To Change or Not To Change?

Uncovering The Challenges with Inertia, Adaptation and Ambidexterity

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Date of submission: 2012-05-24
ABSTRACT

To align firm strategy with the changing environment has always been a challenge for executives. The business literature consists of different perspectives on how to solve the problem and whether to resist change, adapt or do both at the same time. Each got their own implications, inertia could lead to rigidness, adaptability might negatively influence reliability and ambidexterity is seen as a combination of both. The core is exploiting present capabilities meanwhile exploring future opportunities. To study these notions we have conducted a cross-sectional study including four Swedish service-firms which operates in either a stable or dynamic environment. Executives were interviewed and asked to elaborate on their strategies. By doing this we were able to construct a model who suggests when to adapt, when to resist change depending on environmental stability. We also observed that capital- and knowledge-intensity has been somewhat neglected in previous research and could be studied further.

Keywords:
Inertia; Adaptability; Organizational Ambidexterity; Exploration; Exploitation; External Environment; Change Management
ACKNOWLEDGEMENTS

We want to thank our tutor, Cecilia Pahlberg for her rewarding input and suggestions whenever we had problems during the writing process. Our seminars have also been valuable sources for improvements, therefore we thank all participants and in particular our head-opponents Shuvodeep Dass and Carl Johan Jansson.

Further we would like to express utmost gratitude and thank our respondents: Christer Nerlich, Johan Lindgren, Per-Erik Tunroth and Marcus Tägtström, who contributed with their time and commitment which served as the foundation of our study.

Finally we would like to thank our families and friends who supported us during these final months of our academic careers. It has been a long but rewarding project that allowed us to dig deep in management literature and test some of its theories in real life.

__________________________________________  _______________________________________
Marcello Longo                                  Gustav Östergren

Uppsala, May 24, 2012
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1. INTRODUCTION
“All managers face problems in overcoming inertia and implementing innovation and change” (Tushman & O’Reilly, 1996, p.1)

Imagine that you are stranded on a desert island far from home and you only have a week’s supply of food and barely any local knowledge at all. What would you do? Some people would probably live as they have always been doing, just because it is the only thing they certainly know. Others prefer to adapt to the situation and reframe their own mindset, hence eating exotic fruits, building a shelter by making themselves a new home. Then we have the people that would do both. That is, not only being satisfied with what you got but also explores new paths and possibilities along the road. Did you make it? Well, the answer is not that straightforward. It depends on the routines you had for the procedure, the degree of uncertainty, on the threats and the constant struggle between surviving the day and in the longer run. A similar but far less daunting discussion exists within the strategic business literature and it will always be of great interest as long as the world is changing or remain somewhat uncertain.

Some scholars ask themselves if routines and stability are needed to survive a dynamic environment. Is it the degree of uncertainty that makes the firm to adapt? Might it be possible to exploit what you already got meanwhile exploring new business opportunities? This is a topic that our thesis aims to shed light upon and when doing so we will study four different Swedish service firms from three theoretical perspectives. It is particularly interesting to distinguish service firms from manufacturing, not only because Menor, Tatikonda and Sampson (2002) found a gap between past research on the intertwined notions of strategy and new service development. The firms’ inherent characteristics also influence organizational learning, where Martin Jr. and Horne (1993) drew the conclusion that the customer involvement was a critical feature. de Brentani (1989) pointed out several particularities of new service development. She emphasized the importance of differentiation, continuous improvement and cost reduction to be successful.

Different perspectives on how to cope with change in relation to the external environment have evolved over the last decades. Hannan and Freeman (1977, 1984) undertook a less dynamic view when they studied the notion of structural inertia. They argued that reliability
was important in order to cope with a changing environment, hence that organizations’ size and age influenced the probability to survive, although it could contribute to slower adaptation. It was supported by Freeman, Carroll and Hannan (1983) who studied organizational death rates but Kelly and Amburgey (1991) later questioned the relationships between size and likelihood to change. Fredrickson and Iaquinto (1989) built even further on the relationship with the environment and proposed that a firm should rely on routines in stable markets while becoming less comprehensive in dynamic environments. In later years Gilbert (2005) noticed that structural inertia is presented as rather generic in the literature and he has contributed with two comprising concepts named routine and resource rigidity.

A contrasting view also originates from Sadler and Berry (1970) who were early intercessors concerning adaptation. They claimed that firms cannot solely rely on vision and goals since the external environment always impose some constraints. Bourgeois (1984) argued in a similar way but included the discussion about environmental determinism and strategic choice. It means that some things are done just because they have to and that strategy sometimes is subordinated the environment. Child (1972) categorized the environment into three different states, which he labeled variability, complexity and illiberality. A higher degree in these factors could lead to a need for adaptation and increased uncertainty among managers. Reeves and Deimler (2011) propose that firms must be able to react on signals and accordingly organize their resources. Granovetter (1985) however questions the rationality in decision-making and propose that it might occur mechanically. In converse, Amburgey, Kelly and Barnett (1993) see it as a reaction to problems while Beck, Brüderl and Woywode (2008) state that adaptation generally leads to stability since you learn something from all change.

The third concept related to the environment could be seen as a combination of inertia and adaptation. Duncan (1976) was early in suggesting this duality where firms should nurture existing products meanwhile experimenting with new possibilities. It was however March (1991) and Tushman and O’Reilly (1996) who coined the notion ambidexterity as we know it today, with simultaneous efforts in exploiting and exploring, to survive on both a short- and long-term horizon. There are though some concerns whether it is possible to conduct these activities simultaneously. They compete about the same resources as believed by Floyd and Lane (2000) or Miller and Friesen (1986) who sees the trade-off as almost impossible. In opposite, Brown and Eisenhardt (1997) believe it can be managed by directing resources whereas Gupta, Smith and Shalley (2006) argue that it can be organized in different
independent departments. Cao, Gedajlovic and Zhang (2009) develop the concept further and divide the notion into combined versus balanced ambidexterity.

The research on ambidexterity has evolved over the last years and it has become even more contingency-based, Raisch and Birkinshaw (2008) have noticed that the relation between ambidexterity and the environment has become increasingly important. Auh and Menguc (2005) propose that stable competition might ease exploitation while Meyer, Brooks, Goes and Pointon (1990) believe discontinuous change might force firms to act although they do not always understand the new order. Levinthal and March (1993) even emphasized the risk of being too exploitative and explorative, which they coined as the ‘success trap’ and ‘failure trap’. But is ambidexterity only a theoretical construct? Not entirely, He and Wong (2004) empirically found that the relation between exploration and exploitation contributed to a positive sales growth in 206 manufacturing firms. In addition, Tushman and O’Reilly (2004) studied how the newspaper ‘USA Today’ turned ambidextrous, managed to turn around million dollar losses to profit and later became the most read national newspaper.

It is intriguing to observe how inertia and adaptation have evolved over the years and somewhat ‘boiled down’ to ambidexterity. The excitement not only originates from all the contrasts offered in the literature but also because it is contemporary relevant. Our world is changing with a greater pace than ever, people are coming closer to each-other and this imposes on firms how they should cope with the environment. Therefore we have decided to study four Swedish service-firms, Vasakronan and Delphi in a stable environment meanwhile Eniro and Kärnhuset acting in a more dynamic surrounding. We chose one dominant and one middle-sized firm in every context, to better grasp the theories on inertia but also to include extremes in our study. Then we interviewed one manager on executive level in each organization, with the aim to reveal how their external environment influences their strategies of choice and propensity to change.
1.1 RESEARCH QUESTIONS

- How is inertia and adaptability affecting the case firms in relation to their environment?
- How is ambidexterity manifested in the firms?
- How do firms manage exploitation and exploration?

1.2 PURPOSE

Our aim is to explain how Swedish service-firms manage external pressure from their different environments and what influence their strategic approach.
2. LITERATURE REVIEW

“All truth, in the long-run is only common sense clarified.” (Huxley, 1876)

2.1 INERTIA

“There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things” (Machiavelli, 2003).

Inertia originates from Burns and Stalker (1961) but were later revitalized by Hannan and Freeman (1977). The authors put forth that both firm size and age are important factors to be perceived as reliable and accountable. It regards the ability to formalize activities and monitor where money is invested in the organization. Levinthal (1991) also argued that age is vital to survival since the firm will learn how to perform their activities over time and it leads to a lower variety in performance. Freeman et al. (1983) noticed the existence of ‘a liability of newness’ which means that younger organizations suffer a higher risk of resolving. Concerning size and death rate, the authors found that labor unions suffered from ‘liability of smallness’ but that the survival of newspapers was lower when they grew in size. Kelly and Amburgey (1991) conducted a quantitative study on inertia which supports the negative relationship between probability of change and firms’ age but it is not necessarily true when it comes to size. Other authors emphasize that the relation between size and a lower degree of change especially concerns business activities on a strategic level (Ginsberg and Bucholtz 1990; Grimm, Corsi and Smith 1993).

The strategic level can be related to ‘core’ and ‘peripheral’ activities which Thompson (1967) distinguish on technological interference, he also underlined that routines and managerial actions act as a shield against changes. Carman and Langeard (1980) did the same distinction but regarding services, the core is composed by all the attributes needed in order to satisfy the customer and the peripheral activities are embellishing to provide competitive advantage. The same discussion was elaborated by Hannan and Freeman (1984) who emphasized that the core includes measures undertaken to mobilize resources and establish the actual organization. It is comprised of goals, forms of authority, core technology and marketing strategy with propensity to change in descending order. Fredrickson and Iaquinto (1989) undertake a more dynamic perspective and indicate that it depends on the environment itself, when it is stable the firm can and should act upon the routines but for a comprehensive firm in an unstable
market it is needed to move towards a less comprehensive organization. Although this need, they have found that the strategic decision process is likely to remain similar year after year. Levins (1968) have identified the same complexity, when generalist firms are forced to do severe and costly organizational restructurings because of the dynamic environment. Therefore he proposes to be specialized in one area and float with the changes. Miller and Friesen (1980) present a similar chain of actions, that a substantial connection between environmental, organizational and strategic variables exists. Potential changes and status quo will occur simultaneously or in a subsequent set of intervals. Hence, momentum leads to even more momentum.

In later years, Gilbert (2005) noticed a problem concerning the research on inertia and that it is described in a rather generic manner. First, he identifies discontinuous change as an external factor that requires internal adaptation in a non-linear way. He identified resource and routine rigidity as hinders to this process, the prior is when the firm has invested in one specific path and continues to do so. It generally concerns investments that have contributed to the present market position. Further, is routine rigidity explained to be intertwined with routines tightly knitted to one environment and that is hard to separate from individuals. Hannan and Freeman (1984) also emphasized the importance of routines and stability in core features to be perceived as legitimate. The positive aspects however contribute with some negative side-effects, such as: “Organizations respond relatively slowly to the occurrence of threats and opportunities in their environments” (p, 151). Therefore they argue that it is problematic to respond to the environment. Tushman, Newman and Romanelli (1986) propose that even conservative organizations can manage fine-tuned change, which they call a ‘ten-percent change’, which does not cause too much uncertainty and it is often compatible with the organizational structure.

2.2 Adaptation

“Only the wisest and stupidest of men never change” (Confucius, 1955).

Adaptation has concerned a great variation of theoretical schools. Holland (1975) described it as a biological process where organisms adapt their genetics to survive in accordance with the environment. From this standpoint he showed the model’s universality and applied it to psychology, game-theory and economics. Sadler and Barry (1970, p. 58) put it into a business
context when they state that: “An organization cannot evolve or develop in ways which merely reflect the goals, motives or needs of its members or of its leadership, since it must always bow to the constraints imposed on it by the nature of its relationships with the environment”. Building on this, there is an extensive debate in the literature (e.g. Burns and Stalker 1961; Child 1972; Bourgeois 1984) whether organizations are environmentally deterministic or if adaptation is a strategic choice and organizations possess a free will.

Child (1972) points out three particularly important characteristics regarding the environment and uncertainty of adaptation among managers. First, environmental variability refers to the degree of changes within the organization’s external sphere. The degree is defined by frequency, differences involved and the irregularity of changes. Second, environmental complexity depends on the variety of change, it must however be combined with the rate of change to lead to uncertainty. Lastly, environmental illiberality concerns threats such as competition and hostility towards the management’s ability to reach their goals. Haveman (1992) concluded that Californian lending firms who adapted to major changes gained positive performance in the short- and long-term survival, while punctual changes threatened them. Reeves and Deimler (2011, p. 137) also reasoned on similar premises but to meet the uncertain surroundings of today firms must: “Instead of being really good at doing some particular thing companies need to be really good at learning how to do new things”. The essence is that the strategic planning has become obsolete while adapting to the external environment has become increasingly important. To meet new circumstances the firm must be able to act on signals, experiment and mobilize resources even outside the organization. This builds upon Drucker’s (1963) explanation of doing the right things contra doing them right. Peli (2009) also stresses the trade-off between resisting change and planning proactively. He argues that old actors tend to resist change, which generally decreases costs and therefore they become efficient. In contrast, newcomers are generally more effective by doing the right things. Hence, if the customer preferences are dynamic, effective firms will adapt better and outperform inert actors.

Regarding the discussion why firms change, Amburgey et al. (1993) believe that change does not happen merely because of the urge to change. It is rather a reaction in order to provide solutions to problems that occur. With this standpoint the authors argue that firms are likely to use the same solution as before and later will it be adapted in a broader sense. The usage becomes more common due to the increasingly supple process, which reduces the marginal
costs and thereby obtains legitimacy irrespective if it solves the actual problem. Granovetter (1985) labels the process as social influence, which means that actors adopt customs and routines mechanically regardless of the rational bearing. As long as the environment is not especially favonian, opportunities to learn how to change will emerge. It is questioned by Beck et al. (2008) who undertake the opposite view. They argue that experience leads towards stability, since the acquired knowledge on both successful and unsuccessful change result in a refinement of processes, which should decrease the likelihood of further change.

2.3 Ambidexterity

“A perfection of means, and confusion of aims, seems to be our main problem.” (Einstein, 2012)

Tushman and O’Reilly (1996, p.1) were early with studying the notion of ambidexterity. Their article states that an organization should be ambidextrous and it is defined by being: “[...] able to implement both incremental and revolutionary change” to remain successful over longer periods. The argumentation is based on March (1991) who states that a selection of routines is crucial to survival but emphasizes also the importance of generating new practices and especially in turbulent environments. He labeled the capabilities as exploitation and exploration, a definition used by most scholars afterwards. Many scholars see the steps towards ambidexterity as rather complex. Tushman and O’Reilly (1996) described the importance of aligning strategy, structure and processes when simultaneously preparing the organization for discontinuous changes in the environment. The duality of present and future activities imposes severe implications to the management who must combine efforts suited to a mature market such as cost and efficiency, meanwhile developing new products which require flexibility to meet new customer demands. He and Wong (2004) empirically present a conclusion showing that the interaction between exploitation and exploration leads to positive sales growth meanwhile an unbalanced relation is related to negative. O’Reilly and Tushman (2008) argue similarly and underline the importance of constantly directing resources to maintain a competitive advantage.

According to Cao et al. (2009) exploitation and exploration are common denominators in the pursuit of ambidexterity, although there are several distinctive features that differ. The main notion concerns whether there is a trade-off between exploration and exploitation or if it is an intertwined process that can be combined. March (1991, p. 73) is probably the most prominent intercessor of: “The trade-off between exploration and exploitation exhibits some
special features in the social context of organizations”. He proposes that the two activities compete for the same resources, hence they must be divided in the proper way and therefore lead the organization towards different objectives. Floyd and Lane (2000) adopted the same perspective by proposing that a strategic role conflict between renewal and existing strategies is present, which demands different values and time horizons. The conflict stems from maximizing performance in the short run and visualizing new strategies that require a high degree of innovation, risk taking and exploration. Moreover, Smith and Tushman (2005) found that these activities are contradictory since they relate to different organizational structures and management philosophies – disciplined problem solving vis-à-vis trial and error. Several scholars even draw the conclusion that it is somewhat impossible to perform the activities of exploitation and exploration simultaneously (Hannan and Freeman 1977, Miller and Friesen 1986).

In sharp contrast to the trade-off perspective, Brown and Eisenhardt (1997) believe exploitation and exploration can be managed simultaneously. They argue that the activities could be conducted explicitly by directing resources and shifting the pace of innovation. Adding to this, Burgelman (2002) proposes the possibility to schedule it in a cyclical manner, where the firm benefits from exploitation over longer periods and conduct short bursts of exploration when it is viable. Gupta, et al. (2006) also describe the process as intertwined, which can take part in different departments of the organization. However, the authors argue that the corporate divisions need to be loosely coupled to implement ambidexterity successfully. Cao et al. (2009) made a distinction between combined and balanced ambidexterity. To use exploitation and exploration together and leverage synergies, or aim at keeping both orientations level with each other. The balanced perspective has attracted a lot of interest and Volberda (1996) discussed successful ways an organization can relate to its competitive environment. Eisenhardt and Martin (2000) present commonalities between firms’ ability to exploit and explore vis-à-vis the influence of their external environment.

Raisch and Birkinshaw (2008) have noticed that exploration and exploitation have been a central notion throughout the years but also that several major themes exist. Among some factors, organizational antecedents and environmental aspects are included. Auh and Menguc (2005) put forth that the environment’s role has been neglected and they claim that the competitive intensity influences the firm’s capability to become ambidextrous. Their proposition is based on the idea that stable competition facilitates exploitation and
capitalization on the current situation. On the other hand, in an unstable environment the firm is forced to adapt and hence innovate or explore new products, processes and markets to keep up the pace. This is supported by Meyer et al. (1990) who proposes that discontinuous change in the environment pose to break the organization’s traditional frame of mind, force managers to redefine their business logic and sometimes act upon situations they do not even understand. In converse Jansen, van den Bosch and Volberda (2006) have presented empirical evidence which proves that a fast changing environment tends to lead to a simultaneous engagement in exploration and exploitation – hence acting ambidextrous and not choosing between the capabilities.

Wooldridge and Floyd (1989) related exploitation and exploration to the organization’s structure and management. They propose that the prior is introduced top-down through routines to control and refine existing competencies. On the other hand, Exploration is generally constituted from the employees since it demands a lot more of freedom to nurture creativity to break new ground. Both March (1991) and Tushman and O’Reilly (1996) have emphasized cross-unit undertakings, which contribute with sharing of experiences versus optimizing actual routines. O’Reilly and Tushman (2008) suggest that development of internal dynamic capabilities requires efficient leadership. The key is to communicate the vision and align different levels of expertise by consensus within the organization. In their widely cited article ‘The Myopia of Learning’ Levinthal and March (1993) have covered the same debate. One of their most interesting discussions regards the concepts ‘failure trap’ and ‘success trap’. The first case is characterized by an intense rate of change, where firms experiment, which sometimes leads to failure and subsequently search after new opportunities. It evolves because not all innovations are feasible, success is tightly knitted to firm experience within that area and downward adaptation tend to happen slowly. An antithesis occurs when exploitation dominate over exploration, it is likely to originate in firms that have a strong competence in one area, which leads them to engage in it further and at one point will the opportunity costs of exploration become overwhelming. The literature review is summarized in Table 1:
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<th><strong>Table 1 - Literature summary</strong></th>
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<tr>
<td><strong>Inertia</strong></td>
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<td>Age and size of the firm</td>
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<td><strong>Adaptability</strong></td>
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<td>Definition</td>
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<td>Deterministic vs. strategic</td>
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<td>Related to environment</td>
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<td>Learning</td>
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<td>Drivers of adaptation</td>
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<td>Efficiency vs. Effectiveness</td>
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<td><strong>Ambidexterity</strong></td>
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<tr>
<td>Definition</td>
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<tr>
<td>Exploitation and exploitation</td>
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<td>Trade-off: explore vs exploit</td>
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<td>Simultaneous explore and exploit</td>
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<td>Combined vs Balanced</td>
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<td>Cyclical implementation</td>
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3. Method

“He who seeks for methods without having a definite problem in mind seeks for the most part in vain” (Hilbert, 1902).

We have framed our study in accordance with several other scholars who undertake a similar perspective to ours. That is how the firm relates to introducing new products and markets or improving already existing ones (Cao et al. 2009, He and Wong 2004, Smith and Tushman 2005, Tushman and O’Reilly 1996). Moreover, since the purpose is to explore how firms work strategically according to the state of their environment it comes naturally to conduct our study on a firm level. This is regarded as a classic approach by Meyer et al. (1990) who propose that it is vital to decide the level of study in organizational change if it should be conducted properly.

3.1 Delimitations

In this study we have decided to merely include service firms and how they act in relation to their environment. The reason for this is the specific characteristics of services and the literature provides an extensive discussion on the differences compared to manufacturing firms. Sundbo (1997) concluded that innovation theories regarding manufacturing can be applied to the service industry. It is however important to note that innovation and organizational learning serve as two completely different theoretical perspectives. Innovation must be new and happen in large-scale whereas organizational learning evolves smoothly and continuously. The distinction is crucial and our notion is that the latter is more aligned with our purpose and therefore we will suppose that service firms act in a different way due to their inherent characteristics. According to de Brentani (1989) common denominators exist between services and manufacturing but she stressed that there are several distinguishing aspects such as customer perception and specific service features.

3.2 Literature Choice

The choice of perspective and delimitations has directed us to the structure of our literature review. Yin (2003) suggests a deductive approach when formulating research questions from existing theory. To avoid being biased in which theories to use we made sure to filter between prominent scholars and well-grounded criticism against our main theories. Since a deductive approach demands clearer structure and formalized interviews, we decided to structure our theoretical framework based on existing knowledge. The main source for our literature search
has been Uppsala library’s database, in complementary Google Scholar and Thompson Reuters have been used due to their extensive range. These databases provided us with a broad overview and the amount of citations gave us a hint of the articles’ importance. When appropriate articles and authors were found we started mapping the content systematically. Thus, we singled out the relation between inertia, adaptation and ambidexterity which lead us to dig deeper into these areas. Daft (1983, p.3) described the writing process with a metaphor that opposes the traditional view that more variables lead to a better study. Instead of writing a novel he proposes that: “Poetry seems to have greater applicability to organizational science. Poetry means a research design that includes only a few, perhaps two, three, or four variables”. Eisenhardt (1989) argues that comparing conflicting variables builds internal validity, while comparing similar literature leads to generalizability. Hence, our notion is that the approach will strengthen our study with a few thoroughly selected variables which ‘boils down’ to a critical literature review on the basis of contradicting theories.

When performing a case-study, Pettigrew (1990) stresses the importance of polarization which means selecting extreme situations due to the limited number of cases that can be studied. The similar standpoint is undertaken by Eisenhardt and Bourgeois (1988) who emphasize the opportunity to obtain a sophisticated understanding of patterns which would not have been identified without different cases. Our case choice is based on firms’ external environment and whether the environment is stable or dynamic. Pettigrew (1985) made a distinction between different outer contexts which concerns economic, social, political and sectorial activities. Hartley (2004) put forth that studies on context have become increasingly popular and that the case study is a key approach to understand this organizational behavior and phenomenon that requires detailed information. This is in line with our study and in more detail we base our distinction on first- and second-order change. Meyer et al. (1990) describe the prior as changes which occur in a stable environment to keep the business going meanwhile regarding the latter organizations act inert and reorganize because of rapid changes occurring periodically. The approach is widely used among scholars in organizational science, Miller and Friesen (1984) conducted it when studying adaptation and metamorphosis, Tushman and Anderson (1986) studied changes in technology related to competencies and Ginsberg (1988) used it to undertake his literature review on strategic change.
3.3 OPERATIONALIZATION
Saunders, Lewis and Thornhill (2009) recommend utilizing either a quantitative method or semi-structured interviews for mapping how a concept is perceived in the real world. Unstructured interviews are not suitable to utilize when a cross-sectional study is made while structured interviews inhibits the respondents from developing their answers. We have decided to conduct semi-structured interviews to grasp the underlying reasons to the firms’ strategic choices. Our interview guide can be found in Appendix I, and a table in Appendix II highlights the theoretical foundation we used in constructing the main structure for our cases. A quantitative study would probably lead to lower validity, since some of our theories are complex and difficult to explain for our interviewees, it could lead to misunderstanding. Downey and Ireland (1979) debated more specifically the use of a qualitative and quantitative approach when studying organizations’ external environment. Further, qualitative studies are to prefer when the study includes many sub-dimensions, when the researcher defines the environmental attributes and the purpose is to assess rather than measure. The notion of choosing a qualitative comparative analysis is supported by Greckhamer, Misangyi, Elms and Lacey (2008), which emphasize it appropriateness when complex causality is derived from interdependencies among factors. Morgan and Smircich (1980) undertake the same reasoning when emphasizing the importance of qualitative research if studying the ‘social reality’ consisting of open-ended processes, historical change, contextual information and human actions. We base our approach on these premises and regard strategy as a ‘soft concept’, which makes it difficult to explain the changes and visualize them with statistics. The goal is to uncover potential issues concerning the relation between external environment and strategies, therefore the qualitative method is chosen.

3.4 CASE MOTIVATION AND DATA COLLECTION
The choice of our interviewees was based on Patton’s (1990, p. 4) statement that: “...the purpose of interviewing is to find out what is in and on a person’s mind. The purpose of open-ended interviewing is not to put things in someone’s mind (for example, the interviewer’s preconceived categories for organizing the world) but to access the perspectives of the person being interviewed”. With this in mind, we have decided to interview individuals holding executive management positions as they work with strategic operations on a daily basis, hence it is viable to unveil their perspectives. It would not be sufficient to ask our questions to middle managers since their ideas generally originate from the higher management levels.
We have interviewed following executives in our study:

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<th>Executive</th>
<th>Firm</th>
<th>Title</th>
<th>Date</th>
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<tbody>
<tr>
<td>Christer Nerlich</td>
<td>Vasakronan AB</td>
<td>CFO</td>
<td>2012-03-02</td>
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<tr>
<td>Johan Lindgren</td>
<td>Eniro AB</td>
<td>CEO</td>
<td>2012-03-15</td>
</tr>
<tr>
<td>Per-Erik Tunroth</td>
<td>Delphi AB</td>
<td>CFO</td>
<td>2012-04-10</td>
</tr>
<tr>
<td>Marcus Tagström</td>
<td>Kärnhuset AB</td>
<td>CEO</td>
<td>2012-04-10</td>
</tr>
</tbody>
</table>

Before we selected the respondents we reviewed their characteristics and especially the firms’ environment to decide whether they belong in a stable or dynamic environment based on our distinction. During the interviews we asked questions regarding the contextual matter to confirm it further, we were however aware of not posing any leading questions to the respondents regarding the qualified guess, instead the respondents were asked to judge the stability of their own environment by themselves. Moreover, the interviews were recorded at place, hence transcribed sequentially and later translated, since the interviews were conducted in Swedish. The choice of interviewing our respondents in Swedish was made on the premises that they would be more confident when developing thoughts and answers using their mother-tongue.

3.5 Critical review of method

There are several different implications with qualitative research which has to be considered. To start with, the sample in our study is relatively small and that limits our analysis to merely presenting a snapshot of our firms’ reality. The similar reasoning concerns our number of interviewees within each firm. When only meeting with four different managers we get their perception of the questions, although it is not entirely sure that it represents the rest of the organization. However, we have decided to speak with managers who represent the organization on highest level. Hambrick and Mason (1984) argue that the characteristics and background of managers influence their strategic choices and later firm performance. Therefore we posted a question about the previous experiences of our managers to enhance this point. This should work as a precaution but still might a sample of social actors describe the situation differently depending on their background and previous experiences. The diverse world-pictures is one of the peculiarities when conducting qualitative research and Miles (1979) even states that this leads to an analysis based on intuition rather than rational grounds.
The phenomena we have decided to study are considered as rather complex and therefore it could be difficult to explain them in a correct manner. Notions like ambidexterity, adaptation and inertia is seldom used in professional language, instead we post understandable question and interpret the answers in relation to our literature. This approach puts a lot of responsibility on the analytical abilities of the researchers who might have a too narrow or single-tracked mindset and therefore misinterpret the answers. Still we have thoroughly reviewed the literature and connected it to our questions to minimize errors. However, Saunders (2009) argues that the interpretative paradigm is useful to discover irrationalities and it is in line with our purpose of unveiling issues rather than presenting solutions to existing problems. The process is facilitated by the fact that we use a cross-sectional case study, something that contributes with several perspectives on the same notions.
4. EMPIRICAL FOUNDATION

“If you find from your own experience that something is a fact and it contradicts what some authority has written down, then you must abandon the authority and base your reasoning on your own findings.” (Leonardo da Vinci, 2009)

4.1 VASAKRONAN – CASE 1

Vasakronan is the largest commercial properties actor in Sweden, managing 216 properties, the market-value sums up to SEK 80.4 billion. The properties are located in Stockholm, Göteborg, Malmö, Uppsala and Lund, of which 94% are rented out (Vasakronan, annual report, 2011).

The elevator reaches the right floor, we ring the bell and it does not take long before we got welcomed. On the whole it is bright and worthy a company of Vasakronan’s stature, not least the spacious conference-room where we sit down and conduct our interview. The man who met us at the reception and sat on the other side of the table is Christer Nerlich; he has worked within the company since 1995 and is currently titled as CFO. As an introduction we ask him to describe their external environment, he explains that: “There are some large dragons and we are the largest one” although there are many smaller actors which intensify the competition. The unbalanced conditions do not lead to oligopoly, rates are still market oriented. Vasakronan’s size makes it easier to grasp details in customer preferences. He proposes that: “We exchange ideas and work together to meet environmental issues for example”.

To be successful in this competitive climate, Nerlich sees it as a prerequisite to have a long-term horizon because certain aspects take time to evaluate. A potential stock exchange listing would significantly lead to a short-term mindset, strategic choices are not always prioritized. Since the industry is capital-intensive, short-term acquisitions could be costly. A high portfolio turnover is not the aim since time is demanded to learn the aspects of a specific property. The same thing concerns customer relations, which must be nurtured over time to be rewarding. In relation, Vasakronan signs long contracts ranging between 3-5 years and Nerlich states: “You do not have to be so good in taking care of the customers, they are locked in the contract”, which means there is a lag between evaluation of the service and the profit. The customers are still regarded as important assets and the firm’s ambition is to score high in customer indexes.
Nerlich underlines some potential risks with Vasakronan’s size, their ambition is to always do the most of available resources but he admits that it does not come naturally. Conduct safe investments demands more active work than in firms where capital generally is a scarcer resource. He states: “We have to work with revenue goals but I am not sure that the employees feel the same pressure as in a smaller firm” meanwhile emphasizing that the firm has to work in a specific way because of their size. Vasakronan works with routines, standardization and follow-ups to secure this picture. This means values and routines are intertwined but also that it leads to a more conservative organization: “It might be easier to choose the safe way in our type of organization, you get more criticism if you do something bad than you get positive feedback when doing something good”. Changing routines demand much time, but doing so does not guarantee that employee behavior changes. Firm values are intangibles made up of small signals, which are hard to define: “Elder employees are difficult to influence, there is a tendency that previous values are adopted by new recruits, it is like something is imprinted in the walls”. If everyone would quit, the new employees would act in almost the same way.

Moreover, Nerlich believes that Vasakronan’s employees expect predictable things to happen, that changes must be properly communicated throughout the organization. The recent merger imposed some lay-offs due to new routines. The majority initially understood and accepted the decision, in time however confusion spread after a set of subsequent changes. They started to ask about the underlying purpose and question its necessity. He elaborates: “With the urge to adapt to the market we, in the board of directors, must understand that in a large organization it can take two years before the effects from a change are visible. You must respect the time”. The latest trend requested from the customers has been environmental properties, hence investments in climate-neutral properties and similar projects. Smaller actors do not have the same resources and incentives to lose money in the short run. They wait for regulations instead of adapting to customer preferences.

Vasakronan however have some issues with adapting. Nerlich emphasizes that: “It is easy to say that the customer always is right but the customer does not always know what the customer wants”. One reason is that firms do not rent properties often, since they lack routines and knowledge about their preferences. The customers have also gotten more selective and Vasakronan face some problems in identifying the alternatives. Should they
lower the rent to attract customers, when an office is empty? When an existing tenant threatens to move and demands a large investment to stay, then Vasakronan generally believes it is good to retain them since attracting new customers is risky. If an investment is done, Nerlich argues it is important to require profitability. He put forth some concerns regarding the depreciation. It could take ten years to profit from an explorative endeavor such as improving climate effects of a property. If a new technology evolves in three years, the investment may have been useless.

Vasakronan’s vision is symbolized by the urge to provide solutions that benefits the customers by doing more than renting out properties. Nerlich however stresses the possible risks: “Technically we might end up in our own routines and set of rules. This may not be something that our customers prefer. Possibly they prefer to be treated fair and are more interested in follow-ups rather than how we work our own routines”. Dealing with technologically complex service-offers is always risky. He believes that Vasakronan can learn to be more service-minded rather than maintaining the engineering mentality. Even so, Vasakronan does not prioritize exploration of new service offerings, since they are already present in five growth markets. Nerlich underlines however, that the portfolio is constantly adjusted depending on both customer-demand and preferences. In combination, Vasakronan tries to be at the cutting edge when it comes to exploring environmentally friendly choices, they are first with ‘green’ rental agreements. There are however some complications, since the industry is inert due to legislation and jurisdictions.

Concerning new markets, Vasakronan have a central department that analyzes future investment opportunities. The main focus is Swedish growth regions and Nerlich believes that the business requires local knowledge to succeed and international expansion could be constrained by foreign legislation. Therefore it is rather easy to predict which service offers that work, although it leads to a static industry with little innovations. In despite of that Nerlich does not believe that Vasakronan is powerful enough to influence the market by itself as it is too heterogeneous. Vasakronan has a manager who actively develops strategies concerning the softer parts of service offerings. As for the rest of the organization it has divisional structure, based on regional offices with one appointed regional manager. The regions are closely linked to the head office in Stockholm. Nerlich describes that: “They know the market and we must capture the demand in the best way, we depend on it. The activities we can do in Stockholm is to compile statistics and support, but the local knowledge must be
present in the market”. To disseminate knowledge, Vasakronan works active with high mobility of young employees.

Nerlich reveals that Vasakronan have divested their dwelling-houses since that niche is significantly different from commercial properties. The divested business ‘cannibalized’ on management resources and the change found logic in scalability and efficiency reasons. Nerlich sees it as: “A balancing act, the complicated thing is the choice to work centralized versus decentralized. We have a guideline; the more critical tasks are decentralized whereas everything else is done centrally”. The economic, juridical and IT-department are placed in Stockholm since the regional offices do not have the prerequisites to manage it. If the activity is business critical the firm would lose the control and work with a stringent evaluation instead. In conclusion, Nerlich points out the importance of being constantly active with these types of problems. He discards exploiting and exploring in a cyclical manner. Therefore Vasakronan works with decentralization to motivate the regional managers as long as they have the right characteristics for the task. One discussion within Vasakronan concerns the transaction activities and whether they should be handled regionally. A regional manager might buy a property that is easy to administer even though it would be a poor investment. It might also be difficult to sell a property that will finance an acquisition in Stockholm. Therefore Vasakronan deals with transactions centrally to avoid these situations, Nerlich notes that: “It is a grey zone, since industry colleagues have chosen to decentralize those parts”.

4.2 ENIRO – CASE 2
In 1880 the Yellow Pages-catalogue was printed by the Swedish Royal Electric Telegraph Company. Etymologically Eniro derives from Esperanto and means access. The firm is the Nordic region’s largest search-company (Eniro, annual report, 2012).

We met the current CEO of Eniro, Johan Lindgren, at Kistamässan where we conducted our interview. He starts with describing the firm’s history and explains that the market was monopolized until 1993. It was based on the analogue phone directory and therefore Eniro acted in a stable environment, with a strong brand related to great revenues. However, Lindgren points out some risks: “We have not done that mistake in some years, but earlier we assumed that our brand was so strong that we could do whatever we wanted. The risk is that you end up in a trap, which we also did”. The market has shifted towards digitalization which
has led to increased competition, a faster pace of change and everything has become harder to predict. These conditions make it easier for new start-ups and intensify the battle for market shares. Lindgren says: “Every morning it is something new” but underlines that: “We have a known brand, a big database, plenty customers and sales people. It is hard to see any end up in our position”. Eniro has maintained their dominant market position although the transition and increasingly fragmented customer preferences. Lindgren however explains how: “We come from seven years of diminishing revenues, but now it is time to clean things up”.

Eniro mainly manages the ‘cleaning-up’ through an increased focus on quality and to be perceived as local by the users. The strategic change originates from previous years’ management: “The reason for us losing market-shares year after year depend on lack of strategic vision”. Lindgren define the new process as identifying the target group, their preferences and deliver what the customers expect. Lindgren explains: “If you do it inside-out, you will get a collective solution but it is not related to how the surrounding world perceives it. You have to go out and learn what the customer wants”. To be a viable option for users and advertisers, Eniro has created flexible revenue streams with rigid centralized control on the business. The shift from printed catalogues demands a more open mind for new possibilities, it is however important to be cautious with changes to not lose credibility. Otherwise it could create confusion both internally and externally. Lindgren sees it as a problem and: “You can see it in our commercials the last four years: if you watch them sequentially you will not have an idea of what we do. […] it is a troll, and then one who mow grass”. To overcome this concern Eniro works actively with a ‘roadmap’ that spans over 4-6 quarters. Different activities are conducted during this period: the process includes scanning of trends, which influences strategy and how the brand is shaped. The external perspective was implemented as a contrast to the previous internal focus.

The ‘roadmap’ works as a guide and reminds the management where money should be invested. One of the biggest shifts is the move towards a focus on users and not the advertisers, Eniro must always provide an interesting service to attract traffic to the webpage. Today the business model is highly adapted to the users and strategy is tightly knitted to the users’ preferences. Lindgren explains: “We adjust to our users’ reality, not the reality we believe we are in. It concerns our brand and therefore also our values. The business model was outdated”. The organization works differently depending on business activity, where the printing is managed centrally and the development of services is decentralized. There are 80
people managing the risk and got an own budget. However, they do not have mandate on amounts that could hurt the whole firm. This structure is used in order to control the process and at the same time nurture creativity. Lindgren prefers to: “*to do right things right*” and he has managed to reduce SEK 900 million of costs in only 18 months. These sunk-costs were related to poor management and overwhelming consultancy costs, same things are done but activities are more efficient. Moreover, he argues that: “*To do the right things is not difficult, but doing them in a new way is complex*”.

One typical trade-off occurs when a service is a ‘cash-cow’ for the firm but customers might dislike it. Eniro might earn SEK 50 million on an advertisement but it might disturb the users when browsing the page. Thus, the challenge is to find revenue-streams that do not affect users negatively while providing profits. Still, the technological impact makes the future unpredictable and therefore may larger investments be futile. Lindgren reveals that: “*Earlier executives had a planning-perspective of seven years, which is not possible in our dynamic surroundings*”. Internet is more transparent and therefore Eniro must deliver reports to the customers every month and profit on every technological generation. He continues: “*In the service industry, which is light on investments, they must deliver directly since it is impossible to predict the future*”. Hence, the firm works with improving core values and try to explore new possibilities to stay competitive. It is however important that the new endeavors match the free cash-flow but Lindgren believes: “*The worst thing is that we love working innovatively*”.

Eniro disseminates knowledge top-down through middle managers, who break down the message, create relevance and create a dialogue with the group. The aim to work actively with project-groups including individuals from different departments so they can learn from each other. Five times a year the firm arranges strategy camps where employees can meet and create informal networks within the organization. Eniro works actively with improving existing service offerings since it is expensive to develop new platforms and technological standards. When the new project includes a fiber-cable it is not a problem, then it is rather easy to perform. Lindgren though emphasizes: “*We have a rather big development department. It will keep us engaged and employed the closest ten years*”. Scale advantages are important to relish, therefore the firm works with a general framework, where every present and new activity should fit. The perspective is tightly related to Eniro’s roadmap and Lindgren believes there: “*Has to be room for both, it cannot be new things happening all the*
time, there must be some sort of interval. I see it as an integrated model”. Hence, the process is parallel although it in bursts. The idea is to work constantly with core activities meanwhile launching new services now and then.

4.3 Delphi – Case 3

Delphi is a Swedish law-firm with 180 employees and their focus is commercial law. In 2010 the firm was awarded the most proactive law firm for their customer-relationships (Delphi, 2012).

We met Delphi’s CFO, Per-Erik Tunroth, at their headquarters. Tunroth started with explaining that the environment is considered stable with a certain degree of uncertainty since there might be shifts in customer preferences. Despite the different business areas of Delphi Tunroth points out: “The industry is quite static, where all firms are rather similar and work in the same way. We move together in one pack, which might be a problem since it is hard to distinguish between everyone”. The biggest competitor is Mannheimer & Swartling who attracts customers because of their brand and reliability. Then there is a cluster of similar firms although some are niche actors. Delphi is however a full-service corporate law firm, which means that they can give advice from corporate foundation to their bankruptcy from or “from cradle to grave” as Tunroth figuratively expresses it.

The brand has become increasingly important, Delphi has worked towards becoming one firm rather than a group of individual lawyers. This is crucial since the firm sells confidence which builds on a mutual trust in relationships. Tunroth sees it as important since the business idea itself is dead easy: “We do only one thing and that is selling words. Spoken and written, we charge per minute. And internally we foster peoples’ ego, which is the whole idea with a law firm”. The lawyers must be confident when being questioned or negotiating, therefore employees are encouraged to be edgy and live out the personality. However, the individualism becomes complicated as the firm grows and consolidates. Pen and paper is not sufficient anymore, instead it is required to have secure firewalls, database and e-mail tracking, which increases the costs. Tunroth states that: “We must be as good as Mannheimer & Swartling who are ten times larger”. Thus, smaller firms are expected to behave as a large one although it is not always easy due to cost structure and volume.
Delphi is relatively open for change, Tunroth sees it as a necessity if the firm wants to make it to the next level. One reason is the journey from having a ‘box-in-box’ culture where every partner had their own firm and values before joining forces by becoming a corporation. It concerns the integration and getting the partners to understand that they have less power. The previous freedom has diminished since Delphi has moved towards the need of being unimpeachable and not only great. Tunroth underlines that: “If the changes follow one direction it would be influenced positively. There has to be continuity and understanding of what is happening. But it cannot be happen a bunch of strange things along the way”.

Delphi sees changes as a prerequisite, as long as they are coherent, in order to show up on clients’ radar. The danger occurs when one identifies a problem, change and modifies again to solve it. Instead it might be better to stick to the choice even if it was a bad one. Tunroth stresses that: “You can correct it once but not twice because then you do not have any amount of trust. It does not matter if it is internally or to the customer, you have to stick to a line”. That is Delphi’s vision and they believe it is difficult to change old behaviors, hence it could be better to do something completely new. Otherwise a partner might be offended and resist change, if the firm accuses him of doing wrong, especially if it has been done in that way for ages.

Delphi works actively with tuning incentive systems and Tunroth reckons: “You learn the system and it will be like ‘Survivor’, now everyone knows the rules of the game. One has learnt the tactics and how to optimize the system. Then it is the most tactical and not the best one that wins”. The business is based on intellectual capital, hence it might be easier to adapt since it is not capital-intensive. Tunroth has however noticed that values are the most difficult to change, several partners left the cooperation because they were not comfortable with the new values. Routines are another complex issue to handle, which Delphi manage top-down and bottom-up, with a focus on the middle-managers. On a higher level the partners conduct a certain type of work that shape the project and generally demands greater creative freedom.

The partners do not write standard agreements which are delegated to younger lawyers who gain experience. Further, clients are met early to implement a sense of responsibility. Then the projects are dealt with in mixed groups of young and experienced lawyer. The combination of cross-sectional groups is an important catalyst for disseminating knowledge. In addition, Delphi got a competency-team, with a leading star in every group, there are also more structural ways to spread knowledge such as internal education lectures.
Regarding organizational structure, the head-office in Stockholm is the largest and generally most influential. The different regional offices enjoy some liberty, even though they must use the same systems and only deal with commercial law. In converse, the offices can decide their own salaries, to hire the most suitable people and change the interior as long as they maintain a certain standard. The communication between the offices is two-way oriented, with expert skills in different parts of the country, such as a good environmental-law department in Malmö or property-law in Gothenburg. There are different niches within the firm, the collaboration is illustrated by a new lawyer who: “In two months had spoken more with our regional offices than he did in five years at his previous firm”. There is a social belonging and something in the brand that relate people to each other.

A difference from other law firms is that Delphi does not have a hierarchical focus but instead people work in almost the same environments. The organization is flat and governed by client needs. If the customer needs help fast, Delphi can make it happen through flexible re-organizations of project groups. Tunroth says that: “When the customer sings, you have to dance”, since it is difficult to plan he points that: “We are extremely good at re-planning, it can happen in a split-second”. Delphi has noticed how it gets more problematic to maintain this skill when growing in size and there is an urge to clarify the hierarchy. The junior lawyers want to see it from the start, to know how one can ‘climb the ladder’ and learn who is charge. One external threat is foreign actors who establish themselves in Sweden. Note that the lawyer’s fee is relatively low and Tunroth highlights that: “If we would adapt after the European market we could get how much work we wanted”. Concerning strategic investments, affordable-loss ventures are performed to solve the client’s problem. “We will not earn more money but we will sleep better at night”. Tunroth admits that there are several investments that are difficult to calculate, especially security measures and interior design.

Delphi’s business always contains some sort of risk-taking, but generally not in consulting. Risks are taken when attracting new assignments, especially if it is a completely new business are. The relationship needs to be built and therefore the new clients are offered a special price. If the deal is conducted successfully the client pays the regular amount, otherwise they only pay 20% of the fee. It is a win-win situation for the client and Delphi might beat the competitors. Moreover, Tunroth argues that: “The important thing is that we do the right things, and then we charge by the hour” but stresses the importance of being cost-effective meanwhile meeting the customers’ preferences. Further he explains that: “It is not efficient to
“dig sand with a silver spoon, you need a scoop!” and Delphi sees an opportunity to improve their processes with already existing customers. Although Tunroth adds that: “It is more exciting to do new things than digging where you already stand”.

When the firm decides to enter a new market they set up a specific team within the organization to get an inflow, which generates a track-record to demonstrate for future clients in that area. Special projects such as reconstruction or administration are however separated from the rest of the organization since no synergies can be gathered. The firm cannot shut down entirely but must always accept incoming offers. Hence, it is impossible to press pause and just invest in innovation during a period. Delphi must maintain their reputation and constantly deliver what the customer wants. Sometimes ventures fail, one project was the launch in China, it did not break-even and later it was terminated. Tunroth motivates the endeavor as: “One can invest money but no fantasy numbers, there is also time invested. It is not about development costs and machines as in production, you need to find someone that is passionate and can invest the time in it”.

4.4 Kärnhuset – Case 4

Kärnhuset AB was founded in 2004 by Jonas Järnfelt and Marcus Tägtström, their business idea is to integrate strategy and advertising. Thus, it is a full-service agency with a lot of focus on the employees’ creativity (Kärnhuset, 2012).

Kärnhuset’s office is located on Södermalm in Stockholm, it is a middle-sized marketing-firm with focus on providing both strategy and communication solutions. Throughout the years they have grown organically, some particularly demanding parts are however outsourced, mainly capital-intensive activities such as commercial films. Tägtström describes the firm’s environment as dynamic since: “All you need to start a communication agency is talent and a laptop”. Organizations are founded and resolved without any greater concern since the creative people move easily between firms. Hence, individuals’ knowledge is a key asset, therefore it is vital to keep them and nurture their talent. In later years has the industry moved towards digitalization, which has forced the firms to decide which different competencies to add. To adapt to everything implies not having enough time to become an expert in every area, hence it is vital to identify what is really important and to do the right things. Tägtström
concludes the discussion on the environment with saying that: "We are always three months from bankruptcy".

The customer relationships are important and therefore it is an advantage to be a full-service provider since the whole process can be handled internally. If a client chooses a niche actor, they have to manage some of the coordination between the different firms. However, the risk when being a broad provider is that the firm cannot be expert in every area or drive the evolution. Therefore it might be problematic to define the core activities and where the resources should be directed. The firm generally includes services in their portfolio if it is in line with the visions and goals, too much money could be spent on one activity and as a consequence suffers another. Although, Tägtström emphasizes that: "In an ever-changing world not making a choice, leads to a change anyway. There is no status quo". By not adapting to digitalization, Kärnhuset would instead be regarded as analogue. It could be crucial since losing an important customer is much more influential on the performance than a global recession.

Instead, threats against the organizational stability depend on whether creative co-workers are satisfied. They possess the intellectual capital and Tägtström argues: "In this industry you are more vulnerable to employees leaving than in the process industry. Here the human capital is everything, you can only hope that they go home and return satisfied after the weekend". Kärnhuset’s culture is described as informal, where the structure is flat and the work-methods are unstructured to leverage creativity. The firm invests in a welcoming office which enhances the employees’ well-being. This is money that might be difficult to get an obvious return rate on. On the other hand, consultants and freelancers are paid by hour and therefore it easier to calculate their contribution to the organization. During the same discussion, Tägtström emphasizes the employees’ importance and underline that it would take a huge crisis to fire someone: "I have not been near doing it, it would be very difficult".

Although being active in a creative environment, Kärnhuset works with some routines regarding billing, time-reporting and meetings in the start of every project. Tägtström believes that: "A consultant would probably describe it as rather few structured processes and coordinated ways to work". When the procedures are implemented it is managed informally, the employees learn to handle it over time. A distinction is done between administrative and creative activities, where the prior is regarded as easier to structure. Tägtström however point
out that Kärnhuset must improve the knowledge sharing with each other, to collect ideas from different project groups and individuals within the organization. The aim was to create cross-sectional cooperation: “That group gets 20 new ideas of varying quality and some might be crap while others contribute with new energy”. There was not an extensive discussion about the need for improvement, it was identified, tested and later implemented. The projects are directed by a project-manager and there is always some risk involved in sales. Then it exists a trade-off between how ‘ready’ the offer will be when the sales pitch is done. Should the firm sell a safe project to calculate the return, or should it be far more creative to enhance the firm’s reputation?

The above is related to the firm’s effectiveness and efficiency, Tägtström elaborates: “I believe we are fairly good at doing right things, what the customers’ request and that can we sell”. However, in hindsight it is always easy to identify what could have taken less time or how much must be spend on the sales pitch. Tägtström argues: “It can be possible to prepare a sketch in 2½ hours but the customer might understand the idea and take it. Then you have reached the same goal”. Thus, the complex issue is to optimize the process before selling an idea to the customer and too much emphasis on efficiency could erode the service quality. However, Kärnhuset works actively with improving the relationships with present customers and incrementally add services to not be perceived as passé. Something which is important since: “It is rather short cycles and projects, then you cannot wait three-four years until a solutions starts working”. Sometimes Kärnhuset deliberately overinvest and is ready to take a loss, especially if it could lead to knowledge development in the long-term.

Kärnhuset has three Swedish Universities in the customer portfolio and it influences their way of doing business. These want to have their market communication done at the same time and it contributes with a heavy workload during that period. Hence, Kärnhuset does not work actively with selling to new customers, which might be done during the rest of the year. Tägtström argues: “It is some sort of cycle after seasonal variation, depending on when you got plenty to do. There is also a cycle concerning public procurement which generally occurs before the summer and Christmas”. Further he believes that: “It is not very difficult to do it in parallel due to low competency, instead it depends on employment and amount of hours each week”. This could be rather hazardous, Kärnhuset can have a lot to do and suddenly it ends and then you do not have anything to sell.
5. Analysis

*Dubitando ad veritatem pervenimus* - By means of doubt, we arrive at the truth. (Cicero, 1977)

### 5.1 Inertia

Hannan and Freeman (1984) proposed that a firm’s core and peripheral activities are vital for the ability to change. To remain stable through standardization of processes and formalization of goals leads to an increased reliability towards customers, while it also contributes to slower adaptability when the environment is changing. Vasakronan can work deliberately with routines and standardized activities since the environment is regarded as stable. One reason is long-term contracts and their size makes it easier to predict the customers’ preferences. In addition, the capital-intensity of the industry also means that Vasakronan can leverage their history and therefore learn how to conduct their activities efficiently as described by Levinthal (1991). Nerlich stressed that it could be complex to change routines and core values since they are intertwined notions, something which led to people leaving the organization.

Kärnhuset on the other hand works with a stable core in a dynamic environment, they have maintained the same vision throughout the years, to be a full-service agency focusing on both strategy and marketing. Tägtström also emphasized the importance of keeping key employees since they possess their intellectual capital is the firm’s core competence. It is however important to note the difference, to nurture creativity of individuals Kärnhuset does not work actively with standardization and routines. Hence, their project-model is therefore more aligned with Fredrickson and Iaquinto (1989) who state that it is suitable to loosen on routines and become less comprehensive when the environment is dynamic.

Eniro comes from a rather inert structural past, where managers had clearly formalized goals visualized by a long-term planning horizon on seven years. It was possible due to the stable environment affected by a monopolized industry with consistent demand. Their history has caused a severe clash with the latest digitalization and it has been proved difficult to break free from the inertia. As a back-lash, the planning spans over four to six quarters and the firm got an increased propensity to change their core. They still have a roadmap but the vision is somewhat intertwined with the customers’ fragmented preferences and in the dynamic environment changes leads to momentum of even more change. This is aligned with Miller
and Friesen (1980) and their insights on the relation between environmental, organizational and strategic variables. Change leads to more change and it is in accordance with Hannan and Freeman’s (1984) notion that a stable environment exposed to a disruptive change might lead to cumulative negative effects and influence the reliability. In the case of Delphi, the inert characteristics could be related to their environment and it imposes some constraints on their otherwise knowledge demanding business. The routines together with different databases and standards are needed to ensure equally legitimate business operations as the biggest actors. However, they are quite open to peripheral change, with active modification of incentive systems and restructuring the different project teams. One interesting side-effect is that the employees demand greater hierarchical clarity as the organization grows.

Considering Gilbert (2005) and his contemporary contribution, Vasakronan has a tendency towards routine rigidity. Nerlich revealed that the employees’ sometimes care more about internal routines than customer preferences. Concerning resource rigidity, Eniro previously invested heavily in their phone directory and sometimes neglected the quality. Today focus has shifted in the opposite way and towards the users’ perceptions of the service, hence another indication on their will to break free from their inert past. Delphi opposes the resource and routine rigidity by actively fine-tuning internal processes such as the incentive systems and organizational structure. Lastly, Kärnhuset who acts in a knowledge-intensive industry and rely on creativity are neither resource nor routine rigid.

5.2 ADAPTATION
Child (1972) identified three different environmental characteristics that influence the adaptability of firms – variability, complexity and illiberality. They do not concern Vasakronan, which signs long-term contracts and has a rather secured customer base. Nerlich however pointed out that customers not always know what they want, this could be regarded as a low variability. It is also possible to note that the firm wishes to work closer with customers and become more service oriented. In contrast, Eniro is influenced by all three characteristics. There is environmental variability because changes occur with a great pace, where new and different things happen almost every day. The complexity and illiberality are lower since almost all changes are of similar type and the competition is fierce but still not a significant threat. Illiberality is dominant in the case of Kärnhuset, it originates from their fragmented competition and rather high dependency on individual clients. Delphi got high variability, since they generally work with diverse customers and unique needs.
There are many reasons why firms change, Amburgey et al. (1993) argue it happens as a reaction to problems. Eniro adapts in this way, the fast pace of digitalization could be seen as a problem and the firm clearly reacts on its evolvement. Previously the organization was internally focused and that philosophy opts for reaction rather than proactivity, the increased focus on customer preferences however indicates a change. Kärnhuset acts identically and actively choose when to adapt and implement new business activities in order to not lose focus. Tägtström however points out an interesting side-effect, that there is no status quo and to not change also implies a change. Conversely, Delphi and Vasakronan are closer related to Beck et al. (2008) who believe that adaptation ultimately leads to stability along the process. Both firms have learned lessons from organizational restructuring during mergers, grasped that change takes time and the importance of coherence. Vasakronan however have some features similar to those expressed by Granovetter (1985), namely that some routines are implemented without any rationale bearing. It is expressed when Nerlich states that they sometimes get caught up in their routines at the expense of customer preferences.

Peli (2009) argues that firms with a great tenure generally act efficient whereas newcomers generally are effective and do the right things. Vasakronan is rather rigorous with money and prefers to strive for return on investment, hence working efficient. Their size provides them with the opportunity to plan better and leverage from economies of scale. Eniro has worked in a similar manner and Lindgren managed to clean up SEK 900 million in hidden costs. He underlines however that it is difficult to do the right things in a new way, adding another dimension aligned with Reeves and Deimler (2011). There is also an aim to pursue the right things with their constant scan for customer trends. Delphi also works with a combination, doing the right things is important in order to maintain the vital reputation and legitimacy. The project groups are structured in an efficient way through a mix between junior lawyers and skilled partners. In contrast, Kärnhuset is concerned with an internal discussion about whether the sales pitches should be efficient or effective. Tägtström concluded that they are good at being effective since an overwhelming cost focus might constrain creativity.

5.3 AMBIDEXTERITY
The core in ambidextrous organizations is the notions exploitation and exploration, which March (1991) defined as the refinement of processes and the latter as experimentation for new possibilities. To start, Delphi work actively with improving their existing service offerings
since there is a demand to be impeachable and perform at the same level as the bigger competitors. Hence they work actively with fine-tuning incentive systems, organizational structure and different constellations in the project groups in order to be cost-effective. The routines to manage the exploitation are generally implemented from the top, down to middle managers and further to the employees. It is in line with Wooldridge and Floyd (1989) and Vasakronan work with exploitation in the similar manner, when dedicating a department to the development of existing service processes and constantly updating the business portfolio. Meanwhile, Eniro and Kärnhuset work quite differently. They collect information externally from their relationships with end users, partners or clients in order to optimize internal processes such as lower consultancy-cost and becoming efficient.

Concerning exploration, Tushman and O’Reilly (2007) suggest that it demands a combination of different perspectives, and Burgelman (2002) claims it can be managed in short bursts. Although new service offerings is not a priority for Vasakronan have they decided to organize explorative activities in a department that analyzes new investment opportunities combined with a rather high mobility among young employees to disseminate knowledge. The major part of their explorative activities concerns environmental friendly options and flexible constructions. Hence, managed as Gupta et al. (2006) describe it with exploration and exploitation divided into different parts of the organization. Delphi has gone one step further and their explorative activities can be analyzed in three dimensions, thus a mix between different perspectives and not solely one. First, on firm level there is a two-way communication between the regional offices who have different expertise areas and this opt for cross dissemination in line with March (1991) or Tushman and O’Reilly (1996). Secondly, on a strategic level Delphi works with the perspective of Burgelman (2002), to consciously take risks with lower fees to attract new clients. Lastly, they organize the exploration on a hierarchical level aligned with the theories by Wooldridge and Floyd (1989), when putting together experienced stars and junior lawyers in project teams to spur creativity.

Continuing with the firms in a more dynamic environment, Eniro works a lot with exploration and it is possible to deduct it from the theories presented by Meyer et al. (1990) on discontinuous changes which forces managers to reframe their business logic. It is the transition from analogue to digital offerings that has imposed Eniro to change their organizational behavior and focus more on exploration. Something which is conducted when using external sources for future trends that might fit the users. Hence, the process is rather
liberal to spur creativity as proposed by Wooldridge and Floyd (1989) who argues that it demands some sort of freedom. For Kärnhuset this comes naturally since they have a project-based organization without clear hierarchical boundaries and routines, their sharing of experiences generally originates from brainstorming with employees across different areas. But in contrast to Eniro and Meyer et al. (1990) the disruptive change towards digitalization has not lead to a sudden change in business logic. Kärnhuset has instead chosen to be selective in what new technologies to adopt because of their full-service logic and flexible organization, hence, they easily can outsource technological intensive activities.

It is possible to see that Vasakronan exploits more which can be related to Auh and Menguc (2005) who propose that stable competition and environments generally lead to more exploitation. Therefore capital-intensity of the business and that it might contribute to an increased need for exploitation. The conflicting view of exploration and exploitation argued by March (1991), Floyd and Lane (2000) is present in Vasakronan during their discussion whether it is worth it to invest in existing tenants or if it is better to attract a new one with lower requirements. Further, Nerlich statement about Vasakronan’s tendency towards safe investments could lead to what Levinthal and March (1993) calls a ‘success trap’. The firm’s size and the stability in their environment lower the threats for disruptive innovations that could impose new business logic. On the other hand, Delphi have managed to combine exploration and exploitation, originated from Cao et al. (2009), and gain synergies through constantly surveying existing processes meanwhile attracting new clients. It is possible due to lower capital-intensity, a greater reliance on intellectual capital which leads to a flexible organization. In converse, Kärnhuset is more balanced since they aim at assess between exploitation and exploration when for example choosing between introducing programming of mobile applications or sticking with existing service offerings to improve them. There is a constant assessment of what is worth to sacrifice between the areas of expertise. Lastly, it is important to stress the risks with being too eager to do changes and having a vision dependent on customer preferences. Especially in a dynamic environment where the preferences change in a fast pace, Levinthal and March (1993) calls it a ‘failure trap’ when firms experiment and try to change and when it is not successful they change yet again.
6. CONCLUSION

When being stranded on a desert island as mentioned in our introduction it would be relieving to have a survival-guide that could lead you in the right direction. It might not save you but it would most probably make life a bit simpler. In a similar way, our cross-sectional study allowed us to construct a model, which maps firms’ internal focus and organizational strategy in relation to their environment and market-drivers. The model can be used to map out the firms’ preconditions and provide guidance in what strategies to conduct. For the business literature it could be implemented as an explanatory tool to further clarify the rather complex notions. Our main contribution is the reflections on capital- and knowledge-intensity which has been rather neglected in previous research. The cases show that knowledge-intensive firms are instinctively programmed towards ambidexterity. Knowledge is intrinsic in every individual and people are relatively easy to reorganize. It leads to a loosely-coupled organizational structure, with high mobility in project groups and very little routines imposing on the firm. Hence, it is possible to optimize the organization after the need, whether it may be exploitation, exploration or both at the same time. In contrast, the study shows that capital-intensive firms are more concerned with exploiting activities. It is fine as long as the environment is stable and influenced by little to no changes. However, when disruptive changes occur, such as a technological shift, it becomes complicated to break free from routines and an inert history. One problem is to decide what and when to invest in new service offerings that demand extensive capital. Therefore, it might not be the environment per se that influences organizations ability to change but rather their inherent characteristics.
6.1 RECOMMENDATIONS FOR PRACTITIONERS
Our thesis shows on some managerial challenges when coping with the external environment and there are several different approaches to conduct. The model above could work as a road map where managers should identify their firm’s contextual position and align strategic endeavors to it. From this we can recommend that core activities such as vision and goals should be rather stable no matter of environment, since it is the foundation of the firm and provide to a competitive advantage. When changes occur it is important to keep the core intact so the customers still can relate to the firm. However, when the industry is knowledge intensive it is favorable to keep a loosely coupled organizational design to easily disseminate knowledge which is the main asset. In practice, this approach facilitates ambidexterity since our study shows that it is easier to apply the right amount of routines to a creative organization rather than becoming creative by breaking loose from decades inert behavior.

6.2 SUGGESTIONS FOR FURTHER STUDY
It is important to highlight that our study is limited to four firms and it imposes some constraints. The study only provides a snap-shot of the reality, therefore are studies in different industries and longitudinal research needed to present a more generalized picture. These methods would bring clarity to the notions and uncover different stages of ambidexterity which might evolve over time. Quantitative studies should also be conducted on the relation between inertia, adaptation, ambidexterity and capital- versus knowledge-intensity. This would provide with greater measurability and a clearer distinction between our two contributions.
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Tägtström, M., Personal Interview (2012-04-10), CEO at Kärnhuset AB, Head office in Stockholm.


APPENDIX I - INTERVIEW GUIDE, SEMISTRUCTURED QUESTIONS

GENERAL QUESTIONS:

1. Could you describe your experience within the company? Previous positions?

Comment: It was posted in order to grasp the background of the interviewee and enhance the credibility in his answers. Since we interviewed managers who work with strategic issues we could possibly perform a sublime analysis of the answer to see if it weighs more to inertia, adaptation or ambidexterity. However, there are no real theories aligned with the subject and hence should it merely be regarded as a warm-up question to get everything started smoothly.

2. How would you describe the environment in which you act, especially in terms of stability and instability?

Comment: An introductory question stemming from theories that relates the subject more explicitly to an organization’s environment. It is a central theme of our thesis since we want to study how firms behave in relation to their external environment. Therefore the question had to be posted in order to grasp the peculiarities and characteristics perceived by our interviewee. The importance of this question cannot be underestimated since it would help us to map out the vital parts for our analysis and conclusion. Several different perspectives are conducted in the theories, hence we have chosen to include the environmental factor in every theoretical chapter due to its significance.

3. Which are your biggest competitors?

Comment: This question aims to go more into detail concerning the external environment as in line with Child (1972) and his distinction on degree of uncertainty. Hence, when we know the level of competition we can determine more precisely if the environment is stable or not. The literature is filled with contradictory arguments on the competitors’ role and therefore it is important to post this question.
4. How do you see the possibilities to predict what is going to happen in your industry or environment? Do you align your strategies in accordance with that?

**Comment:** If the firms can predict the future it implies that the environment is rather stable and one can cope when being inert. However, some scholars (e.g., Reeves and Deimler, 2011) argue that it is almost impossible to plan due to an uncertain environment. The answers could also be related to the degree of adaptation and ability to act ambidextrous since it is influenced by the environment.

**INERTIA: HOW TO RESIST CHANGE:**

1. In which ways do you believe that your history and experience have enhanced trustworthiness among your customers? Do you think it could lead to something negative?

**Comment:** The history and heritage of organizations influence how they conduct their business today. Thus, this question is formed in order to understand how it has influenced their ability to change and act according to the environment. Hannan and Freeman (1977, 1984) are the most prominent scholars on the matters concerning this question e.g., resistance to change or slow adaptability. It would give us insights on how important reliability and trustworthiness is for the managers, hence we could deduce if the managers prefer to remain stable or implement changes on a general basis.

2. How do you perceive your market position? (If dominant) Do you see any internal risks with it?

**Comment:** Hannan and Freeman (1977, 1984), Freeman et al. (1983) state the significance of size and firm age concerning inertia and propensity to change. Inertia might prosper when being market dominant, which makes it harder to change. Therefore it is important to identify how the interviewees perceive their size and if they believe it imposes some internal risks. Here we will be able to link the firm size, external environment and potential risks in one question.
3. If yes on the prior question: what does it take to realize a bigger change? Do you believe a change in the firm’s vision or strategy can be hurtful?

**Comment:** This is a follow-up question and aims to clarify what it takes to change strategic direction. The vision is a part of the core as described by Hannan and Freeman (1984) and the most intimate parts of the organization. Hence, if the firm is open to changes in the vision they are likely to be less inert. Moreover it would help us to put the contextual role of the vision in relation to ‘core’ and ‘peripheral activities’. It is important to post this questions since there are contradictory theories which needs clarification on whether to do frequent changes in vision and strategy.

4. In which ways do you think a reliable firm is affected by plenty changes? Would you say that too many changes have a cumulative negative effect?

**Comment:** The question, is also related to the reliability and theories concerning ‘core’ and ‘peripheral’. There are theories stating that changes could hurt the firm (e.g. Hannan and Freeman) whereas others propose it might be needed depending on the environment (e.g. Fredrickson and Iaquinto). Therefore it is important to add the perspective of managers to clarify and sort out whether frequent changes could damage the firm-reliability.

5. Threats: Do you see any potential threats to the market position of your firm? Do you see them as a threat or a possibility to improve?

**Comment:** The answer on this question should reveal the mindset of the manager and provide with signs of the firm’s internal culture. One important aspect is if they see obstacles as either threats or opportunities. In the prior case it would show tendencies towards inertia and the urge to always be perceived as reliable. We also want to see if they find any threats from their external environment and are forced to change as mentioned by eg. Levins (1968).

6. If an approaching change is believed to hurt the firm, could you work towards a change in the firm’s core functions? (such as: vision, financial structure, routines, reward systems or basic principles)
Comment: This broad question aims to uncover the peculiarities behind ‘core’ and ‘peripheral’ activities in detail, as debated by Hannan and Freeman (1984), Carman and Langeard (1980) and Thompson (1967). The answers will show on a propensity or reluctance towards change in these functions, hence an important distinction within inertia. It could also show what it takes to realize changes in the core and what the peripheral activities contribute with. The external environment is present through the change factor. This would be useful to our conclusive part.

7. In what way is your vision and goals reflected in the things you do?

Comment: As mentioned above, the vision and goals are an important part in the debate on ‘core’ and ‘peripheral’ activities. Since vision is a rather abstract phenomena we wanted the managers to give us some hands-on examples on how it is visible throughout the organization. The differences will hopefully be more visible and easier to compare between cases. Yet again, it will show on the relation between the core and inert behavior meanwhile it makes it easier for us to evaluate the notions in our analysis.

8. How is the firm working with routines and standardized procedures? If you that is the case, do you work actively in order to implement and modify these?

Comment: According to Hannan and Freeman (1984) routines are important to maintain stability and be perceived as legitimate. This question is vital since Gilbert (2005) found that the research on inertia is too generic, hence he presented the perspectives resource and routines rigidity. Therefore we want to look into these notions and identify if there are any possible differences in the interpretations of our interviewees. It is especially important since it is regarded as a central theme of inertia and especially in relation to capital-intensity.

9. How does the organization see upon risk-taking? Is it something that could be encouraged?

Comment: Here we tried to twist the question to make our interviewees think even further on their internal stability. The motivation for this is the same as above, to really grasp the
propensity for strategic change and step away from the pre-established organizational routines. Depending on the answer we will be able to position the firm and their strategic approach in a more correct manner. An inert organization should, according to theory, rather not encourage risk-taking since routines and “same procedure as always” tend to be preferred.

ADAPTATION: HOW TO EMBRACE CHANGE:

1. English: separate effectiveness and efficiency: where the first means becoming better on doing the right things and the latter doing things right. In what way do you work with these notions and what is most important if you have to choose?

Comment: The question gives the interviewee an opportunity to reflect upon the notions and we could analyze whether it relates more to inertia, adaptation or ambidexterity. Inert firms tend to be more inclined to efficiency through routines while adaptive firms prefer to do things in a new way. Therefore, by using a more practical question we will be able to align the interviewees’ perceptions with our theories.

2. Which actions are taken to maintain your market position and adapt to the prevailing environmental situation?

Comment: This question is important to reveal what measures the firm really conduct to remain competitive and adapt. It will also show why the firm change in line with the literature debate (eg. Amburgey et al. 1993, Granovetter 1985) and ito grasp the firms’ adaptiveness to their environment. Hence, it is an important marking of adaptation and if it shows that the firm does not adapt it inclines towards inertia.

3. In which ways do you adapt to your customers’ preferences?

Comment: This is a more practical question where we suppose to obtain great examples on different measures. The formulation is important since customer preferences is an influential part of Child (1972) and his uncertainty characteristics related to adaptation. Moreover, Reeves and Deimler (2011) present several different measures on how to meet new
circumstances and adapt. Hence, the question is a central part of this chapter and it is essential to understand what the firms actually do.

4. To the large companies (Vasakronan and Eniro): would you say that you are so dominant that you could influence the whole market?

**Comment:** This question is important to give us the opportunity to determine whether Vasakronan and Eniro got a market position that makes adaptation unnecessary. If they believe that they can influence the rest of the environment it is they who dictate the conditions and not the other way around. Further, their perception of the size would provide interesting information about whether capital-intensity matter or not concerning adaptation.

5. How is it possible to plan the work when the environment is so changeable/dynamic?

**Comment:** It is quite broad but will be somewhat used to shake the world-picture of our interviewees. Some scholars (eg. Child 1972, Reeves and Deimler 2011) states that it is increasingly complex to plan for the future due to environmental constraints. If the managers see it as a possibility to plan, the environment must be rather stable and hence the firm could act inert. The same for the opposite scenario where planning is impossible and ad-hoc adaptation needed. The question also serves as a bridge to the ambidexterity questions.

**Ambidexterity: How to manage exploration and exploitation:**

1. How do you work with renewing yourselves? Would you say that your firm works more towards exploring new markets/products and/or trying to improve the already existing ones?

**Comment:** The idea is to present the main notions of ambidexterity which is exploration and exploitation (March 1991). It will be opened with “renew” (explore) to keep it on a professional but not overwhelmingly technical level. Depending on the answer we will get a picture of the firms’ will to explore and exploit. Further, we could analyze if there really is a trade-off between the two perspectives (eg. March 1991) or if it can be done simultaneously
(eg. Brown and Eisenhardt 1997, Gupta et al. 2006). Hence, it forms a solid foundation for this section.

2. Could you describe some typical changes that have occurred in your business sector?

Comment: Auh and Menguc (2005), Meyer et al. (1990) relate ambidexterity to the environment and by asking about typical changes we will be able to map out the external environments role for our cases. Thereby we can analyze if their propensity towards exploration and exploitation depends on for example intense competition or discontinuous change. This aims to link the ambidexterity to the environment.

3. How would you describe your organizational culture? What are the specifics?

Comment: By describing the organizational culture we let the interviewee to ponder about the soul of their firm. It is an abstract question which we expect could tell us much. If a manager constantly emphasize the word “routines” they would probably be more inert (Hannan and Freeman 1984), whereas a more open organization with more loosely coupled (eg. Gupta et al. 2006) departments might mirror an ambidextrous organization. This could give us important insights about the core of our case firms and how it relates to their business activities and ability to work ambidextrous.

4. Could you describe the decision-making process? Does it allow autonomy? Especially concerning different regional departments

Comment: This question relates to the above mentioned discourse. Instead of asking if the organizations are ambidextrous we want to know more about the decision-making process to see if it is based on routines or allows much autonomy, which is a precondition for successful ambidextrous firms studied by prior scholars. Exploration would demand more creativity and exploitative a more rigorous control. The answer would later be analyzed in relation to eg. Burgelman (2002), Gupta et al. (2006), Hannan and Freeman (1984).

5. In which at ways must the firm perform short-term-wise? Do you have the possibility to plan on a longer horizon? How do you manage that?
Comment: Tushman and O’Reilly (1996) presented the duality of ambidexterity, thus to meet the needs of a mature market and the future conditions. This question aims to reveal the preconditions for being ambidextrous, a short-term horizon would restrain the ability to work explorative since it generally demands a long-term horizon. Organizations which act in a stable environment can generally plan over longer periods and hence act inert without any greater problems. This is an important feature in the theories of eg. O’Reilly and Tushman (2008) and therefore also in our thesis.

6. Do you have any examples of previous change that made you change your goals? Or your strategy? Could you think of any?

Comment: Our method is focused on a cross-sectional comparison of cases and therefore will historical connection help us monitor earlier strategic approaches, that generally tend to repeat itself or at least say something about the present situation.

7. How do you work with your customers? Do they provide you with suggestions on improvements or new services/possibilities?

Comment: This question is important in order to uncover if the firms works actively with involving the customers by grasping suggestions and improvements. To work proactively with customer demand is a sign of both exploitative and explorative measures. In the prior case it would mean that they improve existing services whereas in the latter they could grasp input for new ideas. Thus, the question is related to the central notions of ambidexterity.

8. In what way do you disseminate knowledge through the organization? Is it initiated by the management group or bottom-up?

Comment: Knowledge dissemination is a vital part of ambidexterity since it is all about being attentive and innovative at the same time. This demand that the processes are aligned effectively and implemented in accordance with other strategies. The question concerns the debate on whether it is possible or not to work exploration and exploitation in different departments. Thus, the aim is to reveal if the managers perceive it in the same way or if it is
more in line with the trade-off literature. Therefore it is a central notion in the ambidexterity chapter and an important for our analysis.

9. How are the exploitative and explorative activities coordinated?

Comment: The question above is elaborated further and allows the manager to explain in depth how the exact coordination is conducted. It is done since practical examples most probably would enrich the analysis and make it easier to understand for the reader.

10. If you are able to choose between four choices to launch a new project, which would you choose:

   a) Functional design, where the projects are completely integrated in the organizational structure.
   b) A team that is separated from the hierarchy but still kept within the organization.
   c) Autonomous teams that are both separated from the hierarchy and organization.
   d) An own structure with decentralized financial structure, marketing and research.

Comment: These four different options will be presented to our interviewees in order to position the project-model used by our firms when they attempt to innovate. The first option enables higher control from the top-management while the last one enables most freedom and separation from the existing business. Thus, the question is related to the discussion on whether it is possible to structure ambidexterity or not.
### Appendix II - Theoretical framework base for interview guide

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