negative influences of cognitive diversity occur with regard to "comprehensiveness" and "extensiveness" of strategy decision processes. This negative influence is due to the following facts: communication is being interfered with, the degree of integration is changed as well as micropolitical behavior takes place. Since the negative effects are outweighed by the positive ones, the authors conclude either to avoid a high cognitive diversity in management teams or to look for effective ways to alleviate negative effects (A study presented by Knght et al. 1999 about 76 high-tech corporations also confirms that high diversity has negative effects on the correspondence to strategically important issues. The importance of social interaction processes is referred to by Chattopadhay et al. 1999 who focus less on the influence of individual characteristics).

If no consensus can be found, *conflicts* normally will follow. A lot of papers have elaborated this phenomenon (Nutt 1993; Eisenhardt/Bourgeois 1988, 1997; Schwenk/Cosier 1993; Amason/Sapienza 1997). Eisenhardt/Bourgeois 1988 for instance differentiate in a study about eight chip industry corporations between open conflicts on the one hand and hidden micropolitical behavior on the other hand. They define the latter as actions taking place "behind the scenes" by which executives seek to increase their influence on important decisions. This behavior was particularly distinct when corporate power was strongly centralized, whereas in decentralized power structures open conflicts were more likely to break out. However both kinds of behavioral patterns had negative effects on corporate performance. In a subsequent study Eisenhardt/Kahwajy/Bourgeois 1997 examined how conflicts affect the selection of a strategy. Additionally conflict-increasing techniques such as dialectic questioning or "devil's advocate" have also been examined since they possibly provide an improvement in decision making processes. In a review article, Schwenk 1990 shows that most studies support this assumption, i.e. that such conflict-promoting techniques increase the conflict potential and therefore the decision quality. Sources and use of power are examined by Pettigrew/McNulty 1998.

Another important criterion is the *rationality* of strategic decisions and situations differing from what is considered rational respectively (Priem/Rasheed/Kotulic 1995). Rationality is defined as "extent to which decision makers follow a systematic process in reaching carefully thought-out goals" (Schwenk 1995: 475). In contrary, the term limited rationality is applied when, the focus lies on situations where cognitive limitations, incomplete information as well as socially caused processes exist, that reduce rationality in decision making processes. In most studies models of rationality are assumed as a continuum between the two extremes of full and limited rationality which are then examined in terms of differing characteristics and causes.

It is in this respect that Zajac/Bazerman 1991 look for factors that are vital to “irrational distortion” of decision processes which they find in overestimated self-confidence of one’s own capabilities, limited cognitive solution schemes as well as increased cohesion between participants involved. According to Farjoun/Lai 1997 strategic decisions can only be understood correctly when differing perspectives are included. What the role of attributions in this respect is, is clarified by a study by Wagner/Gooding 1997. Executives who received ambiguous information about their corporate performance traced positive results back to their own organizational strength, whereas negative results were blamed on environmental influences. On the contrary when the same executives were asked to evaluate other companies –again under ambiguous information– they felt that positive results were caused by advantageous environmental influences and negative results by the other's organizational weaknesses. Their attributions were reciprocal.

How do Strategic Initiatives become operationally effective?

The question whether and how strategic initiatives become operationally effective is only a minor issue in the field of process research. The main emphasis is put on the formulation of strategies. Process orientation is mostly eliminated when the decision making process is completed (this can also be seen in current textbooks for strategic management where, the chapter on strategy implementation consists of issues such as organizational structures, control systems or change management tools, e.g. Johnson/Scholes 1997).

Two reasons can be made responsible for this: first, since strategy formation -according to the classical process model- is reduced to the decision process, this inevitably leads to the negligence of the organizational processes after the decision is made. In addition, the research focus on how organizations change and behave is covered by other research fields (such as Organizational Behavior). Second, in today’s research the actual challenge is more considered to be the formulation of a strategy and less its operational effectiveness. It is assumed that once an outstanding strategy has been found – its implementation is not an obstacle anymore. Since the corporation is perceived to be solely run as a top management reflection, no further individual engagement endures.

Clinging to this notion, Bourgeois/Brodwin 1984 differentiate between five styles of implementation. Within the "commander" model, the chief executive functions as a rational protagonist assuming that implementation issues are solved autonomously; within the "change" model he functions as an architect realizing an implementation design created by himself; within the "collaborative" model he has to involve and coordinate the remaining top management team; within the "cultural" model as a coach he has to provide the appropriate settings for participation of the entire organization and within the "crescive" model he actively develops and forms the context and functions as a referee encouraging his managers to proceed with their own initiatives. Each model sets specific requirements concerning the degree of centralization, the style of negotiation, the process-supporting activities, the obligations of the participants involved and the context cultivation. In coherence with the classical process model this approach is also prescriptive and not descriptive. To what extent executives actually have the capability to change organizations is discussed under the term of corporate power. In a cross-industry analysis Hambrick/Abrahamson 1995 found out e.g. that executives in the computer and film industry were more likely in the position to shape their corporation in a sustainable way than their colleagues in the oil and gas industry. Specific contextual influences were made responsible for this result since it is easier to bring about organizational change in dynamically changing industry than it is in a relatively stable industry like the one for oil and gas.

Scientific contributions putting special emphasis on the action implications of strategy formation have been presented under the term *Strategic Change* (Pettigrew 1987, 1988; Pettigrew/Whipp 1991; Barr/Stimpert/Huff 1992; Huff/Huff/Thomas 1992; Gomez/Müller-Stewens 1994; Rajagopalan/Spreitzer 1997). These studies already weaken the strict distinction between formulation and implementation and head towards alternative process conceptions. Gomez/Müller-Stewens 1994 e.g. observe fundamental transformation processes of large corporations (such as Daimler-Benz, Lafarge, Ciba-Geigy, etc.) and focus on the interplay between destabilizing executive activities and the subsequent reactions of the remaining organization which they interpret as an organizational learning process. As can be seen the effect of top management interventions depends on the connecting link between content and structures, processes and cognitive maps of the addressed subsystems. Consequently, this does not solely consider one-sided processes of formulation and implementation, but also the complex interplay between strategy initiatives and their feedback cycles.

Which alternative Process Conceptions exist?

The distinction between agenda setting, decision, implementation and control as underlying criteria of the classical process model, on the hand is beneficial for precise analyses but on the other hand assumes that strategy processes in practice actually follow such a phasal scheme. According to an increasing number of authors in recent years, this assumption cannot stand in practice (Mintzberg 1978; Mintzberg/Waters 1985; Bower 1970 Noda/Bower 1996; Burgelman 1991, 1996; Quinn 1980, 1995; Hart 1992; Hart/Banbury 1994). From the above mentioned authors' perspective, the scientific shortcomings of the classical process model must not and cannot be compensated with by removing its underlying assumptions or integrating new individual or social circumstances that deviate from the core model. The only scientifically feasible way to deal with its shortcomings is to analyze alternative process models that include and integrate the actual process of strategy formation in corporations. Based on detailed longitudinal studies these new process conceptions are developed as can be seen in the following paragraph.

One of the first studies concerning *actual strategy formation* was written by Bower 1970. The object of analysis were the five highest management levels in four divisions of an industrial corporation. The surprising and counter-intuitive result was that the official strategic planning department had a much smaller impact on the actual strategy formation than had been expected. Instead the investment planning department dominated since there the allocation of important resources was carried out. The associated strategy process can be divided into the following three phases. In the definition phase the requirements for a new project were technically and financially determined. The driving force were the managers form the lowest management level. Whether a project succeeded in attracting sufficient support further depended in the impetus phase on the third level manager's opinion. Depending on how they classified the project-leader, the project-benefits as well as the risk awareness of their superiors, projects were either approved or rejected. In the approval phase the decision depended on the division leader's opinion and his approval. What he considered to be beneficial was mainly accepted by the other managers. The process was accompanied by political negotiations that to some extent took place in the formal boundaries of the standardized approval procedure and to some extent informally.

In a proceeding study Noda/Bower 1996 conceptualize strategy formation as *iterated processes of resource allocation*. Four sub-processes determine its course: first, two interrelated sub-processes (definition and impetus) and second two overlapping corporate processes (structural and strategic context setting). Noda/Bower come up with this process model by empirically studying the corporations Bell South and US West. One of the first surprising results is the fact that the two corporations use different strategies in exploiting a newly emerging business field (mobile communication) even though both corporations seem very similar and no particular differences between them can be found at first glance. As shown throughout the study their different strategic behavior can be explained by pointing to the interactions between the front-managers' initiatives, the integrating and facilitating activities of the middle management and the context set by top management. As described in Bower 1970 bottom-up driven initiatives compete for scarce corporate resources and top management's attention.

Burgelman does research on the processes of internal development of business structures in diversified corporations (1983) as well as at the chip manufacturer Intel (1991). Driven by the success with memory chips Intel's top management presented a strategic plan that remained unheard throughout the organization. On the contrary, middle management driven by the optimization of the manufacturing and production program, preferred microprocessors and counteracted against the official plan. After a certain time period had gone by, it was officially decided to withdraw from the memory chip production and to emphasize microprocessors. The official strategic decision therefore caught up on the actual development that had taken place. Prompted by these observations, Burgelman 1991 developed an *evolutionary theory construction* in which an organization is conceptualized as an ecology of strategic initiatives. Analogously to the three steps of the classical evolutionary theory "variation, selection, retention", he names variation-supporting and -limiting mechanisms allowing for some strategic initiatives to emerge, consolidate and subsequently to be replaced by an alternative strategic initiative.

In a study on innovation processes Quinn (1980, 1995) develops a process pattern framework that he calls *logical incrementalism*, which also follows the emergent approach. Hence strategic initiatives can emerge in all corporate subsystems such as sales department, development, production, planning, etc. There, they are discussed, modified and afterwards fed into the flow of corporate communication. It cannot be determined in advance which initiative succeeds in gaining general acceptance. Top management involvement does now no longer play the driving force in strategy formulation but functions as a catalyst and context-facilitator in each single initiative. The strategic planning department provides the necessary methods to the subsystems, supports the process and formalizes as well as supervises the concluding authorized strategies (Mintzberg 1994 argues analogously by allocating strategic planners to the roles of strategy finder, analyst and catalyst).

Even if the aforementioned contributions develop process conceptions and process patterns that contradict the classical model this does not necessarily imply that there are no strategy processes in practice following the classical pattern. An empirical investigation on the correlation between *different process patterns* and corporate *performance* would be fruitful in this respect v(e.g. Hart/Banbury 1994 and Slevin/Covin 1997). Hart/Banbury 1994 regard organizations as entities within which resources and capabilities are allocated according to single process patterns. Five process modes are considered: The "command-mode" corresponds to the characteristic style of the classical model. A small top management team heads the way, the subordinates behave like obedient "soldiers" following the directions they have been ordered. Strategies are explicit, fully formulated and ready to be implemented. In the "symbolic mode" a corporate spirit mostly connected to a certain vision dominates. It is formulated by a visionary leader and sets guiding principles by which the remaining organization's initiatives can be aligned. The remaining organization is thus not led by explicit orders and directions -as in the command mode– but it operates due to an intrinsic motivation caused by the vision in place. The "rational mode" is based on an analytical and strictly formalized style. Differentiated planning systems are used to immerse the decision into a formal structure. The role of top management is to evaluate and control individual strategy initiatives. Whereas strategic modes so far show a distinction between strategic thinking and acting, the "transactive mode" overcomes this dichotomy. Due to learning processes strategic thinking and acting are assimilated and adjusted to each other through which the strict distinction becomes blurred. Top management seeks to provide an infrastructure that supports and makes learning processes possible. This notion of top management involvement is distinctively different to the one of top managers dictating orders and instructions from their strategy head office. The remaining organization is actively involved in this process, and is even responsible for carrying out the actual learning and improvement activities. The "generative mode" goes even further into this direction: All organizational units are now considered as protagonists, yet it is the remaining organization that turns into actual entrepreneurs, i.e. experimenting with business ideas and taking risks (intrapreneurship). Top management now becomes a sponsor, selecting projects and supporting the promising ones among them.

An empirical examination of the single modes with regard to corporate performance shows that their contribution to performance differs which is partly due to the fact that contextual factors such as e.g. company size influence the sample heavily. However, it is possible to say that corporations applying several modes being capable of using them as needed are superior to corporations only applying one mode. Diversity therefore beats simplicity. The capability to change between modes according to circumstances therefore represents an utterly valuable and powerful success factor even at dynamically changing environmental conditions.

4. Cross-sectional Questions

Independent from the underlying process model, cross-sectional questions cover several or even all phases of a strategy process. In the following paragraphs we would like to depict some particularly concise questions and examine their contribution to an understanding of strategy processes. In particular we will point out the influence of cognition, language and strategic planning on strategy formation as well as a general review on existing theoretical perspectives which can be helpful when analyzing strategy processes.

What influence does cognition have on strategy formation?

The topic of cognition is a research field that has increasingly attracted attention in the recent process research (cf. Jelinek/Litterer 1994; Huff 1997; Hodgkinson/Thomas 1997). This development is due to the following two assumptions: first, through focusing on perception and cognition processes a better understanding of process and content phenomena can be achieved. Second an interrelation between cognition on the one hand and decision/actions on the other hand is assumed. The focus of analysis lies on individual and collective cognitions which are examined either statically and/or in their dynamic course of events.

When analyzing individual cognitions the level of top managers is focused on since there the dominant corporate protagonists are assumed (Forbes/Milliken 1999). In order to assess their cognitive attitudes Hambrick/Mason 1984 focus on indirect indicators such as age, education, career steps, career functions and socio-economic settings, and subsequently draw conclusions about the strategies selected by them. Other studies try to directly assess cognitive attitudes and therefore rely on the use of *cognitive maps*. According to Huff (1990: 14-42) there are five different types of cognitive maps: ‘maps’ can either represent the attention or meaning of concepts, they can clarify hierarchic interrelations between constructs and categories, visualize causalities and interrelated dependencies as a system dynamics model, show the line of argumentation or they can be used for analyzing the complex relationships between expectations, cognitive frameworks and structures of perception. Using the construct of cognitive maps, various empirical studies have been initiated. As an example see Calori/Johnson/Sarnin 1994 who analyze the relationship between the dimension of an organization and its top manager's cognitive map, concluding in the determination of a significant positive correlation between them.

Research papers examining the *cognitive discords* between different management levels tend to focus on a rather collective level of phenomena. Hambrick (1981) e.g. finds in an empirical study that chief executive managers show a higher awareness of certain strategies than managers on the second or third hierarchical level. The perceptions of the first level managers also correspond better with the ones of the external observers whereas on subordinated management levels significant differences occur. Several other studies explicitly emphasize the importance of cognition on the collective level. Corporations are conceptualized as systems of interpretation (Daft/Weick 1984; Weick/Bougon 1986; Weick 1995) possessing cognitive schemes or maps (Huff 1990; Lyles/Schwenk 1992) which change over time (Narayanan/Fahey 1990; Huff/Schwenk 1990; Porac/Thomas 1990; Barr/Stimpert/Huff 1992; Voyer 1993; Reger/Huff 1993) and shape the corporate dominant logic (Prahalad/Bettis 1986). The concept of dominant logic hereby represents the prevailing cognitive scheme of a corporation. It is developed by experience and justification processes and determines how an organization faces its business as well as new and unexpected situations.

In a study about railway corporations Barr/Stimpert/Huff 1992 come to the conclusion that it is crucial for corporate-wide transformation that managers recognize new conditions and draw correlations between the corporate strategy and the environmental changes. Lyles/Schwenk 1992 focus on processes through which individual cognition schemes are transferred into collective ones and examine how these knowledge structures change due to environmental influences. Thereby they seek to overcome the distinction between individual and collective cognition and demonstrate its interlinks. Greve 1988 examines from a cognitive perspective how managers change the market position of their corporations. Due to the high uncertainty bound with such a step, they observe –depending on availability and access to relevant information– the behavior of innovative corporations in order to imitate them. Market changes as well as the building of strategic groups are considered as diffusion process initiated by the imitation of former adopters. Huff/Reger 1993 follow a similar approach in their study about the perception of strategic similarities in the banking industry. According to the leading differences of their cognitive framework the participants of the banks involved observe their competitors, allot them to certain clusters and align their own competitive behavior in accordance to the cluster.

Research on cognition is particularly helpful when it comes to the question how corporations deal with ambiguity, i.e. when it is uncertain what the future will look like or when a number of different realities exist simultaneously without the possibility to decide with certainty which is the right one (March 1994). In situations like these corporations change the frequency and manner of observing their environment (Elenkov 1997). In internal discussions analogies and metaphors are more frequently used in order to coherently interrelate existing schemes of interpretation (Tsoukas 1991; Weick 1995). At the same time the intensity and frequency of discussing the "supposedly right point of view" within the corporation increases. According to Stone/Brush 1996 strategy planning does not serve the optimal resource allocation in ambiguous situations but can be understood as a strategy for acquiring resources. Whenever different interest groups clash and there is only little direct control over single resources, the extent of corporate-internal ambiguity rises. In order to secure important resources over time some groups try to ascertain important decision-makers' legitimacy through a formalization of their practices. However simultaneously, they face the dilemma of having to behave informally and unprecisely in order to gain the support of other interest groups. Strategic planning turns into the central arena in which participants fight for legitimacy and support. Ambiguities do not only have effects within the corporation but also influence behavior in alliances. As Simonin 1999 shows the willingness and the success of knowledge transfer processes are heavily influenced by it. Folta 1998 examines the correlation between uncertainty and the control mechanisms implemented in strategic cooperations which are being influenced by factors such as the similarity of the partners, the potency of technological uncertainty or the business's growth potential.

What influence does language have on strategy formation?

Assuming that strategy formation is "accompanied" by certain means of communication or can even be considered a communicative act itself, *language* and the corresponding justification and legitimization processes is at the core, especially in ambiguous situations. All papers presented so far in this realm (cf. Westley 1990; Knights/Morgan 1991; Eden 1992: v. Krogh/Roos 1995; Barret 1995; Liedtka/Rosenblum 1996; Venzin 1997; Hendry 1999) are linked by the underlying assumption that human reality is a phenomenon shaped by language. This notion is sharply opposed to an objectivistic representation of the environment (theoretically the papers are based on sources such as the language game conception of the late Wittgenstein 1960, Foucault's discourse theory 1971 or the general discussion on epistemological perspectives).

Westley introduces the term *strategic conversations* and defines it as "verbal interactions within superior-subordinate dyads focusing on strategic generalities" (1990: 337). He focuses on the language used between different management groups and describes three dimensions according which the strategic conversations can be categorized: First the dynamism of the involvement and exclusion of subordinates in conversations with strategic content, second the dynamism of dominance and conformity (obedience) and third the relationship between strategic conversations, their consequences and the role of contextual factors such as coalitions or the prevailing corporate doctrine. V. Krogh/Roos 1995 suggest a differentiation between *operational and strategic conversations*. Whereas operational conversations focus on the daily business requirements, carried out in a routinized way, being fact-oriented and limited with regard to content, strategic conversations serve the purpose to create a new corporate future. This requires the existence of a language which generates a feeling of ease and creativity, challenging existing boundaries and at the same time being capable of covering an unlimited range of topics with regard to terminology. Such a language described above requires new rules of conversation: ambiguity is allowed, people discuss in dialogues, change of roles is permitted and statements can also be formulated hypothetically without immediately delivering proof for each statement. According to v. Krogh/Roos most corporations have to gradually learn such a type of conversation since operational conversations normally predominate. In practice operational conversations even prevail when the future and corporate strategies are being talked about. Emphasizing the importance of language as well, Knights/Morgan (1991) favor an understanding of strategies as "*set of discourses and practices*" between the corporate members. Strategically relevant discourses and social practices are processes of social construction of reality through which individually shaped opinions and perspectives are socialized and then institutionalized. The integration of protagonists through language therefore provides the corporation with the productive energy needed to face ambiguity and to cope with new requirements.

Considering strategic discourses as an essential vehicle for developing strategies especially in ambiguous situations, the topic of *imagination and creativity* comes up (Hurst/Rush/White 1989; Hamel/Prahalad

1994, 1995; Roos/Bart 1998; Meyer/Frost/Weick 1998). According to empirical observations Hurst/Rush/White 1989 complain about the prevailing emphasis on analytical thinking, objectivity and rationality and confront these dimensions with a model including the following four modes: intuition, emotion, thinking and feeling. Mintzberg 1994 criticizes the fact that strategic thinking is treated as equivalent to strategic planning and believes the latter implies the pitfalls of strategic predictability, a misapprehended distinction of thinking and acting as well as of the formulation of strategy processes. Hamel/Prahalad (1994, 1995) introduce the concepts of "*imagination*" and "*foresight*" in order to avoid an analytical understanding of strategy formation as a reproduction of the existing conditions (a critical note by McDermott 1996). According to their opinion the emphasis lies on the creation of new business fields and value systems rather than on an orientation and optimization of the status quo. Roos/Bart 1998 present a threefold differentiation of the concept of imagination: a representational imagination seeks, identifies and names patterns and regularities in a complex world. It therefore leads to a reduction of environmental complexity and an improvement in corporate capabilities to cope with complexity. The creative imagination creates new and interesting possibilities by combining, recombining and transforming terms and constructs. Starting point are existing ideas from which new ones are generated. The "parodic imagination" denies and deconstructs the existing concepts. Rules are radically broken and boundaries are overcome which gives this form of imagination the highest potential.

When strategies evolve or corporate behavior is changed, this automatically generates implications for the field of production and the transfer of *knowledge*. Even though these research fields have also attracted a lot of attention in recent years, their focus does not lie on the development of strategies. Therefore the following papers by Nonaka 1994, v. Krogh/Roos/Slocum 1994, Blackler 1995, Tsoukas 1996 are only referred to as examples.

Does strategic planning pay off?

One of the most frequently asked questions in process research is the one about the aim and purpose of formal planning processes. Strategic planning therefore can be considered a process with a rather high degree of formalization according to systematic criteria and a rigorous application of formulation, implementation and control of strategies. From the perspective of the individuals in favor of strategic planning it offers several advantages: it forces a corporation to extensively analyze its environment, important informations are processed, new ideas are generated, new options are more systematically and rationally evaluated, motivation is increased, internal communication is improved and symbolic value for the stakeholders can be achieved (Thompson/Strickland 1992; Powell 1992). From the point of view of the individuals opposed to strategic planning the idea of it is already based on several wrong assumptions: The future is neither predetermined nor predictable. A strategy process cannot be programmed by management systems and precisely led into predetermined paths, nor does it make sense to separate strategic thinking from strategic acting (cf. Mintzberg 1994).

With regard to these conflicting positions around 50 empirical studies have been presented since 1970 examining the correlation between planning processes and performance. Despite the high intensity of research work, results cannot be considered consistent. Some studies find and confirm a positive correlation, others confirm the opposite. An example for a study supporting the positive correlation is the one by Hopkins/Hopkins 1997 which is based on data about 112 banks. The general finding is a positive correlation between the intensity of the planning process and the financial performance. However these results are influenced by top management characteristics (such as experience and individual appreciation of planning), characteristics of the organization as a whole (such as corporate size and internal structural complexity), but not by environmental characteristics (such as external complexity or industry dynamism). Additionally a reciprocal correlation between strategic planning and financial result is identified, with the two dimensions intensifying each other.

In a comparative listing Armstrong (1986) presents eleven studies with a positive, two with a negative and three with an insignificant correlation; Shrader (1984) find twenty studies with a positive, eleven with an insignificant and none with a significantly negative correlation. The number of studies favoring and supporting strategic planning clearly outnumber the ones rejecting it. Despite this “numerical” majority the tendency of the comparative studies can be summarized by the words of Pearce/Freeman/Robinson: "Empirical support for the normative suggestions that all firms should engage in formal strategic planning has been inconsistent and often contrary" (1987: 671).

Besides content-related issues, especially methodological shortcomings are made responsible for the unsatisfying results of the planning research. The studies presented so far are mainly criticized for solely observing correlations between single variables without clinging to a solid theoretical foundation. This "theoryless" manner implies using unsuitable methodologies and defining key-constructs inconsistently, which makes comparability of the findings even more difficult (Scott 1982; Boyd/Reuning-Ellit 1998; Miller/Cardinal 1994; Capon/Farley/Hulbert 1994). When measuring planning processes, variables that measure the result as well as the process and not only the quantity, but also the quality should be taken into account (Scott 1982).

By elaborating on the points of criticism mentioned above recent studies have come to interesting insights (Powell 1992; Stone/Brush 1996; Yasai-Ardekani/Haug 1997; Welge/Al-Laham 1998). Powell 1992 for example evaluates the planning/performance correlation from the *resource-based-perspective*. According to this theory planning processes are not capable of fulfilling the requirements for sustainable competitive advantages since they are generally easy to imitate and substitute. Given the assumption that planning techniques in certain industries spread differently fast, then a higher performance should be prevalent as long as resource heterogeneity is given. According to Powell earlier studies have not considered this effect and therefore had to produce inconsistent results. In an empirical test of this hypothesis no correlation between planning and performance in industries showing planning equilibrium can be seen, yet there was a significantly positive one in those where planning capabilities were allocated differently. Therefore strategic planning is only a competitive advantage as long as it is rare, i.e. not everyone does strategic planning.

The existence of strategic planning cannot be treated as equivalent to the use of management concepts. Often these concepts (such as balanced scorecards, etc.) are used in specific cases and run across the phases of a strategy process. Whereas some studies numerically determine the extent of distribution or examine the satisfaction of corporations using them (Rigby 1994; Al-Laham 1997), others confirm a movement from quantitative prognosis and decision methods to more qualitative process-concepts (Houlden 1985). Others clarify the advantages and disadvantages of computer-aided strategy instruments (Tampoe/Taylor 1996) or focus on a particularly exposed concept and correlated possible applications (Haspeslasgh 1992; Malaska 1985; Shoemaker 1995). So far the actual process of handling concepts has been paid very little attention to (Lechner/Muchow/Müller-Stewens 1999). Several questions are still unanswered, e.g. it is still unclear what kind of cognitive changes generate concepts, how concepts are "instrumentalized" in political discussions, whether they promote coherence between strategic thinking and acting or what effects they have in ambiguous situations.

Which theoretical Perspectives are helpful in the realm of Strategy Formation?

The following paragraphs go into more detail with regard to what has already been indicated in the classical model and alternative conceptions: there is not only one but different theoretical perspectives through which the process of strategy formation can be considered and researched. Whereas a decision-theoretical framework underlies the classical model, Burgelman 1991 perceives himself to follow the tradition of the evolution theory. As can be seen there are multiple theoretical perspectives from different traditions that can be used for the analysis of strategic processes.

One of the first researchers to consequently apply this multiplicity of thoughts is Mintzberg 1990b and Mintzberg/Ahlstrand/Lampel 1998. Mintzberg differentiates between *10 schools of strategy formation*: under the term prescriptive approaches he subsumes the design, planning and positioning school which he confronts with the descriptive approaches such as the entrepreneurial, cognitive, learning, political, cultural and environmental school. Each of these schools has its own concept of strategy, its own idea of how strategies evolve and a specific organizational model. As synthesis of all these schools Mintzberg suggests a configurational school relating all the other schools' elements to each other and at the same time integrating situational aspects.

Despite its heuristic usefulness several *points of criticism* have been brought forward about this classification from which the following three are particularly informative (cf. Ansoff 1991; Kirsch 1997): first, the classification is partly inconsistent, overlapping and therefore redundant. Cultural-, political-, cognitive- or planning-processes cannot be precisely separated from one another and it is rather questionable whether a cognitive school belongs to the same category as e.g. an entrepreneurial school. Second the artificially generated contrast between the emergent schools on the one hand and the deliberate planning schools on the other hand could be removed by considering the observer's perspective. Third it is not fully clear why the individual schools are integrated in a synthetic approach (configurational school) and whether this step is feasible and legitimate at all. If the above mentioned schools are based on different assumptions which might imply incomensurabilty and therefore conceptualize strategy processes differently, then an eclectic approach that cannot adequately consider the specific contexts is not acceptable (cf. a general discussion in organization theory in Scherer 1999).

Mintzberg's schools however create valuable insights into another direction as well. In many of his schools the proximity to organizational theory is apparent. Every school is related to a specific organizational model. Even though Mintzberg does not establish a direct link to organizational theory, it is explicitly recommended by Rouleau/Séguin 1995 and proactively driven forward by Kirsch 1997.

5. Concluding Reflections

Reviewing the development of the strategy process discipline presented above, several points appear to be crucial and need further examination. At this point we can only sketch them briefly. On the one hand the following points should be understood as critical remarks, on the other hand as outlook into possible further research activities:

(1) Focusing on decisions in the strategy process research over a long time has lead to a limited *theoretical focus.* Since the emphasis was put on decisions the research was required to exclude all other organizational phenomena that could not be conceptualized as decisions. However, not all events influencing strategy formation are explicit decisions. Additionally the relationship between decisions and actions is

often set in a one-dimensional way. So far, e.g. there is very little research on what impact chains of actions without an explicit link to decisions, have on ex post rationalizations and subsequent possible decisions.

(2) Strategy process research is heavily dominated by the assumption of an existing *subject-object-relation*. Topics are mostly about the question how an individual or a group –such as the top management team- communicates its intentions to the remaining organization or how e.g. middle management introduces its point of view to the top. Strategy formation is not considered as a relational, collective phenomenon but it is a transparent process in which the source of input and the purpose connected to it is clear. In studies where the object of reference is the chief executive officer only, it is needless to say that such a methodological individualism leads to shortcomings in the understanding of collective phenomena (cf. Willke 1993; Dachler/Hosking 1995; Weick 1995).

(3) But it is this field, when it comes to analyzing *collective phenomena* that social science and organizational theory offer a rich repertoire of terminology and hypothetical frameworks which are hardly applied in the strategy process research. As can be seen from the discussion of Mintzberg's ten school of strategy formation there is a huge potential for further research activities. Recent approaches such as systems theory by Luhmann (1991), structuration theory by Giddens (1984) or the discourse analyses by Foucault (1971) are likely to be of particular relevance since they deal with issues essential to the field of strategy process research (such as complexity and ambiguity, the reciprocal relationship of structure and action or mechanisms of discourse).

(4) The supposedly existing *distinction between "deliberate" and "emergent"* could and should be overcome by considering the observer's point of view. It is undoubtedly correct to say that the prescriptive approach, underlying the classical process model, is not appropriate to depict and explain the actual process of strategy formation in practice. However, one should not "over-exaggerate" in denying that aspects of the classical approach such as the sequential pattern of formulation and implementation can actually exist to some extent in practice. From our point of view it is vital to integrate the observer's perspective in order to better understand the “who”, “when”, and “what” of a strategy, i.e. who formulates, perceives or describes what as a strategy and when does it take place?. The terminological differentiation between corporate strategies and strategic maneuvers suggested by Kirsch 1997 appears very helpful in this respect.

(5) The classical process model as well as alternative process conceptions refer back to a phasal conception of strategy processes, i.e. they assume that specific phases can clearly be distinguished. Since phasal models are undoubtedly of high analytical relevance to the field and often represent the only feasible approach to do research on chains of events, more emphasis should be put on elaborating and presenting interrelations and overlapping aspects of these models. In addition it should be clearly stated who classifies certain phases according to which criteria.

(6) At last, connecting basic introductory (chapter 2), phase-specific (chapter 3) and cross-sectional issues (chapter 4) leads to interesting questions which can not only help to overcome the gap between content- and process-research mentioned at the beginning of this contribution, but also offer new insights for strategy formation. We consider the following issues to be particularly relevant:

- *Emergence and coherence*: What are the collective phenomena that shape strategy formation? What happens if no such thing as corporate strategy exists? How do corporations deal with this fact? How does coherence of cognition, communication and action occur and evolve in the process of strategy formation? How do they interact? Where and why does friction between them occur? What effects does this have? When do situations occur where companies first act and in a second step retrospectively reflect and decide?
- *Protagonists and observers*: Who are the major protagonists in the process of strategy formation and how do they interact? How do external observers (such as financial analysts or competitors) influence the process? What effects do professional service provider have such as consultants? How does the knowledge transfer from theory to practice take place? How are strategic maneuvers dispersed in an industry?
- *Management systems and concepts*: How do they affect strategy formation? Do they support certain options and hinder others? How flexible are they? How are they instrumentalized? How does the head office use them to influence and control its business units?
- *Discourses*: What discourse take place? Which modes of argumentation are allowed, which ones excluded? How do legitimizing- and justification-procedures change? Are there different "rationalities"? What role do situations play where high ambiguity prevails? How is social reality constructed here? What happens in cases of crises or radical environmental changes?
- *Success standards*: What influence do success standards have on strategy formation? Which standards of success do protagonists focus on? How do these standards change over time? What happens in the case of differing standards of success between stakeholders?

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