1. Exploring Strategy Process: An Introduction

At first sight, strategic management seems to be a discipline that is easy to comprehend, easy to conduct, and easy to research. It focuses on the explanation of a single phenomenon: the sustainable, above average performance of firms. This phenomenon, frequently used as the dependent variable in theoretical and empirical studies, can be considered the “Holy Grail” of the discipline. Academics, managers and consultants try to explain its sources, disentangle its causal linkages, or just bring it into being.

A second look at the field, however, reveals a different picture. The quest for sustainable, above average performance is arduous, filled with numerous concepts, divergent language games, theoretical and methodological challenges. Available theoretical perspectives range from agency theory, transaction costs, industrial economics, game theory, resource- capability- and knowledge-based views to contingency theory, network theory, organizational ecology, institutional theory, resource dependence, social psychology – just to mention the most crucial ones. These perspectives contain a unique set of terminology and concepts that can be used to explain the variance of the performance variable (e.g., entry/exit barriers of industrial economics or weak/strong ties of network theory). They are applied to research performance-related topics on the functional, business, corporate, and network levels, such as management processes, corporate governance, entrepreneurial, competitive, corporate, cooperative, and international strategies.

1.1 Strategy Content and Process

In this vast and expanding territory, there seems to be some agreement that the search for answers has to be conducted within the fields of strategy content and process (Ketchen, Thomas, & McDaniel, 1996; Pettigrew, 1992a; Pettigrew, Thomas, & Whittington, 2002). These fields have helped shape the development of the strategic management discipline over its 40 years of existence. Introduced by Chandler (1962), Ansoff (1965), and Andrews (1971), the distinction between content and process research represents a leading division of the discipline, with far-reaching implications until today.

Several proposals have been made to capture the defining characteristics of these fields. Huff and Reger (1987) regard content research as focused on the subject of the strategic decision itself (e.g., merger, acquisition, or product/market differentiation). Content research is concerned with the particular topics of strategic decisions and examines their links with performance variables. Process research deals primarily with the actions that lead to and support strategy (e.g., planning methods, setting agendas, and considering the impact of individuals, groups, and structures). It is concerned with the unfolding of strategic decisions in terms of actions taken.

For Chakravarthy and Doz (1992), content research is exclusively preoccupied with what strategic positions of the firm lead to optimal performance under varying environmental contexts, while process research is concerned with how a firm's administrative systems and decision processes influence its strategic positions. Process studies examine how effective strategies are shaped, validated, and efficiently implemented within the firm. Although both fields are linked to performance, Chakravarthy and Doz see three major differences. First, content research addresses the scope of the firm and competition within individual markets, whereas process research describes how firms achieve and maintain such positioning through both deliberate and trial-and-error actions. Second, the disciplinary bases differ. Process research builds upon a broader discipline base (e.g., theories of rational and bounded rational behavior as well as other forms of rationality), while content research is mostly committed to a rational decision-making approach. Further, content research operates on the macro-level (e.g., the interaction between firms and their environments), and process research on the micro-level (e.g., the behavior of individuals, groups, or other actors within the organization). Third, process research requires an opening of the black box, called firm. This is often done by detailed, longitudinal fieldwork, as secondary data are not able to shed sufficient light on the events under observation.

For Pettigrew and Whipp (1991), strategy process research is a distinct scientific undertaking, characterized by a certain set of assumptions and is best conducted by studies that are organized around six guiding principles:

- embeddedness (studying processes across a number of levels of analysis)

- temporal interconnectedness (studying processes in the past, present, and future)
- explaining context and action
- searching for holistic rather than linear explanations
- linking analysis to the location and explanation of outcome
- balancing scientific distance and empirical closeness

By doing so, Pettigrew and Whipp (1991) make strong demands on process research and implicitly reject studies that focus on only one level of analysis, examine processes at a certain point in time, or employ linear causal relationships. However, as we will see, most strategy process studies generate valuable insights and question thereby the validity of these principles. For example, studies on the behavior of top managers (a single unit of analysis) have significantly advanced our understanding of the processes of strategy formation. Also, studies that either focus on actions or on contextual influences have provided us with important insights regarding each dimension. Thus, these principles represent just a specific understanding of strategy process research.

Although there is no commonly shared definition, we propose a wider, less restrictive understanding of strategy process research. We argue that the existing field can best be captured and defined by *four characteristics*: First, analogous to content research, strategy process research deals with the phenomenon of sustainable, above average performance of firms. Why are some firms able to achieve this, while others are not? However, contrary to content research, process research does not explain this phenomenon with the quality of the chosen strategy, but argues with differences in the process of strategy formation. Consequently, it is interested in all *factors that significantly impact the actual formation of strategies* in organizational units (on the functional, business, corporate, and network levels). Process research is about the "becoming" and not the "being" of strategy; the "how" as opposed to the "what." Consequently, the constructs it employs have to be able to describe and capture phenomena related to the formation of strategies. An example is research regarding the optimal degree of consensus among managers and its relation to strategic choices; or research regarding the optimal degree of comprehensiveness in strategic planning. All constructs that are assumed to significantly influence this process are worthwhile to be explored. On the other hand, phenomena that do not capture aspects of the formation process belong to other streams of research (e.g., research regarding the advantages of complementary assets in alliances belongs in the strategy content field).

Second, strategy process research uses a *behavioral approach* to understand actual strategy formation patterns by examining the behavior and interactions of individual and collective actors. Consequently, behavioral theories dominate the field. From the beginning of process research, a wide set of theories have been employed, stimulating the progress of the field. While these theories compete with each other and encompass issues of politics, learning, or behavioral economics, so far no one theory has been dominant, and it is quite unlikely that this will ever be the case. On the contrary, theories seem to be process-specific. For example, political theories are better equipped to examine phenomena such as coalition-building or conflict resolution among organizational members, while learning theories are preferable with regard to issues of information processing or knowledge accumulation.

Third, strategy process investigates *phenomena within organizational units*. Environmental influences are considered only in terms of the consequences they have for intra-organizational events. Thus, it takes a *micro* as opposed to a macro approach. An example of process research is examining how firms interpret environmental shifts and why they decide to change their product portfolios, because such research focuses on phenomena unfolding within that organizational unit. Content research that is even dynamic in nature (e.g., examining time series data on changes in product portfolios and their impact on performance measures) is not considered process research as it does not explain why these changes occurred and what triggered them. Thus, the use of longitudinal data is not a decisive element for the distinction of process and content research. Both fields of research employ both cross-sectional and longitudinal information in their studies. However, the phenomena that they explore vary, with process research concentrating on behavioral, micro-level events within organizational units and content research focusing on macro-level events between firms and their environments.

Fourth, to qualify as "strategic," process research needs to be related to *strategy-relevant outcomes*. Otherwise, it becomes pure "process" research, unable to explain strategy formation. Although each study does not have to be directly linked to firm performance as the ultimate outcome, intermediate outcomes, such as the successful or unsuccessful realization of a low-cost business strategy or the emergence of a capability, have to be employed to justify the notion of “strategic.” Strategy process scholars examine how variation in strategic processes is related to variation in firm performance. For example, does decision speed account for performance differences among firms? If so, is fast decision speed more beneficial in rapidly changing industries or in more stable ones? Also, such an approach has the advantage that clear implications for managerial practice can be derived, as causal relationships among process constructs (such as decision speed) and performance outcomes are explored and clarified.

1.2 Balancing the Discipline

Although both process and content research are assumed to be relevant for the explanation of firm performance, there is little doubt that strategic management research has focused mainly on the content side, both in volume as well as in significance. The neglect of process issues becomes exemplary visible in some recent synthetic reviews of the discipline, where a content view seems to dominate the overall picture (see Hitt, Gimeno, & Hoskisson, 1998; Hoskisson, Hitt, Wan, & Yin, 1999). Scholars such as Pettigrew et al. complain that ”even harder to understand is the complete disregard of Mintzberg’s alternative view of strategy … and the entire field of strategy process and change research.” (2002: 8).

There are at least three reasons for this awkward situation. First, beginning in the 1980s, the influx of economic theory and, especially, the theoretical apparatus of industrial organization shifted the field towards an examination of industry structure and the behavior of firms within that structure (Rumelt, Schendel, & Teece, 1991, 1994). This macro-level explanation of performance crowded out the previous micro-level, general management tradition of the Harvard Business School. More analytical and sharper models were designed, and new concepts, such as market concentration and buyers’ power, were used. Process-oriented work was marginalized due to the preference of most strategy scholars for economic theorizing.
Second, the close relationship to economic theory impacted the publication of research deviating from mainstream work. The beliefs, preferences, and experiences of scholars who serve on journal editorial boards function as gatekeepers for the publication of scholarly work, prolonging and extending established research paths. New topics, theories, and meth-

ods struggle for acceptance from relatively weak positions. As Canella and Paetzold point out, ”Science is not a magnificent march toward absolute truth, but a social struggle amongst the scholars of the profession to construct truth.” (1994: 332). Thus, path-dependency, reality construction, and the accompanying struggle for influence and power seem to be not only phenomena found in the objects of strategic management research, but also in the research itself.

Finally, there are also methodological issues to be considered. Empirical process research can be a chaotic, knotty endeavor; often the researcher becomes deeply and personally involved with study participants. Publicly obtainable, secondary databases are generally unavailable; process data have to be gathered in a time-consuming manner. As publication pressures play significant roles in the practice of the field (especially for tenure-track scholars), it is risky to be engaged in research projects with a long period of ”time to market.” Further, as long as quantitative methods dominate, process research (historically more qualitative) will encounter problems finding acceptance.

There are, however, at least four reasons why a continued imbalance of the discipline towards the content side is unsatisfactory: First, the position of a firm at one point in time is like one frame of a movie. It offers only limited insight and leaves important issues in the dark. Imagine that a person is shown one frame of a 90-minute movie and how little this person knows about the movie. Academics, practitioners, and consultants often appear to agree about whether a firm is strong or weak at a certain point in time, while there is generally much less agreement on how a firm evolved over time. While we can judge favorable and unfavorable positions, our knowledge about the processes that lead to these positions is much more limited and shallow.

Second, due to the macro-level approach of most strategic management research, micro-level events of organizations are often neglected. The micro-level interplay of individuals, organizational structures, and routines in the form of decisions and actions, however, basically drives macro-level events. If these processes, internal to the organization, are not understood properly, a distorted picture emerges that does not reflect where, why, and how a certain position evolves. Sometimes this picture is misleading, as in the well-known case of Honda.

A major consulting firm first described Honda's entry in the U.S. motorcycle market as having a deliberate strategy, aimed at harnessing the benefits of the experience curve and targeting the segment of low income earners who demanded small motorbikes. However, subsequent, detailed investigation revealed the failure of the initial strategy and the resulting frustration, incremental adaptation, muddling through, and, finally, some luck and success (Pascale, 1984). Thus, to have knowledge of only the surface at only one point in time is not sufficient for an adequate understanding of the causal mechanisms of the observed phenomenon – not to mention the ability to give normative recommendations to students and managers.

Third, if there is truth to the widely held perception that the degree to which markets, technologies, customers, and competitors change is currently already quite high and rising, then favorable positions might be phenomena lasting for only short periods of time (Brown & Eisenhardt, 1997). What is thought to be an eminent example of excellent strategic management might quickly become a new case study of corporate rise and fall (e.g., the Internet "bubble"). As a consequence, "strategizing" (thinking and acting strategically) has to transform itself into an ongoing quest for new locations and the accompanying renewal of resources and capabilities. In such a scenario, the processes that lead an organization successfully from one position to another are steadily gaining importance.

Fourth, these shifts and transformations represent serious challenges for firms that many are not able to meet. There are only a few firms still competing in the marketplace that are over 100 years old. The average life span of firms has been decreasing recently, more evidence that the strategic processes leading firms from one position to another are difficult to manage, guide, and shape (Barnett & Burgelman, 1996; Baum & Dobbin, 2000; Hannah, 1999). The well-known phenomenon of organizational inertia is often a powerful impediment to needed changes (Huff, Huff, & Thomas, 1992).

When sustainable, above average performance is a function of both content (where to go) and process (how to get there), the discipline of strategic management needs to balance its efforts and to avoid emphasizing the one to the expense of the other. It is therefore encouraging that over the past few years we have experienced a renewed interest in strategy process research. For example, within the Strategic Management Society, a Strategy Process Interest

Group was established to offer a platform for interested scholars as well as to foster research projects. In 2001, the first mini-conference was held at the University of St. Gallen, which was followed by a second conference at the University of Connecticut, and another conference at Insead. In the meantime, specific sessions are scheduled at the annual Academy of Management Meetings and the Strategic Management Conferences. These are positive signals, but a large amount of work remains to be done, both in connecting and coordinating the field, as well as in increasing its prominence.

1.3 Crossing Boundaries

In addition to balancing the efforts of the strategic community, there is a second direction in which the discipline might evolve. It is found in the attempt to cross the boundaries between process and content in the search for cross-fertilization and integrative views. On the one side, the distinction between process and content has turned out to be meaningful. Various new research streams have emerged and fostered wide-ranging empirical, as well as theory building, activities (Chakravarthy, Mueller-Stewens, Lorange, & Lechner, 2002). Subdividing fields of research allows for intense classification of the single pieces and the unfolding accumulation of knowledge. Without meaningful classification, research is unlikely to unfold.

On the other side, the distinction between process and content has also attracted strong criticism. Its usefulness is considered doubtful and to some researchers even counter-productive and a hindrance to the further development of the discipline (Huff & Reger, 1987; Ketchen, et al., 1996; Pettigrew, 1992a; Schendel, 1992). The main point of the critique of the process/content distinction is the artificial separation of interlinked elements. Can each field really stand alone without referring to the other? Seen from the process side, is it reasonable to discern ”well conducted” from ”badly conducted” processes if the content is not considered and firms are forced to arrive just by luck at either a favorable or unfavorable position? Does not process research require a well-grounded understanding of content issues, if it wants to be of relevance? Or, seen from the content side, is it possible to gain an excellent strategic position without knowledge of behavioral and administrative processes to shape and implement this strategy? Does not content research require insights from the process side, if it wants to explain how this excellent position can be reached? Process seems to affect content and content seems to affect process. If boundaries between fields are no longer distinct or if the areas have become so particularized that cross-fertilization and innovative dialogue are no longer possible, then classification schemes risk being progress-impeding legacies of the past.

However, building crossroads from one field to another is a difficult process. To create such crossroads, the examining scholar must have equal depth and fluency in both fields. Integrated views are only as strong as their weakest link. We have to search carefully for ways to achieve some added value without neglecting the peculiarities of each field.

One approach is to supplement studies on the macro-level with studies on the micro-level, and vice versa. Research on both levels, although perhaps time-consuming, broadens and sharpens the view of how the two levels interact. Another approach is to focus on ”hybrid” research questions. These questions stretch from one field to another, blend components of both, and are therefore of overarching interest. For example, one might consider the different processes employed in the generation of cost leadership strategies. What are they? Which are more effective than others? In which situations does each function? Such questions would start out on the content side (cost leadership strategy) and expand into the process side (examining the processes shaping cost leadership strategies). Or in reverse, one might examine the impact of divergent belief structures within firms to predict which strategic position is likely to be chosen. Here, research would start out on the process side (belief structures) and expand into the content side (strategic position). For example, Noda and Bower (1996) choose such an approach in their study of iterated processes of resource allocation. They raise the question of why two mainly identical corporations choose different strategies for the development of a new business unit. The answer lies in varying internal process patterns of interaction and their specific context. Thus, hybrid research questions must be framed as meaningful for both content and process, without neglecting and abandoning their home base. If most process investigations were consequently tied to content relevant outcomes, as discussed, then a major step would have been taken.