Strategy Development in Utilities

Analyzing the Adoption of a Strategy Development Process

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Summary
The Dutch country unit of the multinational Global Energy Company (GEC), GEC Netherlands, has to align the corporate strategy with the specific situation in the Netherlands. Securing profitable GEC Netherlands operations on the longer term requires the design and implementation of a strong and transparent strategy. To make the GEC Netherlands strategy a successful strategy both external and internal matters have to be taken into account.

Research Objective
The strategy process is designed to mitigate the internal difficulties with the processes for strategy development, annual financial planning and setting of the key performance indicators. It is set up to align these internal processes and develop an unambiguous strategy for GEC Netherlands. The strategy process is designed to properly address the organizational environment and adjust the strategy to that environment. This year the strategy development process is adopted and executed for the first time. The designed process is tested by means of the first execution. The facilitators of the process are interested in potential improvements of the strategy process. The execution will show the suitability of the process to its context. This research addresses the adoption of the strategy development process at GEC Netherlands.

The objective of this research is to assess the strategy development process at GEC Netherlands, taking into account the environmental and organizational context and the theory on strategy development. The assessment should indicate possible improvement factors for the strategy process design and the execution, based on academic literature.

Following from the description of the situation at GEC Netherlands and a preliminary overview of theory on strategy and developing strategy the research objective can be formalized into research questions. The main question for this research is:

**What are possible improvement factors for the adoption of the strategy development process at GEC Netherlands within the current context and organizational structure?**

Demarcation
The research on the strategy development process is executed within GEC Netherlands. The strategy of GEC Netherlands is confidential and not subject to this research. This research focuses on the designed process for developing that strategy, not on the content of the strategy. The adoption of the strategy process itself raises various managerial and strategic issues and therefore requires this kind of extensive research.
Theoretical Framework

The definition of strategy of Mintzberg & Quinn, combined with the pursuit of a ‘sustainable competitive advantage’ of Porter, is directive for this research on strategy development at GEC Netherlands. This definition captures the current operations, the current situation, the external environment and an outlook to the future in coming to a successful strategy. In this research strategy is refers to: "A pattern or plan that integrates the organization’s major goals, policies and action sequences into a cohesive whole and strives for the achievements of a sustainable competitive advantage". This is assumed as the outcome of a process for strategy development.

The variety in academic literature is the input for the identification of a range of factors to assess the strategy development process. Each factor addresses a specific element of strategy development processes. The range of each factor is derived from that same literature. The factors are made more concrete by attaching two semantic extremes to every factor. The factors are listed below. They are not completely separated; certain overlap exists. The inventory of factors is the following:

1. Influence of Hierarchy
2. Purpose of the Process
3. Level of Formality
4. Substantive Focus
5. Dynamics of Process Substance
6. Middle Manager Commitment
7. Relation to Organizational Performance
8. Relevant Organizational Context
9. Strategy Implementation

These factors are the basis for the axes scheme that is developed to assess the adopted strategy process. To assess the strategy process all relevant factors have to be addressed and the value of each of the factors has to be determined. The axes scheme is also used to represent a more optimal situation. Comparing the existing and the more optimal situation indicates factor values suitable for improvement or other points of attention in the strategy process.

Methodology

The research is executed by means of a case study at GEC Netherlands. The research is testing the developed theoretical framework (axes scheme) on the process of strategy development in the organizational setting of GEC. Three research methods are applied:

- studying secondary data on GEC and the energy sector
• gathering data via participatory observation within GEC Netherlands
• gathering data via surveys and interviews with the participants of the strategy process: Management Board and the middle managers. The survey uses the ‘semantic differential’ method

Data Analysis
The analysis is executed with data from observations, the participant perceptions and the theory in the axes scheme. The data is used to assess the strategy process in the axes scheme.

From participatory observations of the strategy process execution is concluded that the strategy process was largely executed as intended. The purpose of the sequential steps in the strategy process was ambiguous to the participants. The intended execution was adjusted over time; nevertheless the final deadlines of the strategy process were made. Furthermore a limited effort in completing the strategy process of the various participants was observed.

Conclusions on the Strategy Process
After assessing the strategy development process at GEC Netherlands by means of a list of factors from literature the relevant factors for GEC Netherlands were identified. Academic literature also provided indications for a more optimal combination of factor values for the strategy process in the current environment and organizational structure of GEC. Improvement can be identified by adjusting the current strategy process taking in to account the more optimal factor values as presented in literature. The major improvement factors are:
• The strategy process for a business strategy at GEC Netherlands should contain both top down and bottom up process steps.
• The strategy process needs substantive input from middle managers to develop a superior strategy.
• The strategy process requires deliberation on the existing and on new activities to develop consensus on the determined strategy. An increase renewal and identification of opportunities is required.
• The commitment of the participants has to be increased. Most likely the awareness of the strategy increases similarly.

Conclusions on the Applied Theory
Contingency: The theory derived from the academic literature presented in this report indicates the importance of the context, history and structure of an organization. Therefore any research on strategy development processes requires a strong effort on analyzing the context of a strategy process. This is supported by the following examples:
• Within GEC Netherlands the existing organizational processes influenced both the
development and the execution of the strategy process.
• This contingency strongly determined the development and positioning of a process for
developing and implementing strategy within GEC Netherlands.

Interdependencies: The identified factors cannot be used separately for the assessment of a
strategy development process. A specific process for developing strategy is influenced by a
specific context. A single factor is not fully separated from the other relevant factors. The most
obvious interdependencies amongst factors are:
• Level of hierarchy - Level of formality - Middle manager commitment
• Level of Formality - Dynamics of substance – Organizational performance
• Middle manager commitment – Strategy implementation – Purpose of the process

Recommendations
The recommendations aim to mitigate the negative effects from the assessed situation as
presented in the ‘conclusions on the strategy process’. The recommendations take into
account the interdependencies as presented at the ‘conclusion on theory’ and also take into
account theory on process management.
• Create a common concept of strategy at GEC Netherlands
• Increase the effort on adopting the strategy process design
• Increase commitment and awareness of the process participants
Concrete steps for implementation are presented in chapter 6.

Library Version
The library version of this report is an abridged version. The graduation committee assessed
an unabridged version of this master thesis.
Preface

You just turned the first pages of my master thesis. This master thesis is the final requirement for completion of the Master of Science ‘Systems Engineering, Policy Analysis and Management’ (SEPAM) is. I started the SEPAM master in September 2006 and spent the first 18 months on lectures and further course requirements. Halfway the month April this year I started the final project spm5910 and finally developed this master thesis.

During the project I did an internship at a Dutch company to collect the necessary data for this research. The findings of this research are presented in the subsequent pages. The internship itself was a very pleasant and interesting experience for me. During the past months I learned about the practice of the various issues that I only read about before during my studies. The past months have been a fruitful combination of scientific research and business projects on rather diverging issues. I found the environment I experienced very stimulating and at some times even very challenging. The result of this project is now in front of you.

Fortunately I did not have to face the challenges of a master thesis project on my own. I would like to sincerely thank everybody that supported me during my studies and especially in finalizing this project. A few persons I will address specifically.

In the past months my master thesis committee supported and stimulated all activities that were part of this research. By deliberating on my work and by asking bright questions they strongly enhanced this work. Thank you Ernst, Mark and Victor.

At the company the strategy department was a perfect place to work from. The challenging work environment incited high expectations on the work delivered. This positively influenced the work for my thesis. Most of the time Simon was around to reflect on my work. I am very grateful for his efforts. But all other colleagues also supported me and had time for serious business or a good laugh. Thank you very much for that.

Furthermore I should thank my friends and housemates for reflecting on the work done and hanging out with me at times when I found this project less interesting. And last but certainly not least my girlfriend Emmeliek who lived through this project with me and who urged on improving the visual presentation of this work. Thank you all!

Jeroen Harren
November 2008
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1 Introduction

Energy systems all over the world were developed and controlled by national governments until approximately two decades ago [Fischer & Galetovic 2000]. Up to then governments or semi-government companies arranged production, transmission and supply of electricity and gas. During the 1980’s the first market concept was introduced in Chile. In Chile market-oriented reforms were applied to the electricity system [Bernstein 1988; Fischer & Galetovic 2000]. This introduction incited reforms in several countries in South-America and established the concept of a market-oriented energy system [Rudnick 1998] In Europe the first to execute market-oriented reforms were the British in the late 1980’s [Helm & Jenkinson 1998].

The developments in Chile and Britain were the start of the energy system reforms. This chapter first describes the reforms (section 1.1) and then addresses the current need for a strategy development process at an energy company (section 1.2 and 1.3). The strategy development process in itself is the subject of this research. The research questions are presented in section 1.4. The research outline is shown in section 1.5.

1.1 Energy System Reforms

1.1.1 European Energy Market

In 1990 the British government privatized the electricity supply system in the UK. Other countries from the Commonwealth also applied deregulation to liberalize the markets, but did not privatize as far-reaching as in the UK. Meanwhile the European Union developed a directive [90/387/EG] to set up an internal market, inciting various liberalization processes on the national level of the member states. The European energy market was under development over the last decades. So far the market has not yet come to what a European ‘internal energy market’ is supposed to be [Glachant 2006]. The purpose of the European directives [90/387/EG, 96/92/EG, 2003/54/EC, 2005/89/EC] and regulation [1228/2003/EEC], of coming to a common regulatory framework for all member states of the European Union for the benefit of the end-user of an infrastructure is not yet achieved, according to Jordana [2006]. However the implementation of several deregulation processes that established different market designs did open up the markets. Further steps are taken continuously. The recent set up of a north-west-European capacity allocation service centre (CASC-CWE) for the electricity market is another step towards complete market coupling and an improvement for cross-border trading [Energeia 2007].

Government-owned and private energy companies in Europe endured the institutional changes on national and on European level. The energy companies faced a changing environment to which the companies had to adapt. Energy companies for example now have to work on
customer retention since customers can easily switch provider. The utility companies can no longer act as production oriented firms. The companies are now participating in a competitive market and are striving for competitive advantages, for example in scale.

One of the multinational energy companies is Global Energy Company (GEC) with (from a Dutch perspective) foreign headquarters. GEC and other energy companies have in recent years evolved from a local utility company with a local network and local customers to larger and even international electricity and gas companies [CPB 2003]. Currently the energy companies are competing across the European Union on each of the national markets, and some even are global players.

Due to the development of the European energy market the energy companies are challenged to continuously adapt to their environment and be proactive in creating a competitive advantage. The EU directives [90/387/EG, 96/92/EG, 2003/54/EC, 2005/89/EC] support the development of national legislation to implement the directives. The competitive advantage is sought on both the corporate level and on the national level. The expected competitive advantages at the two levels can differ or can even be conflicting. A multinational energy company therefore has to take into account each national context and also carry out the corporate strategy. This report addresses the position of GEC Netherlands as a country unit of GEC, with the scope of activities on the Netherlands.

1.1.2 Dutch Market Developments

Van Damme [2005] summarized the developments in the Dutch electricity market up to now in the following way. The Dutch electricity market is now restructured in line with the two EU Electricity Directives [2003/54/EC and 2003/55/EC]. The reform started with the Electricity Act 1998. This Act implemented the first Electricity Directive 96/92/EC. This Dutch Act created the framework for the liberalization of the market. The Act established the Dutch electricity regulator ‘Energiekamer’\(^1\) that regulates network tariffs. Furthermore TenneT was established. Tennet is the national transport system operator (TSO).

The Electricity Act 1998 fixed the gradual liberalization of the demand side of the electricity market. This liberalization was scheduled as follows. The 650 largest users were free to choose supplier as of 1998. The middle segment was liberalized as of January 2002. In July 2004 the entire market was liberalized. The liberalization was expected to increase competition amongst suppliers by allowing more consumer choice. On the other hand the efficiency and security of supply was maintained [Van Damme 2005]. In the near future ownership unbundling is

\(\text{\textsuperscript{1} Energiekamer was named 'Dienst Toezicht Energie' (DTe) until June 1st 2008}\)
enforced on the four incumbents in the Netherlands. The impact of this decision is not clear but might provide opportunities for GEC Netherlands and a dozen of other suppliers. The gas market is regulated under the Gas Act. The Energiekamer is also regulating this market. There is direct government control of the Dutch production resources of natural gas. In the Netherlands natural gas provides a much larger share of the primary energy supply than in neighboring countries [Prospex 2007]. This is due to the presence of natural gas as a resource in the Netherlands. The natural gas market is of importance for GEC Netherlands since it is an integrated supplier, supplying both electricity and gas.

1.1.3 Position of GEC Netherlands

GEC Netherlands is active in the Dutch electricity and gas market. Since GEC Netherlands is a country unit of the global GEC, GEC Netherlands is partially dependent on the actions and decisions that are made at the division level or corporate level. The division GEC Europe directs the strategy that is to be executed by the division. GEC Netherlands is part of that division and therefore subject to the division strategy. Changes in the corporate structure, for example centralizing certain activities, can also affect operations in the Netherlands. The structure of GEC is extensively described in chapter 2.

GEC Netherlands has to align the corporate strategy with the specific situation in the Netherlands. Playing a significant role in the Dutch energy market requires an additional effort. Matters that are specific for the Netherlands are for example the position of the incumbents, the presence of natural gas and the impending ownership unbundling. The Dutch market specifications are elaborated on in chapter 2.

To secure profitable operations on the longer term, a strong and transparent strategy has to be designed and implemented. To make it a successful strategy both external and internal matters have to be taken into account. A strategy should, in terms of Porter [1985], deliver a 'sustainable competitive advantage'. This report focuses on the process of developing such a strategy. The research on the process of developing strategy is executed within the energy company GEC Netherlands.

1.2 Strategy and Developing Strategy

Strategy is elaborated on by many authors. A few descriptions are presented here, beginning with Porter's. Porter states that strategy should lead to “a sustainable competitive advantage” [1985]. Later, Porter [1996] states that "competitive strategy is about being different". By creating a unique mix of activities, a company will be able to add a unique mix of value. Mintzberg and Quinn [1992] define strategy as: "A pattern or plan that integrates the organization’s major goals, policies and action sequences into a cohesive whole". Andrews [1980] also refers to a pattern: "A pattern of decisions in a company that determines and reveals its objectives, purposes, goals, produces the principal policies and plans for achieving
Andrews also states, in the same book, that corporate strategy is a process, which takes place in an organization. When combining the definitions it seems the same elements are addressed by the different authors. Strategy is about long term goals and current activities, which are combined into a plan that leads to achieving those goals, taking into account the environment in which it operates.

Reaching a strategy that leads to a sustainable competitive advantage can be achieved by a process. Hützschenerreuter and Kleindienst [2006] provide a brief overview of descriptions of strategy processes, and what is of impact on these processes, derived from literature. The process of developing strategy is also in place at GEC Netherlands. At GEC Netherlands it is named: ‘Strategy Process’.

1.3 The Strategy Process at GEC Netherlands

1.3.1 Context of the Strategy Process

The process of developing strategy at GEC Netherlands is executed in addition to other organizational processes. The other processes and their relation to the strategy process are introduced in this section. The processes are the financial planning process (FPP) and the setting of the key performance indicators (KPI’s) for the coming year. All organizational processes are extensively described in chapter 2. In this section the development of the strategy process is described.

1.3.2 Development of the Strategy Process

Approximately 4 to 5 years ago a first step was made to determine a strategy for GEC Netherlands. The need for a strategy was incited by the request from the division headquarters for a more detailed foundation of outcomes of the financial planning process (FPP). The Management Board of GEC Netherlands is ultimately responsible for the strategy and the financial planning. Until this year mainly the Board of Management of GEC Netherlands developed the strategy without involving the middle managers [10]. In the past years this way of developing strategy was adjusted annually. At first it was a sole exercise of the Management board of GEC Netherlands. Later on individual managers were consulted on topics the manager was involved in.

This year (2008) the process was formalized for the first time. The strategy department was now appointed to facilitate the strategy development process. The final phase of development was as follows. In the first half of the previous year (2007) the concrete plan of setting up a

\[^{2}\text{[#]}\text{ with # being a number between 1 and 10 refer to the interviews with the managers that are described in chapter 4 and 5}^\]
strategy process came up in a meeting of the Board of Management and the middle managers. The development plan had to be executed and finished before the start of the FPP to enable the alignment of the both processes. The deadline was missed, due to a lack of resources [6, 7]. By the end of 2007 the plan to establish a strategy process was really taken up by the strategy department. By December last year the strategic planning was incorporated as a core project on a list of 12, as part of the internal Performance Program. The strategy department of GEC Netherlands executed this project [10]. The project resulted in the start of the current strategy process in February 2008. Just before the start the strategy process outline was presented to the Management Board and the middle managers of GEC Netherlands and the plan received their consent. The Strategy Process is a tool for GEC Netherlands to craft their strategy. The strategy process should make the strategy fit expectations of GEC Europe but also make the strategy fit to the rest of the operational environment.

At GEC Netherlands the strategy department is facilitating the strategy process. The strategy department consists of approximately three employees, and they developed the strategy process and they executed the implementation. The strategy department enabled this research to identify possible improvements of the strategy process.

1.3.3 Coherence with FPP and KPI’s

The output of the current strategy process serves as input for the financial planning process for the next three years: the financial planning process (FPP). This financial planning has to be approved by the Management Board of the GEC Europe division. The Management Board of GEC Netherlands presents the planning at the Europe headquarters. In the previous years the strategy plan of GEC Netherlands was mainly used as an explanation of the financial planning. The explanation was developed by the Board. After making the financial planning, the strategy plan was phrased to support the financial planning.

![Figure 1-1: Intended Alignment of Internal Processes](image)
1.3.4 Formal Description of the Current Strategy Process

The flow-scheme in Figure 1-2 below visualizes the Strategy Process as designed at GEC Netherlands for the execution this year. The purpose of the Strategy Process is not to let the strategy department itself make a new strategy. The strategy department is mainly facilitating the process. The purpose of the current Strategy Process is to improve strategy and the process has to "add value to the company" [1]. The GEC Netherlands strategy should be aligned with the mother company GEC Europe. Currently GEC Netherlands mainly has a focus on operational issues. For GEC Netherlands the alignment will require the transfer of short term focus (operational) to a more long term perspective.

The planned flow, as shown in Figure 1-2 below, proceeds over time from left to right. First the Management Board of GEC Netherlands sets the ambitions for GEC Netherlands. The middle managers are asked to prepare bottom up input, so the middle managers can present and discuss the translation in an individual talk with a representative of the strategy department. The input from the middle managers is aligned by the strategy department. The Management Board discusses the input from the strategy department in a strategy retreat, and develops strategy proposal. In the general strategy discussion the strategy proposal is discussed and afterwards an improvement step can be made by the Management Board by means of the ‘loopback’ (a feedback loop). In the final step the Board of GEC Netherlands meets with the Management Board of the single shareholder GEC Europe. The strategy proposal is discussed then, in combination with the FPP, in one session. If the division headquarters approves the strategy proposal the strategy and the financial planning are implemented and executed at GEC Netherlands. The parties that participate in each of the steps are presented below each step in Figure 1-2 below which is derived from an internal presentation.

![Figure 1-2: Process scheme of the strategy process in 2008](image)

The outcome of the strategy process is an approved strategy and financial planning for GEC Netherlands. The focus of the research described in this report is on the process of developing strategy at GEC Netherlands in 2008.
1.3.5 Research Problem Definition

The previous sections described the energy sector and a preliminary insight in GEC Netherlands. Operations in the Dutch energy sector require the development of strategy in a changing environment. Furthermore the GEC Netherlands organization executes various processes that are not aligned. The absence of an unambiguous aim in the KPI’s does not contribute to developing a sustainable competitive advantage. The strategy department set up the strategy process to ultimately develop a sustainable competitive advantage for GEC in the Netherlands.

The strategy process is designed to mitigate the internal difficulties with diverging KPI’s by aligning processes for strategy development, financial planning and KPI setting. The strategy process is also designed to properly address the organizational environment and adjust the strategy to that environment.

This year the strategy process is adopted and executed for the first time. The designed process is tested by this first execution. The process design has a limited grounding in theory on developing strategy. All participants have a role in the strategy process and can therefore hardly assess the level of success of the strategy process. The uncertainty on the effectiveness of the strategy process to mitigate the internal difficulties has to be reduced. The problem that is addressed by this research is the uncertainty on the suitability of the process to achieve its purpose. The strategy department is in need of an analysis of the adoption of the strategy process.

1.3.6 Objective of the Research

The objective of this research is to asses the adoption of the process of developing strategy at GEC Netherlands, taking into account the environmental and organizational context and the theory on strategy development and process management. The assessment should indicate possible improvements for the strategy process and the execution.

1.4 Research Questions

Following from the description of the situation at GEC Netherlands and a preliminary overview of theory on strategy and developing strategy the research objective can be formalized into research questions. The main question for this research is:

**What are possible improvement factors for the adoption of the strategy development process at GEC Netherlands within the current context and organizational structure?**

The following sub questions support in the answering of the main question. Per sub question a research method is proposed.
1. **What is strategy and which relevant factors for developing strategy are described in literature?** *(theory)*

By means of a literature study the concept of strategy will be defined. Furthermore an overview of methods and approaches for developing strategy is generated. It is likely that there are different methods applied in different sectors and under different circumstances. Factors of influence to strategy and strategy development are identified by means of a literature study.

2. **What factors determine the value of the current strategy process for the GEC Netherlands performance?** *(theory, empirical)*

The design of the current process is tested by its first time execution. The input and the cooperation of the organization indicate the importance of the process to the organization. Factors that indicate the importance and suitability of the strategy process are derived from literature and presented in a theoretical framework. The framework is then used in observing the process and interviewing the participants. The interviews can lead to the identification of other factors that had not yet been taken into account. The interviews with participants will provide more information on the current position of the process in the organization.

3. **Who are the key players in the execution of the current strategy process, what are their specific roles and what are the major influential factors?** *(empirical)*

This question requires the gathering of information on the recent developments of the strategy process. As part of this research it is necessary to gain insight in the execution of the strategy process at GEC Netherlands. Furthermore the roles and actions of the parties involved are influencing the result of the process, these roles and actions need to be clear. This information can be gathered by means of observing the execution and interviewing the participants. By categorizing (generalizing) this information it has to be determined what are major and what are minor issues in and around the current GEC Netherlands situation.

4. **What is a suitable manner for the GEC Netherlands to develop improvements within the current environment and organizational structure?** *(combining theory and empirical)*

Insight in the environmental and organizational context will provide the possibility to assess the strategy development process of GEC Netherlands by means of factors from theory. This can be done by a comparison with theory. The assessment leads to a proper insight in the current situation and a starting point for the development of possible improvements for the strategy development process at GEC Netherlands.
1.5 Report Outline
The following chapters in this report provide answers to the research questions as presented above. The following report structure in Figure 1-3 below is created to convey the execution of the research in a transparent way.

Figure 1-3: Report structure
The next chapter (2) describes the environmental and organizational context of GEC Netherlands. This contributes to the understanding of the specific situation of GEC Netherlands. Chapter 3 elaborates on the theory on strategy and strategy development. From literature a number of relevant factors is derived and these factors are combined into a theoretical framework. The theoretical framework is used to assess the strategy process at GEC Netherlands with various sources of data. The methodology used is explained in chapter 4. The data that is collected by the various methods is analyzed in chapter 5. The theoretical framework is used to structure the research data. The final chapter 6 provides conclusions on the analyses executed. Furthermore recommendations are made for the design and for the execution of the strategy process. A reflection is provided on the last pages.
2 Context Conceptualization

In the introduction the environmental context and the organizational structure were presented. Both the context and the organizational structure influence the development and execution of a process for developing strategy. Sufficient insight in the organizational context and organizational structure is needed to be able to understand whether the design and execution of the strategy process are in line with this context and structure. This chapter describes the context and structure for GEC and for GEC Netherlands in particular.

First the energy sector is described and the characteristics of the Dutch market are presented. In the second section the organizational structure of GEC is provided, followed by the organizational structure of GEC Netherlands in section three. The fourth section addresses the current internal processes within GEC that are related to the GEC Netherlands strategy process.

2.1 Dutch Energy Sector Characteristics

2.1.1 Market Structure Development

The EU is striving for an internal energy market. By means of the sequential European directives 90/387/EG, 96/92/EG, 2003/54/EC the European Union aimed for the development of a common regulatory framework for all member states of the European Union and for security of supply for the consumers. The directives are now incorporated in national legislation. The incorporation led to various regulatory systems in the member states of the European Union [European Commission 2007]. The development of the internal energy market is ongoing.

In the Netherlands the Electricity Act 1998 and the Gas Act incorporated the European directives. Therefore the regulator Energiekamer was established. Energiekamer is a sector office of the Dutch national competition authority (NMa)³, with the focus on the energy sector in the Netherlands. The Energiekamer is under supervision of the Ministry of Economic Affairs of the Netherlands. The Energiekamer periodically adjusts the regulatory demands to enhance competition in the energy market and to improve the performance of the market players. For example the charging of too high fees is penalized with a fine. Also the performance of suppliers is measured with various indicators and that performance overview is published to make consumers aware of varying performance [Energiekamer 2008]. The production of

³ In Dutch: Nederlandse Mededingingsautoriteit (NMa)
power and gas itself is not regulated by the Energiekamer. The Energiekamer regulation focuses on the sales and on the development of the market.

The Dutch energy market can be divided in a gas market and an electricity market. In both markets the Dutch government, national and regional, is strongly involved. The government is indirectly single shareholder of several utility companies. The shareholder structure is developed in this way because the current energy companies were created from mergers of regional or municipal energy companies [Van Damme 2005 p.2]. In the gas market the national government partly owns the natural resources. Furthermore the national government indirectly is a 50% shareholder in the trading company that trades almost all (95%) natural gas that is annually traded in the Netherlands [European Commission 2007a]. The government indirectly owns the gas and electricity infrastructure. The management of the infrastructures by the government is in line with directive 2005/89/EC on security of supply. Government will most likely maintain the infrastructure ownership and management.

2.1.2 Competition and Market Power in the Netherlands

GEC Netherlands provides electricity and gas to retail customers, business customers and in wholesale. GEC Netherlands is a dual-fuel supplier in these markets. A dual-fuel supplier delivers both gas and electricity. Heat is only provided in business to business and wholesale. Competitors in the Netherlands are the incumbents. The incumbents supply energy to over 80% of the Dutch market (see Table 2-1 below). Other entrants such as GEC and the newly established suppliers deliver the remaining share. Currently approximately 13 companies supply energy to customers in the Netherlands [Energiekamer 2008]. The majority of the competitors also is a dual-fuel supplier. The presence (or: concentration) of various entrants and new companies is a sign of a competitive market [Energiekamer 2007]. The European Commission describes the functioning of the Dutch electricity market as follows: “The relatively low difference between wholesale and end-user prices in Netherlands is pointed to as an indicator that the market is functioning well” [European Commission 2007b p.1].

The phased liberalization of the demand side of the electricity market as fixed in the electricity act 1998 gave the consumer a choice. As from July 2004 the entire electricity market in the Netherlands was liberalized. Each consumer can now choose its energy supplier, independent of who owns the regional electricity grid [Van Damme 2005].

After the liberalization the number of consumers that changed their supplier (also referred to as 'switching') was limited to approximately 6% in the past year [Energiekamer 2007], note that these switches are not necessarily unique. One customer can have switched various times, that all added up to the counting. The majority of the consumers stick to their supplier.
These ‘sticky’ consumers are so far insensitive to the offers made by the entrants and newly established companies. Only a small share of the consumers perceives a benefit in switching.

**Competitor Overview**

As stated there currently are 13 suppliers in the retail electricity market in the Netherlands taken into the scorecard of the Energiekamer [Energiekamer 2007]. In the table 2.1 the suppliers are categorized by their origin. The incumbents are the Dutch based suppliers which also maintain distribution networks, the entrants are foreign based. The new companies are newly established as suppliers on the Dutch market due to the liberalization. Exact data on market shares is not published by the regulator, but an indication is provided in the ‘Marktmonitor’ of the Energiekamer. A few remarks are made on the competitive advantages of the various suppliers to provide more insight in the Dutch retail energy market.

<table>
<thead>
<tr>
<th>Category</th>
<th>Company</th>
<th>Market share in retail electricity supply⁴</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incumbent</td>
<td>Cogas, Delta, Eneco, Essent, Nuon, Rendo,</td>
<td>&gt; 80%</td>
</tr>
<tr>
<td></td>
<td>Westland Energie</td>
<td></td>
</tr>
<tr>
<td>Entrant</td>
<td>Dong, Electrabel, E.ON, RWE</td>
<td>0 - 20%</td>
</tr>
<tr>
<td>New company</td>
<td>Energiedirect, Greenchoice, Oxxio,</td>
<td>0 - 20%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

The competition that increased after liberalization forced the incumbents to improve their customer service and improve the customer perception of their operations. In the new situations customers had a choice, so a threat of switching was rising. In the past years the three largest incumbents adopted a ‘green’ image. The incumbents provide and promote ‘green-power’. Furthermore they emphasize on options for energy savings via commercials. The green-power sold is purchased via trading or produced with own renewable sources in the Netherlands.

The entrants as described here are energy companies that are also active in other countries. Entrants perceived the Dutch supplier market as attractive and therefore acquired production capacity, a customer portfolio, or a combination and started operations. In running operations the entrants obviously benefit from the experience they gained in their country of origin, even though the home market might be less developed. The strong selling position of these companies is their international perspective and experience in the energy business. The entrants position themselves as reliable suppliers based on their track record.

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⁴ Source: Energiekamer, Marktmonitor juli 2006-juni 2007 (latest publication). The shares add up to 100%, the data provided is not specific.
The newly established companies in the Dutch supplier market mainly developed their customer portfolio by organic growth. Even though the switching rate in the Netherlands is low, the new companies managed to gain their market share by strong and aggressive marketing campaigns. These companies operate without a distribution network or generation capacity. By positioning themselves as cheaper (e.g. Energiedirect) or ‘green’ (e.g. Greenchoice, Oxxio) they managed to attract customers and develop business.

In chapter 0 the purpose of strategy: ‘creating a sustainable competitive advantage’ was presented. It seems that due to the limited number of switching customers no ultimate market position can be pointed out. The incumbents benefit from their stable customer portfolio. Suppliers in the Netherlands are developing their competitive advantage in various ways.

### 2.1.3 Present Issues in the Dutch Energy Market

This subsection addresses the present issues in the Dutch energy markets. The following issues are elaborated on in this section: sustainability, ownership unbundling, grid development.

**Sustainability**

The European Union presented directive 2001/77/EC on the promotion of the use of energy from renewable sources. This directive provides targets for 2010. The currently proposed directive in the ‘third legislative package’ contains increased targets. Concretely the newest directive comes down to (on a European level):

- 20% increase in energy efficiency
- 20% reduction in greenhouse gas (GHG) emissions
- 20% share of renewables in overall EU energy consumption by 2020
- 10% biofuel component in vehicle fuel by 2020

These goals are set for the European Union as a whole. A division per member state is made, to fix the goals per member state. For the Netherlands the goals were also transposed into national goals in the ‘Schoon en Zuinig’ working program. These are the following:

- Reduce the emission of greenhouse gas (especially CO2) with 30% in 2020 compared to 1990.
- Double the speed of energy savings from 1% to 2% per year
- Increase share of Renewable Energy Sources (RES) in total energy consumption to 20% in 2020

These goals are set by the current Dutch government. For the energy companies there is no legal obligation to cooperate with the government goals. In the Dutch governing model the emphasis is on creating consensus and setting common goals. The goals are then for example fixed in a covenant. The covenant on sustainable production in the Netherlands, the
'sectorakkoord', was recently signed by representatives of the energy companies in the Netherlands. In this covenant the companies in the energy sector declare they will cooperate with the Dutch government to achieve the goals for 2020.

**Ownership Unbundling**

The ownership unbundling is a Dutch extension of legal unbundling applied by the EU. Ownership unbundling is not required by an EU directive. Ownership unbundling separates the ownership of the electricity grid from the service provision via that grid. Ownership unbundling leads to the separation of the competitive segments in the sector from the monopolistic part. The grid will remain (indirectly) state owned, but the production and service companies can be privatized and possibly merge with an international partner. The unbundling and possible mergers would end the (indirect) government involvement in production and sales of electricity. The grid will continue to be maintained by government-owned companies to provide security of supply. As of July 2011 the already separated organizational units for network and commercial business can no longer be part of the same company [Van Damme 2005].

Separating the commercial and the network activities creates room for major changes in the Dutch energy markets. Up to the unbundling Dutch companies could not merge or be acquired internationally. Such a merger would bring Dutch grid in foreign ownership. That is not allowed. In the unbundled situation the company only executes commercial activities (producing and supplying) and can therefore be subject of an acquisition. Such acquisitions or international mergers are currently pending and very likely to take place in the coming years. It is unclear how an acquisition or merger influences the execution of the ‘sectorakkoord’.

**Grid development**

Tennet is managing the high-voltage transmission grid and responsible for the balance and sufficient capacity on the grid. Currently the Netherlands are importing electricity to deliver the demand on the Dutch market. The national production is less than the consumption. Several energy companies are considering an investment in a power plant in the Netherlands. The new power plants will turn the Netherlands from a net import to a balanced or even an export country [Tennet 2008]. The development of various new power plants and the development of a range of windparks require a significant investment in the Dutch grid. The grid expansion has to start on the short term to make sure the power produced at the new sites can be transported.
2.2 GEC Corporate Structure

GEC Netherlands is a country unit of GEC. GEC headquarters is the corporate center. The current heart of the company lies in Western Europe. GEC incorporates a number of divisions.

The GEC Netherlands Organization

GEC Netherlands is operating in the Netherlands and GEC Netherlands is subject to the various laws and regulatory requirements that are applied in the Netherlands. This section describes the organizational structure of GEC Netherlands.

2.2.1 GEC Netherlands Organizational Structure

The organizational structure of GEC Netherlands during the execution of the strategy process is described here, starting with the Management Board. The structure is also presented in Figure 2-1 below.

Management Board

GEC Netherlands has a Management Board of three people. The Board has authority to approve projects up to a certain amount. Larger projects require hierarchically higher authorization of GEC Europe. The Board consists of a chief executive officer (CEO), chief financial officer (CFO) and a chief commercial officer (CCO). All three board members are responsible for up to four clusters from the second management layer.

Middle managers

The second management layer consists of a dozen of middle managers. Each middle manager leads an organizational cluster. The turnover of each cluster is very dependent of the core activities of the cluster. The contribution of a cluster to company decisions varies between leading and supporting. For example the cluster ‘Sales’ is more leading than the cluster ‘Accounting’. Selling power is a core process; accounting is a necessary activity to enable business. Nevertheless the formal decisive power of all middle managers is equal, independent of the content of their job. The group of middle managers is referred to as MT.

Department Level

The structure within the clusters is very different per cluster. These differences are present due to the differences in size and activities of the clusters. Each cluster consists of several departments.
Strategy Department of GEC Netherlands
The strategy process is developed and facilitated by the strategy department of GEC Netherlands. The strategy department only has a few employees and therefore limited capacity to facilitate the strategy process.

Company Culture
A part of the employees of GEC Netherlands formerly was civil servant and is now part of a commercial company. Reorganizations also brought in new employees. There is a share of international employees based at GEC Netherlands. The variety in the backgrounds of employees is related to the content of the work. Culture differs between parts of the organization.

2.3 Internal Processes within GEC
The subject of this research is the process of developing strategy at GEC Netherlands. Various other processes are executed in parallel or sequential to the strategy process. This section addresses these processes and indicates their possible influence on the strategy process. The processes are the financial planning process, the setting of the key performance indicators and the Performance Program. The information provided is based on various talks with employees involved in these processes.

2.3.1 Financial Planning Process (FPP)
The content of the current financial planning process (FPP) is finance and partly strategy. Subjects addressed (from a finance point-of-view) are expected costs, margins, personnel plans and investments. Combining this information for all the clusters leads to a financial planning for GEC in the Netherlands. The financial planning should be an alignment of all the plans within the organization. The outcome of the strategy process that was developed should
serve as input for this financial planning. Ideally the two processes would form a cyclic process, start of one is following on the end of the other.

### 2.3.2 Performance Program

The ambition of improving performance throughout the company is embodied by the Performance Program. This program has a scope of three years ahead. It consists of numerous projects and goals in various identified fields such as: ‘people’, ‘sales’ and ‘sustainability’. The projects and goals are communicated by means of the PP-scheme. The PP-scheme is available for everybody and in the hearts and minds of a majority of the managers.

The balanced scorecard with the KPI’s is the measurement tool of the Performance Program. The scorecard is updated for every monthly meeting on the Performance Program. Note that not all PP-projects are measurable in quantifiable KPI’s. The development of the strategy process was for example also listed as a PP-project and is now realized.

### 2.3.3 Setting of Key Performance Indicators (KPI)

In both of the internal processes as presented above the setting of KPI’s is addressed. KPI’s are developed in parallel with these processes. Financial KPI’s are derived from the approved financial plans in the FPP. These KPI’s are in line with the presented strategy and are taking into account the financial plans. The Performance-program also leads to (other) KPI’s, connected to the projects launched or under development.

The MT proposes KPI’s to the GEC Netherlands Board. These KPI’s are developed by small teams that consist of members of the MT. The Board decides on those KPI’s before the end of the year. Difficulties experienced in this process are the level of detail of the KPI’s and the total number of KPI’s set. Developing concrete and measurable KPI’s is rather difficult. Furthermore there are individual, personal KPI’s, supported by bonuses, which are set by the Board of GEC Europe.

The KPI’s are developed for different layers. There are broader GEC Netherlands-KPI’s, there are cluster-KPI’s and there are department-KPI’s. Individual KPI’s are only set for the GEC Netherlands board members and for the middle managers. In the ideal situation the KPI’s that are set are aligned with the strategy. The alignment should take place by means of the foreseen strategy process where strategy and financial planning are aligned. This alignment avoids awkward situations of striving for KPI’s that are not supporting the strategic planning. In the current planning of the processes this alignment is not yet in place.
2.3.4 Management Meetings

The middle managers formally meet every fortnight on two different occasions. Both the 'Management Team' meeting (MT) and the 'Performance Program' meeting (PP) take place every four weeks, alternating every two weeks. The MT and PP are explained below. This information is based on various talks with middle managers and employees involved in these meetings.

**Management Team meeting (MT)**

The persons present at the MT are the middle managers of GEC Netherlands. Together the middle managers discuss the urgent matters for GEC Netherlands. The MT focuses on the daily business.

**Performance Program meeting (PP)**

The Performance Program group consists of middle managers and the Management Board of GEC Netherlands. The Board is usually fully present. The Board chairs the meeting, regularly in person of the CEO. The agenda is set by the PP-team, consisting of 4 employees of GEC Netherlands and attached to the Performance Program. The agenda is distributed 1 week in advance. The PP-meeting takes place once in four weeks, a fortnight after the MT.

The PP-meetings are in place to discuss the progress of the Performance Program. The agenda for the PP-meetings follows from the projects that are part of the Performance Program. The Performance Program is in place to increase operational performance within GEC Netherlands. This program is elaborated on below in section 2.3.
3 Theoretical Framework

So far the objective of this research and the characteristics of the situation of GEC Netherlands and the energy sector were described. This chapter 'Theoretical Framework' is the theoretical foundation for the research on the process of developing strategy and provides an overview of the literature on the concept of strategy and an overview of the literature on strategy processes. Both are applicable to this research. The combination of theories leads to a list of factors which influence strategy processes. The list is of factors is transposed to an axes scheme. In the subsequent chapters the axes scheme is used for the collection of data and the analysis of data. The conclusions presented in the final chapter are also related to the theory presented here.

The first section addresses the concept of strategy. A brief description of the historic development provides understanding of what strategy is and has been about. Several definitions of strategy are provided to give insight in the broad applicability of strategy. The definition is needed to determine the concept that is most applicable in this research on GEC Netherlands, later on in chapter 5. Section 3.3 elaborates on strategy processes and addresses a variety of factors that are of influence to the process of developing strategy. The fourth section continues with determining and describing the specific factors that are most relevant for this research. Finally a list of nine factors is presented that is used as the theoretical basis for this research. The nine factors are presented in an axes scheme. The axes scheme is used in the next chapter to structure the field research on strategy processes.

3.1 Concept of Strategy

The term strategy is compiled from two words in the ancient Greek language. Cummings [1993] and Evered [1983] described the compilation as follows. Stratos means ‘army’, agein means ‘to lead’. The Greek term strategos was used as a title for elected chiefs of a tribe in Athens, who had political and military power. The coining of this title took place parallel to increasing complexity in decision-making on warfare. War at that time was no longer won by individual heroes, but battles were decided by the proper coordination of the many troops. The proper coordination required skills that to a certain extent still exist in present day strategy. Ancient quotes such as: "opportunity waits for no man" by Pericles [De Wit & Meyer 1998 p.27] are very applicable in the current business environment.

Strategy cannot be explained by means of simple and straightforward definitions [Grant 2005; White 2004; De Wit & Meyer 1998]. The concept of strategy is however rather often subject to a definition in literature. All provided definitions follow from a specific situation and context in which a certain definition is best applicable. An historical overview is presented below.
3.1.1 Brief Historical Development of Strategy

The scope of this description of the historic development of strategy is set from 1945 to present day. Ancient Greek and Chinese strategists are not discussed here. As from 1945 the theory on strategy is developed in several distinguishable stages [Grant 2005; White 2004; Whittington 1996] that are named differently by various authors. Sometimes these are referred to as ‘schools of strategy making’. This subsection provides a brief integrated description of the major developments over time. The description is helpful for a better understanding of the theory on strategy development processes later on in this chapter.

The development of theory on strategy relates to the developments in the socioeconomic environment [White 2004 p.9]. After the Second World War until the 1960s the environment was stable, but expansionary. Production capacity was reduced due to the war, and demand was larger than supply. Enterprises, supported by the creative insights of the CEO, strived to meet that higher demand. The main purpose of these companies was to mobilize the economic resources and realize the expansion. Long-range planning was the key to support the economic development. Budgetary planning and control were key mechanisms for coordination [Grant 2005 p.19]. Strategy was formed out of budget plans that were put together into an overall plan. This period is referred to as ‘budget planning’.

From the 1960s to the mid-1970s the focus of strategy shifted to directing resources in the most promising areas, due to the increase in differentiation in consumers. Growth and diversification were planned. Policy researchers [e.g. Janis] started analyzing organizational pay-offs and the systematic professional planner became important [Szulanski and Amin 2001]. Portfolio management was introduced to develop, for example, the most profitable mix of business units [White 2004]. Companies were looking for synergies on the corporate level. Techniques used to determine the most profitable mix were later described as ‘overly mechanistic’ in the changing business world. This period is referred to as ‘corporate planning’ [Grant 2005 p.19]. The school of planning is initiated by Ansoff [1965].

From the mid-1970s to the end of the 1980s economic growth slowed due to oil price shocks and other crises. Strategy was now about allocating resources to develop a competitive advantage [White 2004]. Levels for strategy (see section 3.2.1 below), such as corporate, business and functional, were distinguished. Companies were repositioning and selecting the markets or industries to act in. Also the concept of core competences (fundamentals) was introduced [Hedley 1977; Porter 1980]. There was a stronger focus on corporate portfolios and the kind of competitive behavior in the relevant markets. Companies looked at the environment in determining their strategy. The information and communication business was rising. The making of strategy became more complex due to for example rapid technology.
changes, government deregulation and environmental demands. This period is referred to as ‘positioning’ and is mainly attributed to Porter [1980, 1985].

Since the early 1990s the focus shifted to the internal resource position of the companies. The requirements that were put up by the strategic environment led to the reconsideration if the company resources were suitable for meeting those requirements. Companies focused on their available sources of competitive advantage [Grant 2005] and looked out for new businesses [Prahalad & Hamel 1994]. The resource-based view (RBV) was developed in literature. RBV considered specific competences and capabilities. Research was also developed on the process of strategy making itself, and the specific contexts in which that takes place. In the latter years complexity increased and informal structures play a more important role in companies.

White [2004] considers the development of theory on strategy as a build-up of techniques. The techniques presented were improved and appropriate over time. However this did not lead to an ultimate way for developing strategy. There currently exist several views on how strategy development should be done. The major views are addressed in the next subsections.

3.1.2 ‘Levels’ of Strategy

The concept of strategy can be applied in many ways. A strategy is essentially unique, but there is no agreement on a set of issues that should be addressed. Strategies can be made for different groups of people or for different layers in an organization. The levels vary between a single employee on the one end and all people in an organization on the other end. Based on an extensive literature overview Grant [2005] and De Wit & Meyer [1998] distinguished the corporate, business and functional strategy. These levels are elaborated on below. The levels are addressed again in the analysis in chapter 5.

Corporate Strategy

Corporate strategy is primarily dealing with the scope of the activities of a firm and deciding on the scope of the firm. This scope can differ in for example geography, product range or vertical integration. This level of strategy can be seen as ‘domain selection’. It is also about investments to, for example, diversify, integrate, acquire or to support new business. The corporate strategy determines the portfolio of the enterprise.

Furthermore corporate strategy is about the allocation of resources over the various units that the enterprise consists of. At the corporate level it is also decided whether an organization consists of rather autonomous divisions or that the organization consists of fully integrated divisions. Autonomous divisions can be operating in various businesses, and then the enterprise is a multi-business enterprise. On the corporate level the autonomous divisions will be a cohesive composition. At the hierarchically lower divisional level each division can develop
its strategy on how to compete in their business: a business strategy. The business strategy is subsidiary to the corporate strategy.

**Business Strategy**

Business strategy addresses the way of competing within a certain market that is in the focus of the division or business-unit. The markets are determined in the corporate strategy. The business strategy should lead to a competitive advantage over the competitors within the business. This kind of strategy is also referred to as a ‘competitive strategy’. There is a strong linkage between corporate and business strategy. The corporate scope influences the sources for competitive advantage in the business. And the other way around the kind of competitive advantage of divisions determines the range of businesses that the enterprise can be successful in. For example if the competitive advantage is in arranging charter transport, the advantage can be applied in air transport business, as well as in road or rail transport business [De Wit & Meyer 1998 p.335]. Corporate and business strategy are therefore intertwined and of influence on each other.

In a division the business strategy can be determined with two extreme perspectives. The perspective can be market-driven or resource-driven [De Wit and Meyer 1998]. Market-driven is based on an outside-in perspective. The environment is carefully scanned and analyzed to find attractive market opportunities. By adjusting the product or service to the demand on the market and of the customer the division can become more successful. Mintzberg [1990] refers to outside-in as a positioning approach. Porter [1980, 1985] developed a model to identify competitive forces in the environment of the company. In the outside-in perspective knowledge and information of the market and the competitors is crucial for success. The knowledge concerns information on all forces that are of influence to the business.

The inside-out perspective is based on the assumption that a strategy can not be based on external opportunities. The strategy should be based on the strengths of a company or division. If a division has unique or rare assets, or has competences that are specific, these should be used in creating a competitive advantage. These assets and competences (or capabilities) should be developed even further to sustain the competitive advantage. The market position is determined to fit the resource base of the company.

Ultimately a strategy incorporates both of the perspectives to gain all advantages. This leads to the paradox of the markets and resources. When a business strategy is determined the implementation takes place at the functional level.

**Functional Strategy**

The functional strategy concerns the implementation of the business strategy at the operational level. The functional strategies are about HR, finance or marketing.
Notwithstanding the autonomy of the divisions, integrated strategies can be developed for the similar functional units in the various business units, for example a multi-divisional HR strategy.

### 3.1.3 Definitions of Strategy

Ken Andrews describes the ‘concept of corporate strategy’ in his 1980 book (which also carries this title). The provided definition speaks of strategy as a ‘pattern of decisions’: "A pattern of decisions in a company that determines and reveals its objectives, purposes, goals, produces the principal policies and plans for achieving those goals and defines a range of business the company is to pursue, the kind of economic organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities”. It seems that this definition does not fully take into account the company environment. Andrews’ definition mentions goals, organization and contribution, but no future developments in the environment of the company. The description is in line with the historical development described in section 3.1.1. The element of the environment is of significant influence to GEC Netherlands. Andrews also states, in the same book, that corporate strategy is a process, which takes place in an organization. This process is strongly linked to the company structure and the company culture [Mintzberg, 1992, p. 45].

Mintzberg and Quinn in their book ‘The Strategy Process’ [1992] define strategy as: "A pattern or plan that integrates the organization’s major goals, policies and action sequences into a cohesive whole.” This is explained and supported in the following quote: "A well-formulated strategy helps to marshal and allocate an organization’s resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent components” [Mintzberg and Quinn 1992, p.2]. This definition captures the current operations, the current situation, the external environment and an outlook to the future in coming to a successful strategy.

These two definitions of corporate strategy make clear that corporate strategy is a pattern or process, is about major goals on a high level, is on the choice of a market, is on competencies and is on taking the company environment into account.

The description of business strategy, or competitive strategy according to Porter, is slightly different. Porter [1996] states that ‘competitive strategy is about being different’. By creating a unique mix of activities, a company will be able to add a unique mix of value. "The essence of strategy is in the activities, choosing to perform activities differently, or to perform different activities than rivals. Otherwise strategy is no more than a marketing slogan...” [Porter 1996]. When the business is chosen in the corporate strategy, the result of the business strategy has to be unique and make the company distinguish itself of its competitors.
The definition of Mintzberg & Quinn [1992], combined with the pursuit of a sustainable competitive advantage of Porter, is directive for this research on strategy development at GEC Netherlands. In this research strategy is referring to: "A pattern or plan that integrates the organization’s major goals, policies and action sequences into a cohesive whole and strives for the achievements of a sustainable competitive advantage". This is assumed as the theoretical outcome of a process for developing strategy.

### 3.1.4 Strategy at GEC Netherlands

The concept of strategy is again addressed in the analysis in chapter 5. By means of the collected data well founded conclusions are drawn on the applicability to GEC Netherlands. Section 3.1 so far addressed the history of strategy development, levels of strategy, and provided various definitions. The next section links the concept of strategy to the process of strategy development.

### 3.2 From Strategy Definition to Strategy Development

The previous section addressed the concept of strategy and provided a definition. Such a strategy is developed by means of a process, in whatever form. The outcome of the process is the strategy. This section presents theory on the linkage of strategy and the development of strategy. The ‘approaches to strategy’ as presented here are a combination of the process outcome and the nature of the process itself.

#### 3.2.1 General Approaches to Strategy

White [2004], Egan [1995] and Whittington [1993] present four general approaches to strategy. These four approaches fit into a two by two matrix. The variables cover:

1) **Nature**: whether the process is deliberate, explicit and handed down or more emergent, implicit and bottom up and,

2) **Outcome**: whether the strategy reflects a single motivation of profit or a more pluralistic motivation reflecting various stakeholders.

In the matrix in Figure 3-1 below the four approaches are distinguished. The approaches are described separately below. The assessment of which approach fits the situation at GEC Netherlands is made in the analysis in chapter 5.
Figure 3-1: General Approaches to Strategy [Adapted from Whittington, 1993]

**Classical**
The classical approach is a traditional way of developing strategy. This approach relies on explicit and rational analysis. Strategy is comprised deliberately. The only acceptable motivation for strategy making is profit maximization. The strategy is chosen by the leader, which is also the strategist, and then handed down to the managers. Therefore formulating strategy and implementing strategy separated and executed sequentially. The classical approach is most relevant in mature, stable and predictable environments, or for capital intensive industries.

**Evolutionary**
The evolutionary approach is driven by the reasoning that the economic environment, similar to the biological environment, applies a natural selection. The market forces remove the market players that are unable to adjust to the changing economic environment in due time. The single purpose of profit maximization is also in line with the whims of the market. The enterprise is forced to adopt profit maximization as the single goal by the forces of competition. In this approach it is assumed that companies change more slowly than the environment does. The leader of the enterprise can only encourage successful adaptation wherever possible. The evolutionary approach is most applicable to rapidly changing or new industries with strong competition.

**Processual or Process-focused**
The processual approach is more pragmatic than the previous approaches. The focus is not only on economic rationality and profit maximization. Also the organizations leader is not
perceived as infallible. The enterprise is aware of a number of constraints for strategy making that have to be reckoned:
- bounded rationality
- messy nature of bargaining and negotiation
- prevalence of satisficing over maximization

The strategy is dependent of the process of strategy making, rather than on the content. In this approach incremental changes are the reality, because no more is achievable. The processual approach is most applicable to complex organizational forms and bureaucratic systems where incremental change is the standard.

**Systemic**

The systemic approach reflects the characteristics of the social system in which the strategy is developed. The strategy is what the society makes of it. There is a deliberate approach, but strongly linked to the context. The strategy is imposed from above but also reflects the culture and society in which it is developed. This strategy approach indicates strong differences between strategies in various environments. The systemic approach has no specific context, it mainly stresses that a strategy must fit the context of the enterprise and that the context determines what has to be taken into the strategy.

### 3.3 Theory on Strategy Processes

In this section an overview of literature on processes for developing and implementing strategy is provided. This overview forms the basis for the research activities that are described in the subsequent chapters. The literature provides insights on strategy processes. The final outcome of the overview in this chapter is a list of factors that are relevant for the process of developing strategy. The next sections 3.4 and 3.5 describe how this overview is transposed into a framework that is applicable to GEC Netherlands.

#### 3.3.1 Factor Categories in the Process of Developing Strategy

According to De Wit & Meyer [1998, p.6] the strategy process is, together with the content and the context, a dimension of strategy. These three strategy-dimensions ‘process’, ‘content’ and ‘context’ can be distinguished, but not completely separated. These three dimensions interact [also: Pettigrew & Whipp 1991; Ketchen et al. 1996]. When emphasizing on one of the dimensions, the other two have to be addressed as well.

Hutzschenreuter & Kleindienst [2006] discern three broad categories of factors that determine the process of developing strategy: Antecedents, Process Factors, and Outcome Factors. Both the Antecedents and the Outcomes address the context of the organization (internal and external). The categories Antecedents and Outcomes also address the content which is derived from the performance and other organizational characteristics. The content is also addresses in the category Process Factor. The Antecedents address the context and structure before the
strategy process, the Outcomes address context and structure after the strategy process. The overarching descriptions of the Antecedent factors are:

- Environmental Context
- Strategic context
- Static organizational characteristics
- Dynamic organizational characteristics
- Performance

These factors are presented in the Figure 3-2 below, which is adapted from the framework of Hutzschenreuter & Kleindienst [2006].

Figure 3-2: Factor Category Overview [Adapted from Hutzschenreuter & Kleindienst 2006]

These factors from ‘Antecedents’ and ‘Outcomes’ address the ‘context’ as referred to by De Wit & Meyer [1998]. The other two dimensions of De Wit & Meyer, ‘content of strategy’ and the ‘strategy process’, are addressed in the category ‘Process factors’ of Hutzschenreuter & Kleindienst’s in the Figure 3-2 above.

This research focuses on the process of developing strategy, not on the strategy itself. In the previous chapter 2: Context Conceptualization several general examples on the content of the strategy were provided. The context of the process of developing strategy was extensively described in the previous chapter 2. The ‘context’ and the ‘content’ are assumed contingency factors for the strategy process itself. The research is limited to factors to assess the process of strategy development, presented in the middle box (except for the content).

This subsection provided the focus of the theory presented below. The next subsection studies the content of the presented focus more in depth. Ultimately nine relevant factors are derived from theory.
3.3.2 Factors influencing the Strategy Process

The first subsection elaborated on the categories of factors that influence processes for developing strategy. This subsection addresses the specific factors that influence the process of developing strategy from those categories. Relevant topics from theory are presented. The semantics used for the factors is derived from all literature used which is presented for each factor.

In each factor description an overview of the relevant literature is provided. The variety in literature is the input for the range and scope of the specific factor. Each factor addresses a specific element in strategy processes. Each individual factor adds up to the comprehensive axes scheme that is presented later on.

Influence of Hierarchy in the Strategy Process

Executing a process for developing strategy can involve a variety of persons in an organization. For example in line with the classical approach presented earlier, the company board or the ‘top management team’ (TMT) decides on the strategy. In the evolutionary approach the strategy is developed through continuous adaption from the bottom up. The adaption involves persons from various levels in the organization, mainly operational. The varying influences are presented here.

By means of analyzing a range of strategic decisions Papadakis, Lioukas & Chambers [1998] show the influence of top management in strategic decision making, whether it is decisive or passive. Szulanski & Amin [2001] also addressed the role of top management. They find that the classical role of the CEO as a brilliant visionary is lacking the strategic insights from throughout the organization. Szulanski & Amin suggest a process to support imagination. Also Burgelman [1983b, 1996] elaborates on what the contribution of top-management should be. Burgelman favors entrepreneurship within the organization. He claims that by allowing autonomous strategic behavior the niches are identified and capabilities supported more strongly. This all contributes to the success of the organization.

Stiles [2001] elaborates on the role of top management and examines the impact of the TMT on strategy. The article’s conclusions show that the TMT influences the boundaries of the strategic action. In strategy formulation the TMT is expected to contribute to the development of strategy. However, the TMT is not involved in the regular operational processes and therefore has limited insights. This can lead to strategy development at the operational level and the TMT then setting strategic parameters. The strategy is then developed bottom up.

Mintzberg [1978] presents a possible view of the organization on the role of top management. In Mintzberg’s terminology the organization is the ‘bureaucracy’. It can be that the
bureaucracy’s attitude to top management is: "our business is running the operations, yours is formulating the strategy. But we need a strategy, any strategy, to do our job” [Mintzberg 1978 p.947]. This statement puts a clear task in the hands of top management. Mintzberg points out the risk of a strategy in such a situation. The bureaucracy will adopt the strategy and execute it without further questioning; the strategy can even be overrealized. This attitude in the organization is confirmed by Wooldridge & Floyd [1990]. Their survey showed that middle managers expect a strategic direction from their top management.

Hutzschenreuter & Kleindienst [2006 p.706] state that “the ego of the strategists can be as important as economic arguments”, indicating the rather large influence a strategist can have in developing the strategy. They do add that determining the impact of personal characteristics on the organization requires further research.

The importance of hierarchy is also dependent on the organizational structure and the specific combination of the position of the middle manager and the strategic topic under discussion. Wooldridge [2005] concludes that direct contact between a middle manager and the CEO, following from the organizational structure, led to a stronger influence of that manager on the strategic direction than through an intermediate layer. The size of the unit managed by the middle manager was also of significant importance. The degree of influence was not measured here. The organizational relation of middle managers and board indicates the influence of the middle manager on strategic direction.

The influence of hierarchy on the strategy process is indicated by how the strategy is developed in the process and whom can, and is willing to, deliver major contributions. The way of deciding in the steps of the strategy process is a proper indicator for the influence of hierarchy.

**Purpose of the process**

The purpose of a process for developing strategy seems rather straight forward. However there is more to the process than just the outcome. Campbell and Alexander [1997] indicate that the process of developing strategy often brings expectations that are too high, and then the process is not successful. However, the ultimate goal of the process should be developing a sustainable competitive advantage, at all times.

Bailey, Johnson & Daniels [2000, 1991] state the purposes of the strategy process for “functioning, survival and development of the organization” [1991, p.1]. Furthermore they emphasize on the need for understanding the development of a strategy to make implementing the strategy more efficient and effective. Homogeneity in an organization is needed to adapt adequately to a changing environment, but to identify opportunities and
solution a certain degree of heterogeneity is required. In the systemic approach, that is presented earlier, the environment is determining the strategy. The strategy must fit the context. In the opposite processual approach the process itself is determining the strategy, and the changes are incremental.

Kellermans, Walter, Lechner & Floyd [2005] elaborate on the importance of consensus on strategy at several hierarchical levels in an organization. Consensus is defined as "...a shared understanding of strategic priorities among managers at top, middle and operating levels of the organization". The inclusion of all levels enhances organizational performances and therefore contributes to developing and sustaining a competitive advantage.

Wooldridge & Floyd [1990] address the purpose of a strategy process which involves the middle managers of the organization. Wooldridge & Floyd present the extreme purposes of substantive involvement which should lead to improved decisions, and facilitating implementation due to increased consensus. They find that the substantive involvement of the middle managers is most helpful for developing a succesfull strategy.

The outcome of the process of developing strategy is strongly related to the purpose of the process. The various sources indicate the variety in purposes of a strategy process, besides the purpose of developing a sustainable competitive advantage. That advantage can be achieved by creating consensus on the strategy, but also by calling for substantive input from various hierarchical levels.

Level of Formality in the Strategy Process Execution

The role of top management in the strategy process partly determines the influence of hierarchy in the process, as presented above. Another factor influenced by top management is the level of formality in the strategy process. One can distinguish two kinds of formality that strongly cohere. There is the formality in the planning of the process, and then there is the formality in executing the process. However when the planning itself is not formal, the execution will not be formal either.

Burgelman [1983c p.1361] divided the internal ‘corporate context’ in a “structural” and a “strategic” part. The structural context are the administrative mechanisms that top management can use to incorporate initiatives from the middle and operational management, it is a selection mechanism. The strategic context refers to the political, unregulated, mechanisms that middle managers can use to influence top management. Top management can be influenced by questions or rationalizations of the other managers and incorporate initiatives without applying the structural context. Developing plans in the strategic context is done in an informal way.
Hutzschenreuter & Kleindienst [2006] derived from their literature overview that the characteristics of the strategy process are partly determined by internal forces. More recent literature shows that the assumption of the more structurally complex the organization, the more formalized and procedural the process, is no longer valid. The rise of specialized units and the increased distance between headquarters and the operational level complicates a consistent understanding of strategy. However, the success of an organization seems increasingly based on effective knowledge sharing and learning. Informal networks within an organization become more important. Hutzschenreuter & Kleindienst [2006] argue that the competitive advantage can very well be created by capitalizing on the human potential within the organization. How to concretely achieve that is presented as subject for further research.

The level of formality is determined by the structure of the organization and the structure of the process for developing strategy. Also the people involved can increase or reduce the formality. A complex organization often has formalized processes in which effective knowledge sharing is important. The informal contacts are very important for that formalized organization. The level of formality influences the strategy process via the organizational structure and the employees.

**Substantive Focus for Strategy Development**

As shown by the framework of Hutzschenreuter & Kleindienst [2006] and De Wit & Meyer [1998] both the environment and the organizational context are of importance. The context of the organization has to be taken into the strategy process. This factor solely addresses the external context; the corporate context is covered later on. The concept of business strategy has two extreme perspectives: outside-in and inside-out, or market-driven versus resource-driven. Various authors elaborate on how to address the external context.

The substantive focus of the people involved in developing strategy can be rather dependent of their role within the organization. The ecological framework of Burgelman [1994, 1991] incited the theory of Floyd and Wooldridge [1997 p.466] that “middle managers in boundary positions are more likely to report higher levels of strategic influence”. The formal role of these managers in boundary positions involves a great deal of interaction with the corporate environment, which provides the managers with insights in internal and external matters. One can therefore expect more strategic awareness of middle managers in boundary positions.

Papadakis et al. [1998] identify major factors in the external environment. These factors, such as dynamism and hostility, influence the nature of the strategic decisions and the strategy process. Their literature overview shows that results of empirical studies were not in line and no generalizations can be made [also: Sharfman & Dean 1991]. In both highly-dynamic and
stable environments, both rational-comprehensive strategy processes and less-extensive processes are successfully executed. The results of Papadakis et al. [1998] do not support the argued influence of the context on the strategy process, and they only speculate on the explanation.

The context of the organization can be incorporated in the strategy process in various ways. Furthermore is of interest to determine in what way the context is taken into account. If the focus is on internal matters the outcome of the strategy process is very different from a focus on external matters.

**Dynamics of Process Substance**

This factor indicates how fixed the content of the process of strategy development is. The occurrence of ideas that are developed by employees is called corporate entrepreneurship. Burgelman [1983c] elaborates on four generic situations concerning corporate entrepreneurship. These situations vary in how top management supports entrepreneurial projects and in how good employees at the operational level are at providing projects. The generic situation can be reflected in the strategy process. Burgelman [1983c] states on strategic corporate entrepreneurship that the cooperation between the organization and the individual entrepreneurs within needs to be facilitated properly. This will support the development of viable activities.

Noda & Bower [1996] address the process of proposing strategic initiatives by operational managers as "impetus“ [1996 p.160]. They described that process as highly sociopolitical, because first the operational manager and then the middle manager has to step up and take risks to ‘sell’ the proposal to the higher management. Strategic initiatives mainly emerge form the bottom of the organization. The role of the middle manager is very important in the further process. Bower [1970] stated that the top management decides on the strategic initiatives, but often without the substantive knowledge. Top management then relies on the track record of the middle manager involved. This strongly influences the dynamics of the process substance. Floyd & Wooldridge [1997] agree with Noda & Bower, they stress that the middle manager can even alter the organization’s strategic course due to his unique position.

The dynamics of the substance are related to the purpose of the strategy process. Szulanski and Amin [2001] proposed the extremes “aligning” top down or “imagining” from the bottom in developing strategy. These are not mutually exclusive, but do have to take place sequentially. Aligning requires discipline, a consistent way to create consensus on the strategic alternatives to support. Aligning is necessary to systematically develop and implement strategic options. Imagination is described as the driver to evolution and also stimulating
The conclusion of their work is the development of the balanced combination “Disciplined imagination”, that applies the best of both.

The dynamics in the substance of the process determine the success of emergent strategic options. The dynamics also determine the success of developing and implementing existing strategic options. Developing strategic plans has to be supported to create strategic initiatives. Alignment is also necessary to improve current operations. A certain balance is required to ensure sufficient dynamics to enable both imagining and aligning.

**Middle Manager Commitment**

The middle manager in the organization obviously has a role in developing strategy. The importance and execution of that role is addressed here by various authors.

The middle managers “broker the bottom-up initiatives of front-line managers” [Noda & Bower 1996 p.160; also Floyd & Wooldridge 1997] to the top management. Noda & Bower [1996] describe name that bottom up process “impetus”. The impetus requires a certain effort of the middle manager involved in a certain strategic initiative. Noda & Bower [1996] also described the top down process that the middle manager is part of. Middle managers also have to “interpret corporate visions” [Noda & Bower 1996 p.160] and make the operational managers aware of those visions. The tasks of the middle manager are crucial in the successful development and implementation of strategy in an organization. Burgelman [1983a] also described these tasks of the middle manager and named it “strategic building” [Burgelman 1983a p.224]. This underlines the importance of involvement and commitment of the middle managers in developing and implementing strategy.

Collier, Fishwick & Floyd [2004] also elaborate on the importance of involvement of the manager in general. Involvement of the middle manager can cause a slow process, influenced by internal politics or increase the number of organizational constraints. Complementary involvement can also improve the strategy process by e.g. higher quality strategic decisions, enhanced organizational learning and stronger organizational commitment. The commitment can contribute to the strategy execution due to the developed consensus on the strategy. The consensus increases the commitment due to a sense of psychological ownership of the strategy. The role of the middle manager in developing strategy determines commitment to the strategy.

Floyd & Wooldridge [1997] studied the relation between the formal position of the middle manager, his strategic influence and the effect on organizational performance. They also find that the middle manager has an important mediating position. In an earlier study [Wooldridge & Floyd 1990] they investigated strategic involvement of middle managers. In that survey no
evidence is found for a positive relation between involvement and commitment. Hart [1992] does underline the importance of commitment through involvement in developing a strategic vision.

The middle manager has an important role in developing strategy. Commitment of the middle manager in a process of developing strategy is related to his involvement, but not solely following from that involvement. Commitment is required to contribute to all actions mentioned above that contribute to developing and implementing strategy.

**Relation of the Strategy Process to Organizational Performance**

As stated the ultimate purpose of a strategy process is developing a sustainable competitive advantage. This competitive advantage implies performing better than the competitors, in any way. Several studies are published on the relation between strategic planning and operational performance, the relation is regularly indicated positively [Hutzschenreuter and Kleindienst 2006; Andersen 2000; Pettigrew & Whipp 1991]. The link between strategy formulation and performance is that formulation at least assists in improving performance [Teare, Costa & Eccles 1998]. Whether the success comes from the planning itself or follows from the alignment and integrative effect of the planning process can be questioned [Grant 2005].

Wooldridge & Floyd [1990] conclude in their research that there is no relationship between consensus amongst individual middle managers and organizational performance. The research does show a positive relation between middle manager involvement in strategy development and organizational performance. Middle managers play a role in “integrating and aligning organizational competencies and by doing so improve organizational performance” [Wooldridge & Floyd 1990 p.240].

By measuring strategy processes Bailey, Johnson & Daniels [2000] showed that there are significant correlations between strategy development and performance, but state that their proof is insufficient. Bailey et al. [2000] referred to Hart & Banbury [1994], and Mintzberg, Ahlstrand & Lampel [1998] and, with them, questioned if a single and limited way of developing strategy is not limiting performance. They require further research to also clarify the relation of process and performance taking into account influences from the industry and organizational context.

The relation between the strategy process and organizational performance was proven, but the specific influences of the industry or the organizational context are not clear. Bailey et al. [2000] hint that varying operations require different processes for developing strategy. The relation of the process with the organizational performance is identified, but it is not clear how they are related.
Relevant Organizational Context for the Strategy Process

The organizational context was addressed earlier when elaborating on hierarchy in the organization and on the relation between the strategy process and performance. The framework of Hutzschenreuter & Kleindienst [2006], presented in section 3.3.1, indicated the relevance of the static and dynamic ‘organizational characteristics’. That organizational context in theory is described in various ways.

Noda & Bower [1996 p.160] expand the resource-allocation model that Bower & Burgelman developed by adding the iterative factor. Their model described the process in which bottom up initiatives compete for a part of the scarce resources available at the corporate level. Considering the position of a business-unit, developing strategy within a corporate context, this model is applicable in two ways: at the business unit level and at the corporate level. There are differences in financial assets, and the strategic initiative at business unit level still has to fit within the strategic scope at corporate level. The latter does not apply the other way around.

The internal characteristics of an organization seem to have significant effects on the process for developing strategy. The study of Papadakis et al. [1998] shows that corporate control increases the lateral communication, but also leads to politicization of decisions. The pressure that increases due to the corporate influence causes parties and people involved to dissent on how to solve problems. These outcomes do not contribute to organizational performance. Determining the relevant organizational context is therefore rather important.

The factor of relevant organizational context coheres with the operational focus of the participants in the strategy process. One can focus on the corporate level or on the operational unit level. Both have advantages and disadvantages related to the financial scale of a strategic initiative and the expected discussion in decision-making.

Strategy Implementation

The strategy process is about developing a strategy. As stated involving middle managers contributes to the quality [e.g. Floyd & Wooldridge 1997] and the understanding [e.g. Kellermans et al. 2005] of the outcome of the process. The outcome is defined as a sustainable competitive advantage. That advantage can only be achieved through implementing the output of the process. Implementation seems to be a significant part of the strategy process.

Burgelman [1983c] argues that diversified organizations need both order and diversity in strategy. Strategy formulation and strategy implementation are intertwined and also are both processes that are “incrementally evolving” [1983c p.1349]. In line with that Hutzschenreuter
and Kleindienst [2006 p.706] elaborate on the reality of implementation, where a strategic initiative sometimes precedes the decision at top management level. The initiative is then later on incorporated in the strategy. Apparently strategy formulation and strategy implementation do take place sequentially, but are strongly related.

Floyd and Wooldridge [1997] stated that middle managers improve operational performance by aligning and integrating organizational activities. The boundary spanning position (also see factor: ‘substantive scope’ above) of an individual manager determines the strategic influence of the middle manager [Burgelman 1994, 1991]. Whether the middle manager is supporting implementation of the strategy seems dependent of the extent of boundary spanning in his function.

Hutzschenreuter and Kleindienst [2006] also state in their findings that little effort was put into strategy implementation research, in comparison with strategy formulation research. They present questions on the optimal commitment of employees in strategy implementation and on how to organize implementation. Answering their questions should ultimately lead to insights in how to optimize the combination of strategy formulation and strategy implementation.

The factor implementation addresses to what extend the strategy development process support implementation of the strategy. The implementation is partially dependent of the role the involved employees have in the organization. Implementation is reflected by actions or adjustments directly following from the strategy that result from the strategy process.

3.3.3 Overview of Relevant Factors

The previous subsection described the work of various authors on factors of importance in the process of developing strategy. Other work was done by authors in summarizing the field of research on processes of developing strategy. Models are developed to measure or assess the process of strategy development [Hutzschenreuter and Kleindienst, 2006; Bailey, Johnson and Daniels 2000; Hart 1992]. Dimensions are for example labeled: planning, incrementalism, cultural, political, command & enforced choice. Another inventory of seven (7) dimensions: comprehensiveness/rationality, financial reporting, rule formalization, hierarchical decentralization, lateral communication, politicization, problem-solving dissension [Papadakis, Lioukas and Chambers 1998]. These dimensions from literature are considered in the choice of relevant factors in the process of developing strategy in this research.

The combination of the findings on relevant factors with the models from literature led to a final list of relevant factors. The list can hardly be complete. The factors listed are not completely separated, certain overlap exists. The relations between the factors were
addressed in the previous section. The sequence of the factors as presented is determined as follows. The first factors focus on the strategy process, and then the focus shifts to the individual contributions and participation.

The inventory is the following:
1. Influence of Hierarchy
2. Purpose of the Process
3. Level of Formality
4. Substantive Focus
5. Dynamics of Process Substance
6. Middle Manager Commitment
7. Relation to Organizational Performance
8. Relevant Organizational Context
9. Strategy Implementation

This section provided an overview of the literature on strategy processes. The current theories are integrated and turned into factors. The combination of theories led to a list of nine applicable factors that influence strategy processes. This led to a preliminary expansion of the current theory on strategy process. These nine factors are the basis for the framework. The development of the axes scheme is shown in the following sections.

3.4 Development of Axes Scheme
The nine relevant factors from section 3.3 can together form a proper tool to scale or measure a process of developing strategy. In this section each factor is elaborated on in a separate subsection. The factors are provided with semantic extremes to make them more concrete. The final product of this section is an axes scheme which can be applied to assess and reflect processes of developing strategy.

3.4.1 Influence of Hierarchy
In the classical approach top management decides on strategy. The decisions are communicated top down through the organization. However that approach lacks entrepreneurship and has limited insight in opportunities in the operations. On the other extreme strategy can be developed at the operational level. The strategy is then developed bottom up. In reality a process can be in between. The substantive knowledge of the middle managers can influence their formal influence in strategy making.

The extremes for this factor presented in the framework are ‘top down’ and ‘bottom up’.
3.4.2 Purpose of the Process

Sustainable competitive advantage is the ultimate goal of developing strategy. But the strategy process should also lead to a shared understanding of the content of the strategy, consensus. The understanding and homogeneity are needed to adapt adequately to the environment which changes. On the other hand a competitive advantage on the longer term does not only come from a shared understanding. A strategy process therefore also needs to identify opportunities and find solutions. That requires substantive knowledge on how to outperform competitors and become superior.

The extremes of this factor in the framework are ‘consensus’ and ‘superior strategy’.

3.4.3 Level of Formality

Informal networks in an organization have an increasing influence on the strategy. The competitive advantage can be created, or at least supported, by capitalizing on those networks in an organization. However sharing information and aligning activities throughout the organization requires a more structured process. By formalizing the process the information and opportunities can be shared by all people involved.

The extremes of this factor in the framework are ‘formal’ and ‘informal’.

3.4.4 Substantive Focus

The environment of an organization can strongly influence the way of strategic decision-making. Different environments require different decisions. Due to their different interactions with the environment various middle managers have various insights in the environment. The variety in insights influences the incorporation of the external environment in the strategic decisions.

The extremes of this factor in the framework are ‘internal’ and ‘external’.

3.4.5 Dynamics of Process Substance

The content of the process of strategy development is subject to change due to internal and external influences. This factor is strongly related to the purpose of the strategy process. The presence of corporate entrepreneurship will lead to more opportunities or ideas. The dynamics in the substance of the process determines whether an opportunity is incorporated in the process or postponed for the sake of aligning the existing opportunities and projects. To ensure sufficient effort on both a balance is required.

The extremes of this factor in the framework are ‘renewal’ and ‘alignment’. 
3.4.6 Middle Manager Commitment

The importance of involvement and commitment of the middle managers in developing and implementing strategy is partially supported by theory. The middle managers have to communicate decisions top down, and have to ‘sell’ ideas bottom up. The effort that is put in executing these tasks partly determines their success and therewith the success of a strategy process. Commitment of the middle managers improves the strategy.

The two extremes for this factor in the framework are ‘outsider’ and ‘key position’.

3.4.7 Relation to Organizational Performance

The relation between strategic planning and operational performance is regularly indicated positively. The influences of a specific industry or the specific organizational context are not clear. Also the period of time in or over which the effect is visible is not described here. Whether the success comes from the planning itself or follows from the alignment and integrative effect of the planning process is to be determined.

The two extremes for this factor in the framework are ‘opportunity’ and ‘formality’.

3.4.8 Relevant Organizational Context

The characteristics of an organization have significant effects on the process of developing strategy. Control from the corporate level increases the lateral communication, but also leads to politicization of decisions. The relevant context determination influences organizational performance. In section 3.1 the various levels of strategy were addressed. The strategy can focus on the corporate level or on the business-unit levels which both have advantages and disadvantages related to finance and decision-making processes.

The two extremes for this factor in the framework are ‘corporate’ and ‘country unit’.

3.4.9 Strategy Implementation

Creating a sustainable competitive advantage from a strategy requires implementing the strategy. Implementation is therefore important. The effectiveness of implementation of strategy is partly dependent of the involvement of managers in developing the strategy. To contribute to the implementation managers should be aware of the strategy and fully understand strategic decisions. If the managers are not sufficiently involved implementing strategy is more difficult.

The two extremes for this factor in the framework are ‘ignorance’ and ‘awareness’.
3.5 Application of Axes Scheme
The previous sections gave an overview of the most important factors. Literature has also provided applicable extremes for these factors. In this section the framework is presented that combines all relevant factors and the extremes on those factors. The framework is shown in Figure 3-3 below.

The presented framework provides a way to determine the presence and influence of the identified relevant factors on the process for developing strategy. Each relevant factor is presented by means of an axis. The line connects the two presented extremes. A specific or unique strategy process as is taking place in an organization can be represented in this framework. All relevant factors have to be addressed and the value of each of the factors has to be determined. The framework can also be used to represent a more optimal situation. Comparing an existing and a more optimal situation shows points of attention or for improvements in the strategy process.
Chapter 3: Theoretical Framework

The usage of the framework is elaborated on in the next chapter on research methodology. Chapter 3 briefly described the concept of strategy and then focused on the process of developing strategy for an organization in its specific context. A framework of relevant factors is developed that can be used to reflect characteristics of a strategy process. The next chapter 4 addresses the methodology to be used for executing the research on the process of developing strategy. This methodology is developed to apply the presented framework.
4 Research Strategy

As argued in the previous chapters there are grounds for executing research on the process of developing and implementing strategy in large and international organizations with geographical organizational units. The theoretical framework presented in chapter 3 is directive for the next steps in this research. Developing and executing this research on the process of developing and implementing strategy requires a solid research strategy. The framework for this strategy is presented in the scheme Figure 4-1 below.

Figure 4-1: Research Strategy Framework

The axes scheme presented in chapter 3 is the basis for a comparison with the practice of developing and implementing strategy. Furthermore the axes scheme is used as input for application of the research methods to the case study. The second block ‘research methods’ is a brief description of the methods that are commonly used to execute research and methods that are applicable for this research. Advantages and disadvantages of these methods are provided. The research methods bring forward certain requirements for the case study. The third section describes the reasons for applying the theory in a case study, where the research data is gathered. The combination of the research methods and the case study leads to a specification of the research methods. The fourth till the seventh section address the application of three research methods in the case study. The axes scheme from chapter three is used as a basis for development of the interviews. The analysis of the research data is provided in the chapter 5 Data Analysis.

4.1 Research Methods

A major part of this research is the gathering and interpretation of relevant data about the strategy process at GEC Netherlands. This includes the development of the strategy process up to the first run of this year. The objective of this research was presented in chapter 1. The objective is to assess the strategy development process at GEC Netherlands by means of theory on strategy development and process management, taking into account the environmental and organizational context. The research is testing the developed axes scheme (section 3.5) on the process of strategy development in the organizational setting of GEC. The research is exploratory and the amount of data gathered is extensive. The scope of the research is broad
to enable the analysis of all influences on the adoption of the strategy process. Verschuren & Doorewaard [1999] describe various common research strategies to execute this research.

**Data Triangulation**

The execution of scientific research requires the optimal use of several sources of information. The term triangulation of data is utilized to describe the use of multiple methods to study the same research subject. Research methods can apply to a combination of varying data sources, methods and researchers. By using data triangulation the researcher aims to decrease or mitigate the impact of one method of data collection, because such data can be deficient or biased. The use of data triangulation supports the possibilities for the interpretation of data [Thurmond 2004, Verschuren & Doorewaard 1999], the reliability of the outcomes and the validity of the research [Baarda & De Goede 2001]. Triangulation can be achieved by using several methods for collecting data. Using various labor-intensive methods for generating data strongly supports achieving depth in the data. Baarda & De Goede refer to the books of Kerlinger [1977] and Swamborn [1987] when suggesting various methods for data collection. The methods suggested by Baarda & De Goede [2001, p.181] and by Verschuren & Doorewaard [1999 p.131] are elaborated in the sections below. The application to the case study is described in the subsequent sections 4.3 to 4.6.

### 4.1.1 Secondary Data via Existing Information Sources

Secondary data is the data that is available and gathered earlier by other people or by other institutes. The purpose of this method is to collect data on the research topic that is not or only slightly biased. Existing information sources are for example annual reports, the company intranet and internet websites. These sources provide documents and statements about the company. Secondary data also applies to databases of national or international (e.g. European) institutes, where information is collected and structured for certain periods of time or related to certain topics. Existing sources can be internal and external.

All internal publications can be useful, but probably not all documents are accessible. Accessibility can be limited due to confidentiality or uncooperative employees. The research is therefore based on a limited amount of internal documentation. This issue can hardly be solved by a researcher in a time-limited project. Documents stored locally (not on the shared storage) or documents deleted before the start of the research project are obviously not part of the data collected for this research. There is no reason to expect that strategy department members are holding back information since the objective of the research is in line with the strategy department activities.

### 4.1.2 Data via Observation

Observation is a method of gathering data where objects, individuals, situations or processes can be observed. The purpose of the observational data is to find out how parties act in or
around the topic of research, avoiding each party's bias. To structure the observations the researcher utilizes observational categories or an observational scheme, dependent of the objective of the research. The categories provide a structure in the subjects that are taken into the research data. The observational categories can be determined in advance in full extent, or later on during the observations. Observation provides information in which activities are executed, who are involved and how processes develop.

Even though the observer does not intend to interfere, the presence of an observer is still influencing the context and conversely the context is influencing the observer. Presence of an observer can be disturbing, or even unwanted. The behavior observed may therefore differ (slightly) from the intended behavior of the subjects of research. The observer also tends to observe what is of evident interest for the research. Secondly observation only provides information on the actions that take place and are discernable, and not on considerations or opinions of the people observed.

### 4.1.3 Data via Interviews

Interviewing respondents is a suitable way for a researcher to obtain data. The purpose is to gather data on:

1. the view on the subject of the people involved
2. the emotions following from the subject, and
3. how the respondent would like the subject to be dealt with.

These answers to the questions are supportive for understanding and explaining the issues with the subject if sufficient background information is available. Individual interviews create the opportunity for the interviewer to ask for reasons that are behind visible behavior. Two main categories for interviews are a survey and an interview. The survey and interview differ in the level of pre-structuring the questions and in the strictness of limiting the research issue(s). These are described below.

**Survey**

A survey is pre-structured and has limited answering options. It consumes little time, but the data gathered is also limited. Bailey et al. [2000 p.154] favors these surveys, because the amount of data gathered from a self-report quantitative survey provides "the informed opinion of organizational insiders" which is of much higher value than documents or observations. The answers can be biased due to the tendency of respondents to respond with the preferred answer instead of their answer. The bias has to be taken into account when analyzing the interview data and is partly solved by triangulation.

**Interview**

An interview has a limited level of pre-structuring and rather unlimited answering options. The face-to-face interview also provides the interviewer with information through the facial
expressions and the body language that are used by the interviewee. Being present can be very helpful to ensure a correct interpretation of answers. By taking the interview individually and anonymous the provided information is personal and not adjusted or biased due to group expectations. On the other hand anonymity might prove to be a source of bias, since respondents can choose to respond differently while their identity remains unknown [Hise & McGinnis 1976].

Interviews are a time-consuming exercise. Addressing interviewees and arranging, reminding, taking and working out an interview requires an effort from the interviewer. The limited time available of intended respondents and for executing research brings a risk for the amount of data gathered in due time. Executing interviews can take more time than planned.

4.2 Case Study: Adoption of the Strategy Process
The case study is a research strategy to gain profound insights into an object or process that is restricted in time or space. The subject of this research is the strategy development process at GEC Netherlands. This strategy process is restricted in time and space. The case study is a research strategy to determine how theory is applied in practice, and why it is applied in this way. The case study is suitable to lay bare all the ins and outs of the research object, and to get hold of motivations and considerations of people involved. This case study is a qualitative test. By means of a detailed observation, in depth interviews and studying a variety of documents a comprehensive and profound insight of the research subject is gained. This includes an understanding of the development of the research subject: the strategy process at GEC. Applying the axes scheme via a case study to the GEC strategy process assesses the strategy process and provides further insights in both the theory and the practice of GEC Netherlands.

The design of the current strategy process at GEC Netherlands is tested by its first time execution. The developments up to this point are described in Chapter 2. The significance of the strategy process to the organization is revealed during this year's execution. Expectations for the outcomes of the current strategy process are present throughout the organization, since all units are involved in the strategy process. By means of gathering data throughout the organization insights in these expectations are shown. The gathered information is the research data by which the current strategy process is assessed in the axes scheme.

More specifically for the case study of GEC Netherlands are the characteristics of a 'single case study’ [Verschuren and Doorewaard 1999 p.166]. Only one individual case is examined thoroughly. Due to the limited number of cases the possible influence of chance rather large. This requires additional attention for data triangulation to reduce the influence. Applying triangulation in both resources and methods validates the research outcomes sufficiently.
4.3 Application: Collecting Secondary Data

4.3.1 External Data
The information from external sources is published by established organizations that are independent of commercial parties and funded by public resources. The organizations can for example be Eurostat or the Dutch regulator Energiekamer. Market overviews or annual reports on a specific sector provided suitable information to develop the market insights as presented in chapter 2.

4.3.2 Internal Data
The existing information from internal sources such as annual report and company intranet provided documents and statements about the company mission, vision and ambitions. The annual report of GEC also provided insight in the internal structure and the position of GEC Netherlands. Furthermore documents were available via the shared storage space on the company network. For this research access to the shared storage space of the strategy department was arranged, but not to the shares of other departments. The internal information consists of presentations and reporting documents. These documents and presentations are neatly stored including a creation date and full access to those documents is assured. The internal documents reflect a situation in (recent) history without the bias of an employee and without the aim of influencing the research. Nevertheless the author can have been biased at the time of producing the document. The data comes from presentations on the strategy process, annual reports of GEC and other written communication. The documents available on the department share provided insight in the development of the strategy process, for example by sequential presentations to middle managers or the Management Board on this topic. The internal data was used to:

- Describe the various internal process at GEC (presented in chapter 2)
- Determine how the strategy process was developed (presented in chapter 2)
- Derive the planned execution of the strategy process (presented in chapter 2 and 5)

4.4 Application: Observing the Strategy Process
To examine the daily routine or a specific situation in an organization a special approach is used in ethnographic studies. This approach is called participant or participatory observation. In this approach the researcher works within the organization and shares experiences with the organization members. The presence at the daily routine of the strategy department leads to profound insights in the complex organizational processes. However, the researcher does not interfere in the daily routine. This approach provides insight in complex processes within organizations [Verschuren and Doorewaard 1999 p.129-131]. The participant observations required involvement in the strategy department during the execution of the strategy process. The observations started on April 14th 2008.
4.4.1 Observational Categories

The collection of data took place continually during the execution of the strategy process. The categories used to structure the data were distinguished beforehand. The categories were similar to the 8 sequential steps of the strategy process (see section 1.3.4). Each process step had a separate log file. By means of an electronic document every relevant bit of information on a certain step was taken into the description of the process execution. The observations are used in the analysis in the next chapter. The observations are then transposed to a range on each of the axes in the axes scheme from chapter 3.

If certain matters had not become clear during the execution of a certain step, or any relevant information was not available to the researcher, a strong effort was put in still collecting the factual information and striving for as much information as possible. The researcher does not miss out any information that he is completely unaware of, however the good cooperation and support within the working environment does not give reason for expectations of hindering research. The observations were mainly made in three fields. These are described here.

'Strategy Talk' Observations

As described in section 1.3 the third step of the current strategy process started halfway April 2008 and was labeled: ‘Translation of ambitions to cluster level’. The observations within the strategy department on the execution of the strategy process started at the beginning of this step 3. This step, from a strategy department point of view, mainly consisted of the ‘strategy talks’ between the strategy department and middle managers. A strategy talk is the session with the representatives of the strategy department and an individual middle manager on the topic of strategic issues of the cluster of the specific middle manager. These strategy talks were executed for each middle manager, as part of a sequence of talks. These strategy talks were a planned part of the strategy process. The talks were not changed for the purpose of this research. Observations for the research were made during those talks. Department members made notes of the talks and of the ideas of the middle managers.

Being present also supported the development of a realistic impression of the middle managers’ commitment to the strategy process, for example based on the managers’ preparation for this talk and the knowledge on the following steps of the strategy process. The presence of the researcher during these talks led to insights in all operations at GEC Netherlands. This was necessary to support the understanding of the execution of the strategy process and the attitudes and involvement of the different middle managers. Besides the notes on the substance a short review (a few lines) was made by the participating observant on the attitude and understanding of the middle manager right after every talk. The content of these talks is confidential. More in general the focus of the content of these talks was on the
operational issues that middle managers had run into in their clusters. At various points the issue indicated a topic that had to be taken into the strategic discussion later on.

**Strategy Department Observations**

In preparation for these strategy talks with each of the middle managers, the strategy department discussed the current issues per cluster. The strategy department consists of the department manager, a project manager and two junior co-workers including the researcher. These preparational discussions showed the level of insight and understanding of the operations by the strategy department. During the following steps in the strategy process the researcher was in the position to observe how the strategy department dealt with its assignment of facilitating the strategy process. This information was used later on to reflect on how the strategy department executed its task. These observations were noted in log files per process step. After every department meeting were the strategy process was addressed the outcome of the discussion and the impact on the process were noted down. The log consists of a list of statements and sentences. Period of time between the logs were various. In parallel information was collected on the planned execution of every step in the strategy process, preceding that specific step. The gathering of this information was also done during daily interaction within the strategy department, when the execution of the strategy process was addressed.

**Strategy Process Observations**

During the later steps of the current strategy process observations could not always be made directly. Due to the confidentiality of the information that was dealt with no others but the directly involved managers and the department employees were present at those steps. Nevertheless information on the progress of the process was continuously provided. After any gathering or meeting that took place, the department member that had been involved was contacted to find out what the meeting was for and how it went. These moments of interaction were not announced nor planned, because these gatherings were for example only introduced during a conversation. By asking questions information was collected on what had taken place. All questions asked were answered. This interaction provided information that could not have been gathered otherwise.

The communication of the strategy department with the Management Board and with middle managers was discussed within the strategy department during the execution of the process. These discussions were observed as well and incorporated in the log files per step. The discussions concern both the content and the means of communicating and provided insights in the specific interactions between all parties involved in the strategy process.
4.5 Application: Interviews with Middle managers

The middle managers were present in the majority of the steps in the strategy process, and they will execute the strategy. To determine how the completed process steps were executed and perceived, a more in depth conversation with each of the middle managers is needed. Individual interviews were taken as part of the research. The interviews were fully separated from the steps of the strategy process. By speaking to the middle managers on a confidential basis, they could freely give their opinion on the current strategy process and elaborate on how the strategy process was executed. The interviews were recorded and fully transcribed afterwards. The use of information provided to the researcher during the interview was approved by all middle managers. The quotes from the interviews that were used, were individually approved by the interviewees. The interviews were taken in Dutch when possible, and in English when necessary, dependent on the preference of the interviewee.

During the strategy talks (step 3 in the strategy process) all middle managers were informed on this research project. Based on the kind of input and on the relevance of that input for strategy during the strategy talk the majority of the middle managers was selected for a individual interview. These middle managers have interactions with the outside world and have a more significant influence on their own operations. The middle managers that were not invited are mainly bound to prescribed processes of GEC Europe. In their operations they have little contact with the environment of GEC Netherlands and therefore their strategic input was limited. The total number of respondents does not allow for any statistically significant analyses. However this group of respondents is a valid sample since it includes the 80% of the middle managers of GEC Netherlands.

The selected middle managers were contacted to invite them for the interview. If possible they were contacted in person. Otherwise they were spoken to on the phone and sent an email with an explanation. The topic of the interview was communicated as: "reviewing the execution of the strategy process in 2008". When they accepted the invitation, which they all did without further questioning, room in their agendas was sought through their secretaries. Despite the summer holidays the majority was available within 4 weeks.

The interviews took place between June 30th and August 5th in 2008. Every interview was taken by one interviewer, for each single middle manager in the same way. In this research the interviews are executed on a confidential basis. This might have influenced their responses in a sense that respondents might be more open or more willing to share their view on the current situation, but anonymity can also lead to biased answers.
4.5.1 Developing the Interview

An interview aims to obtain data on the perception of the strategy process at GEC Netherlands of the people involved and on how they perceive the execution. Furthermore, it can provide information on the respondents’ ideas for improvement. The axes scheme was the basis for the interview.

The axes scheme developed in chapter 3 identified the relevant factors for the execution of a process for developing and implementing strategy in a large organization. Each of the axes has a certain level of presence in a process of developing strategy. This level is between a relative minimum and a maximum. These two relative extremes are denoted with a term that describes that extreme point. The interviews with middle managers aim to determine the position of the strategy process at GEC Netherlands in the theoretical framework. The interview questions are in line with the axes presented in the axes scheme. The axes are turned into items for both the survey and the interview.

The moment of interaction with the manager has to be brief and concise. The intended timeframe for an interview is one hour. This is assumed as the maximum to avoid a burden on the managers’ agenda. Therefore, each item has to be addressed directly and become clear at once. The timeframe for the interview limited the number of questions in the second part of the interview. Elaborating on a certain item is limited to two or three questions from a sub list of maximally five questions, dependent of the priority of the item. This list is provided in appendix A.

For the validation of the interview it is important to address the question if the interview is properly addressing the factors from the theoretical framework. This is done by pre-testing. The interview is discussed with the strategy department and with the university supervisors. The interview is expected to be relevant and workable for its purpose. Furthermore, it is important to have a common understanding of the terminology used in the interview. Both parties should be working with the same concepts and definitions. Using open questions in the second part makes sure that the interviewee is not misunderstood and has sufficient room to elaborate on his answers.
4.5.2 Interview Structure

Various considerations can be made on how to structure the interview. In this ‘single case study’ research the triangulation of methods was emphasized as an important part for validating this research. The interview is therefore developed consisting of two separate but sequential parts which are both based on the same identified items that were developed in Chapter 3. The two parts of the interview are the following:

1. semantic differential score (scoring the level of presence of the item in a survey)
2. in-depth questions (open answers to questions related to items in an interview)

The utilization of an interview in two parts that addresses the same research subject provides the possibility of cross checking the outcome of the interviews [Verschuren and Doorewaard 1999]. The two parts are elaborated on below.

Sequence

The sequence of the two parts is set for the following reasons. The open questions in the second part enable the interviewer to discover support and reasoning behind the quantitative outcome form the first part, by means of interpretations and qualitative outcomes. The scoring is also used as an input for the qualitative second part. These two parts might also bring up differences between the answers in the individual scoring and the open interview. This is tested in a cross check. The interview with the middle managers is presented in appendix A.

In between of the two parts a few questions were asked on the personal history of the managers. This was incorporated to get their thoughts of the strategy process for a short moment and to start up the conversation at the beginning of the second part to stimulate open interaction for the interview. The information gathered by these questions provided useful information in the organizational context as presented in Chapter 2.

Part 1: Semantic Differential

For this part a Likert sample scale is used. "Likert scaling presumes the existence of an underlying continuous variable" [Clason and Dormody 1994 p.1]. This is in line with the factors from the theoretical framework presented in Chapter 3. The respondents’ attitude and opinion can be measured on these variables. The variable can be latent or natural. A specific application of Likert types is the semantic differential [Dawis 1987 p.484]. The semantic differential is a subject-centered scale method. The semantic differential is suitable for rating the same subject on several dimensions. In this case the subject of research is the strategy process and the various dimensions are the identified factors.

In the semantic differential part of the interview, each factor that was addressed in the theoretical framework in chapter 3 is a continuous variable covering a dimension of the
strategy process. Each item consists of two parts: the stimulus part and the response part. The stimulus part can be words and sentences [Dawis 1987]. In this interview those are short sentences with a question mark. The stimulus part contains the terms that were derived from the literature in chapter 3: Theoretical Framework.

The response parts can vary in the underlying measurement dimension (for example agree-disagree) and in the scale for responding. In this case a 7-point scale is used. This scale of seven points is in line with previous research on measuring processes of for example Bailey et al. [2000] and is described as the standard for the semantic differential [Dawis 1987, p.485]. Also the words or phrases connected to these extreme points are of major importance. The usage of words as extremes is called anchoring [Bailey et al. 2000; Dawis 1987]. On the score list it looks like this:

<table>
<thead>
<tr>
<th>B. What is the format of the strategy process at GEC Netherlands?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top down</td>
</tr>
</tbody>
</table>

A middle manager was asked to reflect his experiences in the current strategy process on this scale. In total 10 items were addressed by means of these questions. This list of items was given to the interviewee at the start of the interview. This list had to be completed before starting the second part of the interview. Verbal interaction started after filling out the scores, except for clarifications.

The sequence of the items is derived from the sequence of the axes scheme. The top axes are open and general about the strategy process execution. Then they narrow down to the more personal experience and opinion of the middle manager involved. The middle manager was told that the list had to be completed within 2 minutes. This was partly because of the limited time availability for the interview, partly to enforce a choice and avoid interaction at this stage. The outcome of the analysis can be interpreted, knowing that the time for determining the score was limited.

**Part 2: Open Questions**

The second part of the in depth question was a structured but open interview. The factors to be addressed were set, as explained in chapter 3, and so was the sequence of questions. As stated the questions start rather open and general about the strategy process execution. Then they narrow down to the more personal experience and opinion of the middle manager involved.
The questions in the second part were not provided to the interviewee, not in advance of the interview and not during the interview. The interview was done based on the item structure derived from chapter 3. Per item, first a question similar to the question in the score list in the first part was asked. Then there are three to five sub questions added that aim to reveal more about the motives behind the answer to the first question. The items and scores from the first part were sometimes used as input for the open questions. The usage was dependent on the need for structure and steering by the interviewer during the interview. The sequence of questions and the time spent on each question varied, depending on the given answers. The variety in the answers also means that not all questions had to be asked one by one. Due to overlap in the questions a single question might incite answering several sub questions.

This variation was taken into account in preparing the interview. All items were ranked by means of a number of little balls, in which 3 balls indicated the highest importance. The ranking of the main question was also done to be able to choose when the time limit of one hour would require a choice on what questions to ask in the remaining time.

Overall the prepared structure and sequence was largely maintained to make sure all topics would be addressed. The complete interview was executed consistently. At the final stage of the interview the manager was asked if there were topics missing or if there were further remarks to comfort the interviewee.

**4.6 Application: Interviews with the Management Board**

The Management Board is in the end responsible for the result of the strategy process. In the existing organizational structure the Management Board has ultimate responsibility for the strategy.

The interviews with the Board members had the duration of half an hour, half of the time spent with the middle managers. This time was used to take a two step interview, the same as with middle managers. These interviews were recorded and transcribed afterwards. The interviewees approved the quotes individually.

The first step consists of the semantic differential score list. The choices that are put forward are on the same topics, only the phrase ‘middle manager’ was replaced by managers. This is done to avoid possible resistance on limited applicability of the questions to a board member. With the current ‘managers’ the question is slightly diverted to a company view. The items shown were the same as in the interviews with middle managers.
The second part consists of the open answer questions. The main issues to be discussed can be phrased in two questions:

- what did you want with the strategy process or what was its purpose?
- how did that work out and has it been a successful execution?

This two-question summary was used as a priority list. These two questions are framed in the list of questions that has been sent to the board members in advance on their request. This is a shortlist of the questions that were posed at the middle managers. The list was shortened to a number of 16 questions due to limited time. This shortlist is presented in appendix B.

Having executed these talks and interviews the next step is to perform an extensive analysis of the collected data. This is done in chapter 5: Data Analysis.
5 Analysis of the Strategy Process

The previous chapters described the theoretical framework in an axes scheme and the methodology to apply the case study on GEC Netherlands. This chapter presents the outcomes of that application and provides tentative conclusions on the strategy process at GEC Netherlands. The analysis of the collected data is executed based on the axes scheme from Chapter 3. The data from observation, participant perception and theory is compared and assessed by means of the axes scheme. The differences are analyzed to understand the current situation.

This chapter first describes the observations on the process, then the perceptions of the people involved. The fourth section addresses the theoretical process based on theory on the company context. In section 5.5 the analyses of the differences between the three assessments of the strategy process are provided. The analyses serve as input for the conclusions and recommendations in the next chapter.

5.1 Strategy Process Observations

5.1.1 Observations per Process Step

The process design of the strategy process was briefly described in chapter 1. In this section each of the process steps is elaborated on separately. In each step two parts can be distinguished. The first on how each step was designed and planned. The second part on how it was executed in practice. The two parts of design and planning are addressed in an integrated analysis to emphasize the dissimilarities. The differences between design and planning are addressed and analyzed, partly by means of the factors in the axes scheme. A conclusion on the observations is provided by means of the axes scheme at the end of this section. The methods of data collection are addressed in Chapter 4. The Figure 5-1 below shows the complete strategy process. Each block is a step in the strategy process. The primary actors are stated per step. In each step the length of each step is provided in days between brackets. This is not the time effectively spent on that step, but the time between the previous and the subsequent process step. The dates presented indicate the date at which the subsequent step started.
The development of the strategy process was described in chapter 2. Before the start of the strategy process the process design was presented to the middle managers (MT) and the Management Board of GEC Netherlands in a meeting of the Management Team in February 2008. Each step in the process was shown and elaborated on. The format that was used is repeated in the figures in this chapter.

**Step 1: Setting Ambitions**

The process step 'setting ambitions' had to lead to the stating of ambitions and a strategic direction, as shown in the figure below.

The ambitions of GEC Netherlands address the positioning in the Dutch market and on the significance in this market. Furthermore an ambition for profitability had to be set and the Management Board had to make a statement on sustainability. The content focus of these ambitions is both external and internal. The process itself is not explicitly addressed here.

The Board of Managers was planned to be the primary actor in this step. The Board had to formulate the ambitions. However the ambitions used in the strategy process were determined by the strategy department. The presented statement of general ambitions was similar to and a repetition of the existing vision of GEC Netherlands. The existing vision was previously presented by the Board. The formulation of the ambitions in the strategy process was executed without Board involvement. Because an existing ‘vision’ was used the focus seems to
be on aligning current activities. The vision does not contain explicit targets. Currently the setting of ambitions coincided with the development of the strategy process as a whole, in January and February of 2008. The execution of this first step in the process was not visible to middle managers or other employees. The middle managers were not aware that the strategy process had already started before it was presented to them. On the axes ‘level of formality’ this indicates a rather informal start. The step ‘setting ambitions’ was mainly executed by the strategy department. The step was not a generic starting point of the strategy process.

The output ‘GEC Netherlands vision’ was used as input in the two next steps. First the middle managers were asked to apply this vision to their own cluster in the step ‘preparation’, which is the next step.

**Step 2: Preparation**

After the GEC Netherlands vision was presented, the middle managers were asked to consider this general vision from their cluster’s perspective. As shown in the Figure 5-3 below, in the formally designed strategy process, the step should contain the preparation of possible cluster ambitions based on the formulated company wide strategic ambitions.

![Figure 5-3: Preparation as presented](Image)

- Describing the strategic environment, foreseen chances, challenges etc
- Thinking over performance area’s e.g. “when does my cluster hold a no 1 position?”
- Preparing possible cluster ambitions
- Middle Managers as primary actor

The middle managers involved received two sequential emails providing a general explanation of the strategy process. The first mail was sent before, and the second mail shortly after the presentation of the strategy process on February 24th. The second email addressed the balance between outside world and GEC, the need for input of the Board and the middle managers, and a request for preparation for the upcoming strategy talk. A preliminary questionnaire was attached to incite considerations of the middle managers. The basic assumption made is that the knowledge on the business is in the minds of managers. Their information is key, and only by talking to the middle managers the information can be gathered and used as input for the strategy itself. For the assessment in the axes scheme the following is observed. Due to the attention for middle manager involvement the current process design indicates attention for possible renewal and the search for a superior strategy in the process design.
The purpose of preparation was made clear. But for this step the strategy department did not provide a detailed action plan on what to do with this vision or how to apply the GEC Netherlands vision, or on what should be the output. Determining what action to take was left to the middle managers themselves to increase the room for input of the middle managers.

Halfway the month April, approximately two months after the first presentation, the middle managers were provided with a list of questions on their strategy. This list was adjusted from the previous questionnaire that was sent around by email in February. The list of questions provided in April was based on individual insights and previous personal experiences with strategy making of the employees of the strategy department. During the two months in between all participants had little attention for the strategy process. The effort that was put in the step 'preparation' was limited. This is reflected in the axis 'commitment'.

The list of questions sent in April was labeled ‘agenda for the strategy talk’. When receiving the agenda the middle managers became much more aware of the request to act, but the expected output was not always clear to the middle managers. Since the strategy process was executed for the first time there was no experience with the process or the deliverables. A few middle managers convened their cluster-management team to discuss the agenda and gain some input. The others did not [1-10]. Some of the middle managers already had an annual process in place within their cluster in which cluster issues were addressed and the financial planning was developed. The focus of these cluster processes was solely on their cluster activities. Other middle managers did not engage in elaborate discussions with their management teams to discuss the cluster’s ambitions within the strategic goals formulated by the Board. The observations are reflected in the axes on ‘performance’ and ‘commitment’. The observations indicate limited interest from the middle managers and apparently the strategy process was at this point not used as a platform for new ideas.

Two of the middle managers prepared a paper of several pages before the strategy talk. They provided bottom-up input. Therewith they acknowledged that the request for an individual strategy paper from each middle manager was communicated to the middle managers. Otherwise the middle managers would not deliver a paper. However this varying response also indicates confusion on whether and when this paper had to be delivered. The next step in the process includes the ‘strategy talk’ and the further translation.

**Step 3: Translation to Cluster Level**

During the previous step ‘preparation’ all middle managers were asked to prepare for the ‘Strategy talk’ with representatives of the strategy department. The input for the talk is the GEC Netherlands vision from step 1. The strategy talk had to lead to a clear description of the ambitions per cluster and a planning on how to achieve these ambitions for each cluster. The
strategy talk is set up as supporting to the process of developing these ambitions and plans. The content of these talks was confidential. The planned ‘translation’ is presented in Figure 5-4.

Figure 5-4: Translation to Cluster Level as presented

The representative of the strategy department tried to structure the talk by means of the ‘agenda for the strategy talk’ sent out in April. The final agenda, provided in Figure 5-5 below was in line with the questionnaire that was sent out earlier. This final agenda for the strategy talks was developed several days before the first strategy talk. The final agenda was sent to all middle managers by email, so they could prepare for their own talk that would take place in the coming weeks. The agenda of the strategy talk is shown here. This agenda aims to cover all relevant issues for a cluster.

| I. Transfer of GEC Netherlands vision to the Cluster vision |
| II. Goals (S m a r t) |
| - Goal structure & weight of goals (correlations between goals) |
| - Obligations & requirements (externally given, e.g. legal): “must” |
| III. Major business drivers/Influencing factors |
| - Separation of influencable challenges (direct or indirect) & non-influencable factors |
| - Ranking of influencable drivers/challenges |
| - Preparation for non-influencable factors |
| IV. Status Quo and gap towards desired position |
| - Brief description of actual core tasks & status of fulfillment |
| - Brief definition of envisaged future core tasks |
| - Deriving the gap from actual to future situation |
| V. Obstacles & Cures |
| - Identification and ranking of obstacles |
| - Analyze obstacles and search for cure |
| VI. Concrete measures / tools |
| - KPI’s |
| - Scenarios |
| - Interconnections with other clusters/ GEC headquarters |

Figure 5-5: Agenda used in the Strategy Talks

The GEC Netherlands vision was provided along with this agenda. At the end of this step the middle managers had to have a clear idea about the ambitions of their cluster and a planning to achieve these ambitions.
The translation to the cluster level sometimes took place before the talk, and sometimes was strongly triggered by and during the talk. Due to the variety of topics addressed and the extensive number of topics for discussion the structure was not too strong. During the talk the strategy department did take the lead by asking questions and triggering the middle managers to think about the situation in and around their cluster.

The talks were noted down and minutes were made by the strategy department. These minutes were not shared with the middle managers to make sure they would develop their contribution in the strategy paper themselves. The minutes of these talks, together with the cluster-papers, served as input for the alignment step (step 4) in the current strategy process.

**Step 4: Collection and Alignment**

After the translation of the vision to the cluster levels, the results of that translation first had to be collected and secondly be aligned.

Figure 5-6: Collection and alignment as presented

The collection of the information consists of two parts:

1. collecting the minutes of all strategy talks
2. collecting the papers of the middle managers

**Collection**

The collection of minutes and strategy papers was not designed as a separate step in the process since this seemed rather straight forward. All middle managers were expected to deliver the strategy paper on the date agreed. The minutes of the talks were made by the department members and therefore available. The ideas of the middle managers on the GEC Netherlands strategy in the form of a strategy paper were somewhat more difficult to collect. The collection started after the first strategy talk in the second half of April. In the end all middle managers delivered but the agreed due dates were hardly kept. The delivered documents were of various size and layout, showing variety in the effort that was put in the development of the strategy paper. This indicates limited commitment of the middle managers
reflected on the axes 'commitment' and 'level of formality'. Reasons that were put forward by managers for the delay and the variable quality were the existing workload and the holiday season. Apparently the agreements were not interpreted as formal.

**Alignment**

Alignment is a specific task for the strategy department. All department members were present at several strategy talks and involved in preparations and discussions. The alignment was executed May this year. Approximately 10 strategic issues were determined that needed to be discussed during the next step: the strategy retreat with the Management Board. The alignment included insights in possible contradictions amongst the strategic issues.

The combination of the information in these four categories provided sufficient insight for alignment of the issues. The two lists were combined by means of a broad (4 people) discussion on the possible effects and the impact on EBIT of these issues. Main topics during the discussion were the valuation of issues and the connection with the clusters that were involved in such an issue. This discussion was split in several stages during three days, in which more additional information was sought on the issues. The final list of approximately ten issues was used to make the agenda for the strategy retreat. The influence of the strategy department on determining and aligning the agenda was significant.

**Step 5: Strategy Retreat**

The strategy retreat is the step in the process where all the gathered information that was found highly relevant in the previous process steps was presented to the Management Board of GEC Netherlands. This event took place at an external facility to enhance the discussion and creativity.

The strategy retreat was planned to take place on two consecutive days.

1. The first day (on May 26th) was meant to develop a common understanding of all topics on the agenda amongst the Management Board and the strategy department.
2. On the second day decisions and priorities would be developed.
Due to the planned extensive timeframe of the retreat, the retreat was reduced on request of the Board to two stages instead of two days. The first part served to bring the board ‘up-to-speed’ and make the Board aware of the current strategic issues. The second stage was shorter in time, approximately three hours, and only a few days later. The purpose was to come to choices and decisions on the GEC Netherlands strategy.

People present at the first stage were the Management Board and representatives of the strategy department, five persons in total. The agenda was set a few days in advance by the strategy department. The agenda was distributed on the Friday before the Tuesday of the retreat. During the retreat the discussion was incited by means of a presentation containing the issues and extensive supportive information from both the ‘strategy talks’ and additional research.

The result of this retreat was not directly communicated in full to the middle managers. The draft output, that was the outcome of the strategy retreat, was presented in the next step during the ‘general strategy discussion’. The draft strategy hardly contained basic choices or the setting of priorities. The existing main topics were listed and communicated. This indicates that the purpose was not strongly on renewal.

**Step 6: General Strategy Discussion and Loopback**
The general strategy discussion was the discussion on the outcome of the strategy retreat. The Management Board presented the outcome of the strategy retreat to the MT. After the presentation in the MT the middle managers could ask questions, ask for clarification and bring up new/other issues to incite a discussion. This step was first presented as shown in Figure 5-8 below.

- Discussing the draft GEC Netherlands strategy
- Discussing interconnections, contradictions and conflicts
- Board and Middle Managers as primary actor, Strategy department as facilitator
- Points for reconsideration as outcome

**Figure 5-8: General Strategy Discussion as presented**

During the first presentation of the strategy process, in February, the ‘loopback’ (feedback loop) was still seen as a separate step. In the loopback step the draft strategy is re-iterated and fine-tuned by the Board to enhance and fortify the strategy. The input for these
improvements would be provided by the middle managers. In a later scheme the loopback was incorporated in the ‘general strategy discussion’.

**Figure 5-9: Loopback as presented**

Previous to the ‘general strategy discussion’ a representative of the strategy department again explained the set up of current strategy process to the MT. The sequential steps of the strategy process were repeated. The earlier presentation had taken place 4 months before in February.

**Step 7: Final Approval**

This step is next after the general strategy discussion. At this point the Management Board of GEC Netherlands decided on the strategy for the coming years. This step was presented as shown in Figure 5-10 below.

**Figure 5-10: Final Approval step**

Due to the limited discussion in the previous step the attention for this approval step was minor.

**Step 8: GEC Europe Strategy Meeting**

After the Management Board of GEC Netherlands decided on the draft strategy, it was presented to the Board of the Division GEC Europe at the division headquarters in early September. As stated in chapter 2 this approval is currently intertwined with the approval of the financial planning (FPP). This can cause conflict between financial preferences and
strategic importance. The intertwinement is to be turned into two sequential processes in the
in the coming year. The period of execution of the strategy process will then be previous to
the financial planning process instead of partly overlapping as was this year. This step was
presented in February as shown in Figure 5-11.

Figure 5-11: GEC Europe strategy meeting as presented

The preparation for the strategy meeting was executed by the strategy department during the
month August. The agenda and the outcome of the ‘strategy retreat’ were re-worked into a
presentation on the major strategic items for GEC Netherlands. More input from the various
clusters was required to develop the agenda items further, to ensure correct information for
the GEC Europe Board. The gathering of the additional information took approximately two
weeks, which was longer than expected. Requested information was not directly available or
the effort to collect and deliver the information was limited. These observations are reflected
in the axis ‘commitment’. The preliminary presentation was sent to the GEC Europe Board staff
two weeks in advance of the presentation date. Feedback and requests for elaboration were
returned. The final presentation was sent out approximately one week in advance. This
procedure is not formalized but the pre-sending of the presentation was required by GEC
Europe.

The strategy meeting at GEC Europe took place at September 5th 2008. The duration was 2
hours, of which approximately 1 hour was used for the financial planning, and the other hour
for the draft strategy. All plans were approved with minor adjustments. The confirmation of
the strategy plan is taken into account in daily business. The outcome of the strategy process
was not communicated broadly, neither to the company nor to middle managers. This does
not improve the awareness of the strategy as is reflected in the axis ‘implementation’.

5.1.2 Observations assessed in the Axes Scheme

The observations presented in this chapter were made by participatory observations as
described in chapter 4. Perceptions of participants are addressed in the next section 5.2. The
observations in this section provided the information for the assessment below. The axes
scheme developed in Chapter 3 is used as an assessment tool to determine the value of the
various factors in the observed execution of the strategy process. Since the observations are
not exact numbers the assessment should allow for slight deviations and is therefore
presented by means of marked ranges on each axis.

The observation of the separate steps indicated converging and diverging values on the axes
in the scheme. The process can not always be assessed as a whole. This is most obvious on
the first axis. The first process step ‘setting ambitions’ is top down, like the classical approach
to strategy as presented in section 3.1. The subsequent steps, where middle managers
provide input, are bottom-up, more like the systemic approach to strategy. The final steps of
approval are top down again. The ‘general strategy discussion’ was planned as a discussion
with little influence of hierarchy. This step was designed as a hybrid step. The ‘discussion’
turned out to be a top down step. In the figure below therefore two divergent ranges are
marked on the axis.

The purpose of the process was assessed as follows. The ‘general strategy discussion’ aimed
for consensus but the discussion did not take place. The steps ‘preparation’ and ‘translation’
sought bottom up opportunities, but these were hardly achieved. The ‘strategy retreat’
delivered a list of strategic topics, but no superior strategy. The purpose of the process was
not always obvious to the participants or even ambiguous. Therefore the assessment is
intermediate and the range is marked in the middle of the axis.

The level of formality is indicated in the steps of ‘setting ambitions’, ‘preparation’, ‘alignment’,
and the ‘retreat’. Planned activities are not executed in the planned way or even discussed
whether they were planned. The execution of the activities is not strict and apparently the
process is not interpreted as formal. The strategy process is assessed as informal.

The substantive focus of the strategy process was rather balanced between internal and
external. In the ‘preparation’ the middle managers were pointed at the importance of both.
The ‘translation’ step delivered both internal and external input. In the ‘alignment’ and the
‘retreat’ both internal and external were addressed. The substantive focus is assessed
balanced.

The dynamics of the process substance was apparent in various process steps. The process
step ‘setting ambitions’ aimed for alignment. The ‘preparation’ step aimed for renewal but did
not achieve that. The ‘collection and alignment’ and the ‘strategy retreat’ focused on aligning
the presented issues. In the step ‘discussion’ the dynamics could have been very present by
means of the interaction between Board and middle managers. The ‘discussion’ could have led
to both renewal and alignment. Due to the lack of discussion that process step cannot
realistically be assessed on ‘dynamics of the substance’. The dynamics of the process substance is assessed as alignment.

The ‘commitment’ of the middle managers is assessed as follows. The middle managers were appointed in a key role in the ‘preparation’ and the ‘translation’ steps of the strategy process. In the process execution the key roles were not fulfilled as such. This can be due to the quiet period of two months between start and ‘translation’ or a limited understanding of their role in the strategy process. The lack of observable commitment in the various steps where the middle managers were involved, and the limited involvement in the ‘discussion’ and the ‘approval’ steps indicate the outsider extreme on this axis.

The relation of the process to improving performance was not observed as strong. During the alignment step the limited number of opportunities that followed from the previous steps became visible. The strategy process was hardly used as an opportunity for improving performance. The delivery of a strategy paper, the participation in the ‘retreat’ and the set up of a ‘general discussion’ were executed as part of the process, but did not show a relation to improving performance. These steps were executed because they were in the process design, but the execution did not always contribute to that same process in the expected way. The process is therefore assessed as a formality.

The relevant organizational context was rather obvious. In the steps ‘setting ambitions’ and ‘GEC Europe strategy meeting’ the links to corporate level were present and obvious. But the majority of the process steps focused on the context of the country unit GEC Netherlands.

From the observations the strategy process context was the GEC Netherlands.

The strategy implementation concerns the awareness of the organization of the strategy and the achievements in implementing the strategy. The partly operational focus in the ‘translation’ step, and the limited, or even lack of, top down communication of the developments in determining strategy indicates that the awareness in the organization is rather limited. Furthermore the understanding of what kind of strategy is developed is not a shared understanding throughout GEC Netherlands. The common concept of strategy is very ambiguous. The strategy implementation is assessed as ignorance. All factors are presented in the axis scheme in Figure 5-12 below.
Besides the axes in the scheme based on the theoretical framework other observations were made and were presented in the analyses. Further conclusions on the participants are provided in the next section.

5.1.3 Conclusion from Additional Observations of the Strategy Process

From observations of the strategy process execution is concluded that the strategy process was largely but not fully executed as intended. The purpose of the sequential steps in the strategy process was not always clear to the participants, despite of the presentations and
emails. The intended execution over time was not maintained at every step. Nevertheless the final deadlines, where the strategy department was expected to deliver, were made.

The influence of the strategy department on the strategy process was significant. This is especially shown in step 1, where the strategy department determines the input for the strategy process, and in step 4, where the strategy department determines the agenda for the strategy retreat. This was useful for the progress of the strategy process, but the main task of the department was to facilitate the process and not to be steering the process.

The next section assesses the strategy process by means of the data collected on the perception of the strategy process by the process’ participants.

5.2 Interview Responses: Participant Perceptions
The second part of the research is the assessment of the strategy process based on the strategy process perception by the participants. The data is acquired by means of interviews as presented in section 4.5. The first part of this section provides the scores of the managers in the semantic differential part of the interview. The second part (section 5.2.2) focuses on the answers to the open questions that were provided by the middle managers and the Management Board. The third part compares the outcomes of both parts and provides the assessment of the perception of the strategy process in the axes scheme. Finally conclusions on the participant perception are provided.

5.2.1 Perception from the Semantic Differential Scores
The outcomes of the first part of the interview of semantic differential scores are presented and analyzed in this subsection. 10 items were given to the interviewee on paper and he reflected his response on a 7 point scale. The items were named A to J. The respondents are numbered.

The table 5.1 below provides an overview of the average, the modus (value chosen most often), median (middle figure of values) and the range of the scores. All survey questions are dealt with separately in this section. The semantic anchors, which reflect the scores of 1 and 7, are presented below the tables. At the end some general remarks are made.
Table 5-1: Data Analysis of Semantic Differential Scores

<table>
<thead>
<tr>
<th>Question</th>
<th>Average</th>
<th>Modus</th>
<th>Median</th>
<th>Hi</th>
<th>Low</th>
<th>Range</th>
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<tbody>
<tr>
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<td>3</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td>4</td>
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<td>3</td>
<td>6</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>C</td>
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<td>4</td>
<td>4</td>
<td>6</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>D</td>
<td>4,4</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>E</td>
<td>4,3</td>
<td>5</td>
<td>5</td>
<td>7</td>
<td>2</td>
<td>5</td>
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<tr>
<td>F</td>
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<td>5</td>
<td>5</td>
<td>6</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>G</td>
<td>4,9</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>1</td>
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<tr>
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<tr>
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<td>6</td>
<td>6</td>
<td>7</td>
<td>2</td>
<td>5</td>
</tr>
</tbody>
</table>

Averages | 4,2 | 4,6 | 4,4 | # | # | 4,2 |

The respondents are numbered 1 to 10. The scores are provided in table 5.2 below.

Table 5-2: Overview of Semantic Differential Scores per Respondent

<table>
<thead>
<tr>
<th>Respondent</th>
<th>1</th>
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<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
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<td>3</td>
<td>4</td>
<td>4</td>
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<td>3</td>
</tr>
<tr>
<td>B</td>
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<td>1</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>C</td>
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<td>2</td>
<td>4</td>
<td>3</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>D</td>
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<td>4</td>
<td>6</td>
<td>4</td>
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<td>E</td>
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<tr>
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<td>6</td>
<td>5</td>
<td>7</td>
<td>4</td>
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<td>4</td>
<td>6</td>
<td>2</td>
<td>5</td>
<td>5</td>
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<tr>
<td>I</td>
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<td>4</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>J</td>
<td>2</td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>5</td>
</tr>
</tbody>
</table>

Average | 3 | 3,6 | 4,3 | 4,2 | 4,4 | 4,7 | 4,8 | 4,7 | 4,3 | 4,2 |

Item A: Key Role (1) – Outsider (7)
This item tests how much influence the middle manager really has due to strong top management. The effect of hierarchy in the process is indicated. Modus, median and average are valued 3. The range of the scores is 4. The scores show a perception of a slightly more Key Role than an Outsider or a draw by all except for one respondent. Almost all respondents estimate that their part was of a medium or slightly above medium involvement.

Item B: Top down (1) – Bottom up (7)
This item tests who informs and who is being informed in the process and is interwoven with hierarchy in the organization. The modus is 2, median is 3 and the average is 3.3 with a range of 5. The majority of the managers perceived the strategy process as (strongly) top down. A
few managers indicate a bottom up process. That few did perceive sufficient room for input and influence from their part, opposite to the majority.

Item C: Superior Strategy (1) – Consensus (7)
This item tests the purpose of the process. The purpose is very relevant for what steps are important in the process. Modus and median are 4, the average is 3.7. The range is 4. This outcome is ambiguous since the score are scattered around the regular average of 4.

Item D: Formal (1) – Informal (7)
This item tests the formality in the execution. An informal execution might for example reduce commitment but also stimulate creativity. The modus is 6, the median is 5 and the average 4.4 with a range of 4. In this case several managers perceived the strategy process as rather informal with a score of 6, and only one respondent perceived it as rather formal.

Item E: Internal (1) – External (7)
This item tests the focus of the substance. Aligning internal activities requires a different process than identifying opportunities in the environment. The modus is 3; the median is 5 and the average 4.3 on a range of 5. Two of the respondents perceive the process as strongly external, and one respondent perceives the process as rather internally focused. This score is ambiguous since the numbers are scattered around the regular average.

Item F: New Items (1) – Integration (7)
This item tests the dynamics in the substance. If issues are fixed and the organization is has to act integrated upon the issues, the process will be different from a process of collecting new issues from the organization. With a modus and median of 5 and an average of 4.9 this score can be interpreted as a slight emphasis on Integration. The highest score is 6 and the range is 3.

Item G: Obligation (1) – Connection (7)
This items test the role of the managers in the process. A manager might participate better if he has high commitment. On the commitment score the modus and median are 6 towards connection. The average is 4.9 with a range of 6. Only two respondents perceived the process as an obligation for the managers. The others were rather clear in their perception of rather strong commitment.

Item H: Source of Inspiration (1) – Formality (7)
This item tests the relation to performance. If the process brings up new items, the process has a different effect on the organization than when it is a paper process. The modus and
median are 5 and the average is 4.7 with a range of 4. Two respondents value the process as a source of inspiration, the others perceived this as a medium or more as a formality.

**Item I: Corporate (1) – Country Unit (7)**
This item tests the effect of the size and structure of the organization in the process. This influences the substance. The scores at this question are completely in the middle. The modus and median are 4, the average is 4 and the range is only 2. Apparently there was perceived a solid balance between the importance of the GEC Netherlands and the GEC corporate stakes.

**Item J: Not Aware (1) – Well Aware (7)**
This item tests the steps in implementation during and after the process. The modus and median are 6 and the average is 5. Apparently the respondents perceive themselves as rather aware of the strategy of GEC Netherlands. Only one respondent is clear on the managers not being aware of the strategy. The range of scores is 5.

**Conclusion on the Semantic Differential Scores**
Some items did not have extreme scores, or were even perceived as medium with all scores around the 4. Some scores were scattered with a slight deviation around the middle. And some scores were rather clear for the majority, but then there always were 1 or 2 respondents that did not share that perception. No item was scored high or low by all respondents.

The scores at the tests can be divided in three categories varying form obvious (at least three scores in the upper or lower two and maximally one score on the other end, combined with an average diverted at least 0,5 from 4) to ambiguous (an average close to 4 and a small number of extreme scores). The most obvious outcomes are the scores at B (top down), D (informal), F (integration), G (connection) and J (well aware). The slightly supported scores are A (key role) and H (formality). The ambiguous scores are C (superior strategy – consensus), E (internal – external) and I (corporate – country unit).

An overview of the scores on the different items shows ground for several conclusions. The process was perceived as rather top down and rather informal. The managers did present themselves as committed to the process and value their role as more key than outsider. The emphasis was not on identifying new items but more on integrating identified ones. This is in line with the perception of the process as a formality over the process being inspiring. These conclusion are reflected in the axes scheme in section 5.2.3.

**5.2.2 Perceptions from the Open Questions**
This subsection addresses the answers that were given in the open question part of the interviews. This information is structured in the same way as the interviews were taken. Each item is addressed separately. The complete list of questions is provided in the appendix A.
These items were based on the factors that are derived from literature as presented in chapter 3 and in the axes scheme. Preliminary conclusions are presented, based on the outcome of the interviews.

Note that the terminology applied in the questions in the semantic differential part was also used in answering the open questions by the interviewee. The two extremes that were used as anchors were presented again at each topic. This means that the interviewees might have repeated the terminology that was introduced to them in the first part. This does not ensure that the interviewee had complete and full understanding of the terminology. However, the extensive answers provide insight in the level of understanding and the usability of the answers of each interviewee.

The analyses of the answers and the conclusion are provided in this section. Furthermore some illustrative quotes were taken from the interview. The quotes are solely provided in the confidential version of this report. The sequence of the factors presented is similar as in the interviews. The conclusions per factor are also reflected on every axis in the axes scheme. The axes scheme with the assessment of the perceptions is presented in section 5.2.3.

**Factor: Influence of Hierarchy**

The questions referred to the managers’ role in the Strategy Process and the influence of hierarchy. Managers were asked with whom they were in touch (with the Board of Managers or with his cluster management team) during the process, and whether their input was absorbed in the final strategy. Both the items A and B provide insight in the influence of hierarchy. The two extremes were: top down-bottom up (A) and key player-outsider (B).

The answers on the questions to the managers were various. Some managers expected a stronger directive from the Board on the vision and on the process execution. A stronger directive could have provided a better guideline for the managers’ own cluster. Other managers felt comfortable with the generic direction and the amount of freedom that was provided to the managers to contribute to the strategy process. In the end the Board decided on the GEC Netherlands strategic direction, therefore the strategy process was perceived as strongly top down.

**Factor: Purpose of the Process**

This topic addresses the purpose of the process. The perception of the purpose is reflected by the perceived importance of certain steps in the process. Questions asked were: what is the purpose of the process? What should be its purpose? Have you gained new insights into other clusters during the process? The two extremes were: superior strategy-consensus.
All managers indicated there is a dilemma with regard to the way in which strategy can be formed. This concerns the dilemma consensus versus superior strategy. The majority of the managers is quite sure that in the most recent strategy process the goal was to develop a superior strategy for GEC Netherlands. Aligning within GEC Netherlands is perceived as useful, but not too challenging for the middle managers. The middle managers share the thought that issues for alignment could also be identified via other, existing, processes or platforms within the organization such as a performance program (PP) or the regular meetings of the Management Team. The perception on the strategy process is that it aims for both consensus and a superior strategy.

**Factor: Level of Formality**

This topic addressed the level of formality in the execution of the strategy process. Formality relates to both the strictness in executing the different steps in the process and to the attitude in the interaction between the people involved in the strategy process. Questions that were asked are: Did you talk to other managers during the process, and in what kind of situation? How did you perceive the form of executing the process? Was the proposed process strictly executed? The two extremes were: formal-informal.

The process was formalized in the current way for the first time this year. Nevertheless the execution of the process was perceived as fairly informal. The informality during the verbal interactions in the first steps of the strategy process led to a less formal approach to the deliverables on paper in the later parts. The lesser formal attitude can also be caused by an erroneous interpretation by middle managers, or by a lack of a formal attitude by the Board and the facilitators of the process. Furthermore the current relationships between the managers are not formal, and no formal attitude exists. Regarding the next execution of the strategy process, managers expected that all parties involved will develop a more formal role in the process. Nevertheless all managers underline the importance of informal interactions within the company.

**Factor: Substantive Focus**

The strategy process is about determining a new strategy for GEC Netherlands. The substantive focus factor addressed the question where the most attention went to in this process, to the internal challenges or the outside world? Questions that were asked are: how have developments outside GEC Netherlands been incorporated? Where is the emphasis in the content of the strategy process? The two extreme anchors were: internal-environment.

On average the managers stated that the focus was slightly more on the external developments in the environment of GEC. The perceived external focus can be due to the perception that any other corporate development is part of the environment. The perception of the importance of developments in the environment is probably strongly influenced by the
content of the work of one of the interviewed middle managers. There is a diffuse view on the ultimate focus of the strategy process. Some say it should be 50/50, others state that up to 80% of the time should be spent on the environment. The latter can obviously only be the case if there are hardly any internal challenges. The majority of the internal challenges in the strategy process were identified as part of the Performance Program. The middle managers stated that the relation between the PP and the strategy process was not clear before the start of the strategy process. It is not clear what subjects are addressed in which of the processes, and it is not clear which of the two is more important. The focus was perceived as rather balanced, with slightly more attention for the external matters.

**Factor: Dynamics of Process Substance**

The level of dynamics in the process substance indicates whether the process focus is on initiatives for improvement via substance or on aligning to achieve strategy implementation. Questions that were asked are: what has taken most of the time? Did you hear any new items? The two extreme anchors were: new items- integration. These anchors point at on the one hand identifying new items that can lead to opportunities for the company, and on the other hand inventorying and then integrating the existing activities to align current operations.

The answers to the questions indicated that the emphasis was on alignment, but that some new items did come up. The process substance tends to start with working out things that are already present. It is expected by the managers that the experiences gained in this first execution of the strategy process might stimulate creativity and communication for the better. The platform for developing new items was the strategy talk. The comments on the talk itself are rather positive. Middle managers experienced this talk as stimulating.

**Factor: Middle Manager Commitment**

This factor measured the role of the managers in the strategy process. All middle managers were involved in the current strategy process. The quality of the input of the middle managers was various. How does a manager describe its own participation and how committed, to substance or process, is the manager? Questions that were asked are on the time consumption of the process, on the most important moments in the process and on commitment. The two extreme anchors were: obliged-connected.

In the perception of the managers the strategy process hardly took any of their time. The only bilateral event was the strategy talk. All later meetings (MT) were planned on a regular basis and had the strategy process as a topic on the agenda. The writing of the strategic paper was hardly mentioned as time consuming, only as a substantive challenge.

The most important moments in the strategy process perceived by the managers were the strategy retreat (of the Board) and the strategic discussion afterwards, which was reduced to
a single meeting. These are process steps 4 and 5 as was explained in the previous section 5.1. Especially on the strategy retreat and the outcomes, the managers shared the vision that they should have been involved in the strategic discussion, as was planned in the process. This discussion did not take place as the managers expected and as was planned. Their possible involvement was perceived valuable is due to their inside knowledge, their understanding of the choices and their task in implementation.

The commitment of the middle managers seems rather dependent on the function they have within the company. It is perceived as part of their job to participate and to contribute to the development of strategy. The managers state that they are committed to the process, but then explain that commitment as part of the job. If their commitment follows from their function, then it actually is an obligation.

In regard of the commitment of the middle managers, one should be aware that the 'strategy discussion' was the second moment of interaction within the strategy process. The complete strategy process itself was introduced and explained before, so anyone involved was aware of the steps. At the earlier opportunity, during the preparation step (step 3), middle managers did take the opportunity to provide input. In the preparation step the middle managers were pressed on delivering, and so they did. The commitment of the middle managers can be volatile or downright not that high.

**Factor: Relation to Organizational Performance**

Since the current strategy process was started by a top management initiative, the middle manager might not always share the envisaged change for the better that top management has. Will the strategy process lead to a change in activities directly, and how does the process influence GEC Netherlands performance? The questions that were asked to the managers are for example: how would you measure performance? Did any new opportunities come forward? Were you inspired by the process? The two extreme anchors were: source of inspiration-formality.

The majority of the managers directly related their answers to ‘EBIT’ in reply to the question how performance is measured. Also the measurements as part of the performance-program are put forward as performance measurement. Several managers bring forward that a change for the better would be the broadening of that scope to a longer period of time.

**Factor: Relevant Organizational Context**

The strategy process was executed at GEC Netherlands to come to a GEC Netherlands strategy. However, GEC Netherlands is an integrated part of GEC. This topic is about the relation towards (parts of) the mother organization abroad and which stakes are leading in decisions. Questions that have been asked are: how did you take corporate stakes into the
process? How do you deal with that in your cluster? The two anchors are Corporate strategy – Country unit strategy.

Overall the managers did not give specific attention to the stakes of the overarching company units. The direction that was provided was incorporated in the company activities already or an existing topic of discussion. The relation between the division and GEC Netherlands is explained in the following way. The division provides the boundaries, and within those boundaries GEC Netherlands is free to act. When those boundaries are crossed, the decision is made on a higher level and it is imposed on GEC Netherlands. The existing situation is a balance between the division and the country level, and all parties involved would probably like to change it a little bit in their advantage. The substance of the strategy process was more on the country level.

**Factor: Strategy Implementation**

After developing a strategy, the next challenge is implementing the strategy. This can be done in several ways. After the strategy process the managers can tell if the process led to a better understanding of the vision of the top management of GEC Netherlands, which would for example make implementation easier. Questions that were asked are: How were you involved in strategy before the process? Did the process change your ideas? How did you act on the presentation of the outcome? How are you working on strategy? The two anchors used are: not aware-well aware.

Some managers of a cluster feel very involved in strategy making in general, since they are executing a process for developing strategy within their own cluster. Other managers of a cluster only saw or heard about strategy right before or during the FPP. The GEC Netherlands strategy was mainly a topic of thought or discussion following from the performance-program. The ‘corridor discussions’ on strategic matters were not perceived as a result of the strategy process.

The strategy talk and the strategy discussion changed the participants’ perception of strategy. Apparently the process did trigger thinking about strategy, but it was not sustained. This silent period in between of the steps that did involve the middle managers has not supported implementation.

**Additional Subjects**

Now all items that were brought forward in the interviews are discussed, however several other items were addressed during the open interviews that require attention. These are listed below.
1) Role of the Strategy Department
The strategy department was the facilitating party of the strategy process. The employees of the department developed the current strategy process, in cooperation with the Board. The execution was fully in the hands of the strategy department. The role of the department within the process is therefore of large influence on the execution of the process. The perception of their activities was the input for the activities of the managers. Questions that were asked are: what role did the strategy department play and what kind of information did you receive from them.

The ideas on their performance are various, but the main perception is that the strategy department has done well within their possibilities. Especially the effort in introducing the strategy process was valued. The managers were told how the process would be executed in advance, but it was not always executed as presented, this caused distraction. The main issue for criticism is the communication on the process steps itself and on changes in those steps. Managers do not perceive they are taken serious, when the process is not clear. The strategy talk, and the way of interacting in the talk was perceived as stimulating. The first execution did create a proper starting point for a cyclical strategy process.

2) Organizational Structure / Cluster Roles in the Strategy Process
When a manager deliberated on the role of the managers in the strategy process, more than once the expectations on the input of other managers were based on the role of the clusters in the organization. For example the sales clusters and also the clusters in production were seen as leading for the strategic direction of GEC Netherlands. Other clusters were seen as supportive and therefore not leading in developing strategy. Currently all 10 clusters formally have the same moments of interaction with the strategy department and the same contribution in the steps of the strategy process. Suggestions were made to change this balance in the strategy process, by means of sequence of delivering input or by solely involving certain clusters in certain steps in the process. This was done by the managers of both the leading and supporting clusters.

5.2.3 Differing Responses in Survey and Interview
The respondents answered the open questions partly in line with and partly different from the semantic differential scores that they provided in the first part. Especially the questions that address their own role and participation in the strategy process differ from the scores. The majority scored a role that is more key than average. The majority scored a strong commitment, but stated later that he was not really committed. The process was qualified (scored) as not too important, but then described as a "paper exercise" being not influential at all. The awareness was scored as strong, be the interest for the outcomes of the process was
in fact rather low. The deviation in the scores can be addressed to a minor attempt to be represented better. The remarkable factors are addressed in this section.

The outcomes on ‘Influence of Hierarchy’ were that the process is perceived as top down and that the majority of the individuals perceived their role as a key role. The open questions on the influence of hierarchy were answered variable. All managers were aware of the contribution from bottom up, this was sometimes even perceived as too strong bottom up. The decisions, nevertheless, were taken at top level. And the influence of the bottom up input was not clear. This explains the top down perception. The key role perception from the scores is not evident from the answers to the open questions. Respondents might exaggerate their personal importance.

The direction in ‘Orientation of the Process’ was ambiguous. This is reflected in the answers to the open questions. Respondents indicate a dilemma in consensus versus superior strategy. One cannot be achieved without the other. Both are addresses within the strategy process. The two answers from the two parts of the interviews are in line.

The ‘Substantive Focus’ was not obvious at one extreme. In the open questions the managers state that the substance of the process was a combination of internal and external issues. There is some difference of opinion on what defined as external, but all perceived a combination of both. The answers from the two parts of the interview are similar.

The response on the ‘Middle Manager Commitment’ clearly indicated commitment by the majority of the respondents, and not obligation. The answers to the open questions however, denote that this commitment is, at least partly, based on their tasks as a manager. The managers state that they are committed to the process, but then explain that commitment as part of their job. Furthermore the strategic topics were hardly the reason for discussion amongst managers. The answers given to these questions do not correspond to each other. The response on the scale can be seen as scoring up to expectations since the managers were expected to be committed to the process.

The perception on the ‘Relation to GEC Netherlands Performance’ is that there was a small emphasis on the process being a formality, and not being so inspiring. When answering the open questions the lack of inspiration was much more evident. The process was even labeled a “paper exercise”. There was a significant difference in the answers in both parts of the interview. In the part with the open questions the perception was much stronger expressed. This can be due to an unclear question in the first part, or due to answering the scores reservedly because this question reflects their own inspiration.
Score J on the ‘Strategy Implementation’ indicated that a strong awareness of strategy was perceived by the respondents after the strategy process. The open questions do not fully support these scores. For example, the managers were not acquainted with the outcomes of the strategy process and also stated that they did not take up activities to work on the outcomes. The answers to these questions are not in line. The respondents might overstate their awareness to support the perception of their involvement in the process and make their performance look better.

5.2.4 Perception assessed in the Axes Scheme

The perceptions of participants which are presented in this chapter were gathered by means of interviews as described in sections 4.5 and 4.6 in chapter 4. The perceived values of the factors in this section 5.2 provided the information for the assessment below. The axes scheme developed in Chapter 3 is used as an assessment tool to determine the value of the various factors in the perceived execution of the strategy process.

The strategy process can not always be assessed as a uniform whole. The perception of parts of the process indicated both converging and diverging values on the axes in the scheme. The outcome of the semantic differential score list is at some factors rather different from the answers to the open questions. This subsection addresses the differences and indicates possible reasons for those differences.

Nevertheless a general perception is derived from the two parts of the interview. The perception of the participants is visualized in Figure 5-13 below.
Figure 5-13: Assessment by means of Perception of the Participants

The assessment of the perception has a result that differs from the outcomes of the observations. These differences are addressed in section 5.3.2 below.

**Additional Conclusion on Perception of the Strategy Process**

The current strategy process, and especially its content, was never a major topic of discussion amongst management. Participation of middle managers in the strategy process has triggered thinking on strategy, but this effect has declined again due to the variable effort and the time in between process steps.
The middle managers stated that the relation between the performance program (PP) and the strategy process was not clear at the start of the strategy process. The strategy process was not perceived as a clear improvement of the existing situation at GEC Netherlands, but mainly as an additional organizational process. The positioning of the strategy process in February did not incite extensive support for the strategy process amongst the middle managers. This middle manager perception can have contributed to the observed and perceived commitment of the middle managers.

The next section 5.3 provides insight in assessment of a strategy process based on the theory that was presented in Chapter 3.

5.3 Conclusions on the Strategy Process 2008

The theory presented in Chapter 3 provided sufficient insight in processes of strategy development to determine an optimal direction of the factors presented in the axes scheme. After separately analyzing the observations and the perceptions of the participants in the previous sections, in this section the theory on strategy and strategy processes is used to assess the strategy process. This section connects the three parts of the research into one analysis.

5.3.1 Strategy at GEC Netherlands

In chapter 3 the concept of strategy is addressed. A brief historical development of the field and various definitions of strategy are provided. Furthermore different ‘levels’ (section 3.1) and different ‘approaches’ of strategy (section 3.2) were identified. The observations and perceptions presented in this chapter are used to determine which ‘level’ and ‘approach’ are most applicable for GEC Netherlands.

Level of Strategy

Considering the company description in chapter 2, GEC Netherlands is comparable to a ‘division’ as described in Grant [2005] and De Wit & Meyer [1998] as presented in chapter 3. The corporate strategy is determined by GEC Europe. GEC Europe maintains and develops the portfolio of divisions, of which GEC Netherlands is one. This implies that GEC Netherlands can define the country unit strategy within the current strategic direction of the overarching division. A business strategy addresses the way of competing within a certain market that is in the (geographical) focus of a ‘business-unit’ such as GEC Netherlands.

A business strategy can be determined by a combination of two to extreme perspectives. In the outside-in perspective knowledge and information of the market and the competitors is crucial for success. The knowledge concerns information on all forces that are of influence to the business. The inside-out perspective is based on the assumption that a strategy can not be
based on external opportunities. The strategy should be based on the strengths of a company or division. To gain the most advantages both perspectives should be incorporated.

Developing such a business strategy was attempted with the adoption of the strategy process at GEC Netherlands. As shown in the assessments in the axes scheme the substantive focus on both internal and external matters. The axes ‘purpose of the process’ and ‘dynamics of substance’ indicate a balance between looking for opportunities in the environment of the company and attention for consensus on the strengths of GEC Netherlands and alignment of the existing activities. The list of topics for the strategy retreat contained both internal and external items.

It was observed and acknowledged in the interviews that GEC Netherlands has no unlimited freedom in defining its strategy. The degree of independency in the decision-making at GEC Netherlands is limited in various ways. The capital expenditure is limited to a certain amount. Higher expenses require GEC Europe approval. The existing generation portfolio will be in operation for up to another 30 years which limits the possibilities for alternating the fuels of the power plants. Furthermore the customers are dependent of the services provides by GEC Netherlands. These services cannot be abandoned overnight. Finally there are the obligations towards GEC Europe to strive for economic viability. These and further issues limit the room for strategic changes of GEC Netherlands and underline the applicability of the concept of a business strategy.

The development of a business strategy was not achieved as planned. There was no common understanding of the concept of a business strategy at GEC Netherlands during the execution of the strategy process. Such common understanding is required to successfully execute the strategy process and achieve both consensus and an improved strategy.

In succession of the strategy process the outcome of the process is to be transposed into a functional (operational) strategy. With a functional strategy the strategic vision is turned into concrete plans and actions. This final step was not part of the strategy process. Such a functional strategy would be executed within or with a combination of clusters of GEC Netherlands. Within the three levels corporate-business-functional the strategy of GEC Netherlands is most similar to a business strategy.

**Approach to Strategy**

In chapter 3 four approaches to strategy were distinguished and described. Based on the observations and perceptions no single approach was found fully applicable to GEC Netherlands. When looking at the axes of Whittington [1993] presented in section 3.2 the strategy process of GEC Netherlands is assessed as deliberative on the axis ‘processes’. On the
'outcome' axis the assessment is ambiguous. This is explained in the text below and presented in Figure 5-14 below where this is indicated by the dashed rectangle.

**Figure 5-14: Approach to Strategy at GEC**

**Classical Approach**

In various process steps a rather classical approach is displayed. The classical approach relies on explicit and rational analysis. The only acceptable motivation for strategy making is profit maximization. At GEC Netherlands the single purpose of profit maximization is clear in the step 'strategy discussion' and in the interaction with GEC Europe. The preliminary focus is then solely on the items that are of relevance for the financial planning process (FPP).

In the classical approach the strategy is chosen by the leader, which is also the strategist, and then handed down to the managers. Therefore formulating strategy and implementing strategy are separated and executed sequentially. The executed strategy process reflected a similar development. The choice of the strategic direction by the Management Board is clear in the decisive steps in the second half of the strategy process. Still the strategy process has deliberative elements such as the 'strategy talk' in step 3 and the 'general strategy discussion' in step 6 where input for deliberations is or should have been provided. However in what way the deliberations were made by the Board was not clear to the other participants in the strategy process. The explicitness of the analysis is therefore restricted.

In the executed strategy process the development of strategy was not combined with the implementation of strategy. The implementation of the strategy is meant to take place sequential to the strategy process, by the setting of aligned KPI’s as described in section 2.4. The implementation was not an explicit step in the strategy process.
The classical is most relevant in mature, stable and predictable environments, or for capital intensive industries. The context of GEC Netherlands is partially stable and predictable since the production portfolio is in place. On the other hand the developments as presented in chapter 2 on sustainability, ownership unbundling and grid development are changing the context. The changes in the context of GEC Netherlands might require adjustments of the approach to strategy.

**Systemic Approach**

The systemic approach reflects the characteristics of the system in which the strategy is developed. The strategy is what the system makes of it. There is a deliberate approach, but strongly linked to the context. The strategy process at GEC Netherlands involved two actors that are determining the organizational system: the Board and the middle managers. Their attitude and involvement in the strategy process strongly influenced the progress and outcome of the strategy process.

In the systemic approach the strategy is imposed hierarchically, but the strategy also reflects the culture and society in which it is developed. In the strategy process, especially in the bottom up process steps of ‘preparation’ and ‘translation’ and in the design of the ‘general strategy discussion’ the approach is assessed as systemic. The middle managers perceived the strategy process as a rather informal gathering with the purpose of aligning the current activities. Observations confirm the not too formal attitude in internal communication. Finally the Management Board determined the strategy that was to be presented to GEC Europe.

The systemic approach is applicable when there are strong differences between strategies in various environments. The systemic approach has no specific context but stresses that a strategy must fit its context. The context determines what has to be taken into the strategy. Within GEC Netherlands the differences between the parts of the organization is reflected in the provided input for the strategy. The middle managers of the various clusters provide various inputs, content wise. This is enhanced by the Dutch context with its specific regulatory requirements and the attention for sustainability which requires specific adjustments.

The axes as provided by Whittington were very useful to discern characteristics of the strategy development process at GEC Netherlands. Nevertheless the current strategy process cannot be matched with a single approach as defined by Whittington.

**5.3.2 Comparison of the Assessments in the Axes Scheme**

In section 3.2 the theory on strategy processes was described. Nine factors were derived from theory and combined into the axes scheme. The axes scheme is used to asses the three kinds of research data that are obtained in this research. Besides the assessment of the current situation the axes scheme is also used to indicate the direction for improvements of the
current strategy process. The combination of factor values derived from the theoretical framework reflects an improved situation. In section 6.3 in the next chapter this combination is used to develop recommendations for the strategy process.

Every factor in the axes scheme has a relatively optimal value, taking into consideration the context of the country unit of GEC. The relatively optimal values are extensively described in section 3.2. A relative optimum is determined for each factor. The preferred combination of factor values is presented in the Figure 5-15, together with the observations and the participant perceptions. Both the observed and the perceived execution of the strategy process differ from the theory on several axes. These differences are addressed in this section.

**Assessment per Axis (Figure 5-15)**

The ‘Influence of hierarchy’ is an awkward axis since both the extremes and a combination in the middle of the axis are required according to the theory provided. Currently the designed strategy process does show the extremes in the ‘top down’ setting ambitions and the ‘bottom up’ substantive input. Nevertheless the discussion that would support the bottom up development of strategy did not take place. The process was therefore observed as both ‘top down’ and ‘bottom up’. Due to the restricted (or even lack of) discussion the strategy process was mainly perceived by the as ‘top down’ by the middle managers. The ‘strategy discussion’ should be visible in the middle of the axis to support the understanding of the concept of strategy and to enhance the commitment to the strategy development process.

The axis ‘Purpose of the process’ is observed and perceived as a combination of developing a ‘superior strategy’ and developing ‘consensus’ on the strategy. Both extremes are observed as addressed during the process and therefore a range in the middle is marked. Nevertheless the substantive contributions to the development of a superior strategy were small. Apparently the purpose of the process was clear but the interpretation of the wording was divergent and not clear. The purpose of a strategy process to develop a business strategy should be both the development of consensus on the current activities and the search for new opportunities in the context of the company. This is also translated to a range in the middle of the axis. The current strategy process fits the relative optimum for a strategy process for a business strategy.

The observation and perception of the ‘Level of formality’ is that the strategy process was an informal process, and sometimes even too informal. The latter indicates a certain self-awareness amongst all managers. In theory the strategy process execution should be more formal and strict. The informal attitude during the process led to negligence of the substance of the strategy process, for example in the ‘strategy papers’ and the ‘general strategy
discussion’. A more formal execution of the strategy process could improve the added value of the involvement of the middle managers.

The ‘Substantive focus’ of the strategy process should in theory be a combination of an internal and an external focus. As stated a business strategy should address both to gain the utmost advantages. The combination of internal and external also was observed during the execution of the strategy process. The participants’ perception indicates a stronger external focus. This is probably due to the fact that a significant share of the participants is regularly focusing on providing internal support and therefore perceived the content of the strategy process as rather externally focused.

The factor ‘Dynamics of the process substance’ was observed and perceived as emphasizing alignment, and hardly any renewal. The ‘dynamics of the process substance’ were therefore not optimal. According to theory both should be addressed sufficiently. Apparently little new issues were brought up during the strategy process. For developing a business strategy it is rather important that new issues are brought up. This can be done via bottom up input or via the setting of stimulating ambitions.

Theory on ‘Middle manager commitment’ in business strategy development requires a key position of the middle manager in the process. A business strategy is partly about optimal utilization of current assets, and the middle managers of an organization know the most about the utilization of the assets. The middle managers can provide the substantive input to develop consensus and alignment on the current activities and can also bring forward opportunities from the context to develop a superior strategy. Involvement of the middle managers is not sufficient to achieve these purposes, commitment is required. The managers did perceive their own commitment as rather high. From the observations of the strategy process the commitment is judged as low since the participants were putting a rather limited effort in their contribution to the execution of the strategy process. The middle managers commitment has to increase to enhance the execution of the strategy process.

The ‘Relation to the organizational performance’ should in theory let the strategy process be an opportunity to improve performance of the organization. The purposes of ‘increasing consensus’ and ‘developing a superior strategy’ inherently improve organizational performance. The strategy process should provide the opportunity to developed and collect new ideas. The execution of the strategy process was not perceived or observed as a platform or opportunity to develop ideas. The steps of the strategy process were mainly executed as formalities and required steps. Contributing to the substance of the steps was of lesser importance. The strategy process should be more of an opportunity to contribute to the organizational performance.
The ‘Relevant organizational context’ for a strategy process to develop a business strategy for a country unit should be a combination the corporate issues and the country issues. The corporate focus and limitations partially direct the business strategy. The specific issues within the unit also provide a strong direction for the business strategy. Currently it was perceived that both extremes are addressed sufficiently in the process. The strategy process input in step 1 (‘setting ambitions’) was perceived as corporate input and the middle managers themselves contributed the country unit issues. From the observations the strategy process was more about identifying and aligning the country unit issues. The corporate issues were not explicitly addressed during the strategy process. That would enhance the strategic value of the strategy process, and make the substance less of the functional level.

The theory on ‘Strategy implementation’ requires awareness of the strategic direction and the business strategy. Any strategy has a very limited value when it is not implemented properly. The design of the strategy process did not contain a specific implementation step. Nevertheless the strategy process does contribute to the awareness of the business strategy of GEC Netherlands. Currently the strategy process was observed as hardly contributing to the strategic awareness. The managers could for example not repeat the strategy which was the outcome of the strategy process. The participants perceived themselves as rather aware of the strategy. The awareness of the business strategy has to be increased to align the operations with the business strategy.

Figure 5-15 below presents the various assessments in one axes scheme. The differences between the various assessments as presented above are clearly visible.
Figure 5-15: Comparison of visual assessments
5.3.3 Conclusions on the Strategy Process

Following from the analyses in this chapter and the concluding section 5.3 three major conclusions on the strategy process at GEC Netherlands in 2008 are derived:

1. Common understanding of the concept ‘strategy’ was not present at GEC Netherlands
   a. The various participants in the strategy process had various interpretations of the meaning of strategy for GEC Netherlands. The purpose of the process was known, but the actual meaning of that purpose was ambiguous. This limited the possibility of creating a competitive advantage by means of the strategy process.
   b. Furthermore there was no common view on the importance of strategy, shown by the observed limited awareness amongst the participants and on the other hand the efforts made by the strategy department and part of the participant in the development and execution of a strategy process.

2. The strategy process design was insufficiently known and executed
   a. At the start of the process at GEC Netherlands there was a limited understanding of roles and responsibilities in the strategy process.
   b. The middle managers were unsure on the concrete output of the strategy process. The substantive input from their side was limited. This was reflected in the output of the strategy process which should have been more substantive.
   c. Finalizing the strategy process was more important than the substance of the process.

3. The commitment of all participants was limited.
   a. Middle managers did not fully take up the opportunity for involvement that was present in the strategy process.
   b. The commitment of the Board to the execution of the strategy process varied over time. This was observed and also perceived by the middle managers.
   c. The strategy department was to develop and facilitate the strategy process, and also became an active player in the content. The execution of the process (or the managing of the execution) per step was not completed as planned which influenced the execution of every subsequent step and therefore the process as a whole. This is partly due to a limited effort of the strategy department in maintaining the planned execution. Nevertheless the strategy process was finalized in time.

These conclusions are addressed again in the next chapter. Chapter 6 identifies mitigation measures for these issues and possible improvements for the execution of the strategy process.
6 Conclusions & Recommendations

The research is developed with the objective to assess the process of developing strategy that was adopted at GEC Netherlands, taking into account the environmental and organizational context by means of theory on strategy development. The analyses by means of theory and context of GEC Netherlands were presented in the previous chapters. This chapter presents the conclusions and recommendations of the research. Furthermore a reflection on the research work is presented.

The first section provides the answers to the research questions as presented in chapter 1. Each question is first addressed individually and finally the main question is answered. In the second section recommendations are provided for the strategy process and the execution. The third section provides a reflection on the research executed.

6.1 Conclusions

6.1.1 Research Questions

The answers to the research questions provide the input for the conclusions from this research. The main question of this research is:

What are possible improvement factors for the adoption of the strategy development process at GEC Netherlands within the current context and organizational structure?

The sub questions are developed to support in the answering of the main question and to structure the execution of the research. Each sub question is answered separately below.

1. What is strategy and which issues in developing a strategy are described in academic literature?

Concept of Strategy

The concept of strategy is rather often subject to a definition in academic literature. The definition of Mintzberg & Quinn [1992], combined with the pursuit of a ‘sustainable competitive advantage’ of Porter [1996] are the basis for the presented definition. In this research the concept of strategy is defined as: “A pattern or plan that integrates the organization’s major goals, policies and action sequences into a cohesive whole and strives for the achievement of a sustainable competitive advantage”. This definition captures the current operations, the current situation, the external environment and an outlook to the future in coming to a successful strategy. This concept of strategy is assumed as the theoretical outcome of a strategy development process.
Level of Strategy

In academic literature three levels of strategy are discerned. These are corporate, business and functional strategy. The strategy at GEC Netherlands is developed to optimize the overall performance of GEC Netherlands within the energy sector in the Netherlands. The corporate strategy is provided by the division GEC Europe and the functional strategy would be the translation of the business strategy to the operational level.

The level of strategy at GEC Netherlands is similar to a business strategy. The substantive focus in the strategy process is on both external and internal matters. There is a balance between looking for opportunities in the environment of the company and attention for consensus on the strengths of GEC Netherlands and alignment of the existing activities. The degree of independency in the decision-making at GEC Netherlands is limited in various ways, e.g. by maximum capital expenditure, existing power plant portfolio and the contractual obligations. These characteristics designate the strategy as a business strategy.

Approach to Strategy

Various theories are available in academic literature on strategy development processes. The approach to strategy at GEC Netherlands as reflected in the current strategy process is a combination of the approaches as defined by Whittington [1993]. Whittington discerns the axes ‘processes’ and ‘outcome’ and thereby he identifies 4 approaches: Classical, Evolutionary, Systemic and Processual. Various parts of the strategy process reflect different approaches and no single most applicable approach is determined.

The approach to strategy in the adopted strategy process at GEC is a combination of a classical approach and the systemic approach. In line with the classical approach the outcome of the strategy process is determined top down. Implementation is not part of the strategy development process. Nevertheless the provided input is also strongly influenced by the context of the organization during the strategy process. The participants tend to consider incremental changes of the current activities and are aware of the organizational system and their limited role and knowledge. These are characteristics of the systemic approach. Therefore the current strategy process cannot be matched with a single approach as defined by Whittington.

2. **What factors are applicable to assess the execution of the new strategy development process at GEC Netherlands?**

Factors of importance are derived from a range of authors in academic literature. This is presented in chapter 3. The combination of the findings on relevant factors with the various models in literature led to a final list of relevant factors for the strategy development process.
The list can hardly be complete. The factors that are listed are not completely separated but overlap various times. Certain observations and perceptions can provide input for the assessment of multiple factors. The factor list includes the semantic extremes in the assessment. The inventory is the following:

**Influence of Hierarchy**  
(Top down – Bottom up)

**Purpose of the Process**  
(Consensus - Superior strategy)

**Level of Formality**  
(Formal process – Informal process)

**Substantive Focus**  
(Internal focus – External focus)

**Dynamics of Process Substance**  
(Renewal – Alignment)

**Middle Manager Commitment**  
(Outsider – Key position)

**Relation to Organizational Performance**  
(Opportunity – Formality)

**Relevant Organizational Context**  
(Corporate – Country unit)

**Strategy Implementation**  
(Ignorance – Awareness)

These factors are the basis for the axes scheme (section 3.5). The axes scheme is used in observing the strategy process and determining participants’ perception in chapter 5. The axes scheme also provides theoretical directions for possible improvement of the strategy process.

3. **Who are the key players in the execution of the strategy development process, what are their specific roles and what are the major influential factors?**

**Key Players and Roles**

The key participants in the adopted strategy process are the GEC Netherlands Management Board, the middle managers and the strategy department of GEC Netherlands.

The strategy department is the driver and facilitator of the strategy development process. They developed the strategy process, with approval of the Board and the middle managers. The strategy department was decisive in the alignment and transfer of bottom up issues to the
Board. The strategy department put a strong effort in maintaining the strategy process planning as designed in advance. During the execution of the strategy process the effort of the strategy department declined, partly due to a lack of commitment of the other participants. The final steps of the strategy development process were executed as planned and the draft strategy was approved by GEC Europe.

The Management Board makes the final decision on the GEC Netherlands draft strategy that is presented at the GEC Europe headquarters in the final step of the strategy process. The Board should set the GEC Netherlands vision at the start of the strategy process and initiate the general discussion on the content of the strategy to justify the Board decision on the draft strategy.

The middle managers are providing the input from the operational level in the strategy development process. Finally they are the executers of the GEC strategy. In the strategy process the middle managers did not fully take up the opportunity for involvement that was created by means of the ‘strategy talk’ and the ‘general discussion’. The managers brought up various reasons that hindered their involvement and the substance and quality of their contributions.

**Major influential Factors in the Organizational Context**

The major influential factors for the development and execution of the current strategy process are in the organizational context, internal within GEC and external.

The energy sector currently is subject to changes in various fields. Matters that are specific for this sector in the Netherlands are for example sustainability, the position of the incumbents, the presence of natural gas and the impending ownership unbundling. These developments might require an adjustment in the developed strategy. These developments partly incited the substantive discussions in the strategy process.

GEC Netherlands is a country unit of the division GEC Europe. GEC Netherlands is partially dependent on the actions and decisions that are made at the division level or corporate level. The division directs the strategy that is to be executed by the GEC Netherlands. This is coherent with the concept of a business strategy and influenced the strategy development process.

The strategy development process at GEC Netherlands is executed simultaneously and sequentially to other organizational processes. The other processes are the financial planning process and the setting of the key performance indicators for the coming year. The content of these three processes is coherent. The strategy process is the newest process. The key players
in the strategy process are participating in all these processes which influenced their participation in the strategy process.

4. **What is a suitable way for the GEC Netherlands to develop improvements within the current environment and organizational structure?**

The developed axes scheme is used in the assessment of the current situation. Furthermore the scheme is used to indicate the differences (section 5.3) between the current situation and the theoretically preferred situation. The combination of marked factor ranges derived from the theoretical framework reflects a theoretically improved situation. This provides a direction for improvements of the current strategy development process. Nevertheless the factor values cannot be adjusted separately, since the factors are interdependent. The major factors values in that relatively more optimal situation as presented in section 5.3 are described here.

- Academic theory supports both the extremes top down and bottom up strategy development, but only in a balanced combination in the process. The combination should lead to an optimum. The strategy process for a business strategy at GEC Netherlands should contain both top down and bottom up process steps.
- The purpose of the process should be a superior strategy, but executing that strategy requires consensus on the strategy. The strategy process needs substantive input from middle managers to develop a superior strategy. The strategy process also requires deliberation on the existing and new activities to develop consensus on the determined strategy.
- The substantive focus should be balanced between internal and external matters. A business strategy is partly about optimizing the current organizational strengths (and tackling the weaknesses). Furthermore the context of the organization can provide opportunities that have to be identified. At GEC Netherlands the focus was mainly on aligning the current strengths. An increase renewal and identification of opportunities is required.
- The commitment of managers should be sufficiently high and their awareness of strategy as well. Currently the key players in the strategy process did not execute their tasks as was required. The output of the strategy process was therefore hardly of additional value to the organization. The commitment of the participants has to be increased. Most likely the awareness of the strategy increases similarly. This support the implementation of the strategy at GEC Netherlands.

The strategy process at GEC Netherlands could improve if the factors are assessed as presented here.
**Process Steps**

The strategy development process at GEC Netherlands does have significant variation on the identified factors in the sequential process steps. The theory on strategy development processes mainly addresses a complete process for developing strategy as a black box with general characteristics, in which strategy is formulated and implemented. The theoretical strategy process also takes into account the various environmental and organizational contexts. A variation in process characteristics during within a single process was hardly addressed in theory.

6.1.2 Main research question

The partial answers to the sub questions provide the answer to the main question. After assessing the strategy process at GEC Netherlands by means of a list of factors from literature the relevant factors for GEC Netherlands were identified. The factors are listed at sub question two above. Literature also provided the indication for a more optimal combination of factor values for the strategy process in the current environment and organizational structure of GEC. Improvement can be identified by adjusting the current strategy process taking in to account the more optimal factor values as presented in literature. The major improvement factors are:

- The strategy process for a business strategy at GEC Netherlands should contain both top down and bottom up process steps.
- The strategy process needs substantive input from middle managers to develop a superior strategy.
- The strategy process requires deliberation on the existing and on new activities to develop consensus on the determined strategy. An increase renewal and identification of opportunities is required.
- The commitment of the participants has to be increased. Most likely the awareness of the strategy increases similarly.

6.1.3 Additional Conclusions on the applied Theory

Contingency

The theory derived from the academic literature presented in this report indicates the importance of the history and structure of an organization. Theory also indicates the importance of the context of the organization. Therefore it is hard to apply a general theory to a process of developing strategy within an organization. The factors identified and applied in the axes scheme are of general importance. Not all factors were of the same relevance to the case study at GEC Netherlands. A specific situation for a research on strategy processes is determined by contingency. Therefore any research on strategy development processes requires a strong effort on analyzing the context of a strategy process. This is supported by the following examples:
• The organizational structure and history and the context of the organization strongly determined the development and positioning of a process for developing and implementing strategy within GEC Netherlands. General theory on strategy development therefore is merely sufficient to assess a strategy development process.

• Within the structure of the company GEC the organization where the case study was executed, GEC Netherlands, is a country unit. The strategy of a country unit has to optimize the utilization of the current resources to gain a competitive advantage within the (geographical) scope of the unit.

• Within GEC Netherlands the existing organizational processes (FPP, Performance Program and the development of KPI’s) influenced both the development and the execution of the strategy process. The employees involved in or responsible for the existing organizational processes are only partially aware of the use of a strategy development process which influenced the execution.

**Interdependencies within the Strategy Process Factors**

A strategy development process is a complex exercise. Theory provides an extensive framework to assess a range of factors that are of influence on a strategy process. A stated above not all factors are relevant to all processes of developing strategy. A specific process for developing strategy is influenced by a specific list of factors. A single factor is not fully separated from the other relevant factors. The interdependencies are derived from the axes scheme visualizing the assessment of this year’s strategy process. The three strongest interdependencies between factors are presented here.

• **Level of hierarchy - Level of formality - Middle manager commitment**
  The current strategy process was rather informal and certain steps were not clearly structured. The middle managers of GEC require more structure. Currently the commitment of the middle managers was limited. Another influence to the commitment was the presence of strong hierarchical decision-making in certain steps. The other participants (mainly middle managers) felt their input was not valued. The role of the middle managers was limited by the influence of hierarchy. This reduced the middle manager commitment. During other steps the influence of hierarchy was not very strong. Especially at the start of the strategy process the lack of hierarchical influence caused the perception of an informal execution of the strategy process. At that point a strong top down statement would have increased the level of formality. These factors are therefore interdependent.

• **Level of formality - Dynamics of substance - Purpose of the process**
  The rather informal execution of the strategy development process was related to the ‘dynamics of the substance’ of the process. The middle managers were, due to the
informal approach, hardly aware of the importance of the strategy process. During the interviews the purpose of the process was repeated by the middle managers. The middle managers stated that they put effort in bringing in new (substantive) strategic subjects. During the process the same middle managers did not act accordingly. Apparently the concrete meaning of this purpose was ambiguous. The interactions between the middle managers and the Board were mainly about the existing activities. The process was not perceived as an opportunity for bringing in new strategic subjects. The result was opposite, the sequential process steps were executed as formalities and the substance of the process did not focus on renewal.

- **Middle manager commitment – Strategy implementation – Purpose of the process**

  The ‘middle manager commitment’ was not on the level that is preferred by academic literature. The commitment was observed as limited. This incited a limited awareness of the strategy. The implementation of a strategy is becoming increasingly difficult when the awareness of the substance of the strategy is less. Increasing the awareness and interactions on the strategy would contribute to achieving the purpose of the process. If the attention for consensus on the strategy combined with the aim of a superior strategy increases, the commitment of the middle manager increases as well. The lack of understanding of the concept of strategy applicable to GEC Netherlands limited the commitment. The position of the middle managers in the process can be more of a key position by making the meaning of the purpose of a business strategy more clear.

### 6.1.4 Additional Conclusions on the Case Study

By observing the execution of the strategy process very closely the planned execution was compared with the actual execution. Significant changes were made in the execution compared to the design of the strategy process.

The design of the current process is tested by its first time execution. From observations of the execution of the strategy development process is concluded that the strategy process was largely but not fully executed as intended. The purpose of the sequential steps in the strategy process was not always clear to the participants. The intended execution over time was not maintained at every step but the final deadlines were made. Furthermore the various participants showed a limited effort in completing the strategy process as planned.

The participants’ perception in general was that the current strategy process, and especially its content, was never a major topic of discussion amongst management. Participation of middle managers in the strategy process has triggered thinking on strategy, but this has declined again due to the variable effort and the time in between process steps. The implementation of
strategy would require a larger effort, and a stronger involvement throughout the process. Management is currently awaiting tasks and not working proactively on strategic issues.

The observations and perceptions support the following conclusions on the execution. These were elaborated on in section 5.3.3:

- Common understanding of the concept ‘strategy’ is not present at GEC Netherlands
- The strategy process design was insufficiently known and executed
- The commitment of all participants was limited

These conclusions are input for the development of improvements in the next section recommendations.

The interviews with middle managers and with the Board members provided a more personal view and an individual perception on the execution of the strategy process for the first time. All shared their opinions and perceptions of the several process steps. Also the actual execution and the actual participation in the process that the interviewees declared were noted down from the interviews. Perceptions and participation were different from way they were planned to be.

6.2 Recommendations

One of the questions in this research addressed the suitable mean for development of improvements on the strategy process and the execution. This section presents a preliminary development of possible actions for improving the strategy process and the execution at GEC Netherlands.

Three main conclusions were addressed in section 5.3.3. By adjusting the design or the execution of a certain step improvements addressing the main conclusions can be achieved. The analyses in section 5.3.2 provided the direction of change to achieve the improvement. This was also presented in the axes scheme. The analyses do not prescribe how the changes and improvements can be achieved.

The theory on process management provides guidelines on how to design and manage a decision-making process in a complex environment [De Bruijn et al. 2002; Teisman 1992]. This theory is kept in mind during the development of recommendations on the more optimal combination of factor values. There are four core elements of process design and process management. The four leading design principles in designing a process are openness, core values, speed, and substance. Applying these core elements to the strategy process design and execution at GEC Netherlands is helpful to determine how to adjust the strategy process and the execution. The four core elements cannot be optimized all four. Therefore the process design contains a trade-off between the core elements. A similar trade-off is made in the values of the factors in the axes scheme. A more optimal combination of factor values was
presented in section 5.3.2. The sections below indicate how to change factor values to address the issues from the conclusions.

6.2.1 Creating a Common Concept of Strategy

A common understanding of strategy at GEC Netherlands is currently not in place. The purpose of the process was assessed as suitable. Apparently this is mainly a verbal (semantic) purpose. The variety of interpretations of the concept of strategy and the varying importance of strategy to the participants in the process limited the quality of the process outcome. Based on literature it was concluded that the strategy that is developed at GEC Netherlands is a business strategy. A business strategy concerns the optimization of the resources provided within a determined sector or business. The outcome of the strategy process should fit to the specifics of GEC Netherlands. A common view on the expected outcome should be developed. The semantic purpose has to be turned into concrete actions. The outcome of the process is part of the process substance. The substantive outcome of the business strategy, and what that may contain, should be an unambiguous purpose to all participants during the strategy process.

In the axes scheme this recommendation is linked to the interdependencies described in section 6.1.2: ‘Middle manager commitment – Strategy implementation – Purpose of the process’.

Concrete Steps to create the Common Concept

1. The first step of the current strategy process is the ‘Setting ambitions’ by the Management Board of GEC Netherlands. Currently this step was hardly visible for the process participants, especially to the middle managers. Expanding this process step, or plainly executing this first process step as designed, creates a common starting point. A substantive discussion between Board, middle managers and strategy department on what a business strategy at GEC Netherlands is about would clarify this issue. A common interpretation of ‘strategy’ is developed here by means of this ‘strategy workshop’.

2. The development of a common understanding of the substance of such a business strategy is strengthened by providing concrete examples from the business. As part of the second step ‘Preparation’ an external expert provides his vision on the medium term developments in the Dutch or even European energy market. The scope of a business strategy should be maintained here. This external input supports the development and understanding of a common concept even further.

3. Assuming the cyclic and annual execution of the strategy process on the longer term, it would be helpful to re-address the concept of strategy in the sixth step ‘general strategy discussion’ and ask all participants to show that the outcome of these discussions fits to the identified purpose of the strategy process that was presented.
Each participant is then stimulated to reconsider his contribution on applicability to the strategy. The concept of strategy should then become clear to Board, middle managers and strategy as preparation for the next execution of the strategy process.

6.2.2 Adapting the Strategy Process Design

The current strategy process was executed for the first time. The understanding of the subsequent process steps and the various roles the participants had in these steps was limited. The execution was perceived as informal which is partly due to a limited understanding of the subsequent steps. The course of the process was not transparent enough. The purpose and concrete outcomes (substance) of each step was not clear. Apparently the designed process was not sufficiently open to the participants and the opportunities offered were not clear to them. At certain steps in the process, for example the second step ‘preparation’, the speed of the process was rather low. An increase in the speed of the process will smoothen the execution of the process.

In the axes scheme this recommendations is linked to the interdependencies ‘Level of Formality - Dynamics of substance – Organizational performance’.

Concrete Steps for Adoption of the Strategy Process

1. By increasing the openness on the process design and process execution the strategy process will no longer be perceived as loosely planned and therefore informal. An increase in clarity on what is expected of the Board and of the middle managers in each subsequent step supports that. Furthermore the increased openness provides better understanding of the process management by the strategy department and its facilitating role. In the first step ‘Setting ambitions’ the process has to be presented extensively again. The facilitating party, the strategy department, has to confer with each participant individually on the participant’s role in the process.

2. The participants also have to be aware of the process steps that they are not participating in. Then the participants, and especially the middle managers, will know that the process also progressing without their direct involvement. By providing updates during each process step all participants stay informed. The updates can be presented during the regular meetings of the middle managers and the Management Board.

3. The substantive discussion on the ‘concept of strategy’ also supports the openness of the process execution. The designed discussion in step 6 not only increases the understanding of the concept of strategy at GEC Netherlands, but also increases the understanding of the progress in the process. By means of the discussion the Board can present the substantive decisions that are at hand. The gathering of input from the middle managers with the purpose of improving the outcome of the strategy process increases the perceived value of supporting the strategy process for the
middle managers. The step 6 ‘general strategy discussion’ has to be executed, including a feedback loop as presented.

4. The execution of various steps in the process was rather lengthy and caused insecurity on the progress of the process. The time between steps has to be as short as possible to maintain the interest in the process. The time between the presentation of the strategy process and the third step ‘translation’ has to be reduced to a month to sustain the understanding of the common concept developed in the first process steps.

5. The strategy process is one of the three major internal processes. The strategy process has to be positioned in such a way that the added value of the process is obvious to all participants. The coherence with the processes for developing the financial planning and for improving the operational performance has to be clear. Starting with the current situation, a strategy is developed, turned into a financial planning and then transposed to operational performance indicators. Board and middle managers can take advantage of such an continuous discussion on strategy and resources.

6.2.3 Increasing Commitment and Awareness

The commitment of the process participants was observed as limited. This was partly due to a limited understanding the concept of strategy and a limited understanding of the strategy process as designed. These matters were partly addressed above. Involvement in the process is a requirement for commitment. Only if participants are involved they can be sure that their input is contributing to the process and they can be sure their core values are secured. When the participants are aware of their role and their gain from the strategy process the commitment increases.

In the axes scheme this recommendation is linked to the interdependencies ‘Level of hierarchy - Level of formality - Middle manager commitment’. Addressing these factors in a balanced way increases commitment and awareness.

Concrete steps for increasing Commitment

1. By increasing transparency in the process steps and the decision-making the core element of openness is emphasized. The participants have to understand why every process step is executed and what is done in every step. By properly presenting the strategy process in advance and conferring with each of the participants individually the transparency of the process is increased. Board and middle managers will then be aware of what is expected of them in every step. They will have their own (delegated) responsibility to deliver. Furthermore the participants need to be informed on the progress of the process during the execution. The progress update fits in with the regular meeting of middle managers and the Board.
2. Each participant has his own activities in the operation; each participant has a personal view on the external and internal developments. Each participant provides substantive input during the strategy process. By means of elaborating what kind of substantive input that should be, for example in step 1 and 2 of the strategy process, the participants are more comfortable with providing substantive input. Especially the middle managers have to be shown how their input is of value. Once the participants put more effort in their input, and that input is dealt with properly, the commitment increases.

3. The input from the middle managers was currently aligned by the strategy department in step 4. In steps 6 and 7 the Board decided on the important topics. At no point the individual contribution of middle managers is visible. Therefore the strategy papers developed in step 3 have to be combined and distributed, as part of step 4. Then the individual input is visible, which also is the unaligned input for the strategy retreat. The middle managers can then also determine how the strategy department and the Board conducted the retreat. The ‘general discussion’ then becomes a platform for each middle manager to discuss on the strategic issues that he brought into the process.

4. As from the start of the process the participants must have a clear view on what the strategy process is contributing to their individual position. When the coherence with the other internal process is obvious, the foreseen added value increases the commitment to the strategy process. By providing input on their business, the participants can influence the performance indicators that are set at a later point in time. The output of the strategy process has to be directly linked the other two processes to provide that possible advantage to the middle managers.
7 Reflection

The research was executed as presented in this report. Various considerations and elaborations were briefly addressed. In hindsight a reflection is made on the development and execution of this research.

7.1 Demarcation
The objective of this research was to assess the adoption of the strategy development process at GEC Netherlands, taking into account the environmental and organizational context and the theory on strategy development. The assessment should indicate possible improvements for the strategy development process and the execution. A demarcation was made to consider the process of developing strategy and not the concept of strategy itself. The demarcation was partly due to the option of the presented case study research at GEC Netherlands. This choice determined the focus of the research.

The concept of strategy applicable to GEC Netherlands was assessed as a business strategy and as such incorporated in the research. The concept of a business strategy was not subject for extensive research as part of this project. Most likely further distinction can be made within the concept of a business strategy. Further elaboration on the concept of a business strategy can provide more insights and a better understanding of the content of a business strategy.

Strategy Development
In this research the concept of a business strategy is applied to the utility sector. The energy markets in the Netherlands are under development. There is an ongoing transition from state-owned organizations to market driven energy companies. The amount of academic literature on the application of the concept of strategy in the utility sector is limited. Further research in the field of strategy in utilities might lead to improved insights in the best applicable concept of strategy or a variation of concepts that can be applied at energy companies.

The focus of this research was the strategy development process at GEC Netherlands. The preceding development of the strategy process itself was not in the scope of this research. Data was gathered on how the strategy process design was developed, but the sources thereof are very limited. The design of the strategy process overlooked certain specific characteristics of the GEC Netherlands organization. It had been interesting to find out what considerations were made in the design of the strategy process. The observations during the execution of the strategy process provided data on why the process was executed as such. Making similar observations of the organization during the design of the strategy process would provide a better understanding of the current process design.
The strategy process as presented was executed for the first time at GEC Netherlands. The strategy process was a new design. Previously strategy was not developed by means of a pre-described or fixed process. The designed strategy process was first presented at the start of the strategy process. The outcome of the strategy process could therefore hardly be perfect. The first time execution of a process is regularly accompanied by expected and unexpected difficulties. It was likely that the strategy process would not be executed as planned. Furthermore is was likely that the designed strategy process could be improved to be more suitable to the situation of GEC Netherlands. Nevertheless this first execution made the participants more familiar with a strategy development process. This might enhance cooperation with the next annual strategy process.

Environment of GEC Netherlands

This research was executed on the premises of GEC Netherlands, within the strategy department. This was a very useful research environment since the strategy department designed and facilitated the strategy process. This research environment also influenced the approach to the research subject. The strategy process was not viewed from a specific perspective. All key participants cooperated in the research and provided the research data themselves. Nevertheless the recommendations provided are primarily useful for the strategy department, so they can improve the adoption and execution of the strategy process. If a similar research is executed from the office of the other key participants the findings would probably be similar.

Developing a research on strategy development seemed rather interesting since the energy sector itself is under development due to the introduction of a certain level of competition. The dynamics in the energy sector certainly increased in the latter years. Further topics influencing the dynamics are sustainability, grid development and the pending ownership unbundling. These topics did create dynamics, but it is not likely that major changes will occur on the short term. The energy market seems dynamic, but is rather stable. There are changes taking place, but these are foreseeable. The dynamics in the Dutch energy market are limited. This strongly influences the preferred kind of strategy and the preferred way of developing strategy at an energy company. The limited dynamics in the sector might have influenced the attitude towards renewal from the side of the middle managers and the Board of management of GEC Netherlands.

The dynamics in the energy sector as a whole are not that high. A distinction should be made between production and supply of energy, specifically in electricity. The differences between the various middle managers are significant, but hardly addressed in the analyses. This is due to the limited size of the GEC Netherlands organization. Every quote of a Board member or middle manager could easily be deducted to the source. This would seriously compromise the
cooperation of the managers to this research. Reporting on the progress of the research was therefore not always easy. Anonymity of the participants of this research has successfully reduced these difficulties.

The research as executed provided conclusions on the execution of the strategy development process at GEC Netherlands. These conclusions are rather specific. Nevertheless the outcomes are very well applicable to similar situations at other organizations. For example:

- Any company that is considering the adoption of a strategy development process and is to a certain extent comparable to GEC Netherlands can utilize the outcomes of the research project and take these into account for their own strategy development process.
- More specifically strategy development at multinationals is addressed with this research. The situation in which a business strategy has to be developed, which on the one hand takes into account the corporate vision and ambition and on the other hand has to maintain and capitalize the local strengths, was addressed with this research. In the current European or even global markets there are various companies and organizations that could consider the outcomes.
- Furthermore the research addressed strategy development in utilities. This sector has specific characteristics, such as long term investments and the introduction of competition, that affect the strategy development process. The issues described in this research are specific for the Dutch energy sector.
- A specific issue for GEC Netherlands is the integrated supplier structure where various businesses (production and sales) are placed in one organization. Both are incorporated in a single strategy process. This research is, partly due to confidentiality issues, not very focused on the differing content of the various businesses. Nevertheless this research on strategy development can be a starting point for further exploration of strategy development processes in multi-business organizations.

This research can be applied to a variation of similar companies.

### 7.2 Methodology

This research was executed as a single-case-study at GEC Netherlands. The opportunity for a research on the adoption of a strategy development process at GEC Netherlands occurred and was seized. The execution of the designed research took place between April and October. This was the set timeframe for the execution of this research in preparation for this Master thesis. The limitation in resources (time) for this research project fixed the number of case studies on one. To increase the validity of the research the theoretical framework should be applied in several other case studies to test the applicability.

The methodology applied in this research focused on the execution of the strategy development process at GEC Netherlands. The methodology was only suitable to assess the
adoption of the strategy process by observing and participating in the first execution. To fully assess the adoption of the strategy process the development of the strategy process itself should have been incorporated in the research. The research would then reflect the complete range from development to the execution of the strategy development process. The concept of strategy, which was found to be a business strategy, could be elaborated on to enhance the coherence between the applicable concept of strategy and the strategy development process.

By further elaborating on the applicable concept of strategy the presented ‘more optimal’ values in the axes scheme would be refined. The differences between the observed and perceived strategy process and the theoretical more optimal situation could be indicated more clearly. Due to restraints in the time and the feasibility of this research it was demarcated at the adoption of the strategy process itself.

**Case Study**

The case study consisted of observations of the execution of the strategy process and interviews with the participants. Both were compared with the theoretically more optimal situation to identify improvement factors for the strategy development process.

- The observations were **participatory observations** from within the strategy department. These provided a profound insight in the execution of the strategy process.
- The **interviews** were developed by means of a list of relevant factors from academic literature.
- The content of the developed **axes scheme** is addressed in the next section on theory

The data gathered via the observations and interviews was used to assess the execution of the strategy process in the axes scheme. The combination of both was complementary. Any observations made on the execution could be addressed during the interview to find out how that element in the strategy process was perceived by the participants. If the participant was part of the observation an explanation or clarification could be provided during an interview. The other way around the interviewees provided input on the execution of certain process steps which could not be observed, for example Management Team meetings. Such information was only used as observations if brought up by three interviewees.

**Participatory Observations**

The observations were made continuously during the execution of the strategy process. Nevertheless not all has been visible to the observer. Information on certain matters was provided afterwards by process participants that had been present at for example management team meetings, but a certain part of the data was not incorporated in this research. This is due to the method of observation, in which the observations are limited to the capability of the observer. Access to all ‘closed meetings’ would have increased the
observations made. Still there would have been meetings or bilateral interactions that are not visible to the observer.

The presence at the department certainly influenced the observational independence of the observer. For example the introductory explanations before every ‘strategy talk’ set a focus to certain characteristics of the middle manager. Furthermore the reactions from within the strategy department on cooperation of the other participants in the process certainly influenced the observations. Therefore the observations made were denoted very factual to reduce the subjective influences. Nevertheless the continuous presence at the department provided observations that could hardly have been gathered via other methods. Similar research can benefit from this method.

**Interviews**

The development of the axes scheme that was used for as theoretical basis for the interviews took place during the execution of the strategy process. The development might have been influenced by the participant observations that took place simultaneously. Certain elements from literature were found relevant for this research due to their presence in the observations. Nevertheless the topics addressed in the interviews were representative for factor that are important in strategy development processes.

The interviews consisted of a survey and open questions, which both addressed the same topics. The separate parts of the interviews were a consistency check of the data provided by the interviewees. Furthermore the survey score could be used as input for the open questions. This proved useful for an inexperienced interviewer. The open questions were needed to make sure the interviewee had a full understanding of the terminology applied. It turned out that not all interviewees had the same understanding straight away. This was elaborated on to come to a straight answer. Various backlashes of the interviews were:

- The interviews with the Board members were rather short. This limited the possibility to develop an open conversation on their perception of the strategy process. Although the majority of the answers was provided.
- The middle manager interviews did provide room for an open conversation, the interviewer was at various interviews certainly aware of the hierarchical distance between interviewer and interviewee. Nevertheless the interviews provided a profound insight in the perception of the strategy process. The answers seemed straight and honest, several strong statements were made to communicate an opinion. However manipulation can not be excluded
- All interviews were taken after the process step ‘general strategy discussion’. The execution of the strategy process at GEC Netherlands was almost over. Nevertheless more observations were made after the interviews. It was not possible to ask for
perceptions on those observations. An option would be to postpone the interviews. On the other hand the interviews were now taken shortly after the major steps in the strategy process. The memories on these steps were still fresh. Another option would be introducing multiple interviews.

The interviews were presented in this report via quotes and conclusions in the axes scheme. In total there was over nine hours of interview recorded. The quotes provided are only a small selection. This selection was made by determining the general or mostly stated perception in the interview. Furthermore the more divergent statements were provided to indicate the range of perceptions of the strategy process. The selection of the quotes was done by the interviewer. The selection of the quotes can therefore be biased by all kinds of influences. It has been attempted to provide a proper and realistic reflection of the perception of the participants.

The responses in the interviews were extensive and perceived as sincere by the interviewer. The middle managers and the Board provided full cooperation to the interviews. The position of the researcher within the strategy department (as an participatory observant) was addressed at the start of the interview were the interviewer stated that all responses would only be communicated anonymously to the strategy department or to other institutions with the approval of the interviewee. Each interviewee individually approved the (anonymous) quotes that were selected from his interview during the research. The responses provided were very useful for this research. The position of the researcher within the organization was no limitation for the research. This method was applied successfully and will be useful in similar research.

7.3 Theory
The theoretical framework for this research was presented in the axes scheme. The academic literature was limited to the topic of strategy development processes. The concept of strategy was not extensively elaborated on. The applicability of the concept of business strategy at GEC Netherlands has influenced development of theoretical framework and the axes scheme. The more optimal combination of marked ranges in the axes scheme is coherent with the concept of business strategy as described in chapter 3. Further research to determine a more specific concept of strategy might improve the proposed preferred situation. Nevertheless the determination of the applicable concept is based on sufficient basis in academic literature.

Business Strategy
Business strategy has two extreme perspectives: inside-out and outside-in. None of these extremes is applicable to the situation at GEC Netherlands. The applicability of business strategy to the situation at GEC Netherlands was addressed in chapter 5. This was based on the organizational structure and context of GEC and on the substance of the strategy process.
that was executed. If the level of strategy at GEC was similar to the corporate level the presented preferred situation has to be adjusted. Changes would certainly occur in the following axes in the axes scheme:

- **Level of Hierarchy**
  The top down input currently is intermediary between the corporate and the country unit. In a corporate strategy the intermediacy is minimized. The input for the strategy will mainly come from bottom up input of the second management layer at the corporate level.

- **Substantive focus**
  Currently the substantive focus is a combination of internal and external focus. In a corporate level strategy the substantive focus would shift more towards an external focus.

- **Organizational performance**
  The strategy development process will be focused even stronger on the identification of opportunities in the context of the company.

Further adjustments will occur but these will require more research. The theoretical basis of the research on the concepts of strategy has to be increased.

Implementation of the business strategy was not part of the strategy process as designed and executed. This is not awkward since it was a strategy development process. Nevertheless academic theory provides support for a combination of strategy development and strategy implementation. Strategy implementation was incorporated in the axes scheme and was assessed as ‘ignorance’ which comes down to a very limited implementation. This assessment is therefore partly due to implementation not being in the scope of the strategy process.

**Axes Scheme**

The research that was developed applied the axes scheme at the case of GEC Netherlands. Specific conclusions on the adoption of the strategy process at GEC were drawn. Generic conclusions on the research can be derived:

- The applicability of the axes scheme was proven. The factors derived from academic literature are valid to assess a strategy development process.
- The applied axes scheme was suitable to assess the strategy process at GEC. To determine the further additional value of the axes scheme it should be applied in other cases. Most likely the axes scheme will be useful in the situation presented under ‘demarcation’.

Nevertheless there are various possibilities for improvement.

The axes scheme consisted of 9 axes to assess a strategy development process. The overlap of these separate axes was addressed in the thesis. A certain coherence of axes was
addressed in the conclusions in chapter 6. This coherence was observed and presented. The reduction of the number of axes can be useful for research were there is less time, which implies less observations and/or interviews, or another restriction to the research. The reduction was not elaborated on in this research. Nevertheless this might be useful in a future case study. For this research the complete axes scheme was very helpful to assess the strategy process as a whole.

During the execution of the research it became clear that certain issues were not incorporated in the axes scheme. To improve the axes scheme the following factors should be considered and possibly incorporated:

- The role of the strategy department during the execution of the strategy process was rather important. The strategy department facilitated the process, and by acting or not-acting they strongly influenced the execution and perception of the strategy process. Besides facilitator the strategy department was involved in the selection and alignment of the important strategic issues. The positioning of the strategy department proved of larger importance then expected. This should be addressed in the axes scheme.

- The Board of management is finally responsible for the approval of the strategy. It was assumed that the Board was strongly involved in strategy development and was committed to the execution of the strategy process. The execution of the strategy process at GEC Netherlands showed that the Board does not always participate in such a way. Therefore an additional factor on the Board involvement and commitment needs to be considered.

When these suggestions are incorporated the research presented can be of significant value for further research on strategy development process in utilities.
References

Literature


References

• Teisman, G.R. (1992), "Complex Decision making: a pluri-centric perspective of decision making about spatial investments", The Hague (in Dutch)
• Verschuren P. and Doorewaard,H. (1999), *Designing a research project*. Utrecht: Lemma
Interviews
The interview for this research took place in July and August in 2008. The names of the interviewees are not provided, nor are the specifics on time, date and location to guarantee anonymity of the interviewees. All interviewees are employed by GEC Netherlands in a middle management or Board of Management position. The quotes from the main text refer to the numbers presented below.

[1] interview manager
[2] interview manager
[3] interview manager
[4] interview manager
[5] interview manager
[6] interview manager
[7] interview manager
[8] interview manager
[9] interview manager
[10] interview manager
Appendix A: Interview Middle Managers

1. Vragenlijst met scores (2 minuten)

Beantwoord onderstaande vragen door het getal tussen de twee termen te omcirkelen dat uw ervaring weerspiegelt.

De vragen hebben alleen betrekking op het strategieproces 2008.

A. Hoe voelt u zich betrokken bij het strategieproces?

<table>
<thead>
<tr>
<th>Sleutelfiguur</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Buitenstaander</th>
</tr>
</thead>
</table>

B. Welke vorm heeft het strategieproces bij GEC Netherlands?

<table>
<thead>
<tr>
<th>Top down</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Bottom up</th>
</tr>
</thead>
</table>

C. Wat is het doel van het strategieproces?

<table>
<thead>
<tr>
<th>Superieure Strategie</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Consensus</th>
</tr>
</thead>
</table>

D. Hoe ziet u de vorm van de uitvoering van het strategieproces?

<table>
<thead>
<tr>
<th>Formeel</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Informeel</th>
</tr>
</thead>
</table>

E. Waar ligt de nadruk van de inhoud van het strategieproces?

<table>
<thead>
<tr>
<th>Intern</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Omgeving</th>
</tr>
</thead>
</table>

F. Waar is de meeste tijd aan besteed gedurende het strategieproces?

<table>
<thead>
<tr>
<th>Vernieuwing</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Integratie</th>
</tr>
</thead>
</table>

G. Hoe is de cluster manager gecommitteerd aan het strategieproces?

<table>
<thead>
<tr>
<th>Verplicht</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Verbonden</th>
</tr>
</thead>
</table>

H. Hoe beoordeelt u het strategieproces in relatie tot de GEC prestaties?

<table>
<thead>
<tr>
<th>Inspiratiebron</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Formaliteit</th>
</tr>
</thead>
</table>

I. Welke belangen spelen de grootste rol in het strategieproces?

<table>
<thead>
<tr>
<th>Corporate</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>GEC NL</th>
</tr>
</thead>
</table>

J. Hoe bewust is de cluster manager met strategie bezig na het strategieproces?

<table>
<thead>
<tr>
<th>Niet bewust</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Zeer bewust</th>
</tr>
</thead>
</table>
2. Introductie (5 minuten)

**Uitleg interview:**
Dit gesprek vindt plaats in het kader van mijn afstuderen aan de TU Delft. Het onderzoek richt zich op het strategieproces bij GEC Netherlands. Dit onderzoek zal uiteindelijk volledig geanonimiseerd aan mijn afstudeercommissie worden voorgelegd en de relatie met GEC Netherlands zal niet gelegd kunnen worden.

Dit gesprek zal ook geanonimiseerd worden. Het is voor mijn onderzoek van belang gegevens over de rol van de cluster managers in het algemeen te hebben, niet verbonden aan de persoon. Wie wat gezegd heeft zal door niemand anders achterhaald kunnen worden.

Dit uurtje wil ik graag besteden aan het gesprek en niet aan notuleren. Het gebruik van opname apparaatuur is hiervoor noodzakelijk. U krijgt van mij de uiteindelijke tekst gebaseerd op uw inbreng zodat u kunt beoordelen of het volledig anoniem is. De strategieafdeling heeft geen toegang tot opnamen danwel uitwerkingen van deze gesprekken. Ik zal nu de opname starten.

→ Opname starten

**Inleidende vragen:**
Hoe lang werkt u al bij GEC en via welke stappen bent u manager van dit cluster geworden?

Wanneer hoorde u voor het eerst van het strategieproces bij GEC Netherlands?
3. Vragenlijst open vragen (30-45 minuten)

●●● Welke vorm heeft het strategieproces bij GEC Netherlands?

Top down - Bottom up

- Kunt u uw rol in het strategieproces omschrijven?
- Hoe heeft u contact gehad met de directie gedurende het strategieproces?
- Hoe heeft u de afdelingshoofden betrokken bij het strategieproces?
- Welke randvoorwaarde in het strategieproces bepaalt of uw input al dan niet wordt meegenomen in de nieuwe strategie?

● Wat is het doel van het proces?

Superieure Strategie - Consensus

- Is uw houding tegenover andere managers veranderd door een beter inzicht?
- Is de GEC strategie veranderd?
- Waar zou volgens u het strategieproces tot moeten leiden?

● Hoe ziet u de vorm van de uitvoering van het proces?

Formeel - Niet formeel

- In hoeverre heeft u met andere managers gesproken gedurende het strategieproces?
- Op welke momenten heeft u overlegd met andere managers of directie?
- Welke rol heeft de strategie afdeling in het proces gespeeld?
- Welke informatie heeft u van de strategieafdeling ontvangen, was dit waardevol en tijdig?

●● Waar ligt de nadruk van de inhoud van het strategieproces?

Intern - Omgeving

- In hoeverre zijn de ontwikkelingen buiten GEC meegenomen in de nieuwe strategie?
- In welke mate is er aandacht besteed aan GEC corporate?

●● Waar is de meeste tijd aan besteed gedurende het strategieproces?

Vernieuwing - Integratie

- Heeft u nieuwe strategische onderwerpen gehoord op de PP-meeting?
- Hoe heeft het strategieproces de mening van managers over de GEC Netherlands strategie veranderd?
Hoe is de cluster manager gecommitteerd aan het strategieproces?

Verplicht - Verbonden

- Heeft het strategieproces u veel tijd gekost?
- Wat zijn de belangrijkste momenten in het strategieproces?
- Was u daarbij betrokken?
- Op basis waarvan wordt deze betrokkenheid bepaald?
- Kunt u de waarde van de betrokkenheid van cluster managers bij het strategieproces beschrijven?

Hoe is het strategieproces gerelateerd aan GEC prestaties?

Inspiratiebrorn - Formaliteit

- Hoe beoordeelt u hoe GEC presteert?
- Zijn er nieuwe mogelijkheden of kansen voor GEC naar voren gekomen in het strategieproces?
- Hoe heeft u zich voorbereid op het strategiegesprek?
- Vond u het strategieproces inspirerend?

Welke belangen spelen vooral een rol in het strategieproces?

GEC corporate - GEC Netherlands

- Op welke manier heeft het strategieproces de corporate belangen meegenomen?
- Kunt u de machtsverhouding tussen GEC Netherlands en het grotere GEC beschrijven?
- Worden de belangen van GEC corporate meegenomen in uw cluster?

Hoe bewust is de cluster manager met strategie bezig na het strategieproces?

Niet bewust - Zeer bewust

- Bent u voor het strategieproces met de strategie in aanraking gekomen?
- Op welke manier heeft het strategieproces uw inzichten veranderd?
- Op welke manier heeft u invulling gegeven aan het strategisch paper over uw cluster?
- Zijn de cluster managers bezig met strategievorming en implementatie?
Hoe bent u na de PP-meeting aan de slag gegaan met de strategie?
Appendix B: Interview Management Board

Vragenlijst open vragen (20-25 minuten)

1. Wanneer is er voor het eerst over het strategieproces bij GEC Netherlands gesproken en wat was daarvoor de aanleiding?

2. Kunt u uw rol in het strategieproces omschrijven?

3. Hoe heeft u contact gehad met de managers gedurende het strategieproces?

4. Hoe zijn uw inzichten en houding tegenover andere managers veranderd?

5. Waar zou volgens u het strategieproces tot moeten leiden?

6. Op welke momenten heeft u overlegd met managers of directieleden en hoe verliep dat?

7. Welke rol heeft de strategie afdeling in het proces gespeeld?

8. In hoeverre zijn de ontwikkelingen buiten GEC meegenomen in de nieuwe strategie?

9. Hoe heeft het strategieproces de mening van managers over strategie bij GEC Netherlands veranderd?

10. Wat zijn de belangrijkste momenten in het strategieproces en hoe was u daarbij betrokken?

11. Kunt u de waarde van de betrokkenheid van cluster managers bij het strategieproces beschrijven?

12. Hoe beoordeelt u hoe GEC presteert?

13. Hoe heeft u zich voorbereid op de strategy retreat?

14. Vond u het strategieproces inspirerend?

15. Op welke manier heeft het strategieproces de corporate belangen meegenomen?

16. Op welke manier heeft het strategieproces uw inzichten veranderd?