Reification of strategy in small and medium firms

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Theoretical background

Strategy process in SMEs

This study has a particular focus on small and medium enterprise (SME) context as SMEs are the backbones of both developed and developing economies. Hamel and Prahalad (2005) urge the field to devote as much attention to the task of strategy making process and practices, as they have to its content. However, managing strategy within the context of SMEs requires a deeper understanding into their unique environment and organizational characteristics. A study by Ates, Garengo, Cocca, and Bititci (2013) highlighted the key characteristics of SMEs that influence their organizational behavior: short-term focus, informal management style, internal operational focus, tacit knowledge, looking for flexibility, entrepreneurial and market orientation, limited resources, limited managerial skills, and command and control culture.

This behavior might be underpinned by a lack of organizational capability in communications, making tacit knowledge explicit or owner managers not willing to give up their monopoly on the strategy making (Hamel, 1996), which represent a gap in literature which should be further explored in the context of SMEs. Indeed, there is a gap in literature to better understand whether and how SME managers have taken up language and practice of strategy (Woods & Joyce, 2003). Despite the fact that generic skills and abilities are requisite, the strategy process in SMEs is unique and cannot be considered to the same as professional management in larger organizations practiced on a 'reduced scale' (Jennings & Beaver, 1997, p. 13). Therefore, this research will address an important research question**; *how can we make strategy more explicit, externalized and shared in SMEs?***

Reification of strategy through open strategy paradigm

Research conducted by Hamel (2009) suggests that management needs to be retooled for an open world and the language and practice of business should be refined. Management research since early 2000s started to focus on expanding the scope of employee participation, empowerment and further unlocking employees' ideas and creativity. Correspondingly, Chesbrough and Appleyard (2007) developed a new concept based on the notion of 'open innovation' which they called 'open strategy'. They introduced open strategy as a concept which embraces the benefits of openness as a means of accelerating value creation for firms. It is also said to "widen the search for strategy ideas and improve commitment and understanding in strategy implementation" (Whittington, Cailluet, & Yakis-Douglas, 2011, p. 535). Thus, an underlying theoretical framework for this study is that there is a trend towards greater openness in the strategy process, for which Chesbrough and Appleyard (2007) and Doz and Kosonen (2008) coined the term 'open strategy'.

Gary Hamel (1996) highlighted welcoming new voices into the strategy making process will not work if senior managers intimidate the employees rather than facilitating a useful dialogue and democratic process. However, there is a gap in existing research to develop an effective communication tool to drive the right conversation, on the right topic, at the right time in SMEs. Thus, an important research question arises here: ***to what extend open and participatory strategy making is perceived as useful in SMEs?***

Reification of strategy through knowledge-based view of SMEs
Particularly more contemporary research suggests that strategy emerges as a result of conversations and dialogues through both informal and formal interactions (e.g. meetings, memos, workshops, e-mails). The nature of strategic conversations can be explained through patterns of interaction involving tacit and explicit knowledge (Nonaka, 1994). Organizational knowledge is created through a continuous dialogue between tacit and explicit knowledge.

Research studies highlight that in SMEs knowledge is mainly gained through experiences and often absorbed by means of tacit learning (Chaston, Badger, Mangles, & Sadler-Smith, 2001; Honig, 2001; Ward, 2004; Wiklund & Shepherd, 2003). Cagliano, Blackmon, and Voss (2001) point out that advanced decision making practices in SMEs seem to take place characteristically in a less structured and informal fashion. However, other researchers argue that formalization could enable SMEs to save resources and to concentrate efforts on promoting effectiveness, improving morale and increasing innovation (Koberg,

Uhlenbruck, & Sarason, 1996; Van de Ven, 1986). Thus, a third important research question is that *whether a visual strategy management approach can facilitate a continuous dialogue between tacit and explicit knowledge and foster strategic conversations in SMEs?*

Towards development of a conceptual framework for the Visual Strategy

The process by which these strategic conversations and actions are captured, visualized and communicated (Mahoney & Pandian, 1992; Pettigrew, 1992; Teece, Pisano, & Shuen, 1990) is considered as critical for taking the strategy from the head of the owner managers and maintaining alignment with the organizational purpose. Based on a literature review, this research study developed deductive five-step Visual Strategy method as illustrated in Table 1. Before explaining this method, the Visual Strategy can be defined as an explicit and structured approach for dealing reification of strategy and facilitating an open, participatory strategy management at firm level.

Table 1. A deductive framework for the Visual Strategy

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Methodology

The empirical research is based on a four-year, intensive research project with SME partners. Data were collected as part of this major European research project, funded by the European Commission and focused on enhancing competitiveness through organizational capability development in manufacturing SMEs. The research was executed as a longitudinal multiple-case study. The examination of a contemporary phenomenon in a specific context, such as in this study about open strategy and strategy processes is SMEs, is well suited for multiple case study research (Dubois & Gadde, 2002; Eisenhardt, 1989; Yin, 1994). 11 partner SMEs within the project are located across six countries, and so a number of researchers conducted the workshops in their own language, according to a case study protocol. Accordingly, this paper is based on a multiple case study of 11 SMEs as described in Table 2.

Table 2. An overview of the case study companies

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SMEs in the sample were studied over a period of four years between January 2009 and December 2012. As presented in Table 3, the main data collection methods were semi-

structured on-site interviews, partner project meetings (i.e. face to face every six months and monthly conference calls using GoToMeeting software), participant observations during plant visits and in-company and group workshops (i.e. facilitating the Visual Strategy method in each partner SME as well as discussions in joint workshops). A pilot study was conducted with four representative SME partners in order to test, gather feedback and modify the method initially. A pilot case study protocol (i.e. Standardized testing and reporting template) was used in order to gather feedback consistently across countries. Then three rounds of workshops were organized in ach company where the Visual Strategy method was implemented and revisited in each SME. The qualitative data is documented in individual case study reports to be submitted to the European Commission and then a cross-case analysis of qualitative data is conducted using narrative analysis and pattern searching. Within case analysis and cross case analysis (Miles, Huberman, & Saldana, 2013) are performed simultaneously and incrementally with data collection.

Table 3. Qualitative data collection methods

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Data analysis and findings

The results are analyzed through within case analysis (Miles et al., 2013) and the cross-case study findings are presented in Table 3.

Within case analysis: LI Ltd., UK

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The Visual Strategy helped the management team have a common understanding into the business goals and the firm chose to customize and internalize the approach in their own way (Figure 1). The management team decided to develop a milestone approach which enabled the company to make significant checks of progress every six months. These milestones focused on key aspects of business and created a shared understanding in the organization regarding what the priority is for the next six months. These milestones resulted in creating a highly focused business, effective use of resources, development of new products and enhancement of existing product offerings. Interestingly, in August 2014, the company reported record sales and profits.
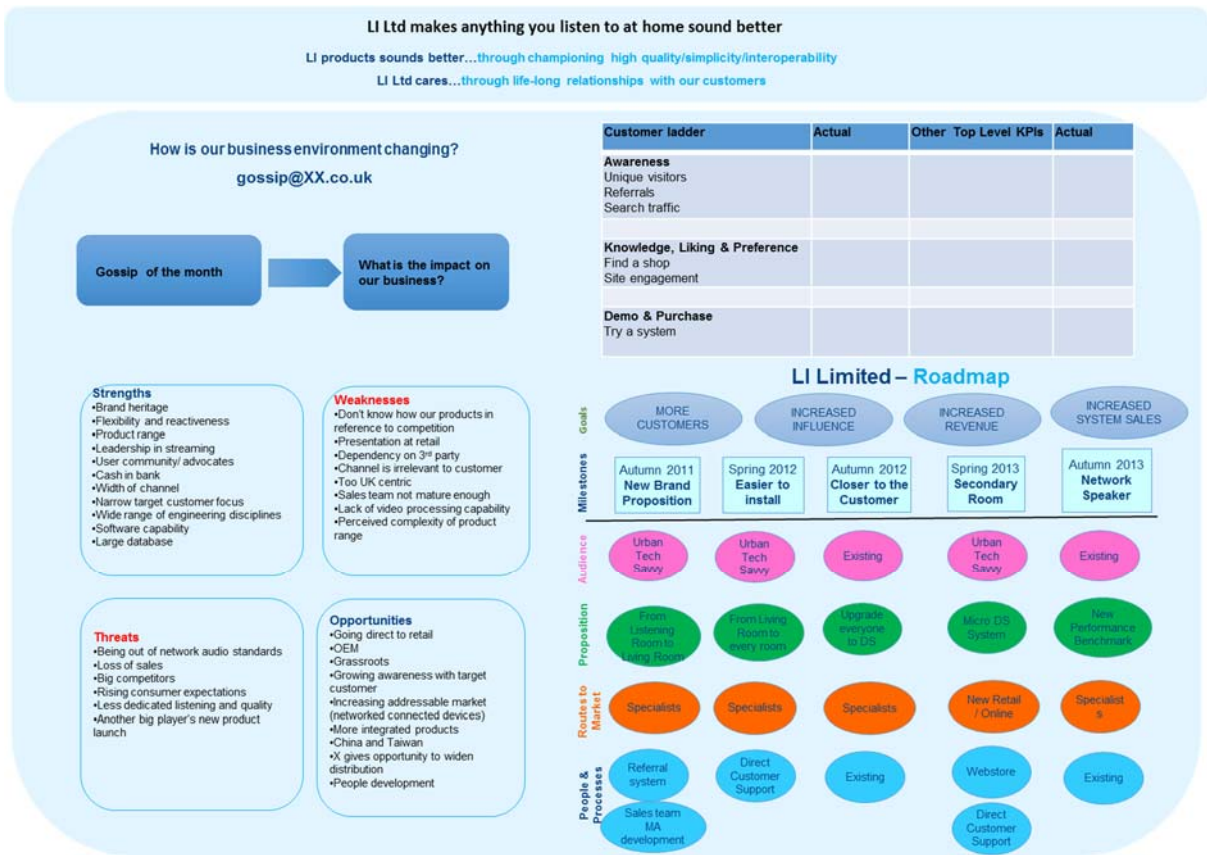
Figure 1. LI Ltd Visual Strategy

Based on the learning from this in-depth exploratory case study, the Visual Strategy method has been refined as presented in Figure 2. The main modification is made in the area of strategy map. The modified conceptual framework reflects a more SME-friendly method of setting milestones in the form of a business roadmap. This enables SMEs to focus their scarce resources on the right areas at the right time, while engaging with the whole organization.
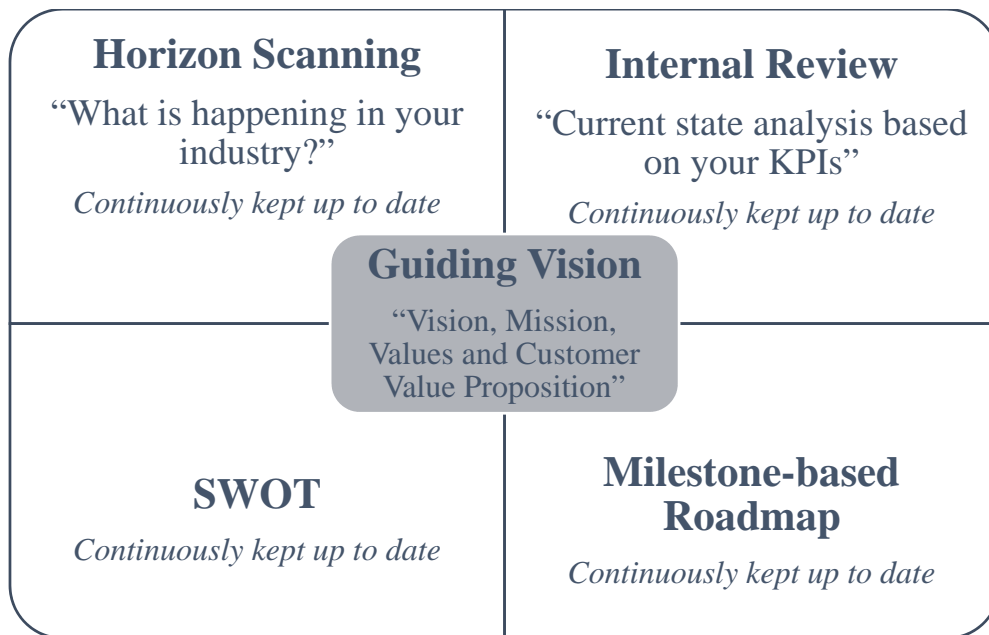
Figure 2. Refined Visual Strategy method

Following the pilot study at LI Ltd, the Visual Strategy method is implemented in other project partners through facilitated workshops taking place onsite. As suggested by Miles et al. (2013) the results are initially analyzed through within case analysis and the cross-case study findings are presented in Table 4.

Cross-case analysis

These findings support that the Visual Strategy method facilitates strategic conversations. This is done through thinking together, acting together and reflecting together cycles in the firm. It is a method to provide a simple and visual process to enable companies, according to their maturity level, to formulate, communicate and implement a coherent strategy for their business. Visual Strategy method can also provide a structure for board meetings (i.e. management agenda) where managers can quickly see which aspects of their strategy are succeeding and where they are falling short. For example, the Managing Director, RO Ltd, Ireland said that:

> It's very timely for us to be involved in strategy. Due to the downturn, we need to rebuild our strategy. Visual Strategy is a simple tool which works for us. Personally, I like the visual nature of the tool as a constant reminder.

The benefits of Visual Strategy method are also described by ex-Managing Director, HO Ltd, UK as:

> Visual Strategy will make a very positive contribution to future development in our company. Mainly because the process gets you thinking in a different way; it is visual, alive, and dynamic; management team understand each other's viewpoints; the result is

an action plan that everyone has contributed to and bought into; it is an effective and visual communication tool and can be used across all functions and as a benchmark for the management team.

The within-case analysis was designed to examine each case as a stand-alone entity (Miles et al., 2013) and the results are compared through a cross case analysis to identify similarities and differences.

Table 4. Cross-case analysis of qualitative data

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Company	Visual Strategy workshop observations	Visual Strategy benefits	Example from workshop data
FR Ltd	• Authoritative leadership from MD but considered to be fair. Staff encouraged to come up with new ideas and to develop themselves through training and further education • The Visual Strategy method identified market requirements, customers' expectation of shorter delivery periods. • The management team discovered the bottlenecks and strengths as a result of the Visual Strategy workshops.	• Visual Strategy workshops helped the firm see the big picture clearly. • Improved the firm's confidence to respond market demand rapidly. • Previous strategy management process was a rigid and lengthy activity. It was not possible to review the strategy as it took so long to develop. This new approach freed management time and provided flexibility. • New investments will be shaped according to the results of the Visual Strategy outputs.	 "Today market scenarios are changing, this effect pushes SMEs to find new competitive strategies… We are seeking impeccable and high-tech manufacturing that is based on customer demand with smaller amount of delivery parties… Visual Strategy method encouraged dialogues and strategic conversations among the management team. There used to be heavy reliance on the Managing Director on decision making however Visual Strategy opened up these barriers and facilitated strategic conversations in our firm."

Discussion and Conclusion

Using a longitudinal qualitative research design and multiple case study methodology, this study develops an integrated framework for the reification of strategy to facilitate open and participatory strategy in SMEs. Nevertheless, this study is subject to some limitations, not the least due to the methodology that was adopted. Thus, it is suggested to address whether the presented framework can be implemented in larger firms and in service sector SMEs in future studies. Moreover, the findings presented in this study offers several opportunities for researchers and practitioners to further investigate the field of open strategy and reification of strategy as research shows that most employees in SMEs do not know what the strategy is in their organization.

To conclude, although the Visual Strategy method has its own challenges, it is proven to deliver several business benefits in SMEs. Some of the benefits of adopting this methodology are: establishing long term thinking rather than short termism and firefighting; establishing proactive and adaptive organizational capabilities; empowering employees and encouraging strategic conversations rather than considering strategy as a top management job; creation of a shared vision rather than strategy 'in the head of the owner manager'; strategy being participatory and open rather than strategy being secretive and exclusive and enabling long-term survival and prosperity rather than success by accident. In summary, owners and managers of SMEs should engage with their organization and its environment in a proactive manner, while exploring opportunities and engaging with generative knowledge creation collectively.

However, it is important to note that managers' reluctance of sharing financial information with employees, level of openness, employees' reluctance of getting involved in strategic initiatives and longevity of the approach are some of the tensions and challenges identified during this research study. There seems to be various boundary conditions that might have an important influence in the development of an open and participatory strategy and the possibilities to embed and institutionalize this new strategy. For example, while the cases in this research include firms of various size, the attributes of and impact of open and visual strategy for SMEs is not yet fully understood. However, this study makes important contributions and suggests that SME managers should step away from a secretive and reactive approach towards flexible approaches as openness, participation and reification are complementary as strategy becomes part of employees' daily routines and conversations.

Consequently, visual strategy helps turning organizational purpose into a shared reality while accelerating employee engagement.

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