BACKGROUND

Studies have suggested that the pace of change in modern organizations requires an emergent, flexible and integrated way of dealing with strategic issues. It has also been claimed that in dealing with these dynamic processes the roles of those involved in strategy are changing and so are their capabilities. Yet, our understanding about these capabilities remains scarce. Furthermore, questions specifically about the capabilities required by managers within the strategy process remain to a large extent untouched by research. Notably, Whittington (2003: 120) argues that a central question for researchers is "what are the skills required for strategizing and organizing work and how are they acquired?" In this paper, *strategizing capabilities* are defined as the knowledge and skills that enable managers and their teams to practice strategy.

Questions related to capabilities have been the focus of much of the strategic management writing (Grant, 1991; Teece, Gary and Shuen, 1997). 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 could be linked with the strategy process at different levels in a complex organizational setting (such as the multibusiness firm). There is then a potential here to offer new insights by using the management development literature and by undertaking empirical work specifically on the following researchable question: *What strategizing capabilities do managers use within the multibusiness firm?*

Strategy process research (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 analyze 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 this paper tries to answer is: *How and why do the strategizing capabilities used by managers within the multibusiness firm change over time?*

THE MULTI-METHODOLOGICAL APPROACH

This paper summarizes the main findings derived from qualitative and quantitative data collected from a UK-based, FTSE-100 telecommunications firm: TelCo (pseudonym). The qualitative data comprises of 31 semi-structured interviews. The informants were carefully chosen to include managers from the corporate centre and two major business units (TelCo Business and TelCo Retail). These managers held strategy related positions (e.g. group strategy director, strategy manager) as well as non-strategy related posts (e.g. marketing director, finance director). 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).

Quantitative data was also collected using an on-line survey. The survey questions were designed according to the themes emerging from the literature on capabilities. 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 during the strategy process, and whether these capabilities differ over time and by business unit. The on-line survey was developed and administered in three phases to increase the validity and reliability of the questionnaire instrument. A group of 1000 managers were invited to participate and 161 questionnaires were submitted. This data was analysed using the Wilcoxon

and Mann-Whitney U statistics tests. Overall, the on-line survey conducted at TelCo allowed the measurement of the level of perceived change in the use of strategizing capabilities over the 2000-2003 period. The survey results were also used to compare the significance of particular capabilities across different TelCo business units. Finally, the changes in strategizing capabilities identified through the analysis of these survey results were linked with the changes identified in the strategy process. The insights gained from the survey evidence, together with qualitative evidence, form a central feature of the findings from this study. In that way, the survey complements the qualitative data and adds a unique insight into the capabilities utilized by managers during the strategy process across the multibusiness firm. Overall, it is the combined use of quantitative and qualitative data that allows for comparisons both inside the two TelCo business units as well as across the two units.
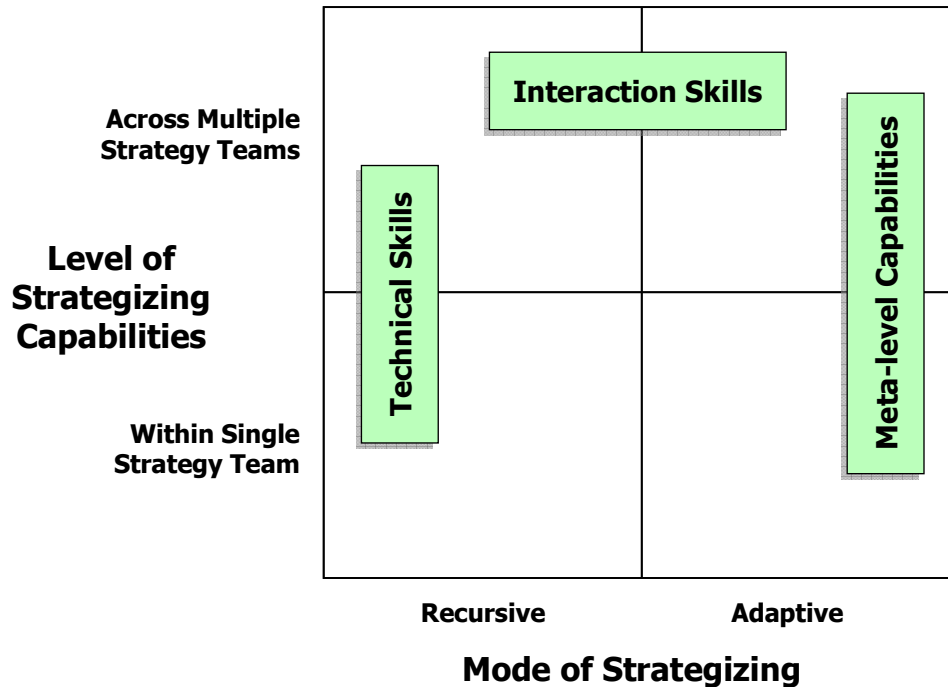
FINDINGS

Drawing upon the management development literature (Burgoyne, 1989; Winterton and Winterton, 1999) and using the empirical evidence from this study, this paper proposes three broad categories of strategizing capabilities: *technical* abilities; *interaction* abilities; and *meta-level* abilities. *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 utilize strategy tools; they enable managers to analyze strategic issues. *Interaction* abilities refer to the skills that allow strategists to interact with other managers and work in strategy teams. Within this broad category and using an inductive approach, two sub-categories of interaction abilities were exposed: political and communication skills. Finally, evidence from this study suggest that strategists require a third complementary set of abilities termed *meta-level*. These abilities enable strategists to utilize their knowledge (Meldrum and Atkinson, 1998) in novel ways and to provide critical insights during the strategy process. Within this broad category two sub-categories of meta-level abilities were exposed: conceptual skills (the ability to translate figures and facts into strategic objectives and alternatives) and creativity (the ability to discover novel options and solutions).

These three categories of capabilities were then mapped on the conceptual framework in the figure below in which, the horizontal axis represents the mode of strategizing (recursive / adaptive) (Jarzabkowski, 2004), while the vertical axis refers to the level where the strategizing capability occurs (within the strategy team / across strategy teams). Regarding the vertical axis, *technical* and *meta-level capabilities* refer to skills that enable managers within or across strategy teams to strategize. As a result these capabilities are mapped across both levels in the matrix. On the other hand, *interaction capabilities* were found to refer to skills across more than one strategy team and I mapped them in the global level of the matrix (across strategy teams). The horizontal axis is based on the duality between recursive and adaptive forms of strategic action. Using this duality and the insights from the pilot interviews, *technical capabilities* are skills that enable managers to maintain the procedures and standards of the current strategy process; hence they are mapped in the recursive mode of the matrix. *Metal-level capabilities* refer to skills allowing managers to find new ways of solving strategic issues; accordingly these strategizing capabilities are located in the adaptive mode. Finally, *interaction capabilities* refer to skills that either sustain the current strategizing practice or enable novel ways of thinking and acting around strategy. Accordingly, these are located partially within the recursive and the adaptive section of the matrix.

The Wilcoxon test statistic was calculated for the TelCo survey data over the period 2000 and 2003. The Wilcoxon test results demonstrate that the changes in all the categories of strategizing capabilities were significant during the 2000-2003 period. In absolute terms, communication skills were considered the most important capability both in 2000 and 2003 (mean: 3.64), with creative thinking coming in second place in 2000 and 2003 (mean: 3.45). These results correspond with the case study findings derived from the qualitative data. More specifically, over 2001-2004 there was an increased pressure on TelCo managers to improve their capabilities related to their communication skills in an effort to improve the

collaboration across the TelCo group of companies during the strategy process. This finding also corresponds with the efforts from the TelCo top management team and central TelCo functions to create integrated processes and standards across the lines of businesses. In contrast to other capabilities, political skills were ranked last in 2000 (mean: 2.48) and 2003 (mean: 2.71). Political skills have negative connotations for the TelCo respondents since these kinds of skills are perceived as hindering efforts to support collaboration between the TelCo business units.

A framework for understanding strategizing capabilities within and across strategy teams.

In order to investigate whether there are statistically significant differences in the categories of strategizing capabilities between TelCo Business and TelCo Retail, the non parametric Mann-Whitney U test was performed. The Mann-Whitney U test was chosen because the survey results are ordinal and the two samples (TelCo Business and TelCo Retail) are not related. Based on the Mann-Whitney test results, no strategizing capabilities in 2000 and in 2003 were significantly different when comparing the two TelCo business units. In absolute terms, for 2000, the most important capability for TelCo Retail respondents was communication skills (mean: 3.39) whereas for TelCo Business the most important capability was creative thinking (mean: 3.36). For 2003, communication skills were considered the most important capability for both TelCo Retail (mean: 3.66) and TelCo Business managers (mean: 3.68). Overall, although there are no significant differences between the two TelCo units, it is noteworthy that for both TelCo Retail and TelCo Business managers, the importance of all strategizing capabilities has increased over the 2000-2003 period. This finding corresponds with the efforts across the TelCo businesses from 2002 onwards to create integrated processes and exploit synergies.

TelCo Business managers are traditionally characterized 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. Furthermore, there is similarity across TelCo Retail and TelCo Business managers regarding the growing use of creativity over the period 2000-2003. Across TelCo, creativity is perceived as important in dealing with the increased complexity of strategic issues across TelCo. During the interview with the TelCo Group CEO,

he noted that teams within TelCo are increasingly characterized 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]" (TelCo Group, CEO)

Overall, both the 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? According to the case study evidence, the main historical changes in the UK telecommunications industry, 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 new ways of managing their companies through the new reality of the market economy. Specifically within 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 in the area of strategy. 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. Theoretically, these findings support the arguments by contextualists (Pettigrew and Whipp 1991) and highlight the importance of studying the context within which strategizing practices, processes and capabilities occur.

DISCUSSION AND CONTRIBUTIONS

This study is distinctive in focusing upon the *capabilities* that enable managers to strategize. For the present study, capabilities are not considered as vague abstractions; rather they stem from identifiable strategic and organizational activities that may be traced by extensive empirical research streams. By utilising the management development literature and empirical evidence, this study has identified *three types of capabilities* required by managers in the strategy process: *technical abilities*; *interaction skills*; and *meta-level abilities*. This study is also distinctive in exposing these three sets of capabilities as enabling and *mediating mechanisms* through which strategists establish, attempt to change and actually change the strategy process. The focus upon these capabilities as mediators of day-to-day strategizing practice highlights their role in achieving organizational continuity and change. In other words, studying these capabilities can yield important insights into the reasons and ways managers (and their teams) change their strategizing practices and the strategy process. Within TelCo, for instance, 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, 2003) towards developing particular skills for those managers participating in the strategy process. This is exemplified by the positive feedback from TelCo managers about the practical relevance of the results from this study for their operations.

This research also 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. This paper argues that our understanding of strategizing capabilities in multibusiness firms can be improved when researchers study these capabilities at multiple contexts (Pettigrew, 1997). For that reason, the emphasis of this research has been on studying strategizing capabilities across different levels within TelCo. Accordingly, the message for future studies would be to consider the factor 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-method approach. Studies of a single strategy team within these firms over time could have provided 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 scholars study strategizing capabilities using both qualitative and quantitative methods and over time that patterns in the ways these capabilities are realized across different levels within the multibusiness firm can be identified. In TelCo, for example, the survey evidence revealed whether capabilities were perceived in different ways across the two business units. The qualitative evidence was then utilized to explain the reasons behind the similarities and differences across the units. It is noteworthy that this study is also one of the first studies within the strategy as practice area adopting a multi-methodological approach.

This study has a number of *limitations*. Firstly, the 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 it analyzes strategizing capabilities using evidence from a single company. This data provide rich insights but do not allow for comparisons across different organizations. Future studies could investigate larger sets of firms from multiple sectors.

The empirical insights of this study confirm Katz's (1955) approach that an effective administrator requires three principal skills: a) technical skills to accomplish the mechanics of the particular job for which he or she is responsible; b) human skills in working with others to be an effective group member and to be able to build cooperative effort within the team he or she leads; c) conceptual skills to recognize the interrelationships of the various factors involved in his or her situation. However, instead of focusing on the strategizing capabilities in isolation, this study attempts to *link strategizing practices with specific capabilities*. Cognitively oriented strategic management researchers (Hodgkinson and Johnson, 1994; Porac and Thomas, 2002; Porac, Thomas and Baden-Fuller, 1989) have argued that organisational actors utilize processes of social construction through micro-level activities to actively create their macro-context. The evidence from the survey and related interview data support and extend this argument. These findings also provide a solid empirical backing for the argument that "a practice perspective can shed light on the way capabilities emerge, are developed, modified and changed over time, furthering our understanding of the essence of dynamic capabilities" (Jarzabkowski, 2005:7). More specifically, they provide empirical insights to answer the question: how do the capabilities of strategists and their teams change over time to deal with the emerging requirements for either recursive or adaptive activities in the multibusiness firm? The *conceptual framework* developed in this paper answers this question by demonstrating that strategists in the multibusiness firm, utilize recursive ways of acting that are based on *technical and analytical capabilities* while at the same time develop adaptive approaches to strategizing based on *meta-level capabilities*. Further, as indicated by the survey results, managers across TelCo consider that particular strategizing capabilities have increased in importance over the 2000-2003 period in order to deal with new requirements during the strategy process. Overall, the evidence from the online survey and the case studies suggest that the ability to strategize in complex organizational settings, like the multibusiness firm, is located both at the corporate centre and distributed across the business units and involves both recursive and adaptive activities.

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