Rotterdam School of Management – Erasmus University

How management innovation reduces role conflicts and fosters strategic renewal

- A case study in the logistics services industry -

Master Thesis
Master of Science in Business Administration (MScBA)
Major Strategic Management

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Preface

"What's missing isn't the ideas... it's the will to execute them."

-Seth Godin-

This master thesis is the final piece of work leading to the graduation of my Master of Science in Business Administration study at the Rotterdam School of Management - Erasmus University. Many interesting subjects were part of the program. This included Strategic Management, Operational Excellence and Management of Change, and as highlight the International Project with a visit to the Stephen M. Ross School of Business – University of Michigan, Ann Arbor (USA).

Over the past years I have noticed several times, and within several companies, that conflicts arose between different departments of the company which ultimately have the same goal, i.e. delivering a service or product to the organization's customer. I have seen that a lot of energy was lost in those conflicts and that this energy could not be used to deliver that service or product to the customer.

During the classes about management innovation in the third semester I wondered how and if management innovation could solve this situation and how it could help organizations to improve their performance. During that period I discussed this matter with several people and soon learnt that this phenomenon not only existed in the industry where I worked but was also observed in a.o. the petrochemical industry, on a container terminal and in the construction industry, I therefore suppose it is not company or industry-related but a much more commonly seen phenomenon. Some initial discussions with Professor Van den Bosch resulted in more detailed ideas about potential thesis subjects and finally led to the subject of this thesis.

I furthermore want to use this preface to express my gratitude to some people. A first word of thank to my coach prof. dr. ing. Frans A.J. van den Bosch for being objective, critical, patient but always supportive in a constructive way. This was important in reaching the final result of this thesis. Dr. Frits van Engeldorp Gastelaars thank you for being my co-reader. Open and honest cooperation of interviewees is of utmost importance in conducting qualitative research, therefore also a special thank you to all of you who made time available for the interviews and other ways to assist me in gathering rich and validated data. It has been very interesting talking with all of you and gathering so much interesting data and knowledge.

Writing a master thesis is a challenging process. The combination of work, study and private life was not always easy. Therefore also a special thank you to my employer and colleagues for their support and allowing me to spend considerable time on this project. Last, but definitely not least a special thank you to Naomi for her support and understanding over the last two year. This support was crucial in the successful completion of this study.

George Smallenbroek
Breda, October 2011.

Executive summary

Management Innovation is a rather new subject in academic research and has two main streams: “new to the state of the art” i.e. management innovations new to the world, and “new to the firm” i.e. management innovations that were already invented and implemented before in other settings but are new to the firm implementing them. Management innovation is about the introduction and implementation of a new management practice, process or principle intended to enhance firm performance. The literature however hardly provides information about the effects of management innovation on firm performance and suggests further research into this subject. Strategic renewal is a relatively under researched subject which started to receive more attention of the academic world over the last years. Strategic renewal deals with the context, process, content and outcome of refreshment or replacement of attributes of an organization to have the potential to substantially affect its long-term prospects. Especially the outcome is of particular interest as it implies an effect on firm performance. Theory suggests that role conflicts create distress for the persons experiencing it and have the potential to disrupt operational processes, such as strategic renewal. This study therefore investigates the influences of management innovation on role conflicts and their effect on strategic renewal with the aim to increase firm performance. The following main research question is the focus of this study: *How can management innovation reduce role conflicts and therewith foster strategic renewal leading to increased firm performance?*

The study aims to gain rich empirical and theoretical understanding of the object under study. The first part of this thesis describes the review of the literature about the main constructs management innovation, strategic renewal and role conflicts. In the conclusion of this part three propositions and an initial conceptual framework are developed. In the second part these propositions are empirically tested. To gain rich empirical understanding a case study approach based on qualitative principles was used so the phenomena under study could be observed in their natural setting.

The main findings of the study are that (i) not properly implemented parts of a company’s management model (a) foster the development of role conflicts in strategic renewal actions and management innovations, (b) have a negative effect on the outcome of strategic renewal actions, and (ii) role conflicts occurring in the process of a strategic renewal action have a negative effect on the outcome of the renewal action. This study contributes to the literature by providing another lens to the research in strategic renewal through the combination with management innovation and provides valuable insights in the effects of management innovation on firm performance. Furthermore interesting insights into the negative effects of role conflicts on the outcome of strategic renewal are gained. On a more practical level it provides interesting insights for managers with the intention to innovate their management model. The case provides evidence that lack of supportive aspects of the management model, i.e. coordination of activities and target setting etc., have a negative effect on the implementation of new (management) processes. Thus managers who intend to implement new (management) processes should also pay attention to underlying aspects of the management model.

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1. Introduction

This chapter first describes the motivation for the subject under study based on the available literature leading to the main research question. It follows with the purpose and relevance of this paper and ends with a short description of the structure of the paper.

1.1 Motivation

Innovation is a subject that has received a lot of attention in the academic world. This attention was mainly focused on technological, process, service and strategic innovation (Hamel, 2011, 2007; Crossan and Apaydin, 2010). Management Innovation however is a relative under-researched form of innovation (Birkinshaw, Hamel and Mol, 2009) but is at the top of the hierarchy and can provide organizations long term competitive advantage (Hamel, 2011, 2007). In the management innovation literature most attention goes to innovations “new to the state of the art” or new to the world. Examples of these are for example the moving assembly line which was implemented at Ford and six sigma by Motorola as referred to by Van den Bosch (2008). Innovations “new to the firm” are however considered to be of equal importance for the strategic renewal and improvement of competitiveness (Van den Bosch, 2008). Management innovation addresses what managers do and how they do it, and does so in a way that enhances organizational performance (Vaccaro, 2010; Hamel, 2007; Hamel, 2006). The process of management innovation and its facets are relatively well described in the theory, its effects on organizational performance however is still under researched and thus provides the first gap in the literature (Vaccaro, 2010).

Strategic renewal is a term that rarely defined and mostly highlights the process of change (Agarwal and Helfat, 2009). Several dimensions of strategic are defined in the literature but only in 2009 Agarwal and Helfat considered the outcome dimension to be of importance as they claimed that it only makes sense if a renewal action also contributes to an improvement. The outcome of strategic renewal, its effect on organizational performance, is relatively under researched and thus provides a second gap in the literature.

Floyd and Lane (2000) discuss role conflicts in the process of strategic renewal. Their contribution is about role conflicts that can develop in the process of strategic renewal and where in the process they develop. They argue that the implementation of organizational control mechanisms can reduce role conflicts. What Floyd and Lane (2000) call organizational controls are comparable to the aspects of management practices as discussed in the management innovation literature. Floyd and Lane (2000) do not discuss the effects of role conflicts on strategic renewal which provides a third gap in the literature.

This thesis responds to the call for further research to examine the effects of management innovation on firm performance (Vaccaro, 2010), (in this case by means of strategic renewal). It furthermore responds to the call to provide new lenses to the research of strategic renewal by combining it with management innovation (Agarwal and Helfat, 2009). It contributes to the existing body of knowledge on the possible effects of management innovation on strategic renewal and the effects of management innovation on the reduction of role conflicts in logistic service firms in regulated but dynamic environments.

1.2 Research question

Based on initial literature research the following main research question and corresponding research questions are defined.

Main research question:

How can Management Innovation reduce Role Conflicts in Strategic Renewal and therewith foster Strategic Renewal leading to increased firm performance?

This main research question is divided in the following research questions:

1. Which factors of strategic renewal are negatively affected by role conflicts?
2. How can the implementation of management innovation contribute to the reduction of role conflicts?
3. How can strategic renewal be fostered by means of management innovation?

1.3 Purpose and relevance

The purpose of this master thesis is to contribute to the existing literature on three main aspects, namely: (i) The effects of role conflicts on strategic renewal, (ii) The effects of management innovation on role conflicts, and (iii) The effects of management innovation on strategic renewal.

This thesis responds to several calls for future research as listed in table 1. The main items it responds to are the effects of management innovation on firm performance and the effects of role conflicts on strategic renewal.

Table 1: Scientific contributions

	Contribution	Relation to previous research
1	Understanding of the effects of management innovation on strategic renewal and organizational performance	This study provides another lens - as Agarwal & Helfat (2009) suggest would be beneficial - by combining management innovation and strategic renewal literature. It furthermore responds to the calls of Vaccaro (2011), Birkinshaw et al. (2008) and Volberda & van den Bosch (2005) to investigate the effects of management innovation on organization performance.
2	Increased understanding of the effects of role conflict on strategic renewal	This study provides new insights following on effects of role conflicts raised by Floyd & Lane (2000).

1.4 Structure of this thesis

The structure of this thesis is as follows:

Chapter one starts with the motivation to perform the study and further describes the main research question and the scientific contributions. Chapter two describes the literature review on the three main constructs of this thesis and ends with a discussion of these constructs that result in propositions and a conceptual framework. Chapter three describes the chosen research methodology. Chapter four describes the case study analysis of the empirical data and lists the main findings. In chapter five a discussion of the findings can be found. Based on the findings some propositions are amended and also an amendment to the conceptual framework is provided. Following on that a description of the contributions and limitations of the study and the chapter ends with the conclusions by means of answers to the research questions. A visualization of the structure of this paper can be found in figure 6 in which it is combined with the research approach.

2. Literature review

In this chapter first a review of the literature for the three main constructs in the main research question is described. This is followed by an integrated approach to these constructs leading to the conceptual framework and the development of three propositions regarding the phenomena under study.

2.1 Strategic renewal theory

Strategic renewal is a term that is often discussed but rarely defined. In research referring to strategic renewal the term is frequently used to motivate examples of strategic change, most of them highlighting the process of change (Agarwal and Helfat, 2009). As strategic renewal not only has a process aspect but also an important content aspect, the need to implement both and lack of clarity regarding the term itself Agarwal and Helfat (2009) first developed a working definition for strategic renewal. The following paragraph elaborates further on this.

Before being able to define strategic renewal first both aspects 'strategic' and 'renewal' need to be defined. Strategic is defined as "that what relates to the long-term prospects of the company and has a critical influence on its success of failure". Rumelt, Schenkel and Teece (1994) mention goals, products and services, policies that determine how a firm competes in product markets with regard to rivals, scope and diversity of businesses, organization structure, administrative systems, and policies that define and coordinate work. Items as critical resources (tangible and intangible), capabilities, routines and other processes, and people (individuals and teams) that affect an organization's ability to succeed in the future should also be added to that list (Agarwal and Helfat, 2009). Strategic opportunities for the future depend in important ways on the current state of the organization (Agarwal and Helfat, 2009; Nelson, 1991; Winter, 1987). Renewal is derived from the verb renew as “to make like new.” Synonyms of renew include “to refresh” by restoring strength or animation or “to replace” that which is damaged, decayed, old, or worn out. Clear distinction is made in dictionaries between the verbs “renew” and “change.” Change can include refreshment or replacement, but not need to. For example change might refer to extensions, additions, or deletions without any associated renewal. Thus, renewal is one type of change (Agarwal and Helfat, 2009). Agarwal and Helfat (2009) furthermore explain what it requires for a business organization to refresh or replace. “The relevant aspects subject to refreshment or replacement are the strategic attributes or organizations mentioned earlier, such as goals, products and services, resources and capabilities and the like.” More difficult is the question what it means to refresh or replace such attributes. They make several points: First, refreshment or replacement does not necessarily imply restoration of an attribute to its original state. Second, refreshment or replacement can be partial or full. Third, refreshment or replacement may extend beyond the original attribute in either size or scope of application. Fourth, firms can undertake strategic refreshment through reconfiguration of current attributes, with or without additions or deletions. Fifth, firms may undertake strategic renewal to refresh or replace current organizational attributes that serve a useful function in the present, but may not do so in the future. Finally, strategic renewal often connotes momentum.

Renewal further encompasses process, content and outcomes. The fact that a strategic attribute has been replaced tells us only that it was refreshed or replaced, and that the outcome presumably has a minimal level of functionality. It tells us nothing about its contribution to profitability.

In the present body of knowledge several dimensions are considered to be part of strategic renewal. These are: the context dimension (Volberda, van den Bosch, Flier and Gedajlovic, 2001; Floyd and Lane, 2000), the process dimension (Agarwal and Helfat, 2009; Volberda et al., 2001; Floyd and Lane, 2000), the content dimension (Agarwal and Helfat, 2009; Volberda et al., 2001; Floyd and Lane 2000) and the outcome (Agarwal and Helfat, 2009). Context is about the “where” of the strategy, i.e. the environments in which firms operate and reflects the fact that strategies do not arise from an organizational vacuum. Content is about the “what” of the strategy. Process is about the “how”, “who”, and “when” of the strategy and outcome is about the results of the renewal action, i.e. how well it performs its designed tasks, contribution to profitability and the basis it provides for future growth or development. Based on these characteristics I define strategic renewal as follows:

Strategic renewal includes the context, process, content and outcome of refreshment or replacement of attributes of an organization that have the potential to substantially affect its long-term prospects.

This definition is identical to the definition introduced by Agarwal and Helfat (2009) with the addition of context as referred to by Volberda et al. (2001) and Floyd and Lane (2000).

Internal renewal actions include for example starting new businesses, launching new products, closing offices and reorganizing activities. External actions include mergers, acquisitions, joint ventures and alliances. Exploitation actions are renewal actions that elaborate on the current range of activities and fall within the current geographic scope. Examples of exploitative renewal actions are cost savings, sale of activities and dissolution of product ranges. Exploration actions are renewal actions that add new activities to the current repertoire of the organization or increase the geographic scope. (Volberda et al., 2001).

2.2 Management Innovation theory

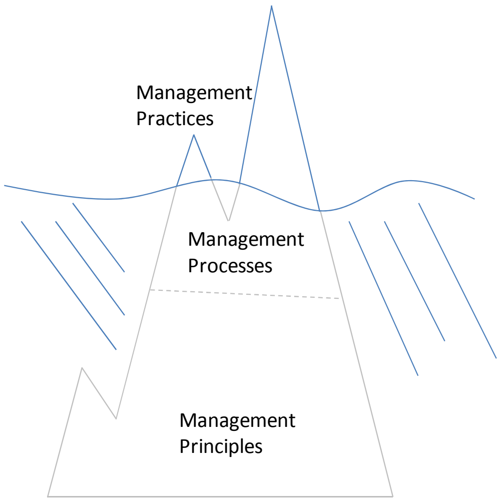
Various aspects of innovation such as technological, process, service and strategic innovation have received attention from the academic world. Management innovation is at the top of the hierarchy; it is the most challenging but creates the most enduring business advantage (Hamel, 2011, 2007). Management innovation however is a relative under-researched form of innovation (Birkinshaw, Hamel and Mol, 2008) and was only first defined in 2008. In its broadest sense management innovation can be defined as “a difference in the form, quality, or state over time of the management activities in an organization, where the change is a novel or unprecedented departure from the past” (Birkinshaw et al., 2008). Management innovation addresses changes in what managers do and how they do it, and does so in a way that enhances organizational performance (Vaccaro, 2010; Hamel, 2007; Hamel, 2006). For management innovation to happen there usually has to be dissatisfaction with the status quo. This dissatisfaction can vary from a.o. a nagging operational problem to a strategic threat to an impending crisis (Birkinshaw & Mol, 2006). Four different perspectives on management innovation can be defined: institutional, fashion, cultural and rational perspective (Birkinshaw et al., 2008). The perspective of this thesis is, in line with Vaccaro (2010) and Birkinshaw et al. (2008), most related to the rational perspective. The rational perspective assumes that new management innovations – new practices, processes or structures – are deliberately introduced by key individuals in order to improve the organization's performance. Furthermore two different points of view are found in the literature namely management innovation as 'new to the state of the art,' which means there is no known precedent and 'new to the organization' which means that the innovation is new to the firm where it is implemented (Vaccaro, 2010; Birkinshaw et al., 2008; van den Bosch, 2008). In line with Vaccaro (2010) and Mol and Birkinshaw (2009) this thesis focuses on the "new to the organization" perspective.

Birkinshaw (2010) introduces the new term Management Model, which essentially is the "how" of the business. He refers to Peter Druckers "theory of the business" and explains that this theory that explains a company's business model only explains half of the story: the answers to the "what" and the "why" of the business. Hence the introduction of the term Management Model which is defined as:

A Management model is the choices made by the executives of a firm regarding how they define objectives, motivate effort, coordinate activities and allocate resources – in other words, how they define how work of management gets done (Birkinshaw, 2010).

Birkinshaw (2010) adds a new dimension to the spectrum of aspects management innovation. Besides management practices and processes he also adds management principles. He applies the iceberg metaphor – figure 1 – to visualize the differences. "Practices are the visible, day-to-day things that people do at work. Processes lie just below the surface of the water, not visible to the casual observer but well understood by the architects of the organization. Principles lie a long way below the surface – no one can see them, and many people don't even know they exist."

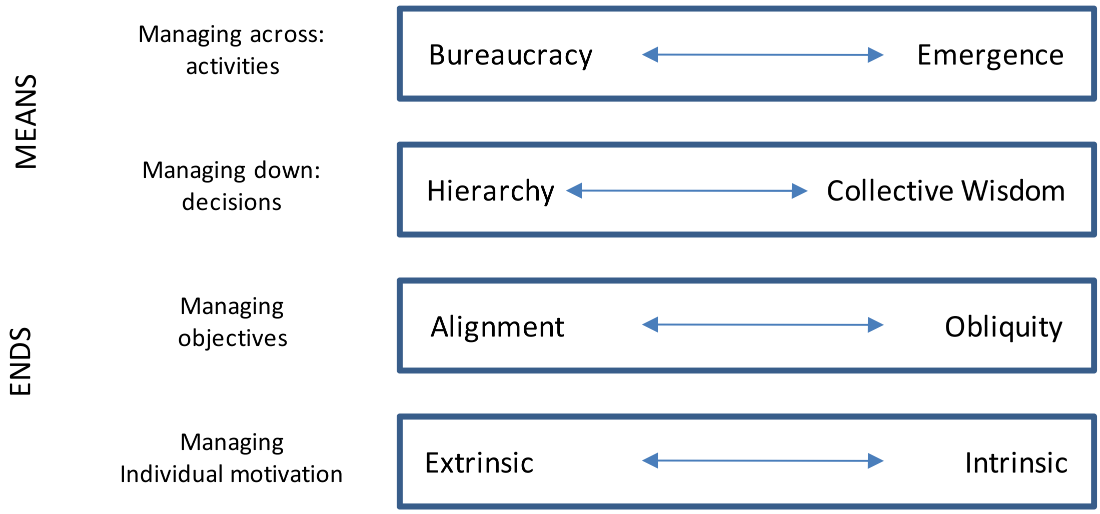
Figure 1: The Iceberg metaphor – Management practices, processes and principles



Source: own creation based on Birkinshaw (2010)

Management practices are what managers do as part of their day-to-day job including setting objectives and associated procedures, arranging tasks and functions and developing talent (Vaccaro, 2010; Mol & Birkinshaw, 2009; Birkinshaw et al., 2008; Hamel, 2007). Management processes link the practices together and are the routines that govern the work of managers, drawing from abstract ideas and turning them into actionable tools, which typically include strategic planning, project management, new product development process and performance assessment (Vaccaro, 2010; Birkinshaw, 2010; Birkinshaw et al., 2008, Hamel, 2007). “They are the ‘gears’ that turn management principles into everyday practice” (Hamel, 2007). Management principles are assumptions or beliefs about the way something works or should work, they form the basis for the processes and practices – the managerial DNA (Birkinshaw, 2010; Hamel, 2007). “Management principles are often subconsciously held and rarely challenged. But they are also virtually important because they shape the management processes and practices that are used on a daily basis.” Visible practices of management do not change easily, therefore the awareness of management principles and how they affect the practices and processes should be increased (Birkinshaw, 2010). A framework – figure 2 – called “the four dimensions of management” that pulls together practices, processes and principles was developed by Birkinshaw (2010) and results in a visualization of a company's management model.

Figure 2: The four dimensions of management



Source: Birkinshaw (2010)

The model is based on the four main dimensions, or core activities of management, as defined in the definition of a management model. These are: coordinate activities, making decisions, define objectives and motivate effort. The first two are the means of management and the last two are the ends of management. For each dimension two divergent management principles are considered. The traditional principle – that firms have used for generations – on the left hand side, and the alternative principle – new, but some already talked about for a long time – on the right side. The eight principles are defined in table 2.

Table 2: Definitions of management principles used in figure 2

Traditional principle	Alternative principle
Bureaucracy is a means of coordinating economic activity that relies on formal rules and procedures to ensure conformity of behavior and to generate consistent outputs.	*Emergence* is the spontaneous coordination of activities achieved through the self-interested behavior of independent actors.
Hierarchy is a way of structuring work that provides managers with legitimate authority over their subordinates, and vests this power in them because it values their experience and wisdom.	*Collective wisdom* suggests that under certain conditions the aggregated expertise of a large number of people can produce more accurate forecasts and better decisions than those of a small number of experts.
The principle of *alignment* in a business context states that all employees are working directly towards the same common goals.	The *oblique* principle states that goals are often best achieved when persued indirectly.
Extrinsic motivation comes from outside the person - for example, money, coercion, and the threat of punishment.	*Intrinsic motivation* comes from the rewards inherent to a task or activity itself - for example, playing the piano, walking in the countryside, or solving a puzzle.

Source: Birkinshaw (2010)

Based on these characteristics, and for the purpose of this thesis, I define management innovation based on the definition introduced by Birkinshaw et al. (2008) with the addition of management principles and a focuses on new to the firm instead of new to the state of the art, as follows:

The introduction and implementation of a management practice, process or principle, that is new to the firm and intended to enhance firm performance.

2.3 Role conflict theory

Before being able to discuss the concept “role conflict” the underlying concept “role” needs to be defined and explained. The paragraph therefore starts with a review of, and a discussion on, the available body of knowledge on role theory.

Role theory

The available literature of precursors on role theory dates back prior to 1900 but the role perspective itself arose coincidentally in several disciplines in the late 1920s and early 1930s (Biddle, 1979). A vast amount of articles and books relating to role theory were published between the early 1950s and the late 1970s. Biddle and Thomas (1966), Biddle (1979) and Biddle (1986) provided useful overviews and descriptions of the evolution of role theory. Also van Doorn and Lammers (1984) share interesting insights on role theory. These publications are mainly used to elaborate further on the concept “role” and its aspects.

Five different perspectives on role theory are distinguished by Biddle (1986). (i) The functional role theory that focuses on the characteristic behaviors of persons who occupy social positions within a stable social system. (ii) Symbolic interactionist role theory that “gives stress to the roles of individual actors, the evolution of roles through social interaction, and various cognitive concepts through which social actors understand and interpret their own and anothers’ conduct.” (iii) Structural role theory that focuses on “social structures,” conceived as stable organizations of sets of persons who share the same, patterned behaviors that are directed towards other sets of persons in the structure. (iv) Organizational role theory focuses on social systems that are preplanned, task-oriented, and hierarchical. And (v) Cognitive role theory that focuses on relationships between role expectations and behavior. The perspective employed in this paper is, considering the main research subject, the organizational role theory. “Roles in such organizations are assumed to be associated with identified social positions and to be generated by normative expectations, but norms may vary among individuals and may reflect both the official demands of the organizations and the pressures of informal groups. Given multiple sources for norms, individuals are often subjected to role conflicts in which they must contend with antithetical norms for their behavior. Such role conflicts produce strain and must be resolved if the individual is to be happy and the organization is to prosper” (Biddle, 1986).

Role

Before describing the aspects of the concept "role" at first role should be defined. According to Kahn, Wolfe, Quinn, Snoek and Rosenthal (1964) and Friedman and Podolny (1992) role is about what others expectations on appropriate behavior in a particular position are. Biddle (1979) concludes that there is a lot of confusion in the field of role theory about the meaning of role and a very wide range of definitions is available. He derives certain aspects from his analyses that led him to the following definition: "we now define a **role** to be those behaviors characteristics of one or more persons in a context. This definition hangs on four terms-behavior, person, context, and characteristicness." Biddle (1979) describes these four terms as follows: "1. Roles are behavioral. Involved in the definition of a role are only those overt actions or performances that may be observed and that characterize the persons observed." "2. Roles are performed by persons. As used here, the role concept is confined to the behaviors of human beings." "3. Roles are normally limited in some way by contextual specification and do not present the total set of all behaviors exhibited by those persons studied, on stage and off stage, at work and at home, 24 hours a day or 365 days a year." "4. Roles consist of those behaviors that are *characteristic* of a set of persons and a context." Roles are related to a position in a social system in which certain behavior resulting from a social relation is expected (Merton, 1957; Visser et al., 1983; Floyd & Lane, 2000). Merton (1957) introduces the term role-set as he means that each social status involves not a single associated role, but an array of roles. Role-set is the complement of role-relationships in which persons are involved by virtue of occupying a particular social status. One can distinguish several role types such as: social, formal and informal roles (van Doorn and Lammers, 1984). The main focus in this paper will be on formal roles. The main characteristic of a formal role is that its permissions, obligations, authority and responsibilities are usually formally laid down on paper and associated with a formal position (van Doorn and Lammers, 1984). Every organizational position is associated with certain roles and jobs that reflect expectations regarding the position's contribution to operational tasks and objectives (Merton, 1957). In most organizations, especially profit oriented ones, these operational roles form a position's contribution to operational tasks and objectives (Floyd and Lane, 2000).

Role conflict

Role conflict is a specific part of role theory. Role conflict can be defined as “the concurrent appearance of two or more incompatible expectations for the behavior of a person” (Biddle, 1986). Kahn et al. (1964) note “three generalizations about the nature of role conflict: (1) Conflict about what a person should do typically generate conflict *in* the person; contradictory pressures from the environment give rise to psychological conflicts in the person. (2) The needs and values and capabilities of the person contribute to the conflict just as do the environmental pressures. (3) The conflict is generated by pressures or forces *toward change* in the way the role is performed.” “Role conflict can occur from dissensus within an individual who holds multiple and conflict goals (*within-individual* or intra-sender role conflict) and from dissensus between two or more individuals about which of multiple roles is appropriate (*between-individual* or inter-sender role conflict; Biddle, 1979: 197-200)” (Floyd and Lane, 2000). A third type of role conflict is inter-role conflict where “the role pressures associated with membership in one organization are in conflict with pressures stemming from membership in other groups” (Kahn et al., 1964). The fourth type of role conflict is person-role conflict where role requirements violate moral values or the extent to which role expectations are incongruent with the orientations or values of the role occupant (Kahn et al., 1964; Miles and Perrault, 1976). These four forms of role conflicts might lead to the development of other more complex forms of conflicts. An example raised by Kahn et al. (1964) is role overload. They explain that this might occur when various role senders have expectations that a person performs tasks, which are theoretically compatible, but it might be virtually impossible for that person to complete them within given time limits. An important aspect of contributing to the prevalence of role conflicts is role ambiguity. This concept assumes the need for and availability of various kinds of information required for adequate role performance. “Communication processes and the distribution of information are matters of concern in every organization and are closely linked to criteria of organizational effectiveness” (Kahn et al., 1964). Role conflict and ambiguity creates stress for the person experiencing it, often leads to low job satisfaction, avoidance, organizational exit, reduced motivation levels due to high sense of futility and leads to reduced communication (Kahn et al., 1964; van de Vliert, 1981; Jackson and Schuler, 1985; Floyd and Lane, 2000). On a more direct level role conflicts lead to reduced trust and respect between the people involved (Kahn et al., 1964).

2.4 Propositions and framework

Based on the constructs in the main research question an integrated approach to the above constructs is described below leading to three propositions and the initial framework.

Strategic Renewal has according to the definition used in this thesis four different dimensions being: content, context, process and outcome (Agarwal & Helfat, 2009; Volberda et al., 2001; Floyd & Lane, 2000) and is aimed at replacing or refreshing attributes of the organization that have the potential to substantially affect its long term prospects. Floyd and Lane (2000) described role conflict in (sub)processes of strategic renewal. Their article describes ways to manage role conflicts in strategic renewal.

Role conflicts tend to develop from two or more incompatible expectations about the behaviors a person (Biddle, 1986). Whatever its locus or its focus, role conflict creates distress for the individual experiencing it. The greater the stress experienced the greater the likelihood that individuals will use coping behavior such as: avoidance, lying or organizational exit to cope with the stress. These behaviors deprive the organization of timely access to needed information and, therefore, have the potential to disrupt operational processes, such as strategic renewal (Floyd & Lane, 2000). "The effectiveness of the unit is impaired when role conflicts are present" (Kahn et al., 1964). Theory about process management suggests that disruption in processes have a negative effect on the output of the process (Dorr, 2006).

Proposition 1: *Role conflicts have a negative effect on the outcome of strategic renewal.*

Role conflicts tend to develop from two or more incompatible expectations about the behaviors of a person (Biddle, 1986). Ambiguity or unclarity about what is expected from an individual's role can lead to conflicts. Kahn et al. (1964) called this "contradictory pressures from the environment."

Management innovation is about the introduction and implementation of a management practice, process or principle, that is new to the firm and intended to enhance firm performance., One possible way of management innovation is by means of changes to the four main dimensions of the management model: coordinating activities, making decisions, defining objectives and motivating effort provides clarity about what is expected of individuals, how the contents of their role are related to other roles (Birkinshaw, 2010).

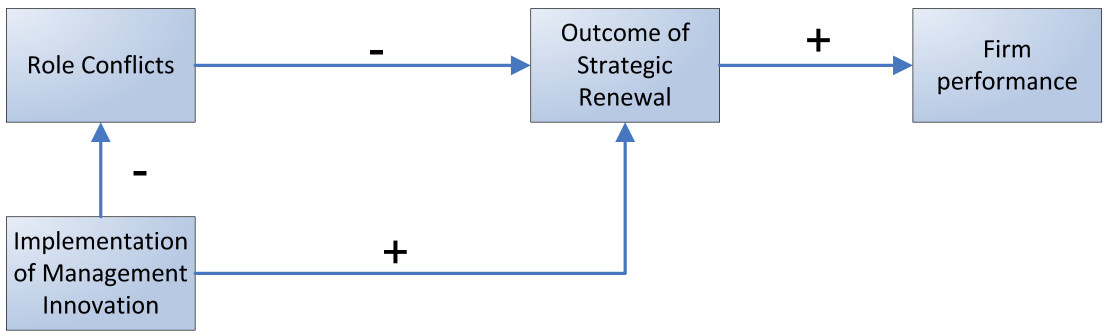
Proposition 2: *Management innovation contributes to the reduction of role conflicts by creating clarity about role expectations.*

Comparison of the definitions of management innovation and strategic renewal shows that both focus on improvement of what the organization does. Management innovation intends to enhance firm performance and strategic renewal aims at attributes that have the potential to substantially affect the organizations long-term prospects. According to Birkinshaw et al. (2008) enhancing firm performance can be on the traditional aspects of performance (e.g, financial goals) and on softer aspects (e.g., employee satisfaction). An example of an explorative strategic renewal action is starting new businesses (Volberda et al., 2001) and an example of a management process is the new product development process (Birkinshaw, 2010).

Proposition 3: *The implementation of management innovation has a positive effect on the outcome of strategic renewal actions.*

This integrated approach led to the following conceptual framework:

Figure 3: Initial conceptual framework



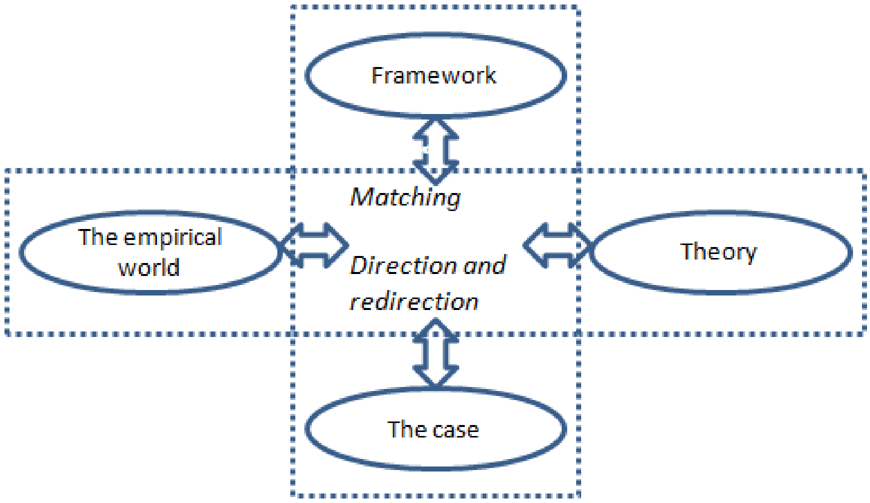
The three propositions will be tested in the empirical research. An updated framework will be presented based on the comparison of the results of the empirical data analysis with the findings from the literature research.

3. Research methodology

3.1 Research approach

Research approach is defined as a course or path of conscious scientific reasoning (Peirce, 1931). The approach used in this paper is theory driven and follows the principles of abductive reasoning which, according to Taylor et al. (2002), were first coined by Charles S. Peirce when he wrote his "Essays on the Philosophy of Science" in 1958. The abductive approach is suitable for this research as the object under research is relatively new. As Kovács and Spens (2005) quoted Alvesson and Sköldberg is the primary aim of abduction to develop the understanding of a "new" phenomenon. Arlbjørn & Halldórsson (2002) state, without specifically using the term abduction, that knowledge creation depends on how researchers move between different levels and that the processes imply the dynamics and the concurrent path of how (logistics) knowledge is created through research.
The abductive approach based on "systematic combining" or "theory matching" is suitable for single case research aiming at theory development. It is "a process where theoretical framework, empirical fieldwork, and case analysis evolve simultaneously." There is a continuous movement between an empirical world and a model (theory based) world (Dubois & Gadde, 2002). In this process, data is collected simultaneously to theory building, which implies a learning loop (Taylor et al., 2002), or at least a "back and forth" movement between theory and empirical study (Dubois & Gadde, 2002).

Figure 4: Systematic combining



Source: Dubois & Gadde (2002)

Systematic combining can be described as a nonlinear, path-dependent process of combining efforts and consists of two main processes: the "matching" between theory and reality as the first and second the direction and redirection of the study.

Matching is about going back and forth between framework, data sources and analysis aiming at reaching the ultimate objective of systematic combining: matching theory and reality (Dubois & Gadde, 2002).

Direction and redirection is about the directions chosen for the research aiming at data collection in line with the current framework, but need to be complemented by efforts aiming at discovery. The main issue in systematic combining is to use multiple sources that may contribute to revealing aspects unknown to the researcher, i.e. to discover new dimensions of the research problem. This is called redirection (Dubois & Gadde, 2002). A distinction should be made between "active" and "passive" data. Active data is associated with discovery, i.e. data collected through for example observations. Passive data is what the researcher was looking for within the boundaries of his research and can for example be collected through structured interviews and surveys. Dubois and Gadde (2002) furthermore state that "it is interesting to note that a very active interviewer will come across passive data only. On the other hand, active data will require a more passive (less predetermined) researcher."

The research started with an initial literature review and empirical discovery phase leading to the research question. Based on the more extensive literature review a framework was developed and propositions developed. During and after the empirical data collection and analysis additional literature was studied and based on the systematic combining of these sources an amended framework and propositions were developed as conclusion to this study.

3.2 Research Instruments

The main aim of this paper is to gain rich empirical and theoretical understanding of the object of study. Several research instruments are applied and combined. Below section elaborates on the different instruments.

First, a detailed and thorough literature review was performed. This literature review is threefold and focused on the three main concepts as can be found in the research question. Its ultimate aim is to develop sharper and more insightful questions about the topic (Yin, 2009). The first part explores the various characteristics of role theory and role conflict ranging from intrapersonal to intradepartmental roles and role conflicts. The second part explores the present body of knowledge on strategic renewal and its processes with the main aim of discovering aspects that can ensure and accelerate internal growth in an efficient and effective way. The third part of the triptych focuses on what management innovation is, which perspectives and phases of management innovation there are and its potential effects in organizations. Finally an integrated approach is used to gain insights in the interdependence between the core concepts of the research question. In this integrated approach three propositions are defined and leads to an analytical framework. Supported by this framework empirical data can be collected and new insights discovered.

Second, my work experience in both blue- and white-collar positions provided a solid foundation of practical knowledge which enabled me to see the phenomena under research in perspective, ensure their relevance and being positioned in a real life context.

Third, the methodology chosen to gain the rich empirical understanding is case study. Several choices should be made when applying case study research, an elaboration on this is described below.

Case study method:

Case study was for a long time not seen as an accepted scientific research method, but nowadays substantial experience is gained with case study research which lead to the situation that it is now applied extensively in areas such as psychology, sociology, education, management and many more (Dubois & Gadde, 2002; Yin, 2009). The distinct advantages of case study methodology are useful in situations where a "how" or "why" question is being asked about (i) a contemporary set of events (ii) in a real-life context, i.e. over which the researcher has little or no control (Yin, 2009). It is concerned with the complexity and particular nature of the case in question (Stake, 2006; Bryman and Bell, 2007). Using case study for research purposes is a very challenging endeavor in social science (Yin, 2009). Therefore deliberate choices should be made in designing and executing case study research while taking its strengths and limitations into account. There is a variety of literature available on the design and execution of case study research but the two main streams, the first based on the positivist epistemology and well described by Robert Yin (2009), the second based on the constructionist epistemology and well described by Robert Stake (2006). In line with the paradigm of this paper the latter is mainly used as guidance for the design and execution of the empirical part of this study. To ensure methodological rigor Yin's (2009) and Bryman and Bell's (2007) views on ensuring validity and reliability in respectively case study design and qualitative research are also taken into account as further described in chapter 3.5 below.

Yin (2009) defines three types of case study, explanatory, descriptive and exploratory. In line with the aim to gain rich empirical understanding of the phenomena under study an exploratory case study is employed. Stake (2006) uses the term instrumental case study when a particular case is examined mainly to provide insight into an issue or to redraw a generalization. The case is of secondary interest, it plays a supportive role, and it facilitates our understanding of something else. The case in this thesis can be categorized as an instrumental exploratory case study. Qualitative case study is characterized by researchers spending extended time on site, personally in contact with activities and operations of the case, reflecting, and revising descriptions and meaning of what is going on. Case selection in qualitative research, where the aim is to achieve the best possible explanations of phenomena, can best be done on the basis of choosing the case of which can be learnt most. That may mean taking the one most accessible or the one we can spend most time with (Stake, 2006; Tellis, 1997; Yin, 1989).

Within an overall case, which is studied over a period of time, also cases within the case can be studied. These nested cases should reflect the phenomena under study well. The employed design is a longitudinal nested case study in a single corporate setting (Yin, 1984).

3.3 Industry and case selection

Industry selection:

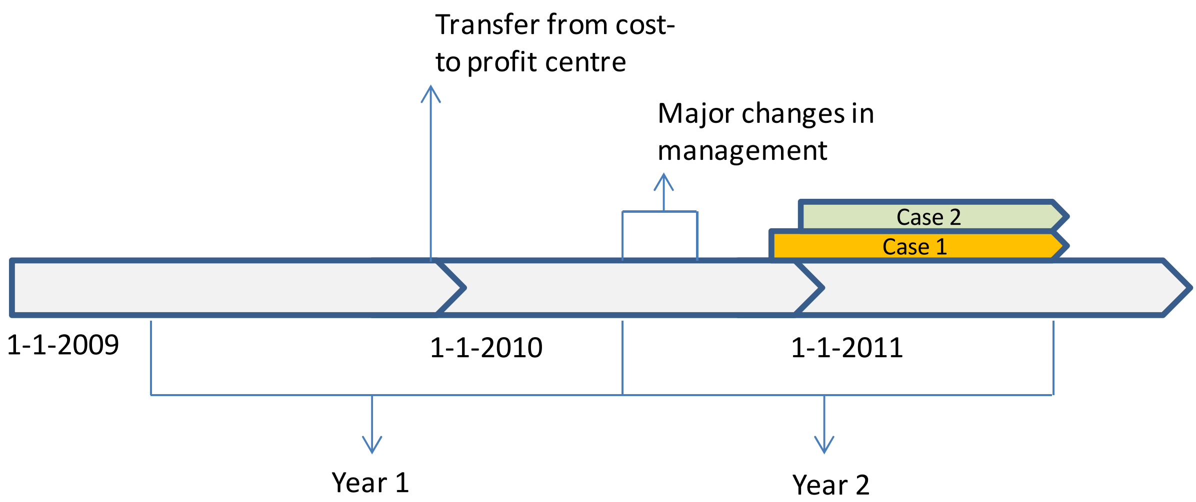
The case company is active in the logistics services industry. Liberalization of the market started in 1991 with the European directive 91/440 and aimed at a harmonized European market. Only as of 2004 the market became more accessible for private operators in international traffic and as of 2007 also cabotage trade was included. During those years a large number of private companies were founded. Chances for the rail sector are good in long-distance, cross-border goods transport where competition in the market is stronger already (Heymann, 2006). Over the last years many mergers and acquisitions were performed, mainly by the (previous) state owned companies. Market actors are concerned about the effects of these mergers and acquisitions on the development of competition in Europe (Laisi, 2010). Presently only a handful of private, internationally active operators are left. The case company is one of these remaining companies making it an interesting case for analysis.

Case selection:

The case company was chosen on the basis that it is a medium sized player, operating on a European scale in a regulated though highly dynamic environment and is privately owned. Other contributing factors in choosing the case company were access to primary and secondary data, prior knowledge about the existence of the phenomena in the case company and time available to spend in this particular case company.

There were also several developments on the company level making it an interesting case for analysis when investigating concepts as management innovation and strategic renewal. Such developments include the need to change from a cost centre to a profit centre with corresponding changes in the strategy of the company, and several changes in the company's management both at an organization and within the group-of-companies level.

Figure 5: Timeline of the study and the two embedded cases



Source: own creation

The two embedded cases, Case1: "KPI reporting" and Case 2: "New product implementation," were chosen because they reflect the phenomena under study well. New product implementation is a form of strategic renewal and KPI reporting is a form of management innovation new to the firm.

3.4 Empirical data collection

In order to create a framework initial fieldwork with unstructured data collection and a first literature review was produced. This provided sufficient basis for selection of the unit of analysis, the case company. Based on the extensive literature review a basis was made for the case study protocol. The case study protocol, which Yin (1994) recommends to be part of carefully designed research project, contained the overview of the project, field procedures, questions/research subjects and a guide for the report.

The aim of this study is to gain rich understanding of the phenomena under study. A methodology ensuring all topics are covered in each interview, and still providing space for interviewees to share interesting insights about the phenomena maybe not even considered yet by the researcher should be chosen. In semi-structured interviews researchers have a list of questions in relation to the topics to be covered – part of the case study protocol – but interviewees have a great deal of leeway to reply. Questions not necessarily need to follow the scheduled sequence (Bryman & Bell, 2007). Advantage is the likelihood to get both active and passive data (Dubois & Gadde, 2002). Therefore semi-structured interview is chosen as the methodology for gathering interview data. To ensure maximum information gathering from interviewees probing questions requiring elaboration on initial statements were used (Collis & Hussey, 2009).

A total of 21 semi-structured interviews were conducted which yielded a total of 1564 minutes of audio recordings. Transcripts of each interview were produced on the basis of the structure provided in the case study protocol. For the analysis of these transcripts categorical aggregation (Stake, 1995) was used. Categorical aggregation aims at developing an aggregated conclusion based on several sources of information. The outcome of this aggregation was discussed with respondents to verify the logic and correctness of the conclusions therewith increasing construct validity.

Systematic combining (Dubois & Gadde, 2002) was used throughout the study to compare the outcome of the empirically collected data with the framework, the theory and the case.

Stratified sampling can ensure all relevant aspects of the study are covered by the way respondents are selected (Bryman & Bell, 2007). The following arguments were used for selecting interviewees: The hierarchical level of the organization, the area of responsibility, company tenure and their involvement with the different aspects of the study. The respondent characteristics are provided in table 3 below.

Table 3: Interview respondent characteristics

Organization level	Area of responsibility	Company tenure (years)	Locus
Previous Senior Management	General Management	3-4	MM, SR year 1, RC
	Operations	3-4	MM, SR year 1, RC
Senior Management	General Management	1-2	MM, SR year 2, RC
	Operations	1-2	MM, SR year 2, RC
	Finance	3	MM, SR, RC
	Information Technology	1-2	MM, SR year 2, RC
Middle Management	Operations	10	MM, SR, RC
	Operations	1-2	MM, SR year 2, RC
	Business Development	3-4	MM, SR, RC
	Process Excellence	1	MM, SR year 2, RC
	Human Resources	<1	MM, RC
	Finance	<1	MM, SR year 2, RC
Supervisor level	Operations	6-7	MM, SR, RC
	Operations	4	MM, RC
Operational level	Operations	4	MM, SR, RC
	Sales	10	MM, SR, RC
	Sales	5	MM, SR, RC
	Customer Service	4-5	MM, SR, RC
	Information Technology	4	MM, RC
	Finance	1	MM, SR, RC
	Planning	4-5	MM, SR, RC

MM = Management Model, SR = Strategic Renewal, RC = Role Conflicts

3.5 Validity and reliability

The term validity is rarely used in demonstrating the quality of studies following a constructionist epistemology. In this paper the five aspects of reliability and validity in qualitative research as recommended by Yin (2009) and Bryman and Bell (2007) are all pursued. These aspects and how they are applied are outlined below.

External reliability is the degree to which a study can be replicated. Even though this criterion is difficult to meet in qualitative research Yin (2009) suggests tactics that will enhance the possibilities for replication. The tactic “use of a case study protocol” is employed in this study. Therefore this study can be replicated straightforward in other case studies in is as such externally valid.

Internal reliability is the degree to which multiple members of a research team agree about what they see and hear. Internal reliability is not at stake since this study is performed by one researcher only.

Construct validity is concerned with the correct operational measures for the concepts being studied, i.e. the process of data collection. Yin (2009) suggests tactics to increase construct validity when doing case studies. To some extent the tactics (i) using multiple sources of evidence, and (ii) having key informants review the draft of the case study report, are employed in this study as described in detail in chapter 3.4 above. Yin (2009) mentions that construct validity can have to do with whether interviewees understand what is being asked of them. To overcome this every interview started with a short explanation of the main subjects, and if needed more detailed explanation was given during the interview.

Internal validity is mainly concerned with establishing causal relationships and as such mainly applicable to explanatory and causal studies. As the aim of this study is to gain rich insights in the phenomenon under study and not to establish causal relationships no specific actions to increase internal validity are taken.

External validity defines the domain to which a study's findings can be generalized. The goal of case studies is to expand and generalize theories (analytical generalization) and not to enumerate frequencies (statistical generalization). In that sense the external validity of this study is that its outcome is generalized to theoretical propositions which can be tested in future research and not to populations or universes (Yin, 2009).

3.6 Triangulation

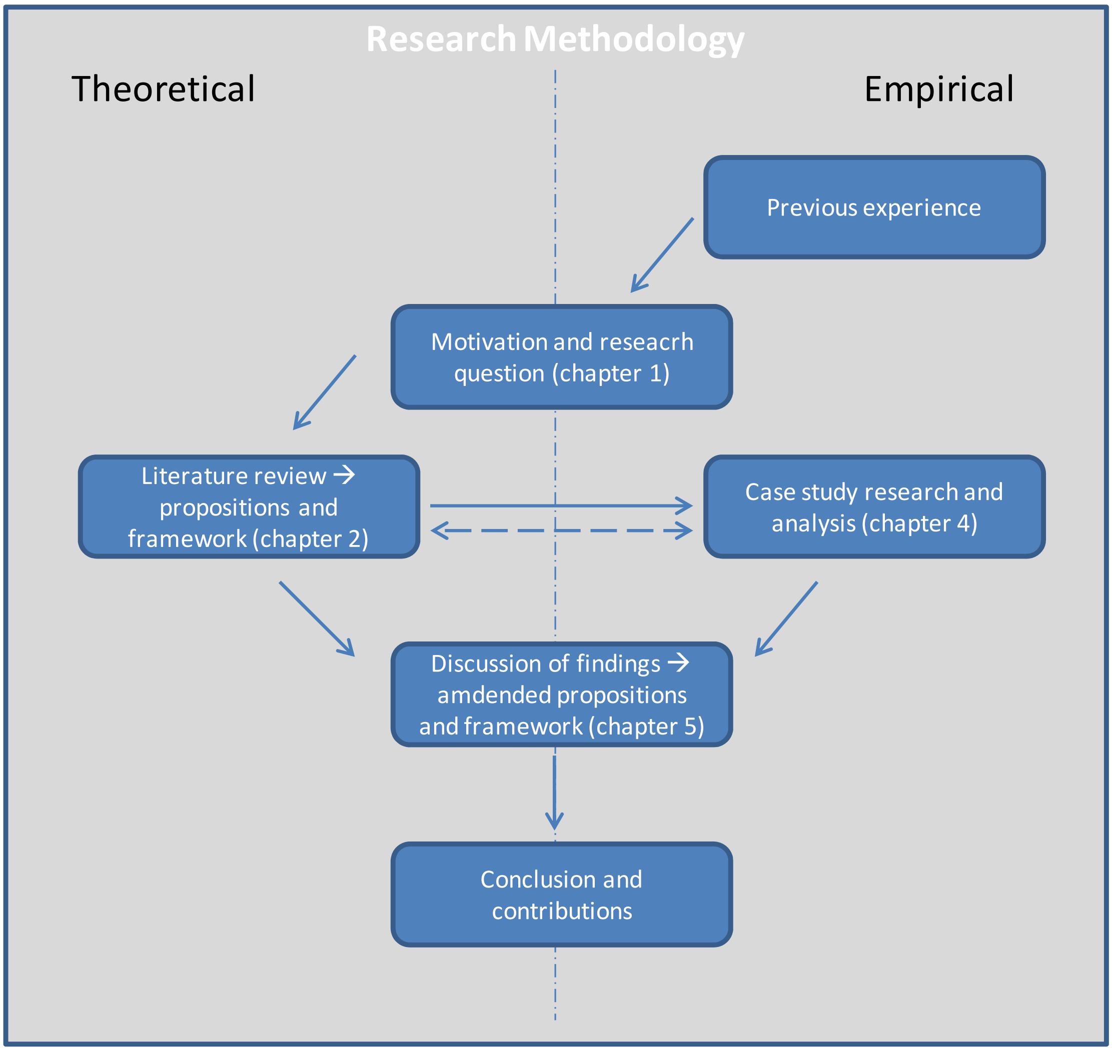
Multiple sources of data should be used to ensure the phenomena are seen from multiple perspectives and will enhance data quality and construct validity (Baxter & Jack, 2008; Tellis, 1997; Yin, 1984). Besides the 21 semi-structured interviews a wide variety of other primary and secondary data sources (Collis & Hussey, 2009) were used, ranging from internal company presentations, strategy documents, project and process descriptions, emails, to short unstructured discussions and market information. Also the questionnaire of Birkinshaw

(2010) to evaluate the management model was used to gather and verify data about the company's management model.

3.7 Visualization of the research approach

The visualized research approach including the structure of this thesis is displayed below.

Figure 6: Visualization of the research approach and structure of this thesis



Source: own creation

4. Empirical research, analysis and findings

This chapter describes the management innovation and strategic renewal situation of the case company, followed by a description of two embedded cases “KPI Reporting” and “New product implementation process” outlining the phenomena under study.

The management innovation and strategic renewal situation is described for two consecutive periods of approximately one year, about halfway the two year period the majority of the senior management team was changed. The two periods will be referred to as “Year 1” and “Year 2”. Finally the empirical data is analyzed and findings are presented.

4.1 Empirical research data

Management innovation – changes to the management model

Management innovation can concern changes in a company’s management model. First the reasons why the company had or has to change the model are described. After that the details of the company’s management model for both timeframes are described.

<u>*Dissatisfaction with the status quo:*</u>

When companies make changes like this there usually is dissatisfaction with the status quo. This also is applicable to changes in the company’s management model (Birkinshaw, 2010). The shareholder had to go through major changes in order to reduce cost. As a result many subsidiaries that were ran as a cost centre had to be transformed into a profit centre. This situation also applies for the company under study. Furthermore the company had an unhealthy business model, as it was for 60 to 80% dependent on one customer on most of its corridors.

The process of transforming subsidiaries into profit centers was started and further accelerated by the global financial crisis. As a result of the crisis customers became much more demanding, both on service and price levels. As such a misfit between the organizations capabilities and its environment developed.

The mindset of personnel was focused on operational efficiency and not the bottom-line; people were thinking in established channels and paid no attention on possible improvements or out-of-the-box solutions. Furthermore there was a lack of focus on the quality of management and follow-up on this. Finally no action was taken by the shareholder to put a management team in place that would have the ability to position the company as a commercial player in the market with a market leader potential. The replacement of the majority of the senior management implicitly led to significant change.

<u>*Management practices:*</u>

Table 4 below provides an overview of the different management practices in the management model for the two timeframes investigated. The details are outlined below.

Table 4: Management practices overview

Management Practices	Management Model Year 1	Management Model Year 2
Objective setting:	In place for Senior Management, not cascaded down to lower levels	many people do not have objectives, objectives not aligned with other functions
	When in place connected to strategy	When in place no relation to strategy
		Sales does not have objectives, targets or guidelines
Job descriptions:	Written but not being enforced	Many people do not have a job description, or an outdated one
	No updating	Initiative taken to get them all in place and updated
Arranging tasks and functions:	Common practice became the process	Not set-up in a logic and structured way
	hip shooting	
Talent development:	No plan for talent development	No overview of talent available
	Not much action taken	No plan for talent development and does not receive much attention from Senior Management
		On own request and depending on individual manager

Management model year 1:

Objectives were based on the strategy of the company and were reviewed every management meeting. This was well in place at senior management level, but this was not properly cascaded down to middle management and operational levels. Job descriptions were in place, but the process to enforce and update them was lacking. Instead of defining the ideal process and implementing that process the most common practice became the process. There was too much shooting from the hip. There was no plan for talent development in place. Also not a lot of action was taken to further develop talent. Some kind of succession planning was done via the appraisal system. In this system the people's potential was assessed and it was defined when they would be ready to take on a new challenge. Staff was carefully selected, mainly on their potential, not so much on the basis of their actual experience.

Management model year 2:

Most of the people have no objectives and when people have objectives there seems to be no connection between the company's strategy and these objectives. Many people did not get a performance appraisal for 2010. This fact is applicable at all organization levels. Recently an initiative was started by the HR department to ensure all staff receives a mid-year review and clear objectives for the remainder of 2011. Many people do not have a job description, or an outdated one. Tasks and functions are not set-up in a logic and structured way. Management is not empowering employees or departments and is therefore often micro managing day-to-day operations. As part of the before mentioned initiative the HR department instructed all leaders of departments to ensure all job descriptions are updated as soon as possible. Sales staff for example does not have objectives or targets, nor have they received guidelines on focus areas etc. There is no overview of talent available in the company, there is no plan to develop talent and the topic doesn't receive attention from the senior management. If attention is paid to development it happens on people's own request and also depending on the manager involved.

Management processes:

Table 5 below provides an overview of the different management processes in the management model for the two timeframes investigated. The details are outlined below.

Table 5: Management processes overview

Management Processes	Management Model Year 1	Management Model Year 2
Strategic Planning	Dedicated to Senior Management Team	Small team (part of senior management) defined 2015 strategy
	in 2009 also sales department input	Strategy is only discussed by senior management, not cascaded down
	process of brainstorming, funneling, categorizing and linking together	Goal was set
	feasibility check	No further action plans made
	At the end phase lack of clear strategy	connection between strategy and work floor is lacking
	Slow decision taking	ad-hoc decision taking
Project Management	lack of procedures and structures	Process excellence manager appointed
	Projects to be executed besides normal job	Project management tools provided by PEx manager
	Status to have a project	Projects to be executed besides normal job
		lack of follow-up and appreciation from senior management
Performance assessment	Methodology of shareholder in use	Many people did not get appraised in 2010
	Worked well for senior management	HR initiated project to reinstate shareholders appraisal system
	Appraisals were held, no further follow-up - especially at lower levels	Several managers do not see it as a priority, it is also not set as a priority for them
	No performance assessment on department level	No performance assessment on department level

Management model year 1:

Strategic planning only took place on a senior management level, with the exception of 2009. In that year input from the sales department was also requested. It was a process where the senior management went into a room, brainstormed about out-of-the-box ideas, these ideas were then funneled, categorized and the different categories were linked to each other if possible. If an idea could be realized and was reachable then it became part of the strategy. At the end phase of year 1 a clear strategy was lacking. Project management was not done well, structures and procedures lacked; it was not a well oiled machine. People had to do projects besides their normal job and it was some kind of a status thing to “have” a project. Performance assessment was performed according to the shareholders system. This worked well for the senior management, but further down in the organization it did not work well. Appraisals were held, but the appraisals ended up in a binder without any further follow-up. No performance assessment on department level took place.

Management model year 2:

A long term strategy, up to 2015, was defined by a small team. The goal was set, but how to reach the goal was left open. Also no detailed plan for implementation of the strategy was made. A connection between the strategy and what happens on the work floor is therefore lacking. This often results in ad-hoc decision taking. In the senior management team meetings the long and medium term strategy is discussed, but once the members are back at their desks no further actions for implementation are taken. The day-to-day business gets a higher priority. The team members mainly defend their own shop and do not cooperate as a team. A process excellence manager was hired to assist the organization in managing their projects and improving processes. Specific project management tools are provided. People still have to do projects besides their normal job, but not enough follow-up and appreciation is expressed when people show extra commitment by participating in projects. This leads to reduced motivation for future projects. Many people did not receive their 2010 performance appraisal. Furthermore several managers, despite the clear instruction from the HR department, did not perform mid-year reviews for their staff yet. It seems that these managers do not see this as a priority, but it is also not set as a priority for them. Also many staff members did not ask for their performance appraisals. Assessment at department level is not taking place.

Management principles:

Table 6 below provides an overview of the different management principles in the management model for the two timeframes investigated. The details are outlined below.

Table 6: Management principles overview

Management Principles	Management Model Year 1	Management Model Year 2
Coordination of activities	Laissez faire	As-is processes are mapped
	people do what they feel is best, especially at operational level	to-be processes defined and partly in implementation phase
	hardly any procedures defined on paper	not many guidelines and procedures written yet
	Some processes and guidelines for commercial department - related to strategy	
Making and communicating decisions	Top-down	Top-down
	At driver level - "poldermodel"	decisions are taken at senior management level
	Hardly any communication from senior to middle management	no communication about decisions taken, or reasons for certain decisions
	Even less communication to lower levels	No structured way to get staff input
	Top-down and bottom-up communication processes disturbed	During staff event input requested, no follow-up or communication thereafter
	Almost no input from subordinates for decision making	limited follow-up and feedback from senior management on improvement ideas raised
Setting objectives	Senior management objectives aligned with strategy	No alignment in objectives
	Objectives of middle management and operational staff not aligned, if in place.	Many people do not have objectives
		Initiative taken to ensure all emplyees get SMART objectives
		Implementation of initiative lacks
Motivating employees	Bonus structure in place for senior management	Budgetary space for extrinsic motivation
	No other extrinsic motivators	Extrinsic motivators used very reluctantly by senior management
	Predictive Index system not used to steer intrinsic motivation	No attention from senior management for intrinsic motivation
	No attention for intrinsic motivation	

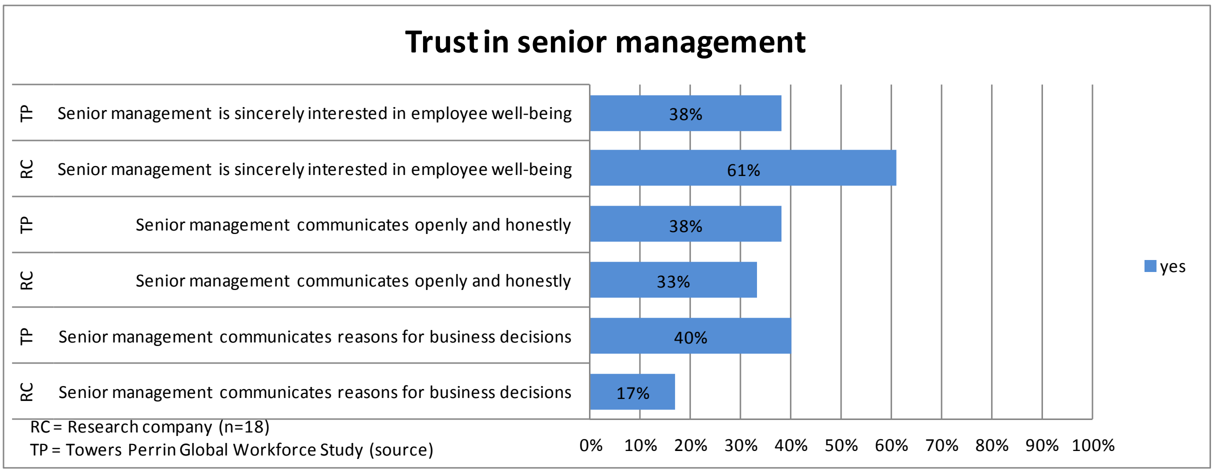
Management model year 1:

The way of coordinating activities can be described best as laissez faire. Even if there were procedures people usually still did what they thought was best, especially at operational level. For the commercial department some more processes and guidelines were in place – with a focus on the strategy. There were hardly any procedures defined on paper.

Decision making was top-down, except for the train drivers for whom a typical Dutch “poldermodel” was applicable. There was hardly any communication from senior to middle management and also hardly any communication to lower organization levels. Bottom-up

and top-down communication was disturbed and as such there was hardly any input from subordinates to senior management as input for decision making.
Objectives of senior management were aligned with the strategy, besides that there were also some function specific objectives aiming to improve function processes. For middle management and operational staff there was no alignment of objectives, if any.
There was a bonus structure in place for senior management aiming at extrinsic motivation. It was transparent how their performance, laid down in their objectives, influenced their bonus. No other extrinsic motivators were in place. All managers received training in the Predictive Index (PI) methodology. This methodology provides managers with valuable insights in profiles of people and what motivates people. If used well it could have fostered intrinsic motivation, but unfortunately most managers' saw this as a pure recruitment tool and did not use it as intended.

Figure 7: Trust in senior management – comparison Research Company and Towers Perrin Global Workforce Study (2007-2008)



Source: Own creation

The model above shows the comparison between the Towers Perrin Global Workforce Study and the situation in the case company. Interesting findings are that a much higher percentage of the employees in the case company believe that senior management is sincerely interested in employee well-being. On the other hand a much lower percentage of the employees confirm that senior management communicates reasons for business decisions. This supports the findings from the semi-structured interviews.

Management model year 2:

All the company's as-is processes were mapped and following that the desired to-be processes were designed. The implementation of the to-be processes is partly in place, but not many guidelines or instructions have been written.

Communication is occasional and not formalized. Most things are decided at top-level and no communication about this takes place. Even within the senior management team communication was lacking in some examples. There is no structured way of getting input from employees; it even happened regularly that decisions were reversed after feedback from staff. During a staff event in November 2010 employees were asked for their ideas for improvement. Many valuable ideas were suggested and staff was promised feedback. Now almost a year later no feedback has been received and no visible actions have been taken to further some of these ideas. When people come up with improvement ideas and provide proposals to the senior management team they usually get very limited or no feedback and support leading to reduced motivation and less effort to propose ideas in the future.

There is no alignment in objectives as many people have none. There was the intention to provide senior management team members with interlinked objectives and from there cascading them down to the rest of the organization. Most of the senior management team members still not have objectives, therefore also no cascading down has occurred.

There is some budgetary space for extrinsic motivators, but managers treat this very careful. From senior management level there is no attention to intrinsic motivators. It is not the company where people get a "pat on the back". Neither motivating aspects in job content get attention nor do cultural drivers of motivation.

It should however be noticed that most people are proud of working for the company and its products, especially when they see that their contribution to a product led to success!

<u>Items that prevent the organization from innovating, collaborating or changing:</u>

Several staff members are negatively pre-positioned, are not used to change and do not want to change. They have been working in the same, cost centre driven, way for a very long time and it is now a huge hurdle for them to change their mindset. The lack of a visible relation between the strategy and the processes on the work floor is also negatively influencing innovation and change. Furthermore macho behavior in the senior management team has a negative effect on innovation and collaboration.

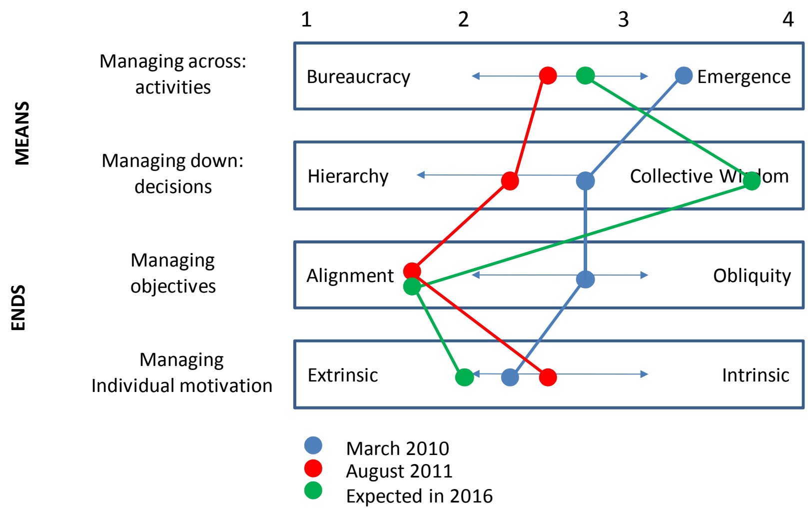
Staff turnover:

In year one staff turnover was approximately 19% and in year two approximately 22%. It should however be noted that during this period a reorganization of activities took place with some jobs made redundant. The exact effect of this reorganization on the staff turnover percentage could not be determined. There are signs that the staff turnover rate is decreasing.

The management model past, present and future:

The management model which Birkinshaw (2010) describes as "the four dimensions of management" was used to determine the present and previous management style for three timestamps being: March 2010, August 2011 and expected in 2016. The visual representation of the model is displayed in the figure below.

Figure 8: The four dimensions of management



Source: Own creation based on Birkinshaw (2010)

The plotted data in this model displays the following changes in the management model:

Managing across: activities

A shift took place from a mainly emergence coordination of activities towards a somewhat more bureaucratic model. This is supported by the data obtained from the interviews. From this data it became evident that a change from a laissez faire situation to a situation where as-is processes are mapped, desired to-be processes are defined and implementation of these processes has started.

Managing down: decisions

A shift towards a more hierarchical model took place between the two periods. This is supported by the data obtained from the interviews. In the previous situation senior managers were requested to get input from their subordinates. For instance, in one case sales input was requested for the strategy development process. In the present situation hardly any input from staff is used for decision making. Senior management is however aware of the importance of using staff input for decision making. This is also reflected in the strong shift towards collective wisdom for the desired model in 2016.

Managing objectives:

A shift took place from a somewhat balanced situation towards a model where there is more alignment in objectives. The interview data partly supports this outcome. In the past situation objectives at senior management level were aligned, but at other levels objectives were not aligned. In the present situation people start to receive aligned objectives, but this is not fully implemented yet and as such the displayed situation has not been fully realized yet. The desired model for 2016 displays the same situation as present. Presumably the respondents have answered the respective questions for the present situation as if the actions started were already fully implemented.

Managing individual motivation:

Only minor changes show up in the model. The interview data supports the finding that only marginal changes took place. In general it can be stated that not much action is undertaken to realize intrinsic or extrinsic motivation. The slight shift towards intrinsic motivation could be explained by the reduced extrinsic motivators. For example, the formal bonus structure for senior management was replaced by a hardly used system to reward people extrinsically.

The interview data also displays that senior management is aware of the importance of intrinsic motivation. The desired change to more extrinsic motivation is supported by senior management beliefs that extrinsic motivation needs to be pursued and that intrinsic motivation will follow from that.

Strategic renewal

Table 7 below provides an overview of the different strategic renewal actions that were undertaken for the two timeframes investigated, including their reason and focus. The details are outlined below.

Table 7: Strategic renewal actions overview

Strategic Renewal actions year 1			Strategic Renewal actions year 2		
Focus	**Reason**	**Action**	**Action**	**Reason**	**Focus**
Exploitation, internal	Cost saving	Product X stopped	Product 1 started	Expanding customer base	Exploration
Exploitation, internal	Cost saving	Product Y stopped	Product 2 started	Entering new market segment	Exploration
Exploitation, internal	Cost saving	2 operational offices closed	Product 3 started	Expanding geographic coverage	Exploration
Exploitation, internal	Cost saving	Staff reduced from 97 to 70	Product 4 started, stopped again	Entering new market segment	Exploration
Exploitation, internal	Cost saving	Lease of idle assets cancelled	Product 5 started, stopped again	Expanding customer base	Exploration
Exploitation, internal	Cost saving	Changed organization setup from geographic to functional setup	Adhoc traction services to infrastructure contracters	Increasing asset utilization	Exploration, Exploitation
Exploration, internal	Expanding customer base	Opening service A	Adhoc traction services to logistics services providers	Increasing asset utilization	Exploration, Exploitation
Exploration, internal	Expanding geographic coverage	Opening new office in country B	Product U stopped	Cost saving	Exploitation
Exploration, internal	Expanding geographic coverage	Recruiting commercial staff	Product V stopped	Cost saving	Exploitation
Exploration, internal	Expanding geographic coverage	Attempt to open office in County C	Product W stopped	Cost saving	Exploitation
	Market positioning	Implementing sustainability policy	Reduced staff in underutilized offices	Cost saving	Exploitation
			Reorganized activities	Cost saving	Exploitation
			Initiated energy procurement project	Cost saving, increasing efficiency	Exploitation
			Applied for licences in four new countries	Expanding geographic coverage	Exploration

Strategic renewal actions year 1:

A total of 13 strategic renewal actions were initiated during year one. Their main aim was to reduce cost and to increase efficiency. The results of these actions were a greatly diversified number of customers, decrease of cost levels and the business model became much healthier. The effect of all these actions did unfortunately not outweigh the losses made on shareholders' corridors.

Main conflict during all these renewal actions was to get the financial consequences clear. There are always the post mortem conflicts between the finance department and the operational department, which is good if both departments learn from the conflict. Sadly that did not happen.

Strategic renewal actions year 2:

A total of 16 strategic renewal actions were initiated during year two. Their main aim was to reduce cost, stop losses and gain access to new markets, geographic areas and customers. The results of these actions were very diverse and it looked like these decisions were made rather ad-hoc.

The discontinued products resulted in a decrease of losses, even though it led to temporary idle assets. The traction services as delivered to infrastructure contractors and other logistic service providers led to a higher utilization of assets. The newly started products led to an expansion of the customer base and access to the continental intermodal market. Due to disappointing results two of the new products needed to be stopped after some time. More details about this can be found in case 2 – new product implementation as described below. The traction only products that were started had a positive effect on the financial performance.

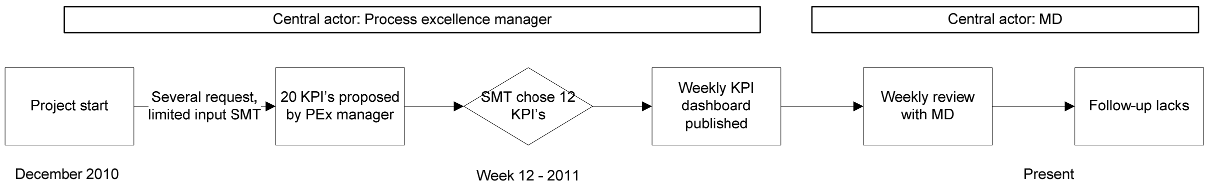
Case 1 - KPI reporting

Implementing KPI reporting with a KPI dashboard in an organization is a form of Management Innovation, which in this organization is 'new to the firm'.

The process:

This case describes the process of implementing a KPI dashboard, the present state of implementation, which role conflicts occur in this process and how this relates to the company's management model. Figure 9 below displays the key milestones and central actors in the implementation of this case.

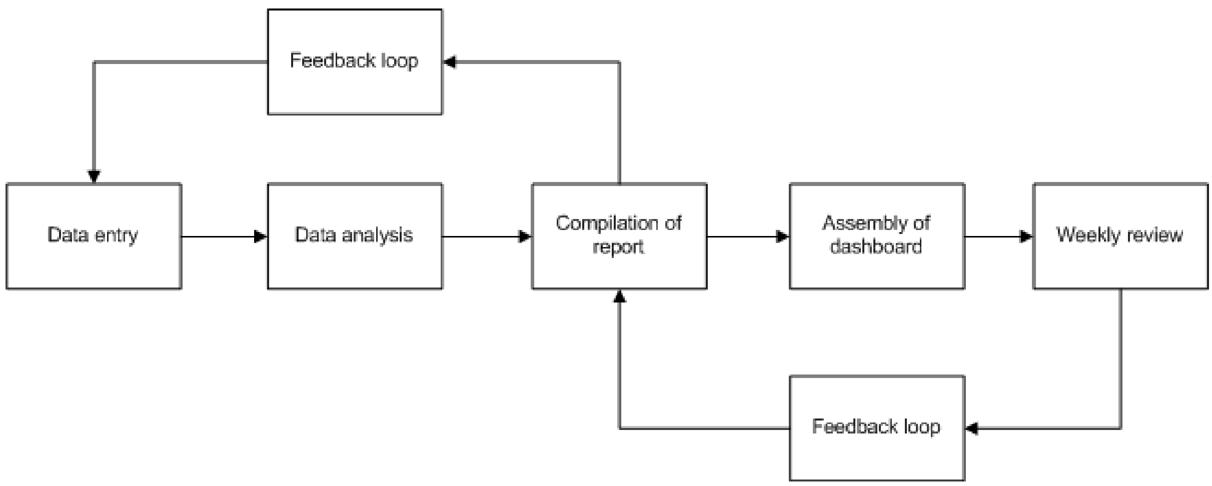
Figure 9: KPI reporting process timeline



Source: Own creation

The process as it should work is outlined below. In the operational field of the company data is processed in the company's operational system. This data can be extracted from the system and be analyzed. Some reports are compiled by the finance department, while other departments compile their own reports. A feedback loop should be in place to provide feedback on data quality etc. The process excellence manager compiles the final KPI dashboard, which he publishes upon completion. A weekly review by senior management followed by a feedback loop should take place.

Figure 10: KPI reporting – the process



Source: Own creation

Empirical data:

In December 2010 a project was initiated to define a set of KPI's and implement a KPI dashboard. The process excellence manager was the key driver behind this project. Despite several requests limited input on the desired steer information and the translation into KPI's was received from Senior Management. Therefore the process excellence manager initially defined over 20 KPI's to be discussed. After a presentation to the Managing Director this was narrowed down to 12 important indicators that should provide valuable steer information to the organization. As of week 12 of 2011 the relevant KPI's are determined and send to the relevant departments with a request for their input. The KPI's combined with the input are used by the Process Excellence manager to prepare and publish the weekly version of the dashboard on the dashboard.

As of that first week it turned out to be a challenge to get the departments involved to provide information in a timely manner. This conflict, which can be classed as an inter-role conflict, finds its roots in unclear roles, lack of objectives and targets in relation to the KPI process and insufficient communication. One of the results of this conflict is that both data quality and accuracy of information received from several departments was of inferior quality. This leads to frustration for both actors and to an inefficient process establishing the report. Even though Senior Management indicated that it is in need of steer information it is the perception that there is no sense of urgency to get this KPI information available, analyzed and actions taken to start improvement actions. During the short holiday of the Process Excellence manager the weekly KPI report was not generated due to monthly reporting priorities, remarkably no one asked for the information.

The Senior Management has formally agreed to the KPI's presently in place, but is not playing an active role in the KPI reporting and, where needed, subsequent improvement actions. This inter-role conflict finds its roots in the decisions, directions and coordination aspects of the management model. More specifically: unclear roles, insufficient communication and lack of objectives and targets related to the KPI process. The result of this conflict is that the initiated KPI reporting does not lead to improvement. This leads to frustration and reduced commitment of staff involved. The weekly KPI's are discussed with the Managing Director; actions are not shared or not followed up in the bi-weekly Senior Management Team meetings. A feedback loop initiating improvement actions and performance culture in all layers of the organization is missing. Steering is done ad-hoc, mainly based on feeling and not on objective data.

A relation between the company's strategy and the KPI's appears to be missing. Senior Management Team members do not have personal or departmental targets. Roles and responsibilities of staff at middle management and operational levels are not defined, nor have they received objectives or targets connected to the KPI's. For many it is unclear what the influence of their work on the KPI's is. In this process even a person-role conflict occurred where one manager does not see the added value of KPI's but is forced to work with it. He is however not being pushed to start working with it, nor is he appraised on this. The cause of this conflict finds its roots in personal beliefs of the person concerned and is fostered by insufficient communication and absence of targets. The results of this conflict are lack of commitment to the KPI process and poor implementation of KPI reporting in his department.

KPI reporting related tasks are not embedded in the job descriptions of people. Staff members spending time on preparing department specific KPI reports experience tension between KPI related tasks and their normal duties. This intra-sender conflict leads to poor data quality. The roots for this conflict are unclear roles, lack of objectives and targets in relation to the KPI process and insufficient communication. They are related to the coordination, direction and decision aspects of the management model. The staff members involved furthermore receive limited and ad-hoc feedback on the provided reports nor see improvement actions being initiated. The lack of results and evolving role conflicts leads to demotivation and decreasing commitment to contributing to this process. "People are now more laissaiz fair" and "I do not get any feedback nor see any improvement" are quotes that were heard several times and are signals of this demotivation.

The initiative to innovate the management model by initiating KPI reporting is taken, but the preparation and implementation is not performed properly and it does therefore not deliver the desired results. Generic aspects of the management model in the field of decisions, direction and coordination, or even lack of, are not supporting the implementation of this innovation to the company's management model. A structured overview of the conflicts, its causes and effects that occurred in this case can be found in chapter 5.1 conclusions

Based on the interviews, but also from other available communication (for instance emails and non-structured discussions), it became evident that this same phenomenon was also seen in other more technical projects. Examples of such projects are implementing track and trace, implementing a new planning software package, implementing an electronic document management system, implementing a customer relationship management system and also in the new product implementation process as described in the next case. Often heard quotes were "there was lack of follow-up on actions" and "and again it was not implemented properly".

Case 2 - New product implementation process

Starting a new product is a form of Strategic Renewal. This case describes the process of implementing new products in the case company, which role conflicts occur in this process and the effects of the company's management model on this.

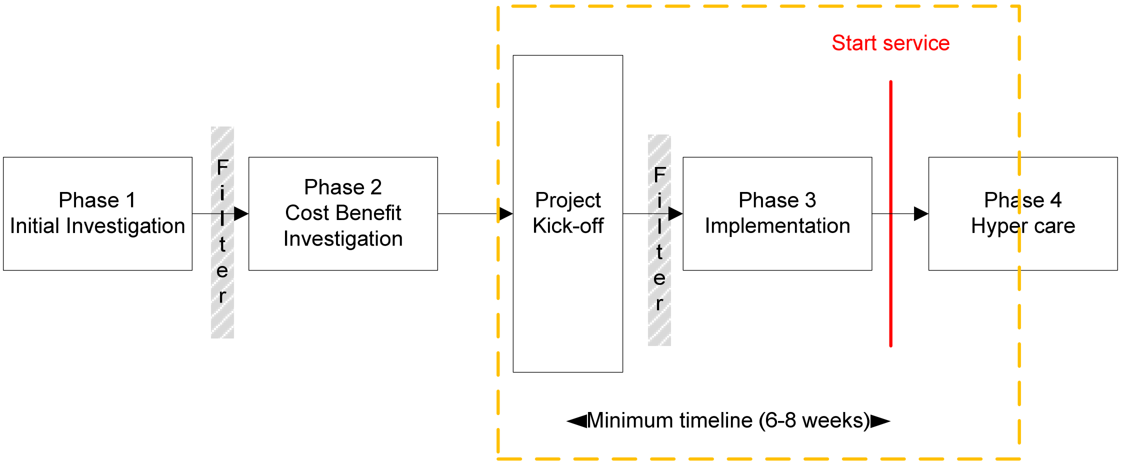
The process:

Based on experiences gained during the start-up of new products a working group defined a to-be process for the startup of new products. Members of all the departments concerned participated in this project, several actions were discussed and ultimately the ideal process was defined, with:

- a clear overview of the roles and responsibilities
- Go/no go milestones
- Overview of the project phases and chronological order of tasks.

The process ensures proper communication and involvement of the right people at the right stages of the process and should result in the smooth implementation of a new product. The process was agreed by the company's Senior Management and a new product implementation manager was appointed. A brief overview of the different phases is outlined in figure 11.

Figure 11: New product implementation – the process



Source: Own creation based on company internal document

In phase 1 – initial investigation a first check is done to see if a new product fits within the company's strategy. Also a first high level check is performed to see if there would be assets available for such a product. This first step in the process should ensure that as little people as possible are working on a project before it is taken to the next level. It is up to the senior management to decide if such project should to be taken to phase 2. In phase 2 – cost benefit investigation the more detailed operational model is defined, based on the customer requirements, and the full cost benefit calculations are made. This process should end with a sign-off by the customer in which he agrees to the conditions. Then a project kick-off meeting is organized with all relevant people and departments and phase 3 – implementation is started. Between the kick-off meeting and start of service a minimum period of 6-8 weeks is taken into account. This timeframe is needed to ensure that all necessary operational arrangements can be made to ensure a smooth startup of the service. Finally after the start date of the service phase 4 – hyper care is initiated to ensure any startup challenges are analyzed and adjustments are made where needed with the aim to improve service levels and customer satisfaction.

Empirical data:

After this process was agreed new products were started, several without satisfying results. Several of those newly started products were analyzed and it became apparent that in many of these cases one or more of the phases were not or only partially performed.

Phase 1 of the process was not performed many times and as a consequence a role overload conflict develops at stage 2. In this stage the yield specialist is flooded with requests for price calculations. The root causes for this conflict are that people are not sticking to the agreed process and that on the company level the objective, the strategy, is not clear. Also other people already start working on such projects in this phase. Due to this an intra-sender conflict develops as people spend time on products which are uncertain and cannot spend their time on present products.

Role conflicts occur in several phases of the process. It starts with Senior Management not sticking to the agreed process and timelines. The roles of the Senior Management team members are in principal clear, but some members do not claim their own role and others are partly taking on roles of others. This conflict can be classified as an inter-sender conflict. The roots for this conflict are macho behavior, lack of trust and lack of collective thinking – silo thinking - at Senior Management level. Besides that it is also seen as matter of prestige to take the lead in the implementation of a new product. When this is done successfully one can take the credits for it.

As a consequence it was observed, mainly in the startup phase, that people stop performing their own role and are no longer taking initiatives but “wait till they are instructed”. Also communication between parties reduces and as such inefficiencies in the implementation process occur, which lead to higher cost levels, delays and compromised service levels. As a consequence it happens that too many people are working on the same issue. This has resulted in situations that three different staff members gave three different answers to one single question from the customer or supplier. Both customer and supplier could take advantage from this internal dividedness. Currently there are no consequences for people not taking their on their own role, taking on the roles of other people or not sticking to the agreed process and timelines.

Roles and responsibilities, the coordination aspect of the management model, in lower hierarchical levels are not well defined and processes are unclear. Also an inter-role conflict was observed at senior management level. Several of the interviewees called this the “defending your own shop” syndrome. Some of the senior management members purely defend their own interests and as such the conflict between the different functional departments develops. The roots for this conflict can be found in lack of teamwork at senior management level, macho behavior and lack of clear targets and objectives. The results of these conflicts were a non efficient implementation that led to higher costs, delays in the startup process and compromised service levels. This was again mainly observed in the startup phase of the products.

In several of the analyzed products the sales department took on several operational tasks. Short before the product start date it turned out that a number of operational details were not, or not properly, arranged. Operational staff had to rectify and arrange these deficiencies at short notice what led to a role overload conflict. One of the interviewees said in this context “all departments involved are only doing crisis management” which was, in other words, also confirmed by other interviewees.

The main roots for this conflict are not sticking to the agreed process and insufficient communication about decisions. This resulted in several non-optimized solutions at higher cost and additional workload. The latter leading to frustration as people see many things go wrong because they are not well prepared. The service levels delivered to the customers - mainly in the start-up phase - are therefore not at the agreed levels, with potentially unhappy customers. Customers could in some occasions not be retained or attracted to these new products, leading to commercial underperformance of the products. In two cases it led to a complete project failure.

Within the sales department people are also faced with role conflicts: should they focus on improving utilization on existing products or should they spend their time on selling new products? This conflict is again an intra-sender conflict, which is the result of insufficient communication and unclear objectives and targets. This is managed ad-hoc and not detailed. Further guidance to the sales department is missing. This leads to underperformance of existing and new products.

4.2 Empirical data analysis and findings

When companies make changes like this there usually is dissatisfaction with the status quo. This was also applicable in this case. The main causes for this dissatisfaction were the need to change from a cost centre to a profit centre, the changed requirements from both market and new customers and the change adverse mentality of staff. The relation between these main causes all lie in the previous cost centre structure and culture the company had.

Management model:

In the first year covered by this study the management model showed the following characteristics:

- Objectives were only in place for senior management;
- Job descriptions were in place but not updated regularly;
- Biannual appraisal talks were held but there was no follow-up;
- Decision making was taking place top-down without staff input and communication about decisions to lower levels is poor;
- Hardly any intrinsic or extrinsic motivators were used;
- A process for strategic planning was in place, but a link with the day-to-day operation lacked.

In the second year covered by this study the management model showed the following characteristics:

- Most people did not have objectives;
- Job descriptions were not in place, but actions are taken to update job descriptions including setting objectives and clarifying roles and responsibilities;
- Decision making was still taking place top-down but there comes some awareness that staff could provide valuable insights – when shared follow-up from senior management lacks;
- Communication about decisions taken to lower levels, sometimes even within the senior management, is poor;
- Intrinsic motivators are not used and there is some room for extrinsic motivators – though not transparent and used with care;

- There is a long term strategy but a process or planning translating this to medium term and day-to-day operations is missing.

When evaluating these findings it can be concluded that the ends of the management model are not clearly defined, though steps are taken to get that better in place. Also the means by which these ends should be realized are not properly set-up, although improvement actions are initiated. Some of the observed consequences are outlined below.

Table 8: Management model analysis

	Management Model Year 1	**Management Model Year 2**	**Difference**
Dissatisfaction with the status quo	Need to change from a cost centre to profit centre, changed requirements from the market and change averse mentality of staff		No difference
Objectives (Ends)	In place for Senior Management, subjective for other staff	Most people do not have objectives, action taken to get objectives in place	Initiative taken to get objectives in place, not fully implemented and are partly aligned
Arranging tasks and functions (Means)	Job descriptions in place but not regularly updated and not used	Most people do not have a job description. Actions taken to get Job descriptions in place and clarify roles and responsibilities. Roles are not always accepted	Initiative taken to clarify roles and responsibilities, not fully implemented
Making and communicating decision (Means)	Top-down, communication to lower levels poor, no input from staff	Top-down, communication to lower levels improved - though ad-hoc, input from staff possible but follow-up lacks	Communication improved, but is ad-hoc, follow-up lacks
Intrinsic motivators (Ends)	Not used	Not used	No difference
Extrinsic motivators (Ends)	Bonus structure in place for senior management	Budgetary possibilities for extrinsic motivators. Not transparent and used with care	Extrinsic motivators (limited) possible now for all staff - though used with care and not transparent
Strategic planning	Process in place, long term strategy in second part unclear, link to day-to-day operation lacking	Long term strategy in place, process or planning to translate to medium term and day-to-day operation missing	Became less structured, link day-to-day operation still missing

Due to the lack of clarity in roles and responsibilities people have the freedom to do what they feel is best for the business. Also they lack clear defined roles in projects. Roles that are formally laid down are not always accepted, for example the role of the manager new product implementation. As a consequence nobody has the overall responsibility for a project, resulting in lack of coordination. This has a negative effect on the coordinated preparation of such projects leading to poor implementation. This leads, especially in the start-up phase of new products, to reduced performance and in some occasions attributed to full project failure.

Finding 1: *Not properly implemented parts of a company's management model have a negative effect on the outcome of strategic renewal actions.*

Role conflicts:

Several role conflicts manifested themselves in both the initiated management innovation action (KPI reporting) as in the strategic renewal actions (new product implementation). These conflicts can be attributed to unclear roles and responsibilities, lack of teamwork, macho behavior, insufficient communication and absence of objectives and targets. The literature suggests that the less clearly defined roles, the greater the stress created by role conflict and the more likely it is individuals will use coping behavior such as organizational exit. The staff turnover levels were in both years around 20% but seem to be decreasing presently.

Conflicts of all five types listed in chapter 3.1 have been observed and led in both cases to non efficient implementation, frustration, reduced commitment and underperformance, especially in the startup phase. Most of the causes can be directly related to the current situation of the ends of the management model, such as lack of targets and objectives (direction), the means of the management model such as unclear roles and responsibilities (coordination) and insufficient communication (decisions).

Finding 2: *Not properly implemented parts of a company's management model, especially related to clarity in roles, responsibilities and objectives, foster the development of role conflicts in strategic renewal actions and in management innovations.*

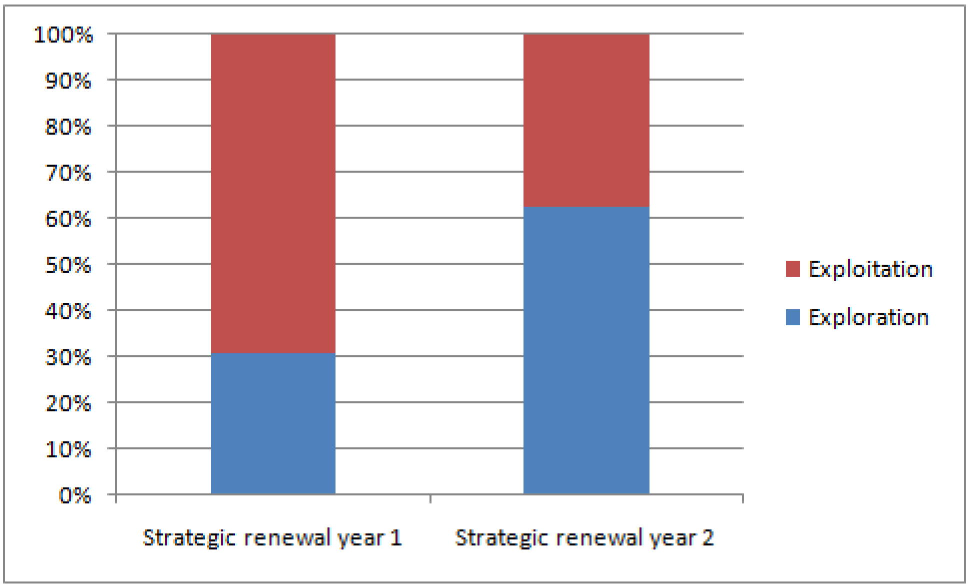
Table 9: Observed role conflict overview and analysis

Type of role conflict	Conflict observed	Cause of conflict	Effect of conflict	Observed in case
Person-role conflict	One manager does not see the added value of KPI's but has to work with them	Personal belief, insufficient communication, absence of targets	No commitment, poor implementation in his department	KPI reporting
Inter-role conflict	Process Excellence challenge to get the required data from other departments	Unclarity in roles, insufficient communication, lack of objectives and targets related to the KPI process	Poor data quality and accuracy, frustration, inefficient process to establish the report	KPI reporting
	Follow-up from senior management on KPI's is lacking	Unclarity in roles and responsibilities, insufficient communication, lack of objectives and targets	KPI reporting does not lead to improvement, frustration and reduced commitment of staff	KPI reporting
	Defending own shop	Lack of teamwork, macho behavior, lack of clear objectives and targets	Non efficient implementation, higher costs, delays, compromized service, mainly in startup phase	New product implementation
Intra-sender conflict	Day-to-day process or KPI process	Unclarity in roles and responsibilities, insufficient communication, lack of objectives and targets	Poor data quality and accuracy, low reliability of parts of KPI report, poor implementation	KPI reporting
	Focus on running existing products or implementing new products	Unclear objectives and targets, insufficient communication	Underperformance of existing and new products	New product implementation
Inter-sender conflict	People taking on parts of roles from others	Macho behavior, lack of teamwork, lack of trust	Non efficient implementation, higher costs, delays, compromized service, mainly in startup phase	New product implementation
Role overload	Last minute operational set-up	Insufficient communication, not sticking to the agreed process,	Non efficient implementation, higher costs, delays, compromized service, mainly in startup phase, reduced performance on present products	New product implementation
	Yield specialist flooded with requests	Not sticking to the agreed process, lack of objectives	Longer leadtimes for cost-benefit analysis, reduced quality of output	New product implementation

Strategic renewal:

Almost the same numbers of strategic renewal actions were undertaken in the two timeframes. A difference that could be observed is that in year 1 the focus was mainly on improving exploitation where as in year 2 both explorative and exploitative actions were undertaken. Some of the exploitative renewal actions were not or partially successful for reasons explained above. The following graph displays the exploitation – exploration ratio (Volberda et al., 2001) for strategic renewal actions undertaken.

Figure 12: Strategic renewal - exploration - exploitation ratio



Source: Own creation

The result, or the outcome, of several of these renewal actions was negatively influenced by the role conflicts that occurred during the process. This effect was most evident in the startup phase but in two cases it even contributed to complete project failure.

> Finding 3: *Role conflicts that occur in the process of a strategic renewal actions have a negative effect on the outcome of the renewal actions, especially in the startup phase.*

5. Discussion and conclusions

This chapter discusses the empirical results and the theoretical implications of these results in the second part.

5.1 Discussion of findings

In the empirical study data was collected about the case company's management model, how the model was innovated and which strategic renewal actions were performed over a two year period. In the second year major changes were made in the senior management team. Furthermore role conflicts were studied in two cases relating to management innovation and strategic renewal. Below a discussion of the empirical and theoretical findings leading to two amended propositions and an updated framework.

The effects of role conflict on strategic renewal:

In the framework that forms the basis for this research project a negative relation between role conflicts and strategic renewal was suggested, for example that role conflicts negatively affect strategic renewal. Proposition 1 states: *Role conflicts have a negative effect on the outcome of strategic renewal.* The study highlighted that on several occasions role conflicts had a negative effect on the performance of strategic renewal actions. The operational efficiency, financial performance and speed of implementation of the Strategic Renewal action can all be negatively affected by role conflicts. This was most visible in the start-up phase of the projects. Thus role conflicts have, especially in the start-up phase, a negative effect on the outcome of strategic renewal actions. The empirical data therefore provides supporting evidence for proposition 1 which thus remains unchanged.

The effects of management innovation on role conflicts:

In the framework that forms the basis for this research project a negative relation between management innovation and role conflict was suggested, for example that management innovation reduces role conflicts. Proposition 2 states: *Management innovation contributes to the reduction of role conflicts by creating clarity about role expectations.* The study highlighted that several aspects of a company's management model, such as arrangement of tasks and functions and communication, can foster role conflicts. Management innovation by means of changes in the management model can therefore have an influence on the development of role conflicts. As such a management model designed to create clarity and alignment in functions and responsibilities reduces the likelihood that role conflicts develop. The study also highlighted that management innovation actions were initiated but not fully implemented and still resulted in role conflicts and thus provides grounds for future research. The proposition is therefore amended as follows:

New proposition 2: *The degree of implementation of management innovation contributes to the reduction of role conflicts by creating clarity about role expectations.*

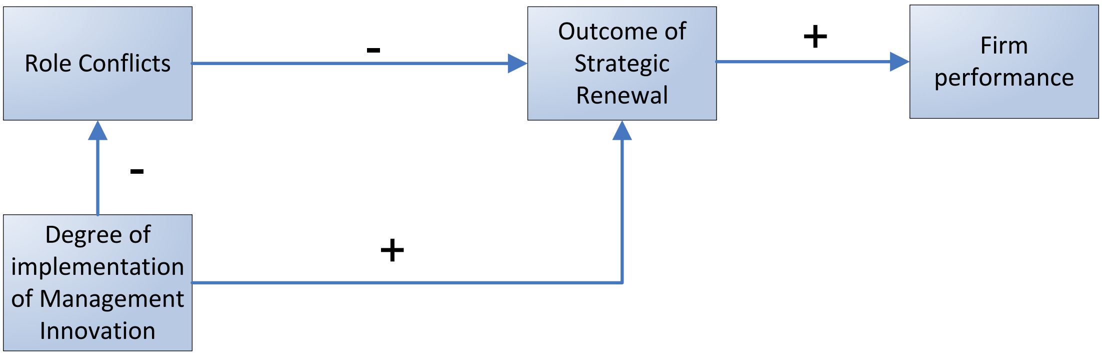
The effects of management innovation on strategic renewal:

In the framework that forms the basis for this research project a positive relation between management innovation and strategic renewal was suggested, for example that management innovation would positively influence strategic renewal. Proposition 3 states: *The implementation of management innovation has a positive effect on the outcome of strategic renewal actions.* The actions of strategic renewal that were investigated did not perform as expected. Tools to properly measure performance on a continuous basis were not in place or not fully implemented. A management innovation which is focused at performance assessment – KPI reporting – is in the implementation phase and as such the results were not known yet before finalization of this study. A KPI dashboard drives performance improvement (Kerklaan, 2008) and it is therefore expected that this will have a positive effect on the outcome of strategic renewal actions. This should be investigated in future research. The proposition is therefore amended as follows:

New proposition 3: *The degree of implementation of management innovation has a positive effect on the outcome of strategic renewal actions.*

On the basis of these discussed findings the following updated framework is presented.

Figure 13: Updated conceptual framework



5.2 Answering the research questions

The main research question of the study is:

How can management innovation reduce role conflicts and therewith foster strategic renewal?

In order to answer this main research question first the three research questions are answered.

Research question 1: Which factors of strategic renewal are negatively affected by role conflicts?

In 2.1 the different theoretical aspects of strategic renewal were defined based on the literature. In 2.3 the theoretical aspects and potential effects of role conflicts are indentified. In the empirical study the effects of role conflicts on these aspects of strategic renewal were investigated and it turned out that role conflicts negatively affect the outcome aspect of strategic renewal, especially in the start-up phase.

Research question 2: How can the implementation of management innovation contribute to the reduction of role conflicts?

In 2.2 the different theoretical aspects and characteristics of management innovation are described based on the literature. In 2.3 potential causes of role conflicts and its characteristics are described. In the empirical study the aspects of the company's management model and its effect on role conflicts was investigated. It turned out that a lack of alignment and clarity of roles and responsibilities led to several role conflicts. Considering the empirical findings in combination with the theoretical findings as discussed in chapter 5.1 it can be concluded that proper implemented innovations in the management model aimed at alignment and clarity in roles and responsibilities will reduce the likelihood that role conflicts develop. Hence the amendment of proposition 2.

Research question 3: How can strategic renewal be fostered by means of management innovation?

In 2.1 the different theoretical aspects of strategic renewal were defined based on the literature. In 2.2 the different theoretical aspects and characteristics of management innovation are described based on the literature. In the empirical study the aspects of the company's management model and how it deals with strategic renewal were investigated. A clear direct relation between management innovation and the outcome of strategic renewal could not be determined yet. There are indications that management innovations focused at performance measurement have a positive effect on the outcome of strategic renewal actions and should be investigated in future research. Hence the amendment of proposition 3.

The main research question can now be answered from a compilation of the three research questions. Management innovation by means of change in the management model designed to create alignment and clarity in roles and responsibilities will reduce the likelihood that role conflicts develop. Since role conflicts have a negative effect on the outcome of strategic renewal a reduction of these role conflicts will foster (the outcome of) strategic renewal.

5.3 Contributions

The contributions of this thesis are twofold. These are: contributions relevant for the managerial world and contributions relevant for the academic world.

Scientific relevance

It was one of the objectives to contribute to the literature of management innovation and strategic renewal by examining the effects of management innovation on role conflicts and strategic renewal. The study successfully contributes by providing new knowledge to the gaps in the literature as addressed in chapter 1. The contributions are briefly displayed in table 10 and are explained further below.

Table 10: Contributions - result

	Contribution	Relation to previous research	Result
1	Understanding of the effects of management innovation on strategic renewal and organizational performance	This study provides another lens - as Agarwal & Helfat (2009) suggest would be beneficial - by combining management innovation and strategic renewal literature. It furthermore responds to the calls of Vaccaro (2011), Birkinshaw et al. (2008) and Volberda & van den Bosch (2005) to investigate the effects of management innovation on organization performance.	Successful
2	Increased understanding of the effects of role conflict on strategic renewal	This study provides new insights following on effects of role conflicts raised by Floyd & Lane (2000).	Successful

Contribution 1a: Understanding of the effects of management innovation on strategic renewal.

In the present literature no direct relation between strategic renewal and management innovation was found. Agarwal & Helfat (2009) discuss dimensions of change to be related to strategic renewal, several of those are identical to aspects of a company's management model (Birkinshaw, 2010). This study provides a new lens to the research on strategic renewal, as requested by Agarwal & Helfat (2009) by combining it with management innovation. The empirical study provided indications that management innovation has a positive effect on the outcome of strategic renewal.

Contribution 1b: Understanding of the effects of management innovation on organizational performance.

In the present literature about management innovation the importance of its effect on organizational performance is acknowledged but has so far not received attention (Vaccaro, 2010; Birkinshaw, 2008; Volberda & van den Bosch, 2005). Strategic renewal aims at substantially affecting the organizations long-term prospects (Agarwal & Helfat, 2009) thus strategic renewal is aimed at organizational performance. This study contributes to the literature by the development of a proposition about the relation between management innovation and the outcome of strategic renewal which is also supported by the empirical evidence.

Contribution 2: Increased understanding of the effects of role conflicts on strategic renewal.
Floyd & Lane (2000) have discussed role conflicts in the process of strategic renewal. Several other role conflicts can develop within organizations but these are not discussed in their article. Floyd & Lane (2000) furthermore do not discuss the effects on the results of strategic renewal, except for their last proposition in which they mention effective strategic renewal. By focusing also on other role conflicts in their relation to strategic renewal this study contributed to the literature. Through the developed proposition and corresponding supporting evidence it furthermore contributes knowledge about the negative effects of role conflicts on the outcome of strategic renewal.

Managerial relevance

This study provides interesting insights for managers who intend to innovate their management model. When implementing new management practices or processes also attention should be paid to supportive aspects of the management model such as management principles. The case provides evidence that implementation of a new (management) process becomes very difficult and results are lacking when the supportive aspects, i.e. coordination of activities and target setting etc., of the management model are not put in place.

5.4 Limitations and avenues for future research

The limitations of this study are divided in three main categories being: theoretical, methodological and empirical limitations.

Theoretical limitation:

This study researched management innovation from the rational perspective which assumes that new practices, processes or structures are deliberately introduced by key individuals within the organization in order to improve the organization's performance (Birkinshaw et al., 2008). This is just one perspective of management innovation and it can well be that viewed from a different perspective, e.g. institutional, fashion or cultural, effects are to be seen differently. This should be investigated in future research.

Methodological limitation:
It should be realized that the study was performed in one single company and therefore the findings may not be fully applicable to other contexts. The projects researched in the nested cases are still ongoing; due to time constraints the final outcome can therefore not be analyzed. The study yielded some interesting findings, though it is still recommended to perform more longitudinal research in a setting where the full term of the project can be analyzed. Second, it is recommended to test the three new propositions developed in this study, that are the result of qualitative research, in a broader – quantitative – setting to verify the extent to which they can be generalized.

Empirical limitation:
The study was performed in a regulated, though highly dynamic environment. Floyd and Lane (2000) discuss about the effects of the dynamics of the external organization environment. Internal environmental dynamics are not discussed but could also have an influence. The empirical study provides indications that a dynamic internal environment of the organization can have its effect on the implementation of management innovation. This provides grounds for future research to focus on the effects of dynamism of organization environment both in a regulated and less regulated environment.
Second, the effect of organization culture on the implementation of management innovations was not investigated but the empirical study provided indications that this could be a factor of influence too.

5.5 Conclusion

In this study the theory of a.o. Birkinshaw about management innovation are combined with theory about strategic renewal and theory about role conflicts. The literature provided interesting angles for research which were researched in the empirical part of the study. The main aim was to investigate the effects of management innovation on role conflicts and strategic renewal and how this could improve firm performance. The case study illustrated that not properly implemented parts of a company's management model foster the development of role conflicts with a negative effect on the outcome of strategic renewal actions. Focus on supporting management innovations, i.e. parts of the management model that support the implementation of new (management) processes, will reduce the development of role conflicts in strategic renewal actions and will thereby improve the outcome of that renewal action. Thus it increases firm performance.

This study contributes knowledge to the academic and managerial world by providing valuable insights into effects of management innovation on the reduction of role conflicts, how management innovation fosters strategic renewal and how this enhances firm performance.

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