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A strategy model – better performance through improved strategy work

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Abstract

Purpose – This paper aims to develop a strategy model which explains what organisations should focus on in their strategy work, both in terms of the environment and how the strategy is implemented. In addition, the purpose is to demonstrate how this can influence and improve the organisations' performance.

Design/methodology/approach – The study uses different state-of-the-art strategy approaches to create and validate a solid and causal strategy model, which was validated by making use of a questionnaire.

Findings – The nature of strategy is complex, and organisations are indeed facing more complex tasks which require that internal resources are available to meet the environmental demands, develop an effective strategy for today and tomorrow, implement the strategy and execute the action plans. A model consisting of five areas divided up in strategy content (productivity, flexibility and innovation) and strategy process (execution and culture) has been validated, and the empirical results indicate that execution and innovation are the areas in which organizations face the greatest challenges.

Originality/value – Suggesting a new strategy model designed to evaluate companies' strategy work.

Keywords Performance, Innovation, Flexibility, Competitive advantage, Strategy, Productivity, Strategy process, Strategy content, Execution, Organisation culture

Paper type Research paper

Introduction

Many organisations have experienced that developing a strategy is time-consuming; the strategy becomes outdated rapidly or will not be implemented at all (Poulsen and Mønsted, 2007). In other words, the strategy is left on the shelf, and we only talk about it occasionally instead of using it as a living tool to guide us in a turbulent and changing time. There could be several reasons for this: one reason may be that the strategy does not contain the right elements or maybe it is too general and unspecific. Another reason may be the fact that the process of formulating the strategy has only involved a few people, and these people have failed to communicate it effectively. Finally, a third reason could be that the implementation of the strategy lacks organisational involvement and commitment, thus, no one pays attention to the strategy. Organisations are constantly confronted with intensive competition, turbulence and change, all of which pose new types of complex challenges, including innovation pressure, high levels of uncertainty, geographic diffusion, networking, self-managing employees, digitalisation, shorter strategic lifecycles and skydiving communications cost (Poulsen and Mønsted, 2007;

Hamel, 2007). Indeed, this makes it even more important than ever for organisations to have a greater awareness of their strategy and how it is implemented.

Broadly speaking, the concept of strategy covers two different strategy tasks, strategy formulation and strategy implementation. Strategy formulation is primarily related to the act of making the strategy, and this task is traditionally undertaken by top management. Working with strategy-making is a complex matter, and it requires considerable effort to make a strategy that entails practicalities such as data gathering, data analyses and preparation of documents, reports and presentations. Further, strategy-making involves project meetings, board meetings, conferences, workshops and, sometimes, days away. It is expensive work that often involves managers, strategic planners, management consultants, communication specialists, lawyers, financial specialists, etc. (Whittington, 2003). Strategy implementation is related to the execution of the strategy, which affects the entire organisation, and implementing the strategy is by no means an easy task either; it requires planning, communication, allocation of resources, change management, etc. (Hrebiniak, 2006). Hrebiniak identified a number of obstacles to strategy implementation. Out of the eight most important obstacles, one obstacle deals with the formulation part of strategy, whereas the other seven address the implementation part. What should a strategy contain to become relevant and useful as a guide for the organisation, and how should it be implemented to make a difference in the daily work in the organisation, thus leading to improved performance? We will go through the different perspectives on strategy and suggest a strategy model to obtain a better understanding of what a strategy should contain and what is important to focus on when implementing the strategy.

Our research is inspired by the assumption that the nature of strategy is complex (Mintzberg and Waters, 1985), and organisations are indeed facing more complex tasks which require that internal resources in the organisations are available to meet the environmental demands, develop an effective strategy for today and tomorrow, implement the strategy and execute the action plans. Our main purpose is to combine the above approaches to strategy to create and validate a solid and causal (sustainable) strategy model with the purpose of explaining what organisations are (or should be) focused on in their strategy work and how this is related to their performance.

In the following section, we will describe the developments and assumptions in strategy from the 1950s until now, presenting the historically dominant ways of thinking and theoretical thinking about strategy work and the strategy practitioner. This will be followed by a section which elaborates on the content and process perspectives on strategy, arguing for a combined approach to strategy. Subsequently, our model is theoretically developed after which methodological considerations and explanations are provided. This section is followed by the analysis and the results, and finally, the model and the results are discussed, and concluding remarks are made.

Perspectives and assumption in strategy

Over the years, there have been many different perspectives on strategy, and it has indeed been popular to categorise these (Chaffee, 1985; Mintzberg and Waters, 1985; Drejer and Printz, 2004; Whittington, 2001). The different perspectives contribute to the understanding of strategy. Many of the opposite positions have emerged on the basis of

findings vs perspectives or as critique of existing theories and viewpoints, for example, deliberate vs emergent strategies or content vs process strategies (Mintzberg and Waters, 1985; Chakravarthy and Doz, 1992). Each different strategy perspective contributes to explaining the complex phenomenon of strategy, and most perspectives include identifiable strategy practices (Porter, 1980) and a view on strategy practitioners (Whittington, 2001). These (different) assumptions are important to understand the making of strategy, and they will facilitate an understanding of the background of the theory and the practices developed. In practice, a strategy process makes use of more than one strategy practice, and, mostly, these different practices (Johnson *et al.*, 2014; Clegg *et al.*, 2011) originate from different strategy perspectives.

From rationality to bounded rationality

The rational mode of thinking formed the foundation for the strategy literature in the 1950s, and especially in the 1960s. The rationality view implies that the decision-maker takes all available alternatives into account, identifies and evaluates all consequences related to the alternatives and selects the optimal one. The rational man of economic research was adopted into strategy research, implying systematic analyses of the environment and the internal strengths and weaknesses (Porter, 1980), the core competences (Prahalad and Hamel, 1990) or dynamic capabilities (Teece *et al.*, 1997; Regnér, 2008). Thus, strategy-making (and thinking) is a rational process from analysis to explicit goal-setting to evaluation of generated alternatives and, when a choice has been made, development of a comprehensive plan for achieving the goals (Andrews, 1971; Ansoff, 1965; Porter, 1980).

The confidence in this view rests upon top managers' ability to analyse and implement strategy; thus, strategy is viewed as an issue of top management pursuing profit maximisation and/or efficient use of available resources based on the belief that all individuals are pursuing the most advantageous solution. Influential basic concepts and techniques contributing to the strategy field are Williamson's (1985) concept of transaction cost and Porter's (1980) industry structural analysis. The assumption of rationality was challenged by the behavioural theory. The rational economic man is a theoretical philosophy, and the rational view that the decision-maker takes all alternatives into account is illusory; in practice, people are only "bounded rational" (Cyert and March, 1963). This means that we as people are only able to consider a few factors at a time. We are biased in our interpretation of data, and we tend to choose the first satisfactory option instead of insisting on the best. In recognising that a myriad of individual interests are represented in an organisation, actors start bargaining with each other in an effort to attain acceptable goals and solutions. This view questions the assumption that only top management has a hand and a saying in strategy. The organisation as a whole takes part in strategy, suggesting that organisational members are able to play a significant role in the content and specifically in the process (Mintzberg, 1978).

Recognising the individual limitations, Quinn (1978) proposed logical incrementalism as a normative ideal for making strategy, arguing that a broad direction can be predicted by top management and that the precise nature of the strategy will emerge over time. Hence, the focus of top management shifts from planning strategy to setting a clear strategic direction in the form of a strong vision and corporate values (Kotter, 1988), thereby creating a sense of purpose and direction that will guide actions

taken by organisational members. This view was further developed to also include involvement as an important ingredient in strategy (Mintzberg, 1990; Wooldridge and Floyd, 1990). Primary reasons for such involvement are difficulties with strategy implementation (Galbraith and Kazanjian, 1986; Hrebiniak, 2006) and increasing environmental turbulence (Ansoff, 1979), such as innovation pressure, high uncertainty, change pressure, geographic diffusion, network, self-managing employees, digitalisation, shorter strategic lifecycles and skydiving communications cost (Poulsen and Mønsted, 2007; Hamel, 2007).

From industry to resources

Further, strategy has been seen as an external position in the market (Porter, 1980), and as a counterpoint to the approach, strategy has been seen as a bundle of resources (Wernerfelt, 1984). The focus in strategic management research has moved from the industry level (Porter, 1980) to the organisation level (Wernerfelt, 1984) in the explanation of competitive advantage. The traditional approach to strategy is that strategy is something the organisation “has” and that strategy and strategy work are defined primarily by top management (Andrews, 1971). Strategy work has traditionally been perceived as planning, followed by strategic planning (Ansoff, 1965) that is used to establish the organisation’s position in the market, for example, following three generic strategies (Porter, 1980). The basic assumption in this approach is that the strategy is determined by drivers related to external positions in a market, for example, related to Porter’s five forces (Porter, 1980).

The resource-based view (RBV) (Wernerfelt, 1984) was developed as a counterstrike to the positional view (Ansoff, 1965; Porter, 1980), arguing that organisations have different access to resources which influence the possibility to gain a competitive advantage. The RBV was developed with the use of the same economic theories and methodologies as applied in the traditional strategy approach focusing on the industry level. The RBV complements the explanation of the competitive advantage, where the traditional approach focuses on the industry structure and positioning as the determinants for an organisation’s competitive advantages. To supplement this view, the RBV conceptualises the organisations as a bundle of resources distributed heterogeneously across them, and the access and differences among resources have some kind of persistency over time (Wernerfelt, 1984). It is interesting how (high-level) resources or dynamic capabilities (Teece *et al.*, 1997; Eisenhardt and Martin, 2000) are connected to the change of operational capabilities and, thus, modify organisational assets. These dynamics have an impact on performance, but still the focus has been on the strategy content. Furthermore, the findings explain how to achieve competitive advantage at an abstract level, neglecting the detailed processes and activities that explicate the dynamic capabilities (Regnér, 2008). The two perspectives are representatives for the content and the process perspectives. Yet, they have used the same theoretical lens to explain opposite positions of what creates competitive advantages for organisations. This theoretical lens is built on the traditional microeconomic theory. In parallel with the economic theories, empirical research has also contributed immensely, originating from the RBV with focus on the strategy process (Mintzberg and Waters, 1985; Burgelman, 1983; Pettigrew and Whipp, 1991), offering some useful understandings of strategy.

The strategy content and process perspective

Strategy content and strategy process are viewed as two different strategy subfields. The content perspective focuses exclusively on which strategic position leads to optimal performance under different environmental contexts, and the strategy process perspective focuses on how an organisation's administrative system and decision processes influence the strategic positions. Both perspectives can improve the organisation's performance, but the strategic problem of the general managers is emphasised on differently. Strategy process and strategy content differ in three central aspects (Chakravarthy and Doz, 1992). First, strategy content is concerned primarily with the scope of the organisation and how to compete within individual markets. Second, the content perspective builds upon bounded rationality and high confidence in the top management dealing with the interface between the organisation and the environment, where strategy process research deals with the behavioural interactions on micro, meso and macro levels within or between organisations. The third aspect is the methodologies used to build the strategy content on secondary published data; the strategy process is on a range of intrusive methods. Especially, longitudinal studies are used in the process perspective, whereas cross-sectional studies are used in the content perspective, assuming that the organisation is in a steady state.

Strategy content

The classical approach to strategy content is that strategy is a position in the market, and to succeed, you need to outperform the competitors. In addition, the generic task is historically to balance the production (the stability task) while, at the same time, exploiting the market opportunities as a dynamic task. The pivotal point in the classical content perspective is the structure-conduct-performance approach to strategy which studies market power exemplified by Porter's (1980) Competitive Strategy with application of mobility barrier, industry analysis and generic strategies. The strategic options leave an organisation with basically two choices; it can seek to lower costs or it can differentiate itself from its competitors (Caves, 1984). In other words, an organisation must make strategic choices to survive; choices about products and services to offer and design policies to determine how the organisation will position itself in the market. Furthermore, the organisation has to choose an appropriate level of scope and diversity (Rumelt *et al.*, 1991).

Recent research addresses the strategic challenge of an organisation to be able to innovate and renew itself to compete in existing markets or, even better, to create own markets without significant competition (Kim and Mauborgne, 2004).

Strategy process and praxis

More influential scholars have made significant contributions to the strategy process vein. Mintzberg favours a configurational approach to the management and organisation theory (Miller and Mintzberg, 1984; Mintzberg, 1990; Mintzberg *et al.*, 1998). Pettigrew sees process as a sequence of events, which consists of both continuity and change (Pettigrew, 1985b, 1990, 1992, 1997). Pettigrew (1985a, 1985b, 1990, 1992) relies on structuration-like theories and, more specifically, on Giddens (1979) and Sztomпка (1991) to provide the recurrent pattern in the process. The structuration-like theory views social processes as the result of actions that are bound by the social structure, but also have the effect of reproducing and changing the social structure.

They concentrate on the agency-structure contradiction fundamental to the structuration-like theory and suggest that a processual understanding of management and organisation is capable of accommodating paradox and contradiction in one theoretical approach. The process perspective is concerned with how organisations recognise the need for change and then make the change. The strategy-as-practice (SAP) perspective originates from the process perspective, drawing on many of the same insights while moving focus back to the managerial level to explore how strategy practitioners “act and interact in the whole strategy making sequence” (Whittington, 1996, p. 732).

From the SAP approach, strategy is seen as situated, socially accomplished activities, whereas strategising comprises the actions of people and the practices they draw upon when carrying out the activities (Jarzabkowski *et al.*, 2007).

There are three vital parameters in this approach: practitioners, practices and praxis. The conceptualisation of practitioner acknowledges that a strategy process is influenced by actions taking place both inside and outside the organisation, for example, practice of involving external consultants and bringing in new strategy practices. The notion of who may assume the role of strategy practitioner has been stretched by that wider definition. The existing empirical research primarily focuses on top managers, middle managers and project managers (Jarzabkowski *et al.*, 2007; Jarzabkowski and Spee, 2009). The concept “multiple actors” gives ground for stating that all employees can be practitioners. This opens up possibilities for employees to participate more actively in the strategy-making; the employees can contribute to the content of the strategy and be involved in the implementation.

Summing up the above, strategy is complex and has multiple explanations depending on the lenses in play. Further, it appears that more approaches are important for the success of the strategy. Success depends on organisations focusing on two generic strategic tasks:

- (1) “What” is related to the strategy content?
- (2) “How” the strategy process influences the strategy content?

This means that a strategy model should be based on these two assumptions. Figure 1 illustrates that for the strategy execution to be a success, an organisation must take both the strategy process (inner circle) and the strategy content (outer circle) into consideration.

The interconnectedness is clear; the strategy content depends on the strategy process and vice versa. In the following section, the strategy model is developed and presented

Figure 1.
The strategy model

with the relevant and necessary elements in the content, as well as the implementation area.

The strategy model

With point of departure in the traditional strategy approach (Ansoff, 1965; Porter, 1985), the dynamic capability approach (Teece *et al.*, 1997; Eisenhardt and Martin, 2000; Helfat and Peteraf, 2003), the strategy process approach (Burgelman, 1983; Mintzberg and Waters, 1985) and the SAP approach (Whittington, 2006; Jarzabkowski and Spee, 2009), we address the challenges of strategizing in organisations. Furthermore, Joyce *et al.* (2003) in their empirically driven “The Evergreen Project” identified management practices that provide an opportunity to outperform industry peers. These management practices are separated into four primary practices (strategy, execution, culture and structure) and four secondary practices (talent, innovation, leadership and mergers and partnerships), all of which are in line with the existing strategy literature. Their findings can be placed within the previously presented strategy perspectives and indicate that performance is created by a combination of both process and content. Using this way of thinking, we have identified five strategy areas an organisation needs to focus on when strategising. The areas are related to two veins of strategy research: the content of the strategy focusing on productivity, flexibility and innovation (Drejer and Printz, 2004), as well as the process planning (Chakravarthy and Lorange, 1991), and the implementation of the strategy, where focus is on execution (Hrebiniak, 2006; Joyce *et al.*, 2003) and the organisational culture (Joyce *et al.*, 2003) in which the process takes place. In short, it can generally be argued that strategising is about aligning the strategy content with goals or some kind of directions and a process in which the strategy is created and executed.

The content of the strategy

We argue that there are three (generic) strategy areas related to the strategy content that an organisation should take into consideration, namely, productivity, flexibility and innovation. These have all been the subject of research and investigations, for example, in explaining the necessary strategic focus regarding the evolution of organisations (De Wit and Meyer, 2010). In the light of the need for a more efficient use of the resources, higher complexity in the environment and the speed of changes in technology and customer preferences, organisations currently must be aware of productivity, flexibility and innovation at the same time and find the most-value-creating balance between these three subjects (Drejer and Printz, 2004; Bolwijn and Kumpe, 1990).

Productivity is concerned with organisations' focus on enhancing existing resources and concentrating their strategic energy on quality and continuous improvements. Several approaches for developing productivity have been articulated. Hayes and colleagues (Hayes and Jaikumar, 1988; Hayes and Pisano, 1994) argued that manufacturing capabilities play an important role in how organisations compete in product markets. Some studies establish a role for manufacturing processes as a potential resource (Roth and Miller, 1990); others link specific manufacturing processes to capabilities to achieve low costs, high flexibility, dependability and quality (Cleveland *et al.*, 1989). One important link is between quality management practices, just-in-time, manufacturing strategy processes and manufacturing performance (Bates and Flynn, 1995). The area is traditionally seen in organisations with stable environments with only a few changes in technology, costumer preferences, inventions

and new innovations. Nevertheless, many organisations in all industries have had this inside-out view for a long time (De Wit and Meyer, 2010), focusing on optimising the supply chain through lean management, kaizen or other types of productivity-improving tools (Christopher, 2011). A major inspiration source in this area is the The European Foundation for Quality Management (EFQM) excellence model, which has a holistic perspective on organisation development but, still in its latest version, addresses quality and productivity (EFQM, 2013). In conclusion, productivity is an important area for strategising based on the internal aspects of strategy, and in the strategy work, the focus is on productivity utilising the organisations' existing product/service portfolio, and the approach to problem solving is systematic.

Flexibility refers to the market and the ability to adapt to changes in the environment. Focus is moved to shifts in customer preferences and has for many organisations been the most important issue regarding strategy. Close contact with key customers and systematic handling of complaints or appraisal of the products have been the main drivers for changes. The strategy in those organisations is to focus on building reliable systems intercepting signals from former, present and future customers. In strategy terms, this is also referred to as relational marketing, or more specifically customer relationship management practises (Clegg *et al.*, 2011). It is an outside-in perspective (De Wit and Meyer, 2010) which seeks to adapt to customers' changing preferences. An outside-in perspective begins with the market, meaning that the management steps outside the boundaries and constraints of the organisation and asks questions such as:

How and why do customers change? How are their needs changing, and what new needs do they have? What can we do to help our customers solve their problems and help them make more money? Are there any new competitors in their market? (Day, 2014).

Strategy is based on a position in the market (Porter, 1980). Research on entry barriers and entry deterrence has created more models for predicting strategic behaviour among organisations in the same industry to achieve a competitive advantage. These different models offer implications for how an organisation can assess its relative advantage in pursuing some opportunities and the degree to which the competition will prevail after success (Caves, 1984). Many traditional market-oriented researchers have highlighted the importance of listening to the customers' needs and expectations, arguing that the only way to success is to follow the market and the customer (Porter, 1980; De Wit and Meyer, 2010). Later on, this view has been modified and further developed; the customer is now part of all kinds of development issues the organisation faces. Flexibility is an important area in strategy and in the strategy work. The focus is on adapting to the market, exploiting and exploring the opportunities in the market, and the approach to problem solving is interactive.

Innovation is here defined as (more) radical changes that drastically influence the value-creation process. Fast-changing industries and customer preferences or heavy rivalry among competitors, as well as many new technological inventions, are factors fuelling the need to focus on innovation (Abell, 1999). It is a well-known and old fact that innovation is important to keep organisations competitive and able to cope with tough competitors; innovation can, indeed, be positively related to both success and failure in organisations (Cyert and March, 1963; Zaltman *et al.*, 1973). The link between innovativeness and performance has been investigated in many studies (Calantone *et al.*, 2002; Hult *et al.*, 2004; Wheelwright and Clark, 1992). Most studies, though, have focused

on improving organisations' ability to be more innovative and on establishing and suggesting concepts such as Blue Ocean Strategy (Kim and Mauborgne, 2004). It is of great importance for organisations to be able to renew their product portfolio not just once but constantly being aware of the innovation possibilities available on the market, the technology and/or the competitors. To avoid declining and promote development, working with strategy must include an evaluation of the products' maturity and their risk for becoming obsolete while concurrently focusing on keeping the ability to change the culture in the organisation at any time.

Many different aspects have been revealed as necessary to help organisations stay innovative and ensure that they repeatedly can renew themselves to meet expectations from the customers (Tidd *et al.*, 2001; Christensen, 2003). Innovation must be part of the strategy to help shape the direction of the innovation. The whole idea-generating process must be creative, involve many different parties but, at the same time, be structured and guided according to the strategy. It is also important to keep track of the progress in the innovation process and measure it based on relevant parameters. Last but not least, it is crucial to involve current and future customers in the innovation process (Lindholm and Holmgren, 2004). To sum up, innovation is about renewing the product portfolio. In the strategy work, focus is on exploring and "thinking out of the box", and the approach to problem solving is experimental.

In practice, an organisation will implement a mix of the three strategy content areas, and the environmental context and the organisation's interpretation of the environmental context will determine the balance between the three areas. This means that sometimes, one of the three areas will be more in focus, whereas at other times, there is a more balanced focus on the three areas.

The strategy process

As mentioned above, the strategy process is related to the internal aspects of an organisation; however, more aspects have been discussed by various scholars. Looking at the strategy process, we argue that it can be narrow and related to two areas: execution and organisational culture. We are aware of the fact that more aspects have been mentioned in the research, but we argue that most of the above aspects of the strategy process are contained by execution and culture; in our model, leadership and talent are included in execution.

Execution. Once the strategy has been formulated, it must be executed, and it is not what you implement but how you implement it. Execution is related to organisations' ability to discuss growth possibilities and development trends. Organisations with high execution skills also focus on how different parties in the organisation are involved in the strategy process and in fulfilling the strategy through a high communication level. Furthermore, execution is about maintaining and developing the necessary management and employee competencies (Hrebiniak, 2006; Joyce *et al.*, 2003). Hrebiniak (2006) argues for obstacles to effective strategy implementation, and the top five obstacles are:

- (1) inability to manage change effectively or to overcome internal resistance to change;
- (2) trying to execute a strategy that conflicts with the existing power structure;

- (3) poor or inadequate information sharing between individuals or business units responsible for strategy execution;
- (4) unclear communication of responsibility; and/or
- (5) accountability for execution decisions or actions, poor or vague strategy.

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To sum up, execution is about having the necessary focus and organisational skills to execute the chosen strategy.

Organisational culture is concerned with how to ensure a committed and engaged organisation determined to obtain strategic results. The culture defines how key actors in the organisation interact with each other and how this impacts on the implementation of the strategy and, at the end of the day, the performance of the organisation (Barney, 1986). It requires that the employees can relate to the demands and expectations they meet and a solid relationship between the goals and the communicated strategy. It is important that the goals and the strategy are adjusted continuously to fit with the changing environment and new strategic challenges (Joyce *et al.*, 2003). The organisational culture influences perceptions of productivity, the relationship with the customers and the ability to be innovative and strive for better performance (Morgan, 1993; Flamholz, 2001). Results from many research studies have demonstrated that there is a positive correlation between organisational culture and performance (Abu-Jarad *et al.*, 2010). Important cultural elements are, among others, how well the organisation is able to continuously adapt to the changing environment, the employees' level of responsibility and authority and how successful the organisation is in achieving the objectives set. Therefore, when working on a strategy, focus must be on both the content of the strategy termed in productivity, flexibility and innovation and on implementing the strategy, the actual execution activities and how the different actors are involved in the process. This is shown in Figure 2 in a conceptualised version of the strategy model.

The strategy process is about the organisational culture and executing the strategy. The five areas are all important in the strategy work, though in literature, they are often seen as separate areas or as counterpoints. Here, we argue that the success of the strategy depends on the interplay between the five presented areas. In the following, the

Figure 2.
Correlations in the
strategy model

proposed model will be tested based on a sample of 713 responses from Danish organisations with a questionnaire covering all aspects of the model.

Sampling

Normally, questionnaires are distributed to specific respondents in organisations, for example, the top managers or the middle managers. Especially, when the research topic is strategy, this is the way it is usually done. In our questionnaire, we have, however, also included employees as respondents, meaning that the questionnaire has been applied to top managers, middle managers and employees. In addition, the performance is defined by the respondents in the organisations and not by pre-identifying the organisations with above average performance compared to the industry. Based on the proposed model, a questionnaire was formulated and pilot tested among 70 respondents, and minor adjustments were made with respect to the formulation of the questions. In total, 25 questions (Appendix) were used to form for the model previously presented. The questions were developed based on the most important theoretical areas mentioned in the literature review about strategy content and process. Therefore, specific questions were asked for each area in the model and one question addressing the performance of the organisation. The questionnaire was distributed electronically to respondents, and they were encouraged to distribute the questionnaire to other respondents in their organisation. The respondents were found through our network, among managers attending business classes at the university and from different industry associations. The responses came from all kind of industries and from both the public and private sectors. The organisations were more than one-year old, and all ages were represented. Regarding the size of organisations, our study took into consideration organisations with more than five employees. We got more than 1,200 responses representing more than 140 organisations, but only 713 responses were fully answered.

When validating the model, it is important to mention that there were no significant differences regarding the industry, age or size of organisations.

Methodology

The statistical technique “partial least squares” (PLS) is used as a method to estimate the strategy model. PLS has been chosen as it can provide useful information in terms of member satisfaction and loyalty, and PLS is a technique well suited for this purpose (Jöreskog and Wold, 1982). Furthermore, it is not sensitive to skewed distributions and multi-collinearity as opposed to other structural equation modelling techniques (Cassel *et al.*, 1999; Kristensen and Eskildsen, 2010). The PLS model consists of three parts: inner relations, outer relations and weight relations (Wold, 1980; Fornell and Cha, 1994). The inner relations depict the relations between the latent variables, as shown in equation (1):

$$\eta = B\eta + \Gamma\xi + \zeta. \quad (1)$$

In the inner relations, η is a vector of the latent endogenous variables, B is the corresponding coefficient matrix (Fornell and Cha, 1994), ξ is a vector of the latent exogenous variables, Γ is the corresponding coefficient matrix and, finally, an error term, ζ , is included. The second part of the model is the outer relations (Fornell and Cha, 1994). This part of the model defines the relationship between the latent variables and the manifest variables, and these can both be reflective and formative by nature (Jöreskog and Wold, 1982). As the analysis performed here is based on reflective outer

relations only, this situation is described in the following. The general formula for reflective outer relations is shown in equation (2):

$$\begin{aligned} y &= \Lambda_y \eta + \varepsilon_y \\ x &= \Lambda_x \xi + \varepsilon_x \end{aligned} \quad (2)$$

where, y is a vector of the observed indicators of η , x is a vector of the observed indicators of ξ , Λ_y and Λ_x are matrices that contain the λ_i coefficients which link the latent and the manifest variables together and ε_x and ε_y are the error of measurement for x and y , respectively (Fornell and Cha, 1994). The weight relations are the final part of the PLS model. In PLS, each case value of the latent variables can be estimated through the weight relations shown in equation (3) as linear aggregates of their empirical indicators:

$$\begin{aligned} \hat{\eta} &= \omega_{\eta} y \\ \hat{\xi} &= \omega_{\xi} x \end{aligned} \quad (3)$$

In the following, the results of the analysis are reported.

Empirical results

The results from the PLS analysis are shown in Figure 3 and Table I below. All the path coefficients shown in Figure 3 are significant, and the model appears to fit the data well.

As Table I indicates that the latent variables possess sufficient internal reliability given the size of the Jöreskogs Rho's. As it can be observed, the coefficients are between 0.817 and 0.905, which indicates a high reliability. Furthermore, the discriminant validity of the model is satisfactory, as the average variance extracted in all instances are higher than the squared correlations among the latent variables (Fornell and Larcker, 1981).

The R^2 values are fairly satisfactory, resulting in an overall fit of the model of 0.487, which in this context is also satisfactory. The sample consists of three distinctly

Figure 3.
The empirical
correlations in the
strategy model

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different organisational groups, and it is reasonable to assume that the R^2 values would have been higher had the three groups been analysed individually. This would also have had an effect on the overall goodness of fit of the model.

In Figure 4, the index scores of the six latent variables are shown rescaled to 0-100. From this figure, it is evident that the respondents believe that “execution” and “innovation” are the areas in which Danish organisations face the greatest challenges.

Discussion and concluding remarks

Most research is placed in one research tradition, for example, in the content or process tradition, and in the content tradition, the research is further divided into sub-approaches, namely productivity, flexibility and innovation. The process tradition is even more subdivided, furthermore, a new, promising approach is emerging; the SAP perspective which moves the lens from a sociological approach to the phenomenon of strategy. More specifically, the phenomenon of strategy is placed in a different perspective and research traditions, seeking to explain what creates sustainable competitive advantages and how performance is affected. None of the perspectives seem

Table I.
Model results

Strategy areas	R^2	AVE	Rho
Execution	AC	0.598	0.899
Culture		0.595	0.817
Productivity	0.345	0.672	0.860
Flexibility	0.392	0.666	0.857
Innovation	0.509	0.578	0.905
Performance	0.294	0.651	0.849
Goodness-of-fit	0.487

Figure 4.
Index scores

to be fully able to explain what creates the competitive advantages improving performance, because each of the perspectives build on different profound assumptions and different methodologies. We have shown that a combination of more strategy perspectives can be integrated in a combined model containing strategy content and strategy process. However, it is beyond the scope of the current paper to discuss how the different strategy areas are causally affecting each other. Instead, the aim has been to show that there is a causal connection between the five strategy areas, and the model tested shows that the five strategy areas are interrelated in a complex causal pattern, ultimately affecting performance.

Before using the model for managerial implications, we wanted to test the model's inner logic to demonstrate how well the different areas in the strategy model are correlated. First of all, the test shows that there are positive correlations between focusing on productivity, flexibility or innovation and performance. Although innovation is the area in which organisations have the greatest challenge, the test indicates that when it comes to organisations dealing with innovation, there is a high correlation between the organisations' performance. The test also shows that execution and organisational culture highly influence and have a positive impact on organisations' focus on the strategy content and indirectly on the performance. In other words, the model is empirically valid and can serve as a basis for explaining why organisations do not perform well and what they can do to improve. The strategy has a significant impact on performance as many previous research studies have also have shown. Generally, as indicated by the index score in [Figure 4](#), Danish organisations find that the greatest challenges are related to executing a strategy and being able to include the innovative element in the strategy content.

From the empirical test, it is also evident that an organisation's ability to execute strategy has the largest impact on the organisation's ability to be productive, flexible and innovative. The impact is larger than that of organisational culture in all instances, but the difference is most noteworthy when it comes to productivity. Here, the ability to execute strategy is by far the most important trait for an organisation to possess. This is particularly interesting, as the index score for the ability to execute strategy is 59 and, thus, significantly lower than the 66 index score for organisational culture. In practical terms, this means that the organisations included in the sample stand to improve their performance substantially if they are able to raise their ability to execute their strategy to that of organisational culture. This improvement will to a large extent be through an increase in productivity, which subsequently leads to increases in flexibility, innovation and, finally, performance. Furthermore, productivity is the construct with the largest direct effect on performance when compared to the other two intermediate constructs; flexibility and innovation. The effect of increasing the ability to execute strategy would be interesting to test over time. Such a study design would allow us to determine whether the empirical model presented in [Figure 3](#), tested on cross-sectional data, has predictive power over time.

We find it important to further investigate how all five areas are interconnected. It could also be of interest to test how the five strategy areas are interrelated and how they affect performance in general. Finally, it could be interesting to study how the different levels in organisations perceive the strategy areas, and if the different levels, in fact, have different perceptions of the strategy and the performance of the organisations. Previous strategy research looks at different issues for succeeding with strategy:

Hrebiniak focuses on obstacles for strategy implementation (Hrebiniak, 2006), and (Joyce *et al.*, 2003) identify some primary and secondary factors of importance for an organisation's strategy. This indicates that there are some areas which are more important for success than others. Our model shows that all five strategy areas are important. Yet, it could be interesting to investigate if there are some connections or interrelatedness between some of the strategy areas leading to higher performance than other patterns in the five strategy areas. Perhaps, this could give some ideas of areas to pay special attention to in the strategy work.

The test was based on a sample asking top managers, middle managers and employees. Most traditional strategy research is done by investigating secondary data primarily related to the content tradition. As a counterstrike to this, the process tradition has a more empirical and longitudinal approach, addressing the "how" questions associated with the challenges of working with strategy. The SAP research perspective takes a sociological approach investigating the micro foundation related to strategy, and this inspired us to look broad at the strategy practitioners and incorporate the middle manager and, particularly, the employees in the survey. In traditional strategy research, top managers are mostly included, but by having both middle managers and employees participate, we have received a broader and richer feedback from the organisations. The aim has not been to focus on the different levels in organisations; as the topic is rather under-researched, we wanted to analyse it further to see how the different strategy areas are perceived at different levels in the organisations.

Future research needs to investigate if these three groups have the same view of the strategic landscape and whether distinctly different clusters across traditional demographic characteristics exist. In addition, it would be interesting to compare the results reported here with a similar study conducted in a different culture setting. Finally, research should focus more on the link between the content and process aspects of strategy based on the assumption that in creating competitive advantages for an organisation, both the market and the organisation should be taken into account. Clearly, it is not enough just to create or have a good strategy; a sufficient culture, executing capabilities/competencies and access to the necessary resources and the market must be available.

Implication for practice is that managers must take the strategy content and the strategy process into consideration. This is not an easy task to create a strategy with goals and action plans, as the strategy model implies, and focus on the content alone will not make good performance. The strategy has to be effectively executed and adjusted to the culture. Creating strategy has many pitfalls. One of them might be that many organisations often have a narrow approach to strategy by focusing only on one or few areas. For instance, they focus only on the content of the strategy and forget to implement it or they concentrate their efforts only on a specific content area and neglect the others.

Our model indicates two generic tasks that need to be addressed in strategy work, and they cannot stand alone. Managers have to consider both content and process of strategy. The organisation must develop a strategy which focuses on productivity, flexibility and innovation and, moreover, finds a balance between these three strategy content areas. In general, this means that in the strategy work, an organisation must constantly seek to balance the strategic tasks related to productivity, flexibility and innovation and their approach (the work with organisational culture and execution)

which are consequential for the performance. Further, the empirical results indicate that execution and innovation are the areas in which organizations face the greatest challenges. This is not to say that culture, productivity and flexibility are less important, but more to state that the ability to execute the strategy and focus more on innovation is crucial and needs to be a substantial part of the strategy work.

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Appendix. Questionnaire

Use the following scale to indicate your level of agreement or disagreement with each statement.

Key: 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.

- (1) The strategy is known at all levels in the company.
- (2) The strategy is translated into action plans at all levels in the company.
- (3) Financial resources are allocated to the implementation of the activities planned in the strategy.
- (4) Collaboration with external key partners is based on the strategy.
- (5) The employee resource is allocated in agreement with the strategy.
- (6) Management and employee competences are maintained and developed in agreement with the strategy.
- (7) The strategy is constantly adjusted.
- (8) Employees are assigned responsibility and authority in their work.
- (9) Employees are rewarded for their efforts.
- (10) The company meets the goals set (financial and non-financial).
- (11) The company's financial performance has improved over the last two years.
- (12) The company's image has improved over the last two years.
- (13) New and alternative operating methods and technologies are identified and developed.
- (14) Operational improvements are a natural part of everyday business.
- (15) The company's productivity has improved over the last two years.
- (16) The company's products and services are developed on the basis of customer needs and expectations.
- (17) Processes are developed to create additional value to customers and other stakeholders.
- (18) The company uses feedback from the daily customer contact, including complaints, to identify potential process improvements.
- (19) Top management is actively involved in the innovation activities.
- (20) Middle management is actively involved in the innovation activities.
- (21) Employees are involved in the innovation activities.
- (22) There is a focus on collecting and acquiring knowledge that support the innovation activities.
- (23) There is a clear structure for collecting and processing new ideas.
- (24) Innovation activities are continuously measured.
- (25) The company is adept at bringing entirely new business ideas to the market.

JM2
11,3

The questions above cover all the areas in the model:

execution: 1, 2, 3, 4, 5 and 6;

culture: 7, 8 and 9;

performance: 10, 11 and 12;

productivity: 13, 14 and 15;

flexibility: 16, 17 and 18; and

innovation: 19, 20, 21, 22, 23, 24 and 25.

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