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# **Strategies, Deliberate and Emergent**

## **-Strategic processes in small and medium sized Swedish companies in the IT-industry**

**Authors: Alexander Ehn & Yang Zheng**

**Thesis supervisor: Peter Gustavsson**

# **Abstract**

## **Background:**

SMEs are extremely important to the Swedish economy. But only 56% of the newly started companies in Sweden are still active three years after they start. One of the most important reasons for this happens in the strategic field which generally includes two issues- one is the applying strategy, another is the strategy process itself. The authors of this paper attach their importance into one of these two issues-strategy process and want to get the result if Mintzberg & Waters' (1985) strategic process model is suited with Swedish IT-SMEs.

## **Purpose:**

According to Karl Popper, people have to continuous try to falsify a hypotheses and each time you fail to do this the hypotheses or theories become stronger. If you succeed in falsifying the hypotheses it can be rejected as false and a new and better one will have to be created from the outcome of all these tests. Based on this kind of thought, our research chooses Swedish IT-SMEs to test Mintzberg & Waters' (1985) model. After all, Mintzberg & Waters' (1985) model has been put forward almost twenty years and furthermore, its standpoint is mostly based on the big enterprises. Our purpose is to see if this model is suited with the process of strategy of the three-premise (Swedish, IT, SME) companies.

## **Result:**

We can say after getting the result, that Mintzberg & Waters' (1985) model is suited with Swedish IT-SME, the model itself becomes stronger.

## **Acknowledgement**

We would like to thank some of the people that have helped us to complete this study. The first acknowledgement goes to our supervisor Peter Gustavsson, without his help we would never have been able to complete this thesis. Of course we would like to thank Magnus Pettersson and Ingo Aiff from Etteplan technical systems that helped us get the first material and gave us valuable feedback. We would also like to thank Lars Bengtsson CEO of Kreatel AB, Jan Brugård CEO of MathCore Engineering AB and Magnus Mischel, CEO of Mischel Internet Security AB for their time and help with the thesis.

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# 1. Introduction

This chapter will lead the reader through the background of the thesis to the specific questions we want to answer. It should provide the reader with an interest for the problem discussed and give some information about how the study is designed.

## 1.1. *Background*

Small and medium enterprises (SME) are extremely important to the Swedish economy. Year 2000 the SME's in Sweden account for 99, 8% of all the Swedish companies and they employed 67% of all the people employed in the private sector (the private sector is about 63% of all employed in Sweden, not counting agricultural) according to Svenkts näringsliv (a) [Internet]. These numbers show that the SME's are very central for the Swedish economy.

One specific characteristic of the SMEs is that they have much more restricted resources than large enterprises. The limited resources and the use of modern technology sometimes put SME in direct competition with large enterprises. As a result, only 56% of the newly started companies in Sweden are still active three years after they started. Svenkt näringsliv (b) [Internet]. The high number for new small companies that fails in the business world can perhaps be explained by a lot of reasons, but we think the key problem is in the strategy field. Generally, in the strategy field, there are two issues- one is the applying strategy, another is the strategy process itself.

Because the process itself does not visualize in the outside like applying strategy, people usually do not attach so much importance as applying strategy in this issue. However, our interest in this paper is just concentrating on the process itself because we think that the strategy process (how to do strategy) has of the same importance with the actual strategies the organizations develop.

The model of Mintzberg and Waters (1985) about intended and emergent strategy is one of the most famous theories in the strategy process. This model gives the vivid picture about how the different strategies do work and it has already been quoted by dozens of theorists in different situations. There is of course different cultures in the world and companies acting in different cultures are surely different in some aspects.

## **1.2. *Problem discussion***

Comparing large enterprises, SME have a lot of restrictions such as the limitation of capital, the scarce of the management resource. Combining this with what we see as the special characteristics of the IT-industry makes us doubt that many of the theories in strategy and strategy process are suited for these types of conditions. Since the SMEs are so important for the Swedish economy and further more strategy process has the same importance with the actual strategies, it's very important that we have models of strategy process that are suited for SMEs.

The theory of Mintzberg & Waters (1985) is regarded as one of the most important theories of strategy process. It deviates from the planning school with authors like Ansoff (1965) by saying that all strategy isn't planned but it's contains more parts like emergent strategies for an example.



In this paper, we will investigate the Mintzberg & Waters' (1985) strategy process model in Swedish IT-SME. We choose this the Mintzberg & Waters (1985) model because it was created while the IT-industry was in its cradle and the industry has changed a lot since 1985. There are of course other models that are more controversial that we also would like to investigate but in this thesis we have only focused on the Mintzberg & Waters (1985) model. We focus on the IT-industry because it's starting to pick up momentum since a lot of these companies went bankrupt in the years 1999-2002. The IT companies are growing all around the world and are starting to gain weight in the economy. As a new attractive industry, IT companies have their own characteristics. For instance, the fasting innovation in the technology field accelerates the step of adopting different strategies. It's on this group of SME we want to test the Mintzberg & Waters (1985) model to see if it is suitable.

### ***1.3. Purpose of the thesis***

The purpose of this thesis is to investigate whether the theory of Mintzberg & Waters (1985) is applicable for the SMEs in the Swedish IT-industry or not. If the theory is not suited it can be appropriate to make some adjustments to make it more applicable.

### ***1.4. Research questions***

Can the Mintzberg & Waters be used to describe the strategy process in Swedish IT-SME?

### ***1.5. Scope of research***

The scope of this study could be defined in accordance with our research propose. Generally speaking, the scope of our paper can be separate into two parts: one is the theoretical part and the other is empirical part.

Comparing with the empirical part the theoretical part will refer relatively wider. It includes the following three aspects:

1 It gives the reader some fundamental conceptions, for example, the definition of strategy, SME and strategy process.

2 It lists three strategy process models- the planning orientation, the basic dynamics of strategy, and Mintzberg & Waters (1985) intended and emergent strategy.

3 In the theoretical part, we detailed introduce the Mintzberg & Waters (1985) model (including eight defined types of strategies)-this is the primary model or theory that we will base on in this paper.

In the empirical part, we will focus on the process and activities of strategy in four Swedish IT-SMEs to see if Mintzberg & Waters' model (1985) is suited with Swedish IT-SMEs. The whole population of IT industry will not be included in the study and if Mintzberg & Waters' model (1985) fails with any of our case, we will say that this model is not suited with Swedish IT-SMEs in this study. We hope by this study to increase the knowledge of strategic processes in the SMEs.

## **1.6. Delimitation**

Since it is impossible for us to cover the all SME in Sweden in the IT-industry we are going to include four companies in this study. Meantime there will also be some limitations of geographic location of the companies we choose because the authors are limited by the resources. This thesis has a limitation on the time perspective of strategy; we are only analyzing the last year and sometimes a year ahead.

## **1.7. Disposition**

Chapter 1 “Introduction: In the introduction the study will be presented along with the purpose, research questions. It also gives the background to the study and some information about how the study will be conducted.

Chapter 2 “Reference framework”: The second chapter is the theoretical part where the Mintzberg & Waters (1985) model will be presented, as it is the core of the thesis. We will also give the reader some other process strategy theories and related definition of core conception to understand the problem we are investigating.

Chapter 3 “Methodology”: The methodology part servers to give the scientific approach to the study, what we have done and why we have done it in that particular way. The chapter explains the techniques of collecting data and how valid/reliable these are.

Chapter 4 “empirical”: in this part, firstly, we will describe the background of the investigated companies so that the readers can get the comprehensive understanding about our research. Secondly, we will present our interview content to the readers. The chapter also contains information from secondary sources to put the information in the right context.

Chapter 5 “analysis”: in this part the analysis is done be connecting the empirical data with the frame of references. This chapter is comparing the Mintzberg & Waters (1985) model to see if that model can be used to explain the processes of the companies.

Chapter 6 “conclusion”: There are two parts in this chapter. Firstly, the question of this paper which be placed in the instruction chapter will be answered. Secondly, we will give our suggestion about the further research.

## **2. Reference framework**

This chapter has three parts; the first part will give the reader a basic understanding of what strategy is and how we define it in this thesis also the definition of SME. The second part is different views of the strategy process for example the Ansoff view of strategy process. The last part is the presentation of Mintberg & Waters' model that we are going to test. In this part some of Mintzberg definitions and viewpoints of strategy will also be explained. The other viewpoints of strategy will be presented to show that there are other ways to look at this problem. The other views of strategy also serve as an explanation to why Mintzberg & Waters created a new model and gives necessary knowledge of basic concepts of strategy.

### ***2.1. Definition of SME***

There is a big difference between SME since it's a very broad definition. There must surely be differences between SME in different industries and of different size. For example a 1 employee SME that is active in environment consulting should be different from a 150 employee SME that is in the construction of houses business. In our research, the authors will quote the following definition of SME and we think this definition gives the bound of SME very clearly, and we will use this definition in our paper.

*SME is the abbreviation of Small and Medium-sized Enterprises. According to the EU definition*

*An SME is defined as a company, which:*

- *Employs fewer than 250 people*
- *Has a turnover of less than EUR 40 million per annum or net balance sheet assets of less than EUR 27 million*
- *Must be less than 25 percent owned by larger company/companies which do not qualify as an SME themselves.*

([http://www.tekes.fi/eng/tekes/rd/sme\\_definition.htm](http://www.tekes.fi/eng/tekes/rd/sme_definition.htm))

## **2.2. Definition of IT-SME**

With IT-SME we mean SME (defined above) active in the IT-industry. The IT-Industry includes producing IT-companies, companies that trade with IT-products, net operators and computer consultants and computer service companies. (Johansson Ekonomisk Debatt 2003 page 44)

With IT being defined as the management and processing of information. This of course can include a lot of companies that is active in today's society.

## **2.3. Definition of strategy**

It is said that the word "strategy" derives from the ancient Athenian position of strategos. The conception of strategy has been come from the military and adapted for use in business.

Generally, the definition of strategy is regarded as a complex combination and there are lots of debates about the definition itself.

*“A number of reasons contribute to this complexity. First, the field represents the convergence of multiple disciplines, including economics, organization theory, general business, marketing, finance, and geography (to name but a few). As a result, strategy is often viewed through different lenses, depending on one’s background and purpose. Second, and perhaps more important, business strategy is a very young field. As a result, not all of the concepts and approaches to analysis are yet well established or agreed on.”* (<http://www.ache.org/PUBS/Luke1.pdf>, 2005-11-22)

Because our purpose of this paper is to test the application of Mintzberg’s model in Swedish SME, our definitions about strategy in our paper will come from Mintzberg’s theories. We use one of the most famous articles of Mintzberg about strategy “*The strategy concept I: Five Ps for Strategy*”. In this article, Mintzberg give definitions about strategy as follows:

**Strategy as Plan:**

Strategy is a plan- some sort of consciously intended course of action, a guideline (or set of guidelines) to deal with a situation. By this definition, strategies have two essential characteristics: they are made in advance of the actions to which they apply, and they are developed consciously and purposefully. (Mintzberg 1987)

**Strategy as Ploy:**

A strategy can be a ploy too; really just a specific ‘manoeuvre’ intended to outwit an opponent or competitor. (Mintzberg 1987)

**Strategy as Pattern:**

Defining strategy as a plan is not sufficient; we also need a definition that encompasses the resulting behaviour. A third definition is proposed: strategy is a pattern- specifically, a pattern in a stream of action. In other words, by this definition, strategy is consistency in behaviour, whether or not intended. (Mintzberg 1987)

**Strategy as Position:**

The fourth definition is that strategy is a position- specifically, a means of locating an organization in what organization theorists like to call an ‘environment.’ By this definition, strategy becomes the mediating force between organization and environment, that is, between the internal and the external context. (Mintzberg 1987)

**Strategy as Perspective:**

The fifth definition looks inside the organization, indeed inside the heads of the collective strategist. Here, strategy is a perspective, its content consisting not just a chosen position, but of an ingrained way of perceiving the world. (Mintzberg 1987)

The Five Ps strategy definition gives us a comprehensive understanding about the strategy itself. In our paper, this is just the first step for us to give readers an outline about what the strategy itself is. When considering our purpose of this paper, we need to give the further interpretation - another different lens- content, context and process of strategy:

De Wit and Meyer (1999) mentioned some detailed guidelines for differentiating strategy content, process and context. They can be defined as follows:

*“Strategy content: basically the “what” of strategy. This means defining what strategic decisions are about and what their intention is. The content perspective also address such questions as where are we going and what is the scope of the business.” (Mcgee, Thomas & Wilson 2005 p 34)*

*“Strategy context: the “where” of strategy. This is the set of factors that comprise the setting for a strategy. This includes the internal context of the organization as well as the characteristics of the external context in the opening environment.” (Mcgee, Thomas & Wilson 2005 p 34)*

*“Strategy process: the “how” of strategy. This details who is involved in the process and when activities take place. It is the story, the drama and the list of players in the strategy as well as the characteristics of the process itself. “ (Mcgee, Thomas & Wilson 2005 p 34)*

As we have mentioned above, in this paper, we want to concentrate on testing the implication of the Mintzberg’s intended and emergent strategy model in Swedish IT-SME, and according De Wit and Meyer (1999), we can learn that this research is included in the field of strategy process. In other words, we think the Mintzberg & Waters (1985) model is one of the parts of the strategy process. In order to let the readers get the comprehensive understanding about the conception of strategy process, we will give two other theories (or model) about strategy process in our following theoretical part.

## **2.4. Strategic processes**

In our paper, we will introduce the other two views of strategic process except the Mintzberg’s model. One is the rational view or planning orientation, the other is the basic dynamics of strategy.



### **2.4.1. The planning orientation**

Ansoff is seen as one of the most important authors of this orientation. His work is based on the research of the Stanford Research Institute. The strategic processes are in this orientation seen as a formal process. The planning is conducted formally and very hierarchically from the top management and down through the organisation. Planning is done once a year and often has a three year horizon. This of course depends on the products and capital of the company. (Mcgee, Thomas & Wilson 2005 pp 9-10)

The steps can be summarised as:

1. The mission of the business – Business scope, competitive ambition and identify product markets
2. Internal and external assessment – Success factors, competitive position, identify basic strengths and weakness, industry attractiveness and identify opportunities and threats
3. Formulation of the business strategy – Set of multi-year broad action programmes
4. Definition and evaluation of specific action programmes – Base case, Scenarios and contingencies
5. Resources allocated and definition of performance measurements for control
6. Budgeting – Strategic investments and operational budget

Source: Mcgee, Thomas & Wilson (2005) page 10

This process is very formal and action/planning oriented. This means that all this types of different techniques has to be used (as SWOT-analysis) and that the organisation is in control of the strategy process from step 1 until the end. This view is a very rational and militaristic procedure. Some people don't believe that organisation is this rational and that the strategy process is more complex as Mintzberg and Waters (1985). Their view is more dynamic and has a broader view of strategy. However this type of thinking is included in their theory and they don't appose that strategy sometime can be planned and rational, but rather claim that there is to more strategy than this model shows. Mintzberg and Waters (1985)

Also since small and medium-sized companies tends to be less formal in their way of communicating (Especially small 1-20 employees) this theory might not describe the strategy process in a SME in a good way. Therefore we must add a theory that adds the aspect of informal communication to the theory.

### 2.4.2. The basic dynamics of strategy

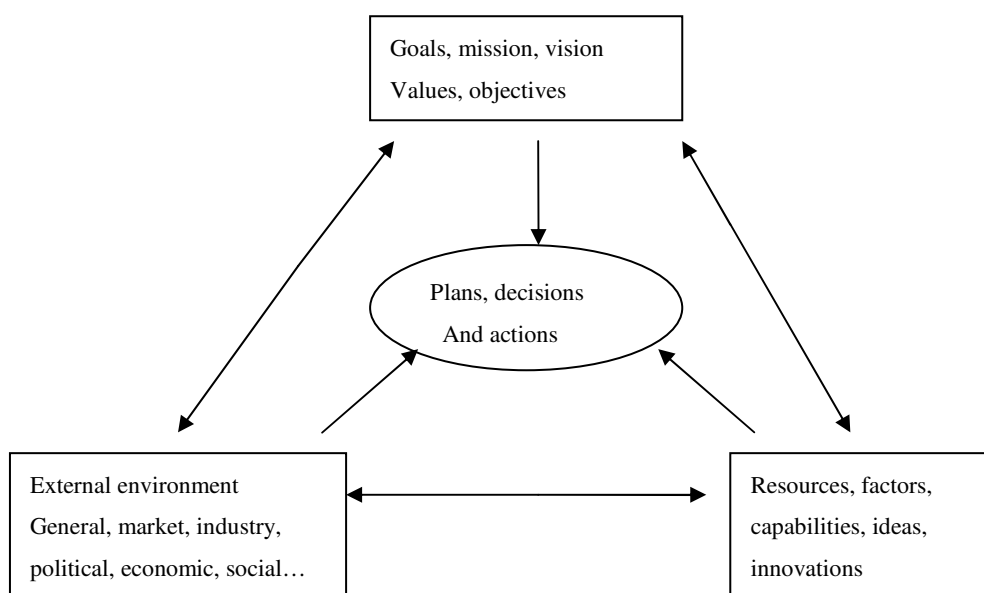


Figure 1 the basic dynamics of strategy (Mcgee, Thomas & Wilson 2005 pp. 9)

The following chapters depict the main principle and key factors of this model:

**Plan, decisions and actions:**

Business plan can be defined as a document that summarizes the operational and financial objectives of a business and contains the detailed plans and budgets showing how the objectives are to be realized.

(<http://sbinfocanada.about.com/cs/startup/g/businessplan.htm>)

In this model (figure 1), strategic planning is the process by which the firm organizes its resources and actions in relation to an external environment in process. (Mcgee, Thomas & Wilson 2005 p 9)

Decisions and actions are just the following behaviours which will be made by the leaders of organization after plan to achieve their goal or mission.

**The external environment:**

The implication of external environment has a very broad ranging. Mostly, it can include anything and everything that might have an effect on decisions. According to McGee, Thomas & Wilson (2005), in the figure 1, it includes governments, international trade organizations, buyer and supplier markets, competitors, and so on. (Mcgee, Thomas & Wilson 2005 p 9)

**Goals:**

According to Quinn (1980), goals can be described as “what is to be achieved and when results are to be accomplished”. Goals do not address the question of how these objectives are to be achieved. They are basic statements of desired future objectives. (Mcgee, Thomas & Wilson 2005 p 14)

## **2.5. Mintzberg & Waters model - Intended and emergent strategies**

The Mintzberg & Waters (1985) model is presented below. This is the model that we are going to test to see if it's suited for the SME in the IT-industry in Sweden.

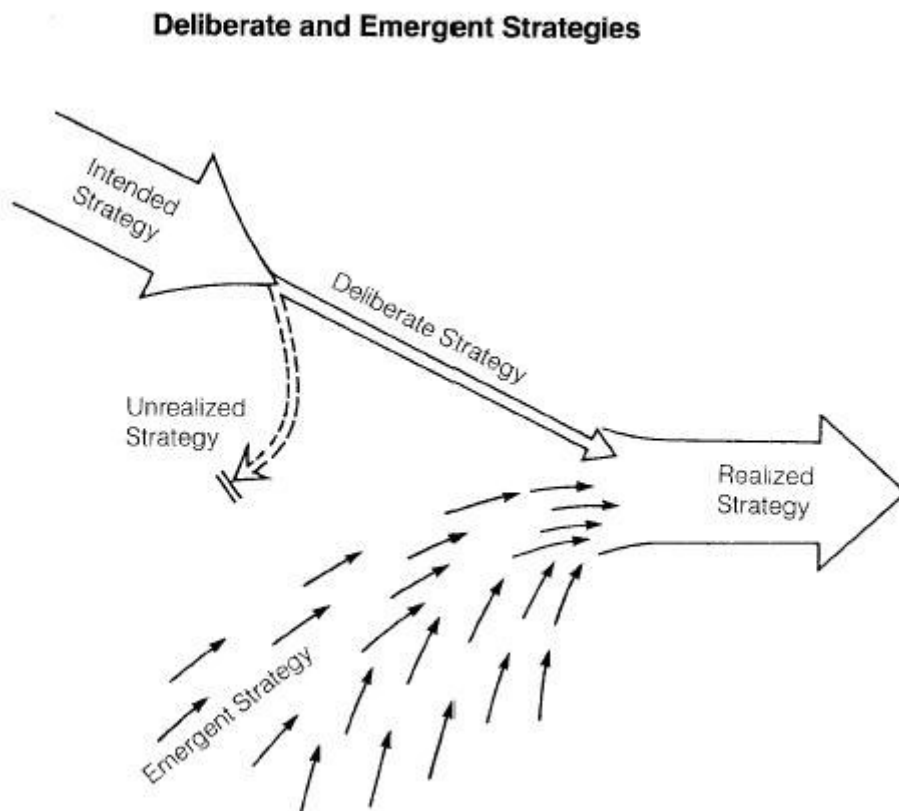


Figure 2 Deliberate and Emergent Strategies Source: Mintzberg & Waters (1985)

According to Mintzberg and Waters (1985), there are five kinds of strategies in their model (figure 2): emergent strategy, intended strategy, deliberate strategy, realized strategy and unrealized strategy. Their definition of these is:

Emergent strategies can be seen as responses to unexpected opportunities and problems and are usually developed from the locations at which business-level strategies are usually implemented, i.e. within business units and not at corporate headquarters. The pure definition of emergence requires the absence of intentions. (Mcgee, Thomas & Wilson 2005 p 11)

Realized strategy is a blend of intentions and emergence which can be interpreted by reference to the strength of pressure from the external environment—a kind of environmental determinism. (Mcgee, Thomas & Wilson 2005 p 11)

Intended strategy is strategy as conceived of by the top management team. Even here, rationality is limited and the intended strategy is the result of a process of negotiation, bargaining, and compromise, involving many individuals and groups within the organization. (<http://www.blackwellpublishing.com/grant/pdfs/CSA5eC01.pdf>)

Mintzberg and Waters mentioned that realized strategy – the actual strategy that is implemented – is only partly related to that which was intended (Mintzberg suggests only 10–30 percent of intended strategy is realized). The primary determinant of realized strategy is what Mintzberg terms emergent strategy – the decisions that emerge from the complex processes in which individual managers interpret the intended strategy and adapt to changing external circumstances. <sup>1</sup> (<http://www.blackwellpublishing.com/grant/pdfs/CSA5eC01.pdf>)

This model should also be seen as a process and especially if you include the variable of time. As show in the model below the realized strategy effects the intended strategy as times goes by. This is an important part of the model since it shows that current strategies will affect future strategies.

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<sup>1</sup> Developed by Herb Simon and James March: J. G. March and H. A. Simon, *Organizations* (New York: Wiley, 1956); J. G. March “Bounded Rationality, Henry Mintzberg, “Patterns of Strategy Formulation”, *Management Science* 24 (1978): 934-948; “Of Strategies: Deliberate and Emergent”, *Strategic management Journal* 6 (1985) 257-272.



Figure 3 Strategic learning source: Mintzberg & Waters (1985 p 271)

There are two extreme types of organizations, the ones that have only deliberate strategies and the ones that have only emergent strategies. These two pure forms are very rare and perhaps there is no organization that has one of these pure types of processes. For a pure deliberate strategy, the organization must have pure intentions with a relative concrete level of detail. This plan has to be carried out exactly as intended. For a strategy to perfectly emergent there has to be consistency in action over time but without any intentions. Mintzberg & Waters (1985 pp 257-258)

Except for these two pure types of strategies that are extremely rare according to Mintzberg & Waters (1985 pp 257-258) but they argue that between those two extremes are several different type of strategies that are common in companies today. Mintzberg & Waters (1985) classifies eight different types of strategies:

**1. The planned strategy**



Figure 4 The planned strategy source: Mintzberg & Waters (1985 p 259)

The planned strategy is clear intentions back by formal control. The leader is the centre of authority with their intentions being very clear and precise and the goal is to transform the intention to collective action with minimum distortion. Programs and systems are built in to the plan to ensure that no one acts in another way then intended. For this type of strategic process to be effective the environment has to be extremely stable or the organization has to be able to predict it with great accuracy. When organizations put large quantities of resources in a mission or project they might not

tolerate unstable environment. When they have plan several years ahead and don't allow avoiding behaviour and commit themselves firmly. An example of this can be mining companies.

## 2. Entrepreneurial strategy

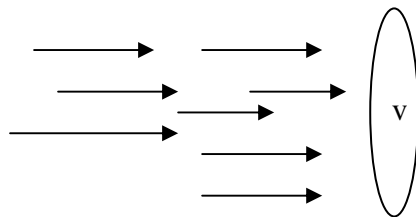


Figure 5 Entrepreneurial strategy source: Mintzberg & Waters (1985 p 260)

The second type of strategy there is has tolerance for a little emergent strategy, but is still very much planned. The owner controls the organization tightly and can impose his vision or direction on the organization. This type of strategy is very common in young organizations and in entrepreneurial organizations. The central actor is the one that places the organization where he/she wants to in the world. Compared to the planned strategy the intentions are harder to identify and are less specific, but as long the actors in the organizations respond to the will of the leader the strategy appear to be rather deliberate. Because the strategy comes from a single person there can be sudden changes in it and reformulation isn't unusual. The adaptability of the entrepreneurial strategy is what distinguishes it from the planned one. Visions in the brain of a person are more flexible than articulated ones. The adoption and "emergentness" of planned strategies are discouraged by the articulation. Psychologists have shown that articulation of strategy manifests it, impending willingness to change it.

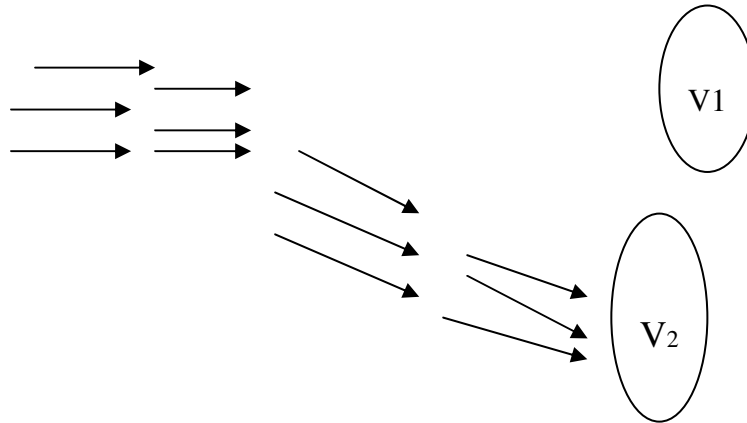


Figure 6 The Entrepreneurial strategy 2 source: Mintzberg & Waters (1985 p 261)

### 3. Ideological Strategy

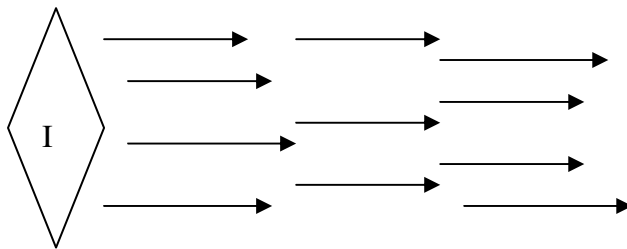


Figure 7 The ideological strategy source: Mintzberg & Waters (1985 p 262)

Vision can be collective – when the members of an organizations share a vision and the members identify so strongly with it that they pursue it as an ideology. This leads to patterns in their behaviour so that clear realized strategies can be identified. Since an ideological strategy is likely to overt and becoming articulated one can see intentions. That is why one can say that this type of strategy is deliberate. These intentions would be viewed as organizational, differing from the entrepreneurial and planned strategy by being embraced by everyone in the organization and not originate from one centre and then being accepted passively. The collective vision makes it harder to change, because all members of the organization have to accept the changes. Moreover, the ideology is rooted in traditions and precedents. Therefore people resist changing it. Mintzberg & Waters has not yet studied any organization dominated by an ideology but such strategies seems to occur in certain organizations describe in the literature.



#### 4. Umbrella strategy

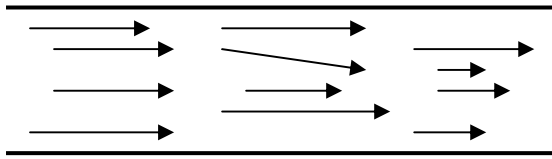


Figure 8 The Umbrella strategy source: Mintzberg & Waters (1985 p 262)

For the umbrella organization Mintzberg & Waters relax the condition of tight control over the actors in the organizations and in some cases control over the environment. Leaders have only partial control over the members of the organization and can design the umbrella type of strategy. An umbrella strategy is when there are general guidelines for behaviour, defined boundaries and the other actors in the organization can manoeuvre within them. This means that strategies can emerge within these boundaries. The umbrella strategy can not only be labelled as deliberate and emergent but also “deliberate emergent” in the sense that the central leadership creates conditions which allow strategies to emerge. Like the entrepreneurial strategy there is a certain vision emanating from the central leadership, but in the umbrella strategy don’t the ones controlling the vision also control the realization. One example of the umbrella strategy is NASA during the 1960, when they focused their efforts to put a man on the moon. Within this specific target several different strategies emerged, as various technical problems were solved by thousands of different specialists.

#### 5. Process Strategy

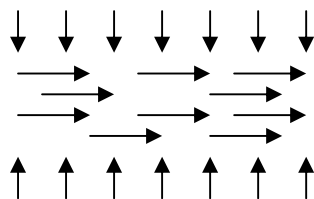


Figure 9 The process strategy source: Mintzberg & Waters (1985 p 264)

The process Strategy is similar to the umbrella strategy. The leadership functions in a organizations in which actors must have considerable discretion to determine the outcome. This is because the environment is unpredictable and uncontrollable. Instead of controlling strategy on a general level with boundaries and target the leadership influences the strategy indirectly. In other words they control the process of strategy making instead of the content of the strategy. This results in a behaviour that would be deliberate in one respect but emergent in another. The leadership designs the system from which patterns of action evolve from.

## 6. Unconnected strategy

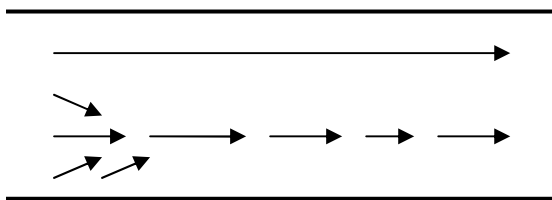


Figure 10 The unconnected strategy source: Mintzberg & Waters (1985 p 265)

The unconnected strategy is perhaps the most straightforward of all. One part of the organization, a subunit or sometimes even an individual is able to realize its own pattern in its stream of action. Since these unconnected strategies doesn't come from the central leadership or from intentions from the whole organization they can be considered relatively emergent. But for the subunit/individual they clearly can be deliberate or emergent depending on the prior existence of intentions. Thus the unconnected strategy may be deliberate or emergent for the actors involved but always emergent from the perspective of the organization.

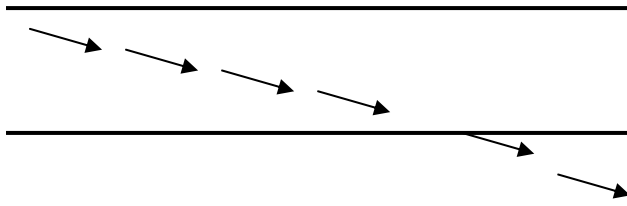


Figure 11 The unconnected strategy 2 source: Mintzberg & Waters (1985 p 266)

**7. Consensus strategy:**

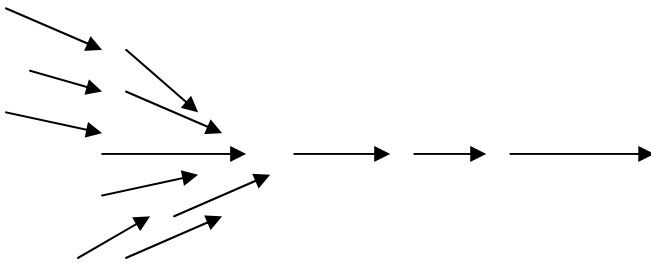


Figure 12 The consensus strategy source: Mintzberg & Waters (1985 p 267)

In this strategy the condition for prior intentions are totally dropped, this type of strategy is clearly emergent. In this strategy different actors converge on the same pattern or theme so that it becomes pervasive in the organizations, without need for central direction or control. The consensus strategy grow out of the mutual adjustment among the different actions as they learn from each other and from their responses the environment and thereby finds a common pattern that works for the organization. This means that the convergence is not driven by intentions by management or by prior intentions shared by the organizations as a whole; rather it evolves around the results of a host of individual actions. Sometimes actors might promote the consensus and try to negotiate others to accept it, but the point it that this strategy comes more from collective actions then from collection intentions. One example of this could be a university that finds itself over the years favouring the sciences over the humanities as its members came to realize that this is where its real strengths lie.

## 8. Imposed strategy

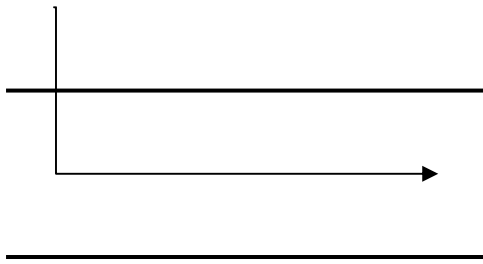


Figure 13 The imposed strategy source: Mintzberg & Waters (1985 p 268)

This time the strategy comes from outside the organization, its imposed on the organization. This means that the environment can directly force the organization into a pattern in its stream of actions regardless what the central control does. The clearest case is when a external group or individual with a great influence over the organization imposes a strategy on the organization. For example, state-owned Air Canada was forced by the minister to buy a particular type of plane. The strategy was clearly deliberate but not by anyone in the organization. Given the inability to resist, the organization had to pursuit the given strategy and thus it became deliberate for the organization. Sometimes can the environment rather than individual/group that impose strategies on organizations by restricting their options. Once again Air Canada can serve as an example. Did Air Canada really choose to fly jet aeroplanes and later wide body aeroplanes? Could any world class airline decide otherwise? Again the organization has to make the external strategies, imposed on them, internal. In reality the organizations have to compromise between determinism and free choice. Environment seldom pre-empt all choice and just as rare the environment seldom offers unlimited choice. As most real world strategies have some umbrella strategy characteristics, so to does the environment set boundaries for most organization.

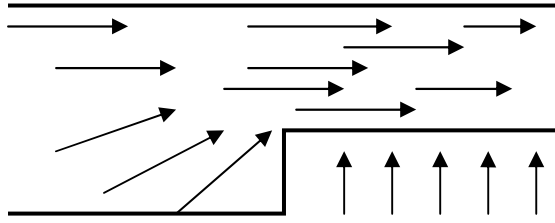


Figure 14 The imposed strategy source: Mintzberg & Waters (1985 p 269)

These eight types of strategic processes is a big part of Mintzberg & waters (1985) theory. They claim that there aren't many, if any, companies that can be classified as the two extremes but that they have the characteristics similar to one of the above mentioned types of processes. Thus all companies that are taking part of this study should be describable by one of them. If one or more of the companies isn't represented by one of the extremes or one of the eight different strategies in-between them the Mintzberg & Waters model isn't suited for describing the process in the Swedish IT-SME.

### **3. Methodology**

In this chapter the methods and techniques used in this study will be presented. This chapter explains how we are going to conduct the study. We will also motivate our choices of methodology and what consequences it has for the conclusions of this paper.

#### **3.1. Scientific approach**

There is to basic philosophies of knowledge creation, the hermeneutic approach and the positivist approach. The positivist approach is connected to the statement that the truth is observable and can be measured with correct methods. This approach it assumed that there is an objective truth that is not influenced by the observer. (Bryman 2002) The other basic approach to the philosophy of knowledge creation is the hermeneutic approach. Hermeneutics is very closely related to Webers concept of *Verstehen*. In the basic form of the this approach to knowledge creation is interpretation of text.(Bryman 2002) This means that the researcher analyses text to get a greater understanding of the text in the context of it. According to Phillips & Brown (1993) the researcher should analyse the text from the authors perspective and the authors, social & cultural context in which the text was written. After that there should be a formal analysis on for example the structure of the text. When this analysis is done there the researcher should interpret the text from the understanding of the previous analysis and then start over. The heuremnetics approach is often considered to be close to qualitative studies because the use of interviews and questionnaires because the researchers have to interpret the answers and put them in the right context otherwise the results will not correct.

In our research, since we are doing a qualitative study, the hermeneutic approach is closer our way of looking at knowledge creation. We are also using interviews as a method of gathering data which mean that we have to put this into the right context to get useful information on which to found our conclusions.

### **3.2. Designing the study**

According C. William Emory (1985), a good research design should include three levels of essentials: first, the design is a plan that specifies the sources and types of information relevant to the research question. Second, it is a strategy or blueprint specifying the approaches to be used for gathering and analyzing data. Finally, since most business research studies have time and cost constraints, both are typically included.

In our opinion, we think the design of the research is important since it's the deciding factor for what data collecting methods are appropriate. The different methods all have advantages and disadvantages. The design affects the possibilities of generalizing the study or gives it a more depth. It also affects reliability and the validity of the research.

The different design all have to be scientific to insure the credibility of the thesis. Eriksson and Wiedersheim-Paul (2001 pp 171-180) present what they claim are five central demands for a scientific study:

1. The researcher has to be able to critically and creatively reassess what is true and reassess the methods.
2. The researcher has to show who has asked the questions. This is explained by the need to see if the information from the questions is objective.
3. Present knowledge in a way that it can be questioned.
4. Hypothesis and conclusions has to be falsifiable.
5. Complete transparency, complete presentation of methods, data and conclusions

There are some problems connected with these five demands. When doing a study of four cases it can be hard to present the information in a way that it can be questioned because of the demands replication. Replication of a study is always hard when dealing

with changing situations for example two different case studies of the same organization but at different points in time can give be very different because of the changing nature of organizations. So some of the demands will be eased a bit because of the design of the study makes it hard to fulfil them. The demands will however play an important part since we will work to fulfil them as much as possible given the design and resources we have.

### **3.2.1. Specifics about the study**

According to Mintzberg & Waters (1985 pp 257-258) by comparing intended strategy with realized strategy, as show in the figure below, allows people to distinguish deliberate strategy from emergent. It's here the focus of our thesis will be placed, and by getting data on intended strategy and realized strategy we should be able to answer the research questions to fulfil the purpose of this thesis. In other words, in the investigated companies, if the data reveals that the intended strategy is completely realized then there will no distinguish between deliberate strategy and emergent strategy. If there is no difference between then the eight different strategies in Mintzberg & Waters (1985) is not able to describe the strategic process in the company and it would be classified as a "perfectly deliberate" type of company. This is describe in Mintzberg & Waters (1985) which is very unlikely to be found and they have not found one of these extreme types and they are therefore not included in the eight types of strategies. If this is the case then the Mintzberg & Waters (1985) model is not very well suited to describe the strategic process of IT-SME.

If the intended strategy is not the same as the realized strategy something must have been unrealized or emergent. If this is the case we are also going to put the companies strategy into one of the eight strategies specified in chapter 2 and in Mintzberg & Waters (1985). This should give additional insight and explanations to the strategic



process in the four investigated companies. If it can do this we believe that the model is suited for describing the strategic process of IT-SME in Sweden.

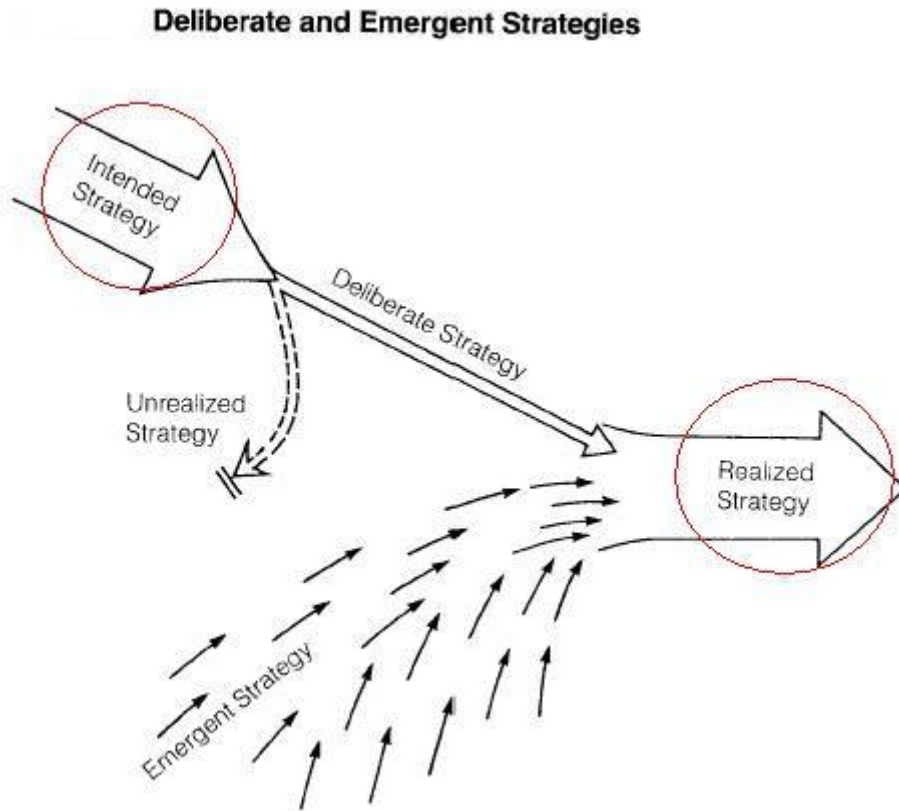


Figure 15 Deliberate and Emergent Strategies. Based on the Mintzberg & Waters figure (1985 p 258) Edited to show the focused parts.

### **3.3. Interpretation**

When studying a case one finds that the data often have to be interpreted before it can be useful information. This type of qualitative data must be interpreted in a correct way to reflect a true image of the reality. Interpretation is often used to gain knowledge of the whole and not just the specific issue from which the data is collected. Some risk concerning interpretation of data is that different researches might interpret the data different and words might mean different things for the interviewer and interviewee. These problems are hard to solve since the researcher very often has to interpret the

data. Insight about these problems should lead to humbleness to the conclusions. (Eriksson & Wiedersheim-Paul 2001 pp 108-109)

These problems with interpretations can be handled by following the demands for transparency in the study and specify the methods used. Interpretation that is different between interviewer and interviewee will in this study be check by respondent validation. This means that the researchers give the interviewee or organization to get a chance to read their statements before it's published. This gives the interviewees the chances to change their statements and see if there is any fault in the researchers' interpretation. (Bryman 2002 p 259)

Since we are interpreting the data both from the interviews and then once more for the analysis we have worked with validation of interviews and being open with the empirical material we have gathered. This is to avoid interpretation errors that could lead to the wrong conclusions.

Generally speaking, there are two kinds of usual research approaches: quantitative and qualitative in interpretative research.

### **3.3.1. Qualitative research**

It is difficult for us to give a clear definition about the qualitative research. In our paper, we can simply understand that the qualitative approach implies an emphasis on processes and meanings which are not measured in terms of quantity, amount, intensity or frequency.

There are some characters in the qualitative approach: first, it provides a deeper understanding of the phenomenon within its context. Second, qualitative researchers stress the socially constructed nature of reality that states the relationship between the researchers and phenomenon under investigation. (Hamel, 1993)

“Although qualitative methods provide less explanation of variance in statistical term than quantitative methods, they can yield data from which process theories and richer explanations of how and why process and outcomes occur can be developed (Macus & Robey, 1988)”

### **3.3.2. Quantitative research**

“Quantitative research which does seek scientific explanation can be referred to simply as the scientific approach. (Calder, 1977, p.355)”

Comparing qualitative approach, quantitative method emphasizes the measurement and analysis of causal relationships between variables, not processes. With this type, researchers will be able to draw conclusion by analyzing collected data through statistical tools.

### **3.3.3. The difference between qualitative and quantitative**

As stated by Sullivan & Smithson (2001), the distinction between qualitative and quantitative approaches depends primarily on two factors: one is the state of our knowledge on a particular research topic, and the other is the researcher’s assessment regarding the nature of phenomenon being studied.

We can show a table to show the difference in emphasis in qualitative versus quantitative methods:

Quantitative method	Qualitative method
Focus on facts and reasons of social events	Focus on understanding from respondent's point of view
Emphasis on testing and verification	Emphasis on understanding
Logical and critical approach	Interpretation and rational approach
Controlled measurement	Observations and measurements in natural settings
Objective "outsider view" distant from data	Subjective "insider view" and closeness to data
Hypothetical-deductive; focus on hypothesis testing	Explorative orientation
Result oriented	Process oriented
Particularistic and analytical	Holistic perspective
Generalization by comparison of properties and contexts of individual organism	Generalization by population membership
Source: based on Reichardt and Cook Ghauri, p., Gronhanug, K.&Kristianslund, I.(1995), "research methods in business studies – A practical Guide", London: Prentice Hall, p. 84	

Our research will base on case studies and it should be included in qualitative research. In order to achieve our purpose of testing Mintzberg & Waters (1985) model, we will choose four cases to provide a deeper understanding of the process of strategy within its context. The collection of the empirical data is basically from face to face interview and email interview-questionnaire. Focusing on understanding from respondent's point of view, we will describe, explain this data and then deduce the result if Mintzberg & Waters (1985) model is suited with Swedish IT-SME. As we have already mentioned above (the figure of difference between qualitative and quantitative), this process is also the determinant of why our research is qualitative research.

### **3.4. Case studies**

Despite stereotype, case studies continue to be used extensively in social science research-including the traditional disciplines (psychology, sociology...) as well as practice-oriented fields such as urban planning, public administration, public policy, management science, social work and education.(Robert K. Yin ,1994)

There are a lot of definitions about case studies, in here; we will list two of them as follows: *“A case study is an empirical inquiry that: investigates the contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used”* (Yin, 1989, p, .23).

*“A case study is an in-depth study of the cases under consideration. But the question is whether a case study is a method or an approach. It may include interviews, participant observation and field studies, thus it would be more appropriate to define the case study as an approach, although the term case method indicates it is indeed a method”* (Hamel, 1993)

Comparing other study approaches, case study has its own characters and meantime scholars have already debated it for a long time. Some authors said it was lack of representativeness, especially of the case used as a point of observation for the social phenomenon or issue constituting the object of study (Hamel, 1993).

On the other hand, Saunders et al. (2000) argue that a case study can be a very worthwhile way of exploring existing theory. “A case study is both the process of learning about the case and the product of our learning.” (Norman K. & Yvonna S., 1994)

Although there is some debate in case studies, we think it is a right approach for solving a proposition in our research and we have the same feeling with Yin (1994): although its (case study) main purpose in the management literature has been to generate new theory, case study research lends itself to the testing of existing theory as well.

In our paper, we will use multiple- case studies as an approach to carry through our research. According to Robert K. Yin (1994), case study research can include both single- and multiple-case studies. “Though some fields have tried to delineate sharply between these two approaches (and have used such terms as the comparative case method as a distinctive form of multiple-studies...), single- and multiple-case studies are in reality but two variants of case study designs.” (Yin 1994 p 14)

Multiple-case designs have distinct advantages and disadvantages in comparison to single-case designs. The main advantage of multiple-case designs is that the evidence from multiple cases is often considered more compelling, and the overall study is therefore regarded as being more robust (Herriott & Firestone, 1993). At the same time, the rationale for single-case designs usually cannot be satisfied by multiple cases. Moreover, the conduct of a multiple-case study can require extensive resources and time

beyond the means of a single student or independent research investigator. (Yin, 2003)  
Therefore, the decision to undertake multiple-case studies can not be taken lightly.

In our paper, we will choose four Swedish SME-IT companies to test Mintzberg & Waters (1985) model. The most important reason for using multiple-case study is that through using approach of case studies, we will pursuit an in-depth understanding about our researched company and meantime we can get more robust data source to insure the accuracy of the result in our research.

When considering how researchers use documentary sources to collect and analyse evidence, one of the most commonly invoked distinctions is between ‘primary’ and ‘secondary’ sources. (Ruth Finnegan, 1996)

#### **3.4.1. Primary sources**

Historians and others conventionally regard as primary sources those that were written (or otherwise came into being) by the people directly involved and at a time contemporary or near contemporary with the period being investigated. Primary sources, in other words, form the basic and original material for providing the researcher’s raw evidence. (Ruth Finnegan, 1996)

According to Cooper & Schindler (1998), researchers can make a direct interview or indirect interview such as telephone, email to gain the primary data. In our paper, we will use both direct – three face-to-face interviews, and three indirect interviews, one telephone interview and two questionnaires. The primary data used in this study will come from interviews done face-to-face, over the telephone and e-mail communication with persons in the companies that are taking a part of the study.

### **3.4.2. Secondary sources**

Ruth Finnegan (1996) defines secondary sources as those that discuss the period studied but are brought into being at some time after it, or otherwise somewhat removed from the actual events.

Meantime, Zikmund (2000 p 58) regarded as secondary data (resource) “*data previously collected and assembled specifically for the project at hand.*” In our opinion, we think secondary resources are data which have already been generated in other material before the research gets started, including website information, documents, and annual reports.

In our research, we will use both primary resources and secondary resources.. Interviews are selected as a main tool for primary resource collection in our paper. According to Cooper & Schindler (1998), researchers can make a direct interview or indirect interview such as telephone, email to gain the primary data.

We will get our secondary data from website, published articles from academic journals, textbooks. We know that using secondary resource has both advantages and disadvantages. One of the biggest advantages of secondary resource is availability. The authors can easily to find and gather the useful resource from some websites and textbooks. For example, when we want to give more details about the background about the investigated companies, we can obtain the valuable information from the companies’ website quickly and easily. Collecting primary data sometimes can be so costly and time consuming that it becomes impractical. (Cooper & Schindler, 1998, PP. 256-257).



Synchronously, the deficiency of the secondary resource is also obvious. There are two points which commonly is debated: one is if the data is credible and another is if the data is outdated. In order to increase the reliability of the secondary resource in our paper, we will use those secondary data which comes from the authorized departments as possible as we can, for example, the websites of companies themselves, the authorized annual reports. We will analyze these data with our knowledge and experience and then draw the conclusions if these data are suited be used in our project. In a word, we want to express to the readers that our secondary resources is reliable in this paper.

### **3.5. *Practical procedures***

To fulfil the demand for transparency it's important that we explain the practical procedures so that these can be judged. It's also very important that all the choices we have done are explained and argued for in a good manor so that the reader understands our point of origin in this study. Important issues that will be discussed are why, where and how we have gathered our empiric data.

#### **3.5.1. Selection of companies**

When investigating the strategic process in SME in the IT industry it is very important that the companies that are taking part of this study don't fall out of this category. The companies where selected from this criteria's, but we focused our search for suitable companies to Linköping and Stockholm area. Since not all companies had time or were willing to take part of this study we were limited in selecting companies freely. The companies were approach by e-mail or by telephone and were asked to take part in the study after a short presentation.

### **3.5.2. Gathering of data**

The selection of methods to gather data is based on what type of information the researcher wants. When describing a process not only the answer to the questions is important but also how they are said. The method is of course not only limited by what information or in what format the researchers wants the information in, for example number or words, but by practical issues such as availability and access. Thus problems can arise that the information the researcher want is not available for him or that the researchers' resources don't allow him to get the desired information. We have not had any problems with getting access to the desired information and the companies taking part of this study has been very helpful and creative in helping us getting our information. There has however not always been enough resources (time) to get all the desired data for this study.

### **3.5.3. Interviews**

There are different types of interviews with the two extremes being structured and unstructured interviews. The difference is that the unstructured has its focus on the interviewees' standpoint and the structured focuses on the interviewers' standpoint. In practical terms this means that in the structured interview is similar to a survey and the unstructured is more open and allows answers that can be long and very extensive. The extremes also differ in the use of interviews guides. The structured has a strict guide with very specific question that request a certain type of answers. The unstructured doesn't need to have a guide and if it has the questions can be changed in order, skipped, removed or created during the interview. (Bryman 2002 pp 300-301)

If the researcher wants, booth methods can used during a study, a unstructured interview can be extremely helpful in the beginning of a study to get as much information as possible about the research object. When this is done questions for a structured interview can be pinpointed to get the desired information. (Bryman 2002 pp 300-305)

When doing interviews there's several different methods for documenting them. All of them give certain advantages and disadvantages. According to Trost (2005 p 53) it's up to the researcher what method that is appropriate. This isn't always the researchers own choice but also the interviewee. Bryman (2002 p 310) points out some advantages to recording interviews; Recording interviews helps us to remember a specific moment during the interview when listening to the playback. It also makes it easier to do a solid analysis of the interview and recorded interviews can be used to defend interpretations made and it can also be used as secondary data for other researchers. (Bryman 2002 p 310)

Trost (2005 s 54) discusses some of the disadvantages of recording an interview; It takes an enormous amount of time to go through interviews and even if it helps us to remember what an interview said it still lacks the mimic and gestures the interviewee made. The transcription process is also very demanding for the researcher. All interviewees isn't always willing to be recorded which of course can be a problem.

Kvale (1996) has listed some demands that the person conducting the interview must be aware of which is referenced in Bryman (2002 p 306). Below is a list of the seven most important points of the Kvale (1996) presents.

- *Show consideration.* The interviewer accepts that the interviewee gets enough time to formulate answers and allows pauses when answering questions. The interviewer should not interrupt while receiving an answer. (Kvale 1996 in Bryman 2002 p 306)
- *Sensitivity.* It's important that the interviewer pays attention to how an answer is given and being empathic with the interviewee. (Kvale 1996 in Bryman 2002 p 306)

- *Openness.* The interviewer reacts on important things that is said and has flexibility during the interview. (Kvale 1996 in Bryman 2002 p 306)
- *Critical.* To be able to questioning the answers as well as be away of contradictory answers and inconsistencies. (Kvale 1996 in Bryman 2002 p 306)
- *Remembers.* The interviewer should be able to relate be what is being said now and what has been said earlier in the interview (Kvale 1996 in Bryman 2002 p 306)
- *Interpret.* The interviewer helps the interviewee to express himself without forcing any opinions or answers of the interviewee. (Kvale 1996 in Bryman 2002 p 306)
- *Ethically aware.* The interviewer has to follow ethically standards during the interview, like telling the interviewee what the goal of the interview is and how the answered will be handled. (Kvale 1996 in Bryman 2002 p 306)

To follow these seven recommendations is important to make sure that the information of the interview will be correct and that the interviewee won't be exploited. These seven recommendations were also something we actively thought of during the interview.

The interviews we have done are unstructured with some guiding topics and questions to lead the interview further. The unstructured type of interview is more of a conversation because of the open questions and longer discussions. This was very useful in the beginning of interviewing people because it gave a good understanding of the subject. Since the interviews were unstructured there were some differentiation, but the guiding questions helped booth the interviewee and interviewer to focus on the subject.

The freedom of the unstructured interview was also good for get a lot of information about one subject that was particular interesting.

The interviews were conducted with persons that have knowledge about the strategy process in the company. The interviews were conducted without tape recording to get the persons more relaxed and not feel intimidated by having to answer questions about their company. There is also noted by Trost (2005 p 54) that when recording an interview the interviewee can be disturbed by it. He also argues that when recording an interview it takes long time to transcribe and the mimic and gestures are still lost. During our interview we made notes and directly after we wrote a more complete version that was then transferred into the computer. The interviews were informed about what type of interview and what the purpose of the interview was both a couple of days before and in the beginning of the interview. This was done to ensure that the reader understood why and how they could help us. Also anonymity and publication of names were discussed during the interview. Anonymity and publication issues are important for ethical reasons mentioned above. This worked very well for booth us and the interviewee. All the interviews were conducted in the native language of the interviewee (Swedish) with one of us. The goal of the interviews was to get as much information as possible to get a good idea of the strategic process of the company. After the interviews we were also assured that we could comeback if we had more questions. All the interviews are validated by the interviewee and they were also encouraged to give suggestions that might help our study. Also more direct questions were asked when information was needed that we didn't get from the interviews.

#### **3.5.4. The design of question**

According to C. William Emory (1985), when considering how to design the questions of the interview, the authors should attach their importance from the following four aspects:

## 1. question content

In this part, the common questions we meet are: should this question be asked? Is the question of proper scope? Can the respondent answer adequately?

## 2. question wording

It is hard to say which wording of a question is best. Generally, the diligent question designer will put a given question through many revisions before it satisfies the following six challenges:<sup>2</sup>

- (1) Is the question started in terms of a shared vocabulary?
- (2) Is the question clear?
- (3) Are there unstated or misleading assumptions ?
- (4) Is there biased wording?
- (5) Is there the right degree of personalization?
- (6) Are adequate alternatives presented?

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<sup>2</sup> An excellent example of the question revision process is presented in Stanley Payne, *The art of Asking Questions*, pp. 214-25. This example illustrates that a relatively simple question can go through as many as 41 different versions before being judged satisfactory.

### 3. Respond structure

A third major decision area in question design is the degree and form of structure imposed on responses. (C. William Emory, 1985) (we can use the above chapter-unstructured and structured interview). Kahn and Cannel suggest that five situation factors affect the decision of whether or not to use open or closed response questions. There are:

1. Objectives of the interview.
2. Respondent's level of information about the topic.
3. Degree respondent has thought through the topic.
4. Ease of communication and motivation of respondent to talk.
5. degree to which the above respondent factors are know to the interviewer.

### 4. question sequence

*“The design of survey questions is also strongly affected by the need to relate each question to the others in the instrument. Question sequencing is particularly important. The basic principle to guide sequence decisions: the nature and needs of the respondent must determine the sequence of questions and the organizations of the schedule.”* (C. William Emory, 1985, pp.221).

Further, Emory suggested that how to pay more attention to the question sequence:

- The question process must quickly awaken interest and motivate the respondent to participate in the interview.
- The respondent should not be confronted by early requests for information that might be considered personal or ego threatening.
- The questioning process should begin with simple items and move to the more complex and from general items to the more specific.
- Changes in frame of reference should be minimal and should be clearly pointed out. (C. William Emory, 1985, pp.221).

## 4. Empiric data

In this chapter the collected information is presented. This information will be the basis of the analysis. The chapter also contains information from secondary sources we will put the secondary information in the right context.

### 4.1. *Etteplan Technical System AB*<sup>3</sup>

Employees	111
Turnover	€ 8 532 553
Change in turnover since preceding year	20.50
Profit margin	6.43
Profit	€ 392 446

Source: [www.affarsdata.se](http://www.affarsdata.se)

Etteplan is a technical consultancy firm with regional offices around Sweden. They have 111 employees the year 2004. From 1995 the company name was JA produktutveckling but changed in recent time because of changed ownership. They work as consultant to other companies and help them construct and develop their technical systems.

#### 4.1.1. **Etteplan Technical System AB strategic process**<sup>4</sup>

##### **Environment**

The industry of Etteplan is switching from stable to unstable. The changes in the environment of the company trail the heavy industry trends. This means that when the heavy industry has a low growth it has a noticeable effect on Etteplan. The company however has long time business relationships with the some customers, this lower Etteplans sensitivity for recession in the economy.

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<sup>3</sup> AB equals the English limited type of company

<sup>4</sup> Based on a interview with Mr. Pettersson, Consultant of Etteplan Technical Systems AB



### **Strategy – action and intentions**

The intentions of the strategy can be very general, for example expansion, profit and charge rate goals. These goals can be seen as the overall goals for a period. However they can be sometimes more specific formulated as an action plan for example expand by hiring two more employees or increase profits by working with large enterprises as costumers. Goals can be set by the CEO or on a regional office level. The level of detail to the individual of employee can still seen as fairly general. The goals are also differing between levels in the hierarchy of the company. In the highest level of the hierarchy are they not concerned with the number of employees the company has. For them the focus is the size of the profit margin. In lower levels this has to be made more concrete and thus on a regional/local level it can be decided that to reach the profit margin they have to employ more personal. The lower you get in the company the goals will be more specific.

The intentions are spread by continuous information and continuous meetings. The meetings and information is a way to not only spread the strategic intentions but also a way to discuss them. This information flow and meetings combined with the informal communication makes the intentions of the strategy well spread in the organization. This is of course helped by the small company mentality that is imbedded the company. Informal structure is a natural part of any organisations with Etteplan being no exception.

The detailed action plans can be changed over a longer time period. The changes can come from a change in the external environment, for example a recession in the economy or directly by changes in the customer base of the company. The specific actions plans can also be changed but the general goals like the profit goal can be completed by other actions then the action that are specified in the more detailed strategy. For example the profit goals should be reaching by large costumers if this

isn't possible the goal can be reached by many small customers. The goals are completed but sometimes the goals are completed in different way from the original strategy. The new way doesn't always have to be something planned but rather depend on changing factors that makes the original strategy impossible to follow.

Goals Annually:

- 7 million SEK profit (€ 0.75 million)
- 71% Contribution margin
- Expansion by new employees

#### **4.2. Mischel Internet Security AB**

Employees	1
Turnover	N/A
Change in turnover since preceding year	N/A
Profit margin	N/A
Profit	N/A

Source: [www.affarsdata.se](http://www.affarsdata.se)

Mischel Internet Security was created in a dorm room three years ago by the founder Mr. Mischel. Mischel Internet Security is a company that develops and sells software. This small IT-company is just a few years old. The company has at this day two software products – TrojanHunter™ and Autostart explorer. It is a young company only active for a few years but have a customer base of 15 thousand.

## **Mischel Internet Security strategic process<sup>5</sup>**

### **Environment**

The environment of the company is stable, companies know who the competitors in the business are and then they can take some action from this knowledge. In recent times one major competitor went out of business which has created a more unstable environment. Since this Mischel Internet Security has anti-trojan software as one of the products it's more important to work with constructing good security then to market the products.

### **Strategy and intentions**

The company strategy is based on a sort of "take it as it comes" thinking. There is however some long term goals of the company. These consist of expansion and growth of the company. The way the company should achieve the goal of expansion and growth has been split up in different areas where the company can improve. One of the planned ways is the build up a formal marketing plan, business plan and start to work harder with the marketing. One other way of expanding the operations is to employ one more person to the company. Since one of the competitors of the company just went out of business there is a possibility to employ a person with long experience in the industry. There is however issues with the person the company wants to hire and there isn't a direct action plan for what to do if this person for some reason can't be hired. Mischel Internet security also wants to change their sales system, from one time purchases to subscription this is to generate better cash flow and higher revenue. One example shows that this kind of spontaneity is how the company went from an individual company to a joint-stock company; this wasn't planned there were some action in the industry that made the CEO aware of that this then current form of the company wasn't the optimal

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<sup>5</sup> Based on a interview Mr. Mischel, CEO of Mischel Internet Security AB

one. This change wasn't planned but it the changed felt necessary when there were complications with other another company.

It's also important for the company not to build up a structured plan, the desire is rather to be flexible and so that the company can adjust the changes. Since this is currently a one-person company the strategic processes are formed in the head of the CEO. So there can be rapid changes in the strategy very fast, and of course the spreading of strategy in the company is instant. However as said above there are some plans for making this more formal and put it on paper. This also allows a better follow up on what the company has achieved in and how the progress for the goals is made.

There is however some plans that are not that spontaneous and are executed accordingly. Like the goal of building up a marketing plan, this is achieved by education that takes a couple of months. After these studies are done the market plan will be formulated from analysis that the company now are able to do. This will allows the company to get a good marketing campaign that should lead to increased income for the company. This is an example of the consistency of actions that exists in the company.

### **4.3. MathCore Engineering AB**

Employees	8
Turnover	€ 719 361
Change in turnover since preceding year	1114.41
Profit margin	0.62
Profit	€ 851

Source: www.affarsdata.se

MathCore Engineering AB is a company that offers software, customization and consulting in model and simulations of dynamic system. They also offer code optimization-, modelling- and simulations programmes to make it cost-efficient to develop and maintain technical products and applications.

#### **4.3.1. MathCore Engineering AB Strategic processes <sup>6</sup>**

##### **Environment**

The environment of MathCore Engineering is typical of the IT-industry. Fast changing and adapting.

##### **Strategy and intentions**

The goals of the company are to increase the number of customers in the consultancy part of business. Besides that they will start to work on a new version of their product MatchModelica by finding customers whom are willing to finance the development. Reasons for these goals were to make the company less dependent on one single big client and at the same time get a product that is better adapted to a mass-market. They created this strategy by under the supervision of the CEO develop a business plan together with the employees. The strategy was spread through the organization by continuous updates and the possibility to contribute to the business plan. There were also several seminars to inform and discuss the business plan and strategy with the people in the organization.

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<sup>6</sup> Based on a questionnaire with Jan Brugård CEO of MathCore Engineering AB

The plans themselves contain information about releases, target groups for the releases and technical demands release dates, launching plans for the products/versions etc. For the consultancy business the goals are set depending on what customers they are targeting, how many that shall contacts per week and how many offers that should be sent.

During the time they do are following up the plans and the aims, they evaluate why they succeeded and why they failed to reach some of the targets. From this information the plan is updated. Their development is based on a total picture of the system that shall be developed; the system is split into different parts and then the prioritised the parts are worked on. For this the have two-weeks goals that is followed-up and form the basis for the production of the next increments. Because of these factors the way they work towards the goals are changed continuous.

#### **4.4. Kreatel AB**

Employees	36
Turnover	€14 251 276
Change in turnover since preceding year	-11.73
Profit margin	-0.95
Profit	€ -322 978

Source: [www.affarsdata.se](http://www.affarsdata.se)

Kreatel develops and market equipment that makes it possible to connect TV with broadband networks and by doing that getting access to new services where the TV is used as a monitor. This technology is called IPTV. Even tough they are a small company (60 employees) they still compete globally. This is enabled by a big number of strategic networks with big companies like Siemens, Lucent, Ericsson etc. The market

they are active in is predicted by many to become very big. The company's position today is market leader in Europe and one of the biggest in the world.

#### **4.4.1. Kreatel Strategic processes<sup>7</sup>**

##### **Environment**

The environment of the company is very turbulent because it constantly develops. Everything changes all the time. It's a very fast and new market and the technology is not very old.

##### **Strategy and process**

The company has three general goals for 2005: To deliver at least 270,000 units, to make a profit of minimum 15 MSEK (€ 1,6 million) and to take a market share of at least 50% on the prioritized customers which include the big telecom companies. The purpose of these goals is to secure continuous market leadership. The general strategy is to prioritize the customer group that is believed to be the winners in a long time perspective, in other words the (former government owned) telecom operators. Everything else has a lower priority. There are other strategies but this is the most important strategy according to the CEO.

When formulating the strategy in a business plan all the employees are active participants. At this point the plan is rooted in the organization and with each information meeting there continuous referrals to it. The information meeting is held once each month. The specific process of creating the plan is that there are a presentation general thoughts and a SWOT-analysis that the management creates. Based on this there is a workshop about the goals for the company and the units also included is a complementary SWOT-analysis and how this can be realized into activities to insure continuous success. The goals are broken down to become more useful for the

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<sup>7</sup> Based on Questionnaire and telephone interview with Lars Bengtsson, CEO of Kreatel AB

employees at different levels. This is to make the goals something to work against. The goals are broken down even to individuals that are used in the evaluation-meeting (Authors note: Scandinavian-model) to see how the person has developed during the year and how progress should be during the next year. This type of meetings is held once every year.

The general goals and the progress against the goals are measured and reported each month on the information meetings. It's the separate units to the corresponding with the goals that are broken them within the units. There can be changes in the strategy if there is something changing in the environment. One example of this is during the years 2000-2001 when the market was in recession. They company then had to change the strategy because the recession forced them fire some employees which lead to changes in the strategy. One other change in the company's strategy was when one of their strategic alliance partners got a partnership with another company. This changed the whole relationship between them. The consequences of this were that Kreatel AB ended relations with them and started a partnership with Siemens.



## 5. Analysis

In this part the analysis is done by connecting the empirical data with the frame of references. This chapter is comparing the Mintzberg & Waters (1985) model to see if that model can be used to explain the processes of the companies.

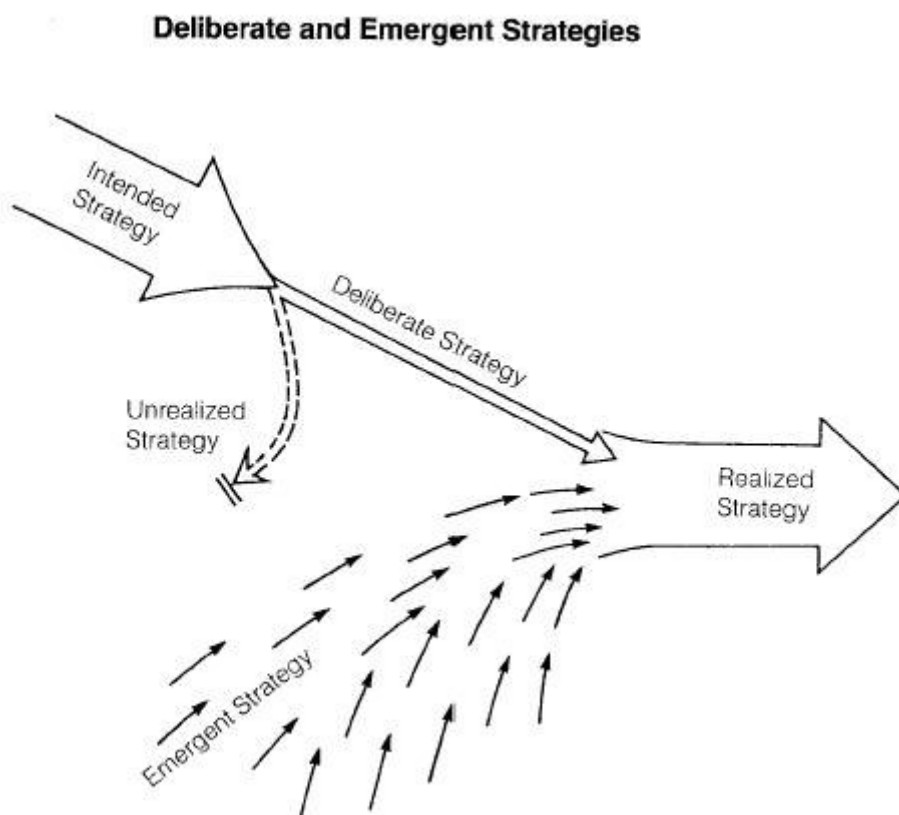


Figure 16: Deliberate and Emergent Strategies by Mintzberg & Waters (1985)

This is the model that is the basis for analysis; this model should be able to explain the process in the IT-SME. The analysis will also be based on the eight different strategies that Mintzberg & Waters (1985) presents. These contain more specific issues than the general model and can thus explain some of the specific details. With the eight strategic types we can put the processes in context with help of the increased details and different style and they also explain more what is emergent and intended in different types of

strategies. In the analysis we are not mentioning all the eight types of strategies because some of them are not relevant for our four companies. This also gives the reader a highlighting of what is important in the empiric data.

#### The planned strategy

The planned strategy is described as a strategy that has very little emergent strategy in the realized strategy. In the companies taking part in this study we wouldn't characterised as the planned strategy since we argue that they have more emergent then describe for the planned strategy by Mintzberg & Waters (1985). However in all of the four companies there were some ideas that went from detailed intentions into realized strategy. Also the planned strategy is something that sometimes during the gathering of empiric material that initially they saw their process as planned but during the course of the discussion. We couldn't place any company in this type of strategy because of their environment. Mintzberg & Waters (1985) presume that for an extreme type of intended strategy is to be realized without any unrealized or emergent strategy the environment has to be completely stable or completely predictable. This is not the case with our four investigated companies.

#### The entrepreneurial strategy

The entrepreneurial strategy has less need for intentions then the planned strategy. The Mischel Internet Security has similarities with this type of strategy. Since it's a one person company it's very easy for him to change the vision of the company. Mr Mischel can also, as stated by Mintzberg & Waters, place the company where he wants in the world. Because it's a one person company Mr Mischel has total control over what the company should do, but it also causes some analysis problem since the strategic process is located inside It's however clear that Mr Mischel has intention for the future but they are not in detail. This is the one thing that makes it hard to put characterize the company as a purely entrepreneurial company but there are some clear similarities. We would like

to highlight three different situations which a part of the analysis of Mischel Internet Security is based on.

### **The hiring of another employee**

This plan was created when the competitor went out of business, there was no plan to hire another one until this situation was created and some contact between the company and the potential employee was started. Thus this was not intended in the strategy but rather emergent. Then this emergent strategy was formulated and more increased in detail.

### **Change to a stock company**

This was not planned or intended in the strategy but the conflict arising with another company made Mischel realize that there were a lot of risks when being personal responsible for the economy and legal aspects of everything that the company did. If this situation hadn't come up there wouldn't been this transformation. Without intentions before this would classified as an emergent strategy and not an intended strategy.

### **The creation of a business plan**

To create a business plan is prepared by education with clear intention behind it. Applying to the course and taking it, to formulate a written down business plan and marketing plan. This has intention behind it and if this is the how it will be completed this can be seen an intended strategy becoming a realized strategy.

Given the three examples of two being emergent and one being intended this shows that when there strategy from one person there is hard to prove what are intended and what is emergent since it all takes place in his head. If Mischel Internet Security succeeds with creating a marketing- and business plan this will show the intentions and what has emerged in the area of strategy more clearly then today.

## The umbrella strategy

The umbrella type of strategy is also one of the most common according to Mintzberg & Waters (1985). We have also found that two companies have the characteristics of the umbrella strategy. The first and the one discussed above Etteplan and secondly Kreatel AB.

The umbrella strategy is very interesting since it allows some emergent strategies but within a certain boundary. The central leadership controls the boundary of the strategies but people/units/divisions can have emergent strategies evolve in that boundary. Since the detail level of the goals that comes from the central leadership is low this according to the Mintzberg & Waters model lead to increased emergent strategies since if it specified in great detail there cannot be only deliberate strategy. This one can see on Etteplan where the plan was to 7 million SEK (€ 0.75 million) in profit from big company customers, this goal was reached but not from only from the big company customers but from smaller companies that are customers of Etteplan. This can be explained as an emergent strategy, if the local managers don't feel that they can reach the goal as planned they try a different strategy to reach the goal. This is a change in strategy and is affected by the change in environment and different priority/judgement by different people.

There are several similarities with the umbrella strategy; the central leadership set the theme for the strategy but under this theme or "umbrella" they regional offices can act and make changes. To continue the umbrella metaphor, if someone steps out from the umbrella the central leadership has to make a choice. They can force them back under the umbrella with different control programs or they can wait and see. If the central leadership waits and notice a success from the breakaway unit they can move the umbrella. We believe that there can be a similar situation in this case where they still work with smaller companies that are customers even though the theme is to work with

the big company customers. This might also be affected by the small company mentality that exists in the company. This can maybe be seen as they have a preference of working within a small company environment instead of the big companies. The different units' strategy is in its broken down form based on the intentions of the overall strategy. They are reporting how the progress against these general goals is done each month, both from the units and within the units. Within the units the goals are more concrete as in the same way as the in Etteplan Technical System. One difference is that during the design of the business plan every member in to company is involved. So the groups can set their own intended strategies.

One resemblance with the Mintzberg & Waters theory is that central leadership has a choice between letting people go outside the umbrella or keep them under it. In this case the central leadership has chosen to keep people under the umbrella. This is by having the broken down goals for the people and units. The breakdown prevents "emergentness" in the strategy, but according to CEO Bengtsson sometimes there are situation of a clear emergent character happening in the company that affects the strategy. The using of personal meeting to follow up personal goals are not discussed in the theory by Mintzberg & Waters but we see this as an system to control the employees to keep very close to the umbrella. The umbrella strategy can be used to explain some of the things happening in the company but sometimes for example the tight control over the employees might render the umbrella type of thinking a bit useless. There is however evident that there are some actions that don't have any clear intentions and then would be classified as emergent according to Mintzberg & Waters. One of the differences between Etteplan and Kreatel is that Kreatel has a more open attitude towards emergent strategies and Ettepland has as much emergent strategies but the central leadership gives more detailed information that doesn't become realized strategies. The freedom in Kreatel to breakdown their own goals for units and personnel is a way to promote emergent strategies. The partnership change mentioned in the empiric part is harder to classify as if it is emergent or intended. There were intentions

to have a partnership but the intentions might not have been as specific as to which company they would partner up with. The change that leads to these actions could be characterized as environmental. If the company is using the umbrella type of strategy but with tight control in the umbrella we would suspect that this would have been an emergent action since the partnership would have been well defined in the goals and to move away from the original strategy because of an environmental change could be considered emergent.

#### The process strategy

The process strategy is when the central leadership controls the process of making strategy and is not that involved in the content of the strategy. This strategic process is a very good match for MathCore Engineering. In this company the intended strategy is focused on different dates and deadlines when different products/parts of products etc. must be completed. Since they have somewhat central control over what should be a part of the product this company compared with Mintzberg & Waters model would be very much in the intended strategy. They also have meetings each month where they fall back to the original plan to see how the progress is. This means that there are not a lot of emergent strategies that can become realized strategies. However since they don't meet all of the deadlines and sometimes they fail, this would mean that the strategies are not specified but also that the organization isn't able to change very fast from the intended strategy when those fail. But also, in according to Mintzberg & Waters model, are they updating their plan according to the progress, this means that there can be some emergent strategies becoming included.

The process of creating the strategy gives the members of the organization the possibility of influencing the strategy, thus there is a less limited risk of some behaviour that Mintzberg & Waters describe, for example the break-away units to go after their own strategy because they feel that the strategy isn't appropriate for their area. This type of progress would decrease this type of behaviour because they can actively influence the

strategy that they will be working on which is then followed up. Also there are several seminars that functions to inform and get feedback on the strategies.

When the strategy is set there is little change in it and they want the intended strategy to become the realized strategy. The CEO however is the central leadership in this company and is supervising the process and progress of the strategy. This process isn't as open as the "umbrella strategy" of Mintzberg & Waters strategy. But there are tendencies that the central leadership has considerable influence over the strategy with input from the employees. That's why the umbrella strategy isn't really appropriate for this because it's more themed based and not as detailed. Since the central leadership is more in control of the process of making strategy and not in total control of the context of the strategy we search for explanations in the "The process strategy". This would mean that the behaviour would be deliberate in one respect and emergent in others, "Central leadership designs the system that allows others the flexibility to evolve patterns within it" Mintzberg & Waters (1985 p 264). Since this type of strategy can be both emergent and intended in different respect this doesn't really explain a lot of the strategic process in MathCore Engineering

## 6. Conclusion

This chapter are giving the conclusion from we have drawn from the analysis. In this chapter we have some additional thoughts about the research and suggestions about further research.

### ***6.1. Conclusions of the paper***

We choose to classify Etteplans's strategy as an umbrella type of strategy. In this case we also observed emergent strategies since they didn't always follow the intended strategy. In this case we feel that the Mintzberg & Waters (1985) model was very helpful. Not only did it give us useful concepts to discuss Etteplan's strategy process but it also brought the individual strategy process into the discussion. This is also valid for Kreatel that we classified as a company with an umbrella type of company. The difference is that the strategies "under" the umbrella in Kreatel seem to be more controlled and stepping out of the intended strategy is harder. Both company's strategic process have however a stronger focus on goals/results then the processes of reaching them.

Regarding Mischel Internet Security that's a one person company the Mintzberg & Waters (1985) model was more helpful for understanding the process then expected. By including the theory of emergent strategy the strategic process of the company seemed much more logical then otherwise. The difference between intended and emergent strategy in a one-person company isn't as clear as in a bigger organization.

MathCore Engineering wants to make their intended strategy into realized strategy as clean as possible and the central leadership is working to make this happen. MathCore's strategy can be described as a process type of strategy that makes it very difficult to make a difference between intended and emergent strategy. So in this case the



Mintzberg & Waters theory wasn't very useful to in that since. But the classification as process strategy type it becomes easier to understand this situation. So even though intended and emergent strategies can't be separated the process theory gives some insights.

In the introduction part, we have already mentioned that our purpose of this research is to test if Mintzberg & Waters' (1985) is suited with Swedish IT-SMEs. At the beginning, we think that the springboard of the model is based on the big enterprises and on the other hand, it has almost twenty years since this model has been put forward. Comparing with un-premise in electing companies, there are three preconditions (Swedish, IT, SME) will be placed in testing this model. Particularly, as a new-style industry in latest twenty years, IT industry companies has an outstanding fast evolvement of process in strategy. In this case, we doubt Mintzberg & Waters (1985) model is still suitable for Swedish IT-SME. On the contrary, after studying deeply from the strategy process of four cases, we really confirm that Mintzberg & Waters' (1985) model and theory can still suit with Swedish IT-SMEs to explain their strategy process.

In our research, Mintzberg & Waters (1985 pp 257-258) model be tested from the following procedure: we focused in getting data from the investigated companies to see if the data reveals that the intended strategy is completely accord with the realized strategy, in that case, there is no distinguish between deliberate strategy and emergent strategy, then we can say that the model of Mintzberg & Waters (1985 pp 257-258) is failed when it suits with Swedish IT-SME. We wanted to see if we can use the eight kinds of strategies which be listed by Mintzberg & Waters to explain the strategy process of Swedish IT-SME. As a matter of fact, the results of the tests are all testify that Mintzberg & Waters is right though we set three premises to test it.

According to Karl Popper, people have to continuous try to falsify a hypotheses and each time you fail to do this the hypotheses or theories become stronger. If you succeed

in falsifying the hypotheses it can be rejected as false and a new and better one will have to be created from the outcome of all these tests. Molander, (2003, pp 181-189). So from this point, we can say after getting the result that Mintzberg & Waters' (1985) model is suited with Swedish IT-SME, the model itself becomes stronger.

## **6.2. Further study**

Even if Mintzberg & Waters' (1985) model still can explain the strategy process of Swedish IT-SMEs, we still think there are some places we can improve about the issue of strategy process. As we had mentioned, there are some limitations in our research. For example, the limitation of research time and geographic location of the companies we choose. Thus, we think it could be interesting for us and for other researchers to test model with the different geographic location of companies or in the condition of different premises. After all, Mintzberg & Waters' (1985) model has been put forward almost twenty years and furthermore, its standpoint is mostly based on the big enterprises.

Another intriguing direction of future study emerges from our work. In our paper, we had already listed three strategy process models. And in these three models, there are some multi-level factors, such as External environment, budgeting, and emergent strategy. When considering the characteristic of Swedish IT-SME and the multi-level factors of the strategy process, maybe we can combine these three models' factors into an integrated model to describe detailed process of strategy in Swedish IT-SME. We believe that through reading our paper; maybe the readers can be aroused more interest to do some further researches about strategy process itself.

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