

**Studying Strategizing and Organizing within the Multibusiness Firm:
Capabilities, Evidence and Learning**

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Abstract

The field of strategic management research is dealing with a dual challenge. Practically, there is a widespread consensus among managers that the pace of change in modern organizations requires dealing with organizational and strategic issues in an emergent, flexible and integrated way. Theoretically, recent scholarly contributions have identified the importance of studying organizational structures and corporate strategies as continuous and intertwined processes of organizing and strategizing. It is claimed that in dealing with these dynamic processes the roles of those involved in strategy are also changing and so are their capabilities. Yet, our understanding about these capabilities remains scarce. The research questions we therefore try to address in this paper are: a) what are the capabilities required by managers and their teams to strategize? b) How and why do these strategizing capabilities change within the multibusiness firm over time? And c) how and why is the context of each business unit influencing the use of particular strategizing capabilities by this unit's managers? In doing so, we analyse the actions of key strategy actors and their teams at multiple levels and over time within a telecommunications multibusiness firm.

The bigger research project, of which this paper is part, is based on the longitudinal comparative case study method using interviews, questionnaires and secondary data from a number of multibusiness companies. In what follows we summarise the main findings derived from qualitative and quantitative evidence from a FTSE-100 telecommunications firm. The qualitative data comprises of 31 semi-structured interviews with informants representing the corporate centre and two business units of this firm. Quantitative data was also collected using an on-line survey. A group of 1000 managers were invited to participate and 161 questionnaires were submitted. This survey complements the qualitative data and adds a unique insight into the strategy processes and practices within multibusiness firms. The paper is divided into three sections. The first section outlines the theoretical and methodological issues for studying strategizing capabilities at multiple levels and over time within multibusiness firms. In the second, our empirical findings are reported. Finally, the third part discusses the theoretical and practical contributions of this research, together with some implications for future research.

Keywords: Capabilities; Multibusiness firm; Strategizing; Strategy as practice; Strategy process research; Strategy teams

Background and Questions

In the present strategic management literature there is a limited analytical vocabulary to describe how managers actually conduct strategy. Traditionally, conceptual and theoretical dichotomies (think vs. act, content vs. process, micro vs. macro, rational process vs. political process) have bounded scholars' understanding around the day-to-day activities of strategy managers. There is now a need for an area of research that deals holistically with "how the practitioners of strategy really act and interact" (Whittington, 1996: 731) in the whole strategy-making process. This theoretical and empirical challenge has been proclaimed by researchers in the emerging area of 'strategy as practice' or 'micro-strategizing'. Strategizing refers to the continuous practices and processes through which strategy is conceived, maintained, renewed and executed. It focuses on the what, when, how and why of making and executing strategy and demonstrates the way strategies unfold over time, that is the way strategies are developed, realized, reproduced and transformed in an ongoing process (Melin et al., 1999). Further, strategizing encapsulates the micro-level activities through which organizational members construct and enact strategies by utilising both informal and formal means (Whittington, 1996). Using these insights, the present study is specifically concerned with strategizing in the multibusiness firm as an ongoing practice and process in context (Pettigrew and Whipp, 1991; Webb and Pettigrew, 1999).

The duality of organizing and strategizing has been the focus of a number of theoretical examinations. For Whittington and Melin (2003) the use of verbs demonstrates that the emphasis is on the ongoing process of making strategy alongside changes in the organizational form and structure. They present a number of business and theoretical drivers that can be associated with a dynamic and complementary appreciation of strategizing and organizing. Løwendahl and Revang (2004) theorize on the benefits of using both strategizing and organizing as means to improve value creation and deal with the increasing complexity in the post modern organization. But if success no longer depends on having the right strategies or structures, but on having the capability to continuously reinvent them, what does that mean for the skills and knowledge required by managers? Our argument here is that, with the emergence of new forms of organizing (Pettigrew et al., 2003), the roles of those involved in the strategy process are changing and so are the capabilities they require during that process. The broad question we try to uncover is: What does the duality of strategizing and organizing actually mean for the

practice of managers, and more specifically for their capabilities? For instance, when a firm adopts flattened hierarchies or decentralizes some operations, the capability of central managers to communicate between and across different layers of management seems to be of growing importance.

Questions related to capabilities have been the focus of much strategic management writing (Grant, 1991; Teece et al., 1997). Yet, it seems that questions specifically around the capabilities required by managers within the strategy process remain to a large extent untouched by research. The management development literature, on the other hand, offers considerable insights into the ways firms develop their managerial capabilities through various mechanisms and processes of management education (Winterton and Winterton, 1999). However, these examinations are to a large extent static, failing to present how the process of developing managerial competencies unfolds over time, or how it is linked with the overall strategy making process. There is then a potential here to offer new insights by using the management development literature and undertaking empirical work specifically on the following researchable question:

Question 1: What are the capabilities required by managers to strategize within the multibusiness firm?

In this study we are also interested in exploring the capabilities to strategize over time. Strategy process research (e.g. Chakravarthy and Doz, 1992; Pettigrew, 1985) examines how strategies are shaped within companies and then validated and implemented at different time periods. Learning can be taken from process studies which analyse sequences of incidents, activities and actions, and the context in which these actions are situated (Pettigrew, 1992, 1997; Thomas, 2001). Using these insights, the researchable question we are asking here is:

Question 2: How and why do the capabilities required by managers to strategize within the multibusiness firm change over time?

Our study is also contextual in character. Examining action in context allows a much richer appreciation of the multiple factors influencing the strategy development process (Van de Ven, 1992; Eisenhardt and Bourgeois, 1988). For strategy process scholars, change arises from the interaction between embedded levels of context, from the outer context of the society, economy and industry to the inner context of the firm (Pettigrew

1987; Pettigrew and Whipp 1991). Multibusiness firms, in particular, are characterised by a plethora of business units, organizational levels and hence by a multitude of contextual pressures. In this setting, scholars have been primarily interested in the role of the corporate centre (Chandler, 1962; Goold et al., 1994; Williamson, 1975). However, we contend that our understanding of strategizing capabilities in multibusiness firms can be improved when researchers study these capabilities at multiple contexts (Pettigrew, 1997). This argument is in line with scholars from the strategy as practice view who have suggested that practice occurs within a coexistent and fluid interplay between contexts (Jarzabkowski, 2004). For that reason, the emphasis of our study is on the actions and interactions of managers at a within-firm level and more across two business units. Thus, the final question we seek to answer are:

Question 3: How and why is the context of each business unit influencing the use of particular strategizing capabilities by this unit's managers?

Overall, we try to contribute to the strategy as practice and strategy process literatures by exposing the variation of strategizing practices using two levels of comparison: a) between different levels of the multibusiness firm and b) over time. More significantly, we try to answer the call by Jarzabkowski (2004) by explaining: a) how the capabilities to strategize emerged over time, b) why they were different and finally c) what characteristics of each business unit's context were associated with the use of particular capabilities. In order to achieve this we choose to dedicate a large portion of this paper to the rich empirical evidence from our research. In this section we have identified three focused researchable questions using three broad areas: the established strategy literature on strategy making and process research, newer research on strategy as practice, and research about multibusiness firms. Next we outline the method used to answer the three key questions we are addressing in this paper.

Method

In the previous section we presented three questions that are processual and contextual in character. In the strategic management literature longitudinal case studies have been used to answer these types of questions. As Pettigrew (1990:271) notes: "The longitudinal comparative case method provides the opportunity to examine continuous processes in context and to draw on the significance of various interconnected levels of

analysis". Accordingly, this research, of which this paper is part, is also based on the longitudinal comparative case study method using interviews, questionnaires and secondary data from a number of multibusiness companies. In this paper, however, we summarise the main findings derived from a rich set of qualitative and quantitative data collected between 2002 and 2004 in a UK-based telecommunications firm: TelCo¹. We chose this company for several reasons. First, it is a large FTSE-100 firm which contains a large number of business units operating in a variety of markets. Secondly, in the UK telecoms sector the deregulation and liberalisation processes of the 80s and 90s have created smaller organizations focusing on particular parts of the value chain. This changing environment is particularly suited for our study as many top executives in utilities have found themselves seeking new ways to conduct strategy -hence new capabilities to strategize- in order to deal with these new challenges. Finally, our previous research (Paroutis and Pettigrew, 2005) meant that we had a strong network of established relationships in this company through which we could negotiate high quality access for interviews.

The qualitative data comprises of 31 semi-structured interviews, each lasting from 60 to 120 minutes. The informants were carefully chosen to include managers from the corporate centre and two major business units of the firm (including: CEO, MDs, TMT members, Finance Director, Strategy Directors and other directors). These managers had strategy related roles (e.g. group strategy director, strategy manager) as well as non-strategy related roles (e.g. marketing director, finance manager, HR director). Overall, there were four levels of informants (see table 1 below). The purpose of including managers who did not have typical strategy roles was to get a holistic understanding of strategizing practices and to gauge the influence of strategy managers across the firm. Secondary data in the form of strategy reports and company presentations was collected to complement the interviews. Quantitative data was also collected using an on-line survey. A group of 1000 managers were invited to participate and 161 questionnaires were submitted. This survey complements the qualitative data and adds a unique insight into the strategy processes and practices within the multibusiness firm.

¹ The actual names of the company, the business units, the informants and other material have been properly disguised to preserve the anonymity of individual managers.

	Corporate Centre	Business Units	Total
Strategy Directors and Strategy Managers	7 (23%)	TelCo Retail: 6 TelCo Business: 5 Other Units: 2 Total: 13 (42%)	20 (65%)
Non-strategy Directors and Non-strategy Managers	4 (13%)	TelCo Retail: 4 TelCo Business: 2 Other Units: 1 Total: 7 (23%)	11 (35%)
Total	11 (35%)	TelCo Retail: 10 TelCo Business: 7 Other Units: 3 Total: 20 (65%)	31 (100%)

Table 1: The four different levels of informants and corresponding interviews.

The qualitative data was analysed by first building individual case studies and then comparing across cases to construct a conceptual framework (Eisenhardt, 1989). Overall, one detailed corporate level case and two embedded case studies of business units were prepared. This embedded design provided a rich setting in which to conduct within-case and cross-case analysis (Miles and Huberman, 1994). In order to achieve a robust and reliable analysis of our interview data across levels and over time we developed an extensive coding system. These codes were created using a set of 15 pilot interviews with strategy directors from 10 FTSE-100 companies (Paroutis and Pettigrew, 2005) and refer -amongst others- to: a) the meaning of strategy, b) the participants in the strategy process, c) their practices during the strategy process, d) the areas of organizing and e) the capabilities required to strategize. Using this coding system, the interview transcripts were analysed using NVivo 2 by QSR International. Measures were also taken to ensure the reliability of this coding procedure. Hence, two independent coders coded a subset of the transcripts. The result was an intercoder reliability index (based on Miles and Huberman, 1994) of over 83%. Having coded each of the transcripts, patterns in the text emerged from studying the individual instances of each code and relationships between the subcategories were analysed using tables and matrices. The survey data was statistically analysed in SPSS and the results were compared with the interview findings. This multi-method research strategy resulted in categories and a framework that are anchored in our rich empirical evidence.

The Case Company

TelCo, a UK based telecommunications firm, is the listed holding company for an integrated group of businesses that provide voice and data services in the UK, and around the world. Its principal activities include local, national and international telecommunications services, higher-value broadband and internet products and services, and IT solutions. In the UK, TelCo serves over 20 million business and residential customers with more than 29 million exchange lines, as well as providing network services to other licensed operators. TelCo's primary businesses are: TelCo Retail, TelCo Business, TelCo International, TelCo Internet and TelCo Research.

By 2002, TelCo had moved from its traditional utility past to a multi-product, multibusiness organization with operations in different markets. Following the aforementioned research strategy, two business units with distinctive contextual features were chosen: 'TelCo Retail' a unit serving end business and residential customers and 'TelCo Business' a business running TelCo's networks and providing network services and solutions to other communication companies. Regarding the time frame of the study, TelCo Group, TelCo Retail and TelCo Business were examined for the period 1997-2004. The period 1997-2002 was studied retrospectively, while 2002-2004 was examined in real time. In total we developed one corporate level case study (TelCo Group) and two embedded business unit cases (TelCo Retail and TelCo Business). It has to be noted that TelCo is a FTSE-100 (December 2001) and Forbes International-500 (for 2001) listed company.

On-line Survey Design and Delivery

Following the multi-methodological approach outlined above, an on-line survey was administered in TelCo alongside the interviews in order to achieve triangulation and complementarity. This survey also provided insights to questions about the extent of change in the strategizing processes and practices over time. Generally, quantitative methods tend to bring out a static picture of social life that help on many occasions to uncover regularities, and it is often the identification of such regularities that allows a processual analysis to proceed (Bryman, 2001). The survey is also more suited to investigate the macro aspects associated with strategizing. These macro aspects refer to

the organizational and business context in which TelCo operates. As expected, the qualitative investigation can also provide insights about any differences in the way managers participate in the strategy process across different business units. However, it is the combined use of quantitative and qualitative data that will allow for comparisons both inside the two TelCo business units as well as across the two units. Additionally, through the on-line surveys it was possible to gather additional perspectives on key events and issues from managers who were not interviewed (Miles and Huberman, 1994).

The survey questions were designed according to the themes emerging from the literature and the results from our 15 pilot study interviews. A Likert-type scale from 1 (strongly disagree/not at all) to 5 (strongly agree/very much) was utilized in an effort to determine the respondent's perceptions of the capabilities required to strategize, and whether these capabilities differ over time and by business unit. Various demographic data were also collected, including the number of years in the company, years in the current post, educational background, and current role. Overall, the questions were grouped as follows:

Your Profile' Questions: these helped establish the demographics, role and location of respondents.

Strategizing (Questions 1-7): these were used to explore the company's current strategy process. The additive value of this particular dataset comes from: i) quantifying participants' perceptions about the strategizing practices and processes and ii) covering a greater sample of managers than through the interviews.

Strategizing and Organizing (Question 8): these were developed to map the extent of change regarding the strategy process over time. Here, the managers were asked to evaluate the areas and extent of change by comparing the 2003 strategy process with the same process 3 years ago. The choice of these dates was decided after discussions with the TelCo group strategy director. The goal of this question was to establish whether changes in the strategy process have been perceived in different ways across TelCo Retail and TelCo Business. The interview data was then used to expose the reasons why these differences exist. This question consisted of 12 sub-questions.

Strategizing Capabilities (Questions 9-11): were designed to expose the changes in the capabilities required during the strategy process and the ways these capabilities were

developed over time in TelCo. As with question 8, the managers were asked here to evaluate the areas and extent of change regarding their capabilities by comparing the perceived use of capabilities in the 2003 strategy process with the same capabilities in the 2000 strategy process. These categories of capabilities emerged from the literature and the pilot interviews (see table 2). The purpose of questions 9-11 was to find out the managers' individual perceptions regarding the strategizing capabilities and establish the level of change of these capabilities between 2000 and 2003.

The on-line survey was developed and administered in three phases to increase the validity and reliability of the questionnaire instrument. In the first phase, the researcher met with a strategy manager from the TelCo corporate centre to discuss the design and content of the survey. In the second phase, the survey was piloted by six corporate centre and business unit managers. These two phases were critical in customising the design and wording of the questions to the discourse in each company so that participants did not feel alienated. In the third and final phase (July 2004) the TelCo group strategy director emailed a random sample of 1000 TelCo's top and middle management asking them to participate in the on-line survey. Overall, 161 responses were submitted by managers from all TelCo businesses (see table 2). We checked for sample bias with respect to the distribution of the respondent's position in the company and their managerial level, and no bias was found. The facilities of Excel and SPSS were then utilised to store, clean and analyse the answers of the participants. The data was analysed using descriptive statistical analysis and correlation analysis in the form of cross-tabulation tables. Next, we present the principal findings from our analysis.

	Frequency	Percent
TelCo Group	15	9.3%
TelCo Retail	57	35.4%
TelCo Business	40	24.8%
TelCo International	31	19.3%
TelCo Research	18	11.2%
Total	161	100%

Table 2: Distribution of the TelCo survey responses.

Principal Findings

In this section, guided by our three main research questions, we are using two themes to present our findings. “Skills and Knowledge to Strategize” deals with the skills and knowledge required by TelCo managers to strategize (Question 1); “Strategizing Capabilities at Multiple Levels and Over Time” explores to what extent and why these capabilities have changed over time. This second theme also exposes whether there is significant variation among managers from different business units regarding their perceptions about the level of use of particular strategizing capabilities in the strategy process (Questions 2 and 3). In each of these two categories, we offer unique insights from both our interview and questionnaire responses.

Skills and Knowledge to Strategize

This category of findings refers to the capabilities required by managers to make and execute strategy in multibusiness firms. When TelCo decided to expand its operations in Europe, managers were expected to develop appropriate capabilities to deal with the new requirements of the European environment. As Ghoshal and Bartlett (1998) have stressed, the new strategies and structures require new ways of managing and new kinds of managers. The question that naturally follows is “what capabilities are required of such new kinds of managers?”

Already capabilities have been examined by many strategic management scholars, for example, within the influential resource-based view (Grant, 1991; Teece et al., 1997). In this study our focus is on the specific capabilities required by managers to practice strategy. Drawing upon the management development literature (Burgoyne, 1989; Winterton and Winterton, 1999) and the empirical evidence from our pilot interviews with strategy directors (Paroutis and Pettigrew, 2003) we identified three broad categories of capabilities: *technical* abilities; *interaction* abilities; and *meta-level* abilities (see table 3 below).

Technical abilities refer to the knowledge and skills that enable managers to deal with the day-to-day strategic activities, participate in the daily strategy discourse and utilise strategy tools; they enable managers to analyse strategic issues. Whittington (1996: 732) exposes some of these routine activities “...the sitting in...committees, the writing of formal documents, the making of presentations”. Interaction abilities refer to the skills

Category	Definition	Example*
Technical Abilities	The knowledge and skills that enable managers to deal with the day-to-day strategic activities (for example knowledge of strategy tools)	"a strategist needs to be highly analytical...he needs to be able to translate his analysis into analytical concepts focused in the long term and not the short term"
Interaction Abilities	The capabilities that enable managers to work in strategy teams and interact with other managers inside and outside their firm	"a strategist needs to be extremely well...positioned in the...organizational politics...A strategist is not a provider of solutions, he is a "partner" in the development of solutions"
Meta-level Abilities	The abilities that enable strategists to utilise their knowledge in novel ways and to provide critical insights during the strategy process.	"rather just looking, people who are very good at grinding up the slightly better performance every year you need people who are going to think completely different"

Table 3: Categories of the capabilities required by managers to strategize. *Examples from the pilot study interviews with strategy directors from FTSE-100 companies.

that allow strategists to interact with other managers and work in strategy teams. Within this broad category we used an inductive approach to expose two sub-categories of interaction abilities: political skills and communication skills. Finally, the literature and our pilot interview evidence suggest that strategists require a third complementary set of abilities termed meta-level. These abilities enable strategists to utilise their knowledge (Meldrum and Atkinson, 1998) in novel ways and to provide critical insights during the making of strategy. Within this broad category we used an inductive approach to expose two sub-categories of meta-level abilities: conceptual skills (the ability to translate figures and facts into strategic objectives and alternatives) and creativity (the ability to discover novel options and solutions).

The abovementioned two sub-categories correspond to empirical findings from the management development and human resources literatures (Constable, 1988; Burgoyne, 1989; Winterton and Winterton, 1999). For instance, creativity is definitely not a new concept in the study of organizations (Amabile, 1997; Drazin et al., 1999) and has been the topic of many practitioner-oriented publications. However, these examinations are to a large extent static and fail to present how the process of developing managerial competencies unfolds over time, and how it is linked with the overall strategy making

process. Further, many of these studies are based on questionnaires (Dulewicz, 1992) used to evaluate the importance of ‘general manager’ abilities. Our study is distinctive because we investigate and expose those particular capabilities that are actually utilized by managers while practicing strategy. At this point we also have to note that feedback from our pilot survey revealed that it would be more effective to ask participants about the particular sub-categories of skills instead of asking about the two broad categories of interaction and meta-level capabilities. Overall, TelCo managers were asked questions about their creativity, and political, communication, conceptual and technical skills.

Our next step was to analyze our survey evidence in order to reveal the extent that TelCo managers used the abovementioned capabilities during strategizing. Figure 1 below presents the results of our analysis for 2003. What stands out here are the differences in the use of particular capabilities. According to our respondents, communication skills (Mean: 3.65) were used more than other capabilities. Second most important was creativity (Mean: 3.46), followed by conceptual skills (Mean: 3.05), technical skills (Mean: 3.05), and finally political skills (Mean: 2.71). But what are the reasons TelCo managers use these particular capabilities during strategizing? We answer this question in the following paragraphs utilizing our rich interview data.

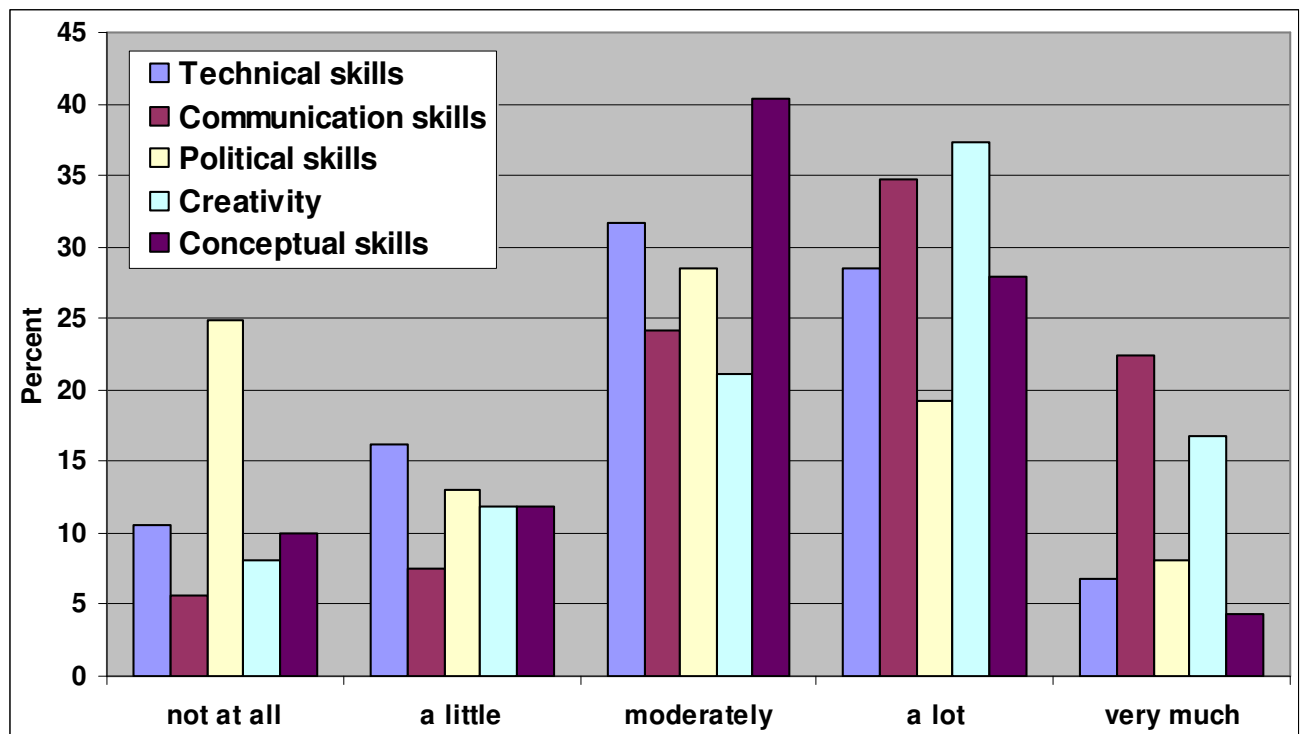


Figure 1: Survey results about the perceived use of particular capabilities in strategizing in 2003.

Regarding the technical abilities, our interview evidence suggests that the model of the good TelCo manager of the past is not good enough in delivering high quality strategic outcomes in today's telecommunications industry. Accordingly over the past few years, a number of initiatives have been launched across the TelCo business units to improve the technical abilities of TelCo managers. As one of our informants notes, technical skills are required at every post in TelCo:

“..I will answer the skills question in two senses. One is the indoor technical skills that are required in the job, you know, in a factory that would be screwing knots and bolts together. The other kind of softer skills of teamwork, presentation etc.” (Chief Technology Officer, TelCo Research)

Data from our extensive interviews at TelCo also corroborate our survey results and indicate that communication skills are perceived by TelCo managers as highly important during the strategy process. In a complex and large organization such as TelCo the daily reality of a manager participating in the strategy process often involves interacting with her/his colleagues within the same unit or across other units. Many informants also emphasised that a strategist needs to master the TelCo organizational politics in order to effectively communicate her/his message across the firm and influence other participants in the strategy process:

“I wanted people who are instinctively team-focused...Big organizations like this work when people link arms and work together, rather than fight each other... in one sense politics is what goes on in a big organization... You need to be savvy and understand how organizations work, but you mustn't be self-centred about it”. (CEO, TelCo Business)

Regarding the meta-level abilities, TelCo interviewees stressed that a fundamental skill should be the ability to demonstrate creative thinking during the analysis of strategic issues. Creativity was also ranked second most important in our on-line survey. But why is creativity considered so important for those involved in the TelCo strategy process? This kind of creative thinking allows managers to analyze complex situations and in

finding novel ways to deal with emerging strategic issues in the telecommunications industry and at local markets. These alternatives, according to our interviewees, are central for effective decision making within a large firm like TelCo. Conceptual thinking also plays an important role according to our TelCo informants in dealing with complex strategic issues and synthesizing plausible alternatives.

Our analysis of the 'skills and knowledge to strategize' indicates that for TelCo managers, strategizing capabilities are perceived as enabling and mediating mechanisms through which they are able to establish and change the TelCo strategy process. At the same time the growing challenges and risks in TelCo's business context have focused the attention of TelCo managers on the capabilities required to strategize. These challenges are linked to both inner and outer contextual factors. Changes in technology, legislation and the move from the public protection to the market conditions has led TelCo managers to reconsider their established processes and practices about what strategy really means and how it should be made under these new conditions. Accordingly, their practices are changing to accommodate for these new challenges and expectations. We contend that in order to engage in these new activities and participate in the strategy process, managers utilize three broad sets of capabilities: technical abilities, interaction skills (communication and political skills), and meta-level abilities (conceptual skills and creativity). More importantly, studying these capabilities over time allows for interesting insights about the way strategy is conducted within the multibusiness firm. In the next section we will investigate how these capabilities changed over the period 2000-2003 and whether there are significant differences between the ways these capabilities are perceived by different units within TelCo.

Strategizing Capabilities at Multiple Levels and Over Time

This section deals with our second and third research questions by utilising our rich set of survey and interview evidence. Importantly, the on-line survey we conducted at TelCo, as outlined in the method section earlier, allowed us to gain a precise picture of the level of perceived change in strategizing capabilities over time. We were also able to expose different patterns and variations in the use of particular capabilities across different TelCo business units.

Before examining in depth our results it is important to stress that many writings exist

about the rationale behind the existence of the corporate centre, i.e. what the centre does (Markides, 2001), but little is known about the way the business units shape customised ways to practice of strategy and develop local strategizing capabilities. Most scholars, instead, focus their attention on already existing strategies and often the creation of new corporate strategies is examined in isolation from the business unit strategies. However, as our interviews at TelCo revealed, the creation of corporate strategy is not solely a responsibility of managers at the corporate headquarters; business unit management teams also play a critical role, especially in terms of executing strategic initiatives. In other words within TelCo there are different communities of managers with particular ways to strategize. For the purposes of the current paper, we focus our attention on two large communities within TelCo: the business units of TelCo Retail and TelCo Business (outlined in table 4 below).

Aspects	TelCo Retail	TelCo Business
Main products and services	Plethora of retail telecom services to customers	Running TelCo's networks and providing network services and solutions to other communication companies
Nature of market and competition	Fast moving market with strongly increasing competitive forces	Relatively slow moving market with moderately increasing competitive forces
Nature of customers	Large number of residential and corporate customers	Small number of corporate customers
Contribution to TelCo's total earnings (2003)	Accounts for 70% of TelCo's total earnings	Accounts for 18% of TelCo's total earnings
Percentage of total employees (2003)	Represents 50% of TelCo's total employees	Represents 20% of TelCo's total employees

Table 4: The characteristics of the two principal TelCo business units.

Our analysis of the survey evidence regarding the strategizing capabilities during the period 2000-2003 across TelCo Retail and TelCo Business can be found in figures 2 and 3. We calculated and grouped the survey responses under three headings corresponding to different levels of change in the perceived use of particular capabilities in 2003 compared to 2000 (declined in use, no change and increased in use). For example, the left graph in figure 2 indicates that 29% of TelCo Retail managers believe that there is an increase in the use of political skills in 2003 compared to 2000. What stands out here

is the difference between TelCo Retail and TelCo Business about the growing use of particular capabilities over time.

Figure 2 below indicates that more TelCo Retail managers consider that political abilities have grown more in use during 2000-2003 compared to TelCo Business managers. On the other hand, more TelCo Business managers perceive communication skills to have grown more in use during 2000-2003 compared to TelCo Retail managers. In order to explain these differences identified by our survey, we need to go back to our interviews and focus our attention on the particular contextual characteristics of each unit (see table 4 above). Accordingly, TelCo Business managers are traditionally characterised by their strong technical skills but their communication skills have been developing rapidly so that their unit could cooperate more actively with other TelCo units. TelCo Retail managers have a strong background in creative skills but their political skills had to be developed further to cope with increased competition in their markets. As one of our interviewees notes:

“TelCo Business, big regulated business... They’ve got a particular view of how work should be done... it has to be very systematic because you’re dealing with absolute items...Whereas if you go into the retail community (TelCo Retail) it’s about fast-moving market opportunities, it’s about marketing, it’s about being creative.” (CEO, TelCo Research)

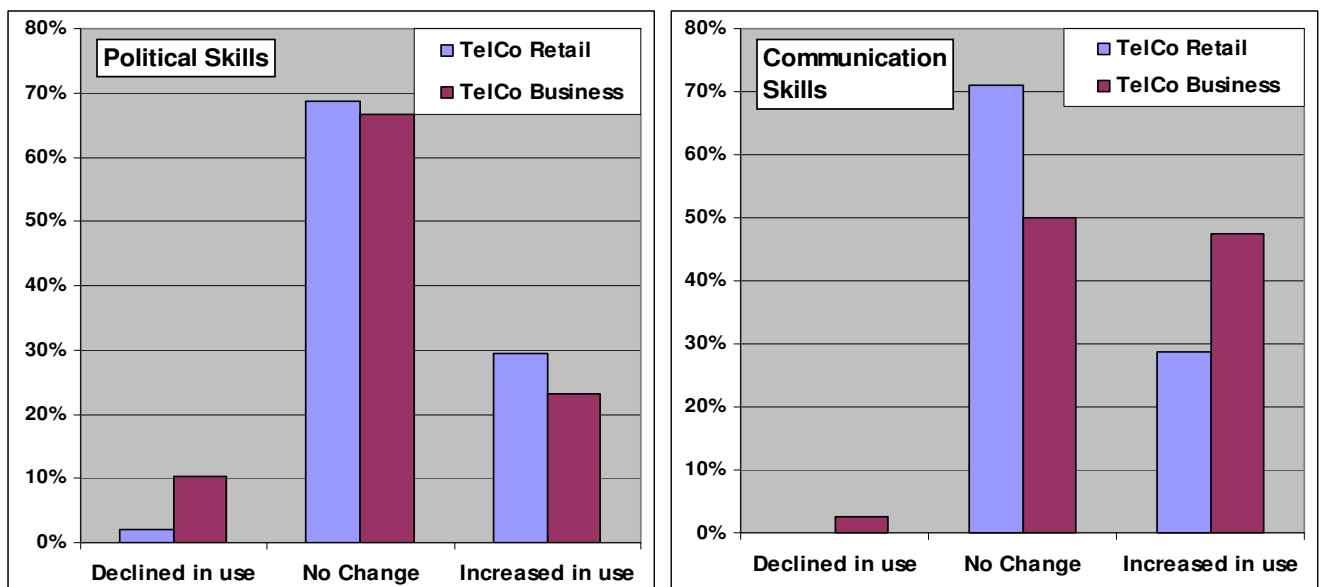


Figure 2: Perceived change in the use of political and communication skills over the 2000-2003 period according to TelCo Retail and TelCo Business managers.

At the same time, over the past three years there has been an increased pressure on both TelCo Retail and TelCo Business managers to improve their capabilities related to both political and communication skills in an effort to improve the collaboration across the TelCo group of companies during the strategy process. As another interviewee stresses:

“...I do think the emphasis on that has changed over the last few years... we’ve gone from a system whereby all we expected people to do was be good software engineers 10 years ago, to a much more team-working ethic, but also more importantly, the ability to sell your work area. So the presentation skills, the interpersonal skills definitely have grown in importance.” (Chief Technology Officer, TelCo Research)

Figure 3 below illustrates two interesting insights from our survey data. First, more TelCo Business managers perceive conceptual skills to have grown more in use during 2000-2003 compared to TelCo Retail managers. This reflects the focus of the TelCo Business top management in utilizing conceptual skills in finding solutions to complex strategic problems. One way to develop these skills was by hiring managers from various industries: “We brought people in, such as myself...we’ve got good quality hired professional programme managers to deliver the change, instead of just talking about it. (Strategy Manager, TelCo Business).

Second, there is similarity across TelCo Retail and TelCo Business managers regarding the growing use of creativity over the period 2000-2003. Again, from our interview evidence, creativity is perceived as important in dealing with the increased complexity of strategic issues across TelCo. As the CEO told us, teams within TelCo are increasingly characterised by diversity of both operational skills and creativity:

“You know the old saying, managers do the things right and leaders do the right things...you need to have diversity around the table. You need to have operational excellence as much as creativity [knocks hand on the table]” (CEO, TelCo Group)

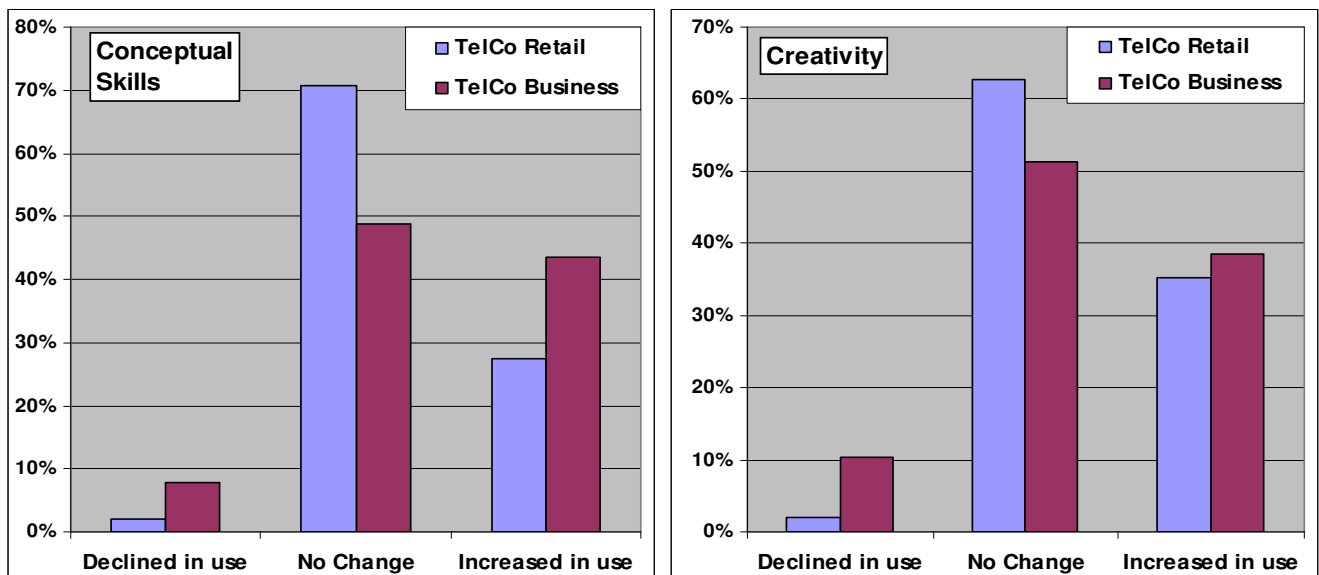


Figure 3: Perceived change in the use of conceptual skills and creativity over the 2000-2003 period according to TelCo Retail and TelCo Business managers.

Overall, both our survey and interview evidence indicate that for many TelCo managers strategizing capabilities have increased in use in 2003 compared to 2000. But why has the perceived use of these capabilities changed over the 2000-2003 period across TelCo? The main argument here is that the outer and inner contextual changes that are driving companies to adopt new forms of organizing (Pettigrew et al., 2000; Pettigrew et al., 2003) are also driving them towards adopting complementary ways of strategizing, as well as new capabilities to strategize. More specifically, we suggest here that changes in these contextual factors have a knock-on effect on the strategizing processes and practices within multibusiness firms, and consequently on the capabilities to strategize. The main historical changes in the UK telecommunications industry, for example, concerned the introduction of competition and the introduction of new telecommunications technologies, especially regarding mobile telephony and the Internet. As a result, many top executives in telecoms found themselves seeking ways to ‘stir their companies’ through the new reality of the market economy. Specifically in TelCo these changes and the move from the public protection to market conditions have led TelCo managers to reconsider their established processes and practices about what strategy really means and how it should be made under these new conditions. Hence, a wide range of initiatives were launched towards developing a whole new skill-set, including the area of strategy.

The internal reality of multibusiness firms also raises new challenges for managers. Different business units in the same firm, as the case of TelCo demonstrates, have different products, resources, markets, competitors and cycle times. As a result, these units have different ways of spotting issues, setting priorities and developing strategic initiatives. This creates complex political dynamics between the centre and the periphery during the strategy process. Illustrating, specifying and appreciating the impact of these factors is central in exposing the various ways of strategizing. Further, management action creates and is enabled by an internal context that is receptive to strategic change (Pettigrew, 1987). For example, TelCo's focused strategy on new telecommunications products, services and markets, especially around the Internet, also meant a challenging shift in the culture of the company, from the heavy heritage of the traditional telecommunications provider of the 1980s towards a flexible marketing oriented organization with strong growth potential for the future.

Alongside contextual factors, the diversity of communities of managers within TelCo results in particular ways to strategize and, hence, particular priorities about the capabilities they require during their strategy process. This argument is in line with the social sciences literature on practice as well as research on communities of practice (Brown and Duguid, 1991; Lave and Wenger, 1991; Wenger, 1999). The argument here is that within the multibusiness firm different communities of managers develop over time particular ways to practice strategy. Also knowledge on how to conduct strategy (e.g. how to conduct a strategy analysis using specific strategy toolkits) is primarily perceived as a social activity that occurs through participation within these teams. Hence, managers learn through participating in these communities of practice and gradually develop distinctive capabilities to strategize. Another important message here is that managers, their practices and strategizing capabilities are all interrelated elements of the day-to-day strategizing reality of organizations.

In summary, our findings on the 'strategizing capabilities at multiple levels and over time' demonstrate that there are some differences in the kinds of capabilities TelCo managers utilize according to their location in the company. However, what stands out is the difference between 2000 and 2003 regarding the growing use of particular strategizing capabilities. These findings also illustrate one of the methodological insights that we aim to convey through this paper. More specifically, we believe that the study of

strategizing capabilities using both qualitative and quantitative methods and over time can help researchers identify and explain patterns in the ways these capabilities are realized across different levels within the multibusiness firm. As we demonstrated in this section our unique survey evidence at TelCo enabled us to build a robust picture about the level of change of specific strategizing capabilities across two business units and over time. We were then able to utilize our qualitative evidence to explain the reasons behind this variation. In that respect, our study is also one of the first studies within the strategy as practice area adopting a multi-methodological approach. In the final section we will explore in more detail the contributions of our study and how it can provide the basis for future research.

Conclusions and Learning for Future Research

This paper contributes to the traditional strategy process research area and the emerging field of strategy as practice in a number of ways. Already there is a growing body of empirical studies in the strategy as practice area concentrating on the events and discourses involved in formulating and changing strategic activity (Hendry, 2000; Maitlis and Lawrence, 2003). Our study is distinctive in focusing upon the *capabilities* that enable managers to participate in the strategy process. In that way, we answer the call by Whittington (2003: 120) for more empirical research on: “What are the skills required for strategizing and organizing work?” More importantly, we are trying to address one of the principal weaknesses in the strategy as practice area which has been the tendency to rely on meta-level theories to explain micro-level phenomena. In contrast, we are suggesting that mid-range theories can help research to get closer to the phenomenon under study (the practices of managers), and thus, can be very helpful in informing research within the strategy as practice field. By utilizing the management development literature in this paper we have focused on three categories of capabilities required by managers in the strategy process: *technical abilities*; *interaction skills*; and *meta-level abilities*. Technical abilities enable managers to analyse strategic issues, while the interaction skills allow them to communicate with other managers and work in strategy teams. Our evidence also suggests that strategists require a third complementary set of abilities termed meta-level. These abilities enable managers to utilise their knowledge in novel ways and to provide critical insights during strategizing. Overall, we believe that the management development literature discussed in this paper, has the

potential to stimulate an exciting research agenda on strategizing capabilities within the strategy as practice area of research.

Our study is also distinctive in exposing the above-mentioned three sets of capabilities as enabling and mediating mechanisms through which strategists establish and change the strategy process. Our focus upon these capabilities as mediators of day-to-day strategizing practice highlights their role in organizational continuity and change. Importantly, one of the principal messages of our study is that *managers*, their *practices* and *strategizing capabilities* are all interrelated elements of the day-to-day strategizing reality of organizations. In other words, studying these capabilities can yield important insights into the reasons and ways managers (and their teams) change their strategizing practices. Within TelCo, for example, our analysis demonstrates that there was an orchestrated effort to hire and position managers with a consulting background in business unit strategy teams across the firm. The expectation was that they would reinforce the current strategy workforce who already had strong technical abilities with a new set of interaction and meta-level capabilities. This new set of skills was perceived as important in order to increase the flexibility and speed of strategizing at the local level. Exposing and exploring such links between strategizing *practices* and particular *capabilities* can have important implications for policy and practice, for example in guiding management education (Whittington, 1996; 2003). This is exemplified by the positive feedback we have had from TelCo managers about the practical relevance of our work for their operations. Our bigger study utilises a wider set of data to explore the links between strategizing *practices* and *capabilities* in greater depth.

This research supports the argument made by recent studies in the strategy as practice area that strategy from a practice perspective appears to be *context-specific* (Jarzabkowski, 2004). Multibusiness firms, in particular, are characterised by a plethora of business units, organizational levels and hence by a multitude of contextual pressures. In this setting, scholars have been primarily interested in the role of the corporate centre (Chandler, 1962; Goold et al., 1994; Williamson, 1975). However, we contend that our understanding of strategizing capabilities in multibusiness firms can be improved when researchers study these capabilities at multiple contexts (Pettigrew, 1997). This argument is in line with scholars from the strategy as practice view who have suggested that practice occurs within a coexistent and fluid interplay between contexts

(Jarzabkowski, 2004). For that reason, the emphasis of our research has been on studying strategizing capabilities across different levels within TelCo. For example our survey data revealed that TelCo Retail managers consider that political abilities have grown more in use during the period 2000-2003 compared to TelCo Business managers. On the other hand, TelCo Business managers perceive conceptual skills to have grown more in use during 2000-2003 compared to TelCo Retail managers. Our message for future studies would be to recognise the importance of context in designing, conducting and interpreting research within the multibusiness firm.

This study also endeavours to make a *methodological* contribution by adopting a multi-methodological approach. Studies of a single strategy team within these firms over time could have provided us with a rich description of activities and events. Yet, the value of these investigations is limited, especially since the very nature of strategizing practices concerns collective actions of individuals across different levels inside the firm. It is when we study strategizing capabilities using both qualitative and quantitative methods and over time that we can identify and explain patterns in the ways these capabilities are realized across different levels within the multibusiness firm. In TelCo, for example, the survey evidence enabled us to build a specific picture about how capabilities were perceived in different ways across two business units. We were then able to utilize our qualitative evidence to explain the reasons behind this variation. It is noteworthy that our study is also one of the first studies within the strategy as practice area adopting a multi-methodological approach.

We recognise that this study has a number of *limitations*. Firstly, our data was collected through interviews and a survey. This data could have been reinforced by adopting an ethnographic approach i.e. through participant observation. However, achieving and maintaining this kind of access to a FTSE-100 company for more than two years would require a much larger team of researchers. Another limitation of the current paper is that we strategizing capabilities using evidence from a single company. This data provide us with rich insights but do not allow for comparisons across different organizations. In our bigger study, however, we use evidence from two firms and we are then able to compare and contrast practices and processes across multiple settings.

Future research in this area could focus on the *organizing* and *strategizing* duality. The

research area at the boundaries where the processes of organizing and strategizing meet raises new questions and challenges for the study of strategy in contemporary organizational settings. For example, more empirical insights are required to uncover the ways companies develop these ongoing processes of organizing and strategizing over time and to expose the factors and actors behind these processes. More ambitious research could also examine if there is a performance implication for those firms that realize and develop over time new ways of practicing strategy and new strategizing capabilities. Future studies could also be based on questions such as: How do companies across different sectors realise the capabilities required by their managers to strategize? What kinds of new HR priorities and systems emerge to develop these new skills and knowledge? Why do firms prefer certain methods to develop these capabilities?

Concluding, in this paper we tried to uncover some of the new realities around the capabilities required by managers within the multibusiness firm. In doing so we presented our findings from the analysis of 31 interviews with corporate centre and business unit managers and an on-line survey within a FTSE-100 telecommunications firm. These findings demonstrate that over time, within the dynamic reality of strategizing and organizing of TelCo, managers require particular capabilities to practice strategy. More importantly, as we have demonstrated in this paper, studying these capabilities has the potential first to add theoretical insights to emerging strategy as practice studies and the established strategy process research tradition, and second to generate findings that have practical relevance for managers. More comparative empirical work at different organizational contexts could offer further insights for both theory and practice about the capabilities that enable managers to strategize.

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