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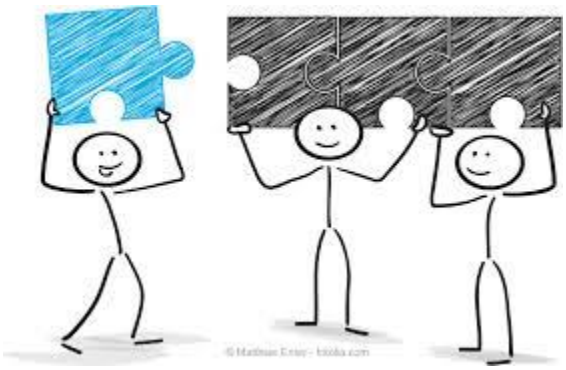

Management innovation in Centers of Excellence: How to make it work?

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In 2017 I decided to sign up for a master study Business Administration with no other purpose then continuous development and to go back to the roots to recalibrate whilst being in business management roles for many years. This has been a fantastic journey. Sometimes painful to combine with a full time international job, but always positively engaging. The curriculum RSM has compiled provides a colorful and socially responsible portfolio of themes. A clear recommendation was given at the start. During the part time master study; don't change your job, don't move houses, don't quit or start a personal relationship and don't get a child. I can proudly mention that I managed to adhere to the last one.

Many thanks to all the people facilitating this journey. AkzoNobel as employee for the flexibility and support and providing fertile ground for the cases study in this thesis. The interviewees for their willingness and patience to participate in the interviews and validation of the reports. And my family for forgiving my mental absence in preparations for exams and during the process of writing this thesis.

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Tim

Abstract

This thesis explains how management innovation can be successfully transferred from explorative Centers of Excellence to exploitative Business Units. There's a common understanding in literature that organizing innovation in separated units has advantages for exploration and exploitation and improves ambidexterity. Most research however focusses on technical product and service innovation. This thesis focusses on management innovation and the necessary conditions for transferring management innovations from corporate innovation units to autonomous Business Units. A case study is performed in AkzoNobel, a leading global Paints and Coatings manufacturer. Two commercial management innovation cases developed by separate Centers of Excellence, each transferred to four Business Units have been researched. The findings suggest six necessary conditions for a successful transfer of management innovation between separated explorative and exploitative units: (1) the management innovation is strategically critical, (2) executive leadership is aligned, (3) Business Unit leadership is committed to the management innovation transfer, (4) integration mechanisms between explorative innovation units and exploitative Business Units are in place and active, (5) the exploitative Business units are ready to change by having absorptive capacity and dynamic capabilities and (6) coercive deontic power based change management is applied. Besides the six necessary conditions, propositions and insights in relation to organizational change and ambidexterity are developed. In organizational change perspective it is suggested that (a) management innovation has an institutional effect requiring coercive power based change efforts and (b) the role of prior knowledge in absorptive capacity to enable change is negative if the newness of the innovation is too small. Regarding organizational ambidexterity it is suggested that (c) integration mechanisms have an indirect effect via absorptive capacity on ambidexterity benefits and (d) ambidextrous tensions in management innovation transfer can be overcome by the six necessary conditions defined. The results of this study fuels further academic discussion on management innovation and helps organizations to effectively organize management innovation in Centers of Excellence to improve organizational performance.

Key words: Management innovation; Organizational ambidexterity, Center of Excellence; Absorptive capacity; Dynamic capability; Change management; Deontic power; Organizational closure; Organizational ecology; Institutional theory.

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1. Introduction

This thesis is about management innovation and how this can be achieved in Business Units of large and complex organizations via Centers of Excellence. For management innovation, these Centers of Excellence explore and develop knowledge on organizational practices to improve management approaches. Management innovation consists of inventions that improve organizational processes, systems, structures or practices with the aim to improve the performance of an organization. Unlike technical product and service innovation, the focus is not on the output and commercial offering of the organization. It is about improving the way the organization operates to serve its customers (Birkinshaw, et al., 2008). An example is the Toyota production system that improves the processes to achieve higher production efficiency (Ohno, 1988). Another example is Total Quality Management (Zbaracki, 1998), an approach that introduces new practices and processes to reduce quality defects and improve customer satisfaction. Especially in large complex firms, Centers of Excellence as management innovation centers are separated from the operational Business Units. And by doing so, on one hand specialist knowledge and expertise is developed but simultaneously an organizational disconnect between the experts and the operational staff is created. And that can create tensions and discussions about the experts not knowing what's going on in the Business Units as well as the Business Units not adopting new management innovations. This discussions easily evolves into questioning the costs of Centers of Excellence versus the benefit. Compared to technical product and service innovation, the results of management innovations are more difficult to see from the outside world and difficult to protect as intellectual property. Where technical innovations are commonly organized in units with specialists and scientists, management innovation by experts and specialized staff is still in an immature state in many organizations (Birkinshaw, et al., 2008). However, Centers of Excellence (COEs) have emerged over the last years as innovation units addressing the area of management innovation for specific functions in the organization. Commercial Excellence, Operational Excellence and Financial Excellence are examples of such COE units. This creates focus and specialization on management innovation but the tensions due to alignment issues need to be addressed. These tensions are recognized and described in literature as a consequence of organizational ambidexterity. In organizational ambidexterity, explorative activities in finding and capitalizing on new opportunities are separated from exploitative activities to improve the efficiency and performance of the existing business model (Duncan, 1976; March, 1991; Gibson & Birkenshaw, 2004). Most organizational

ambidexterity literature however is focused on exploration and exploitation on organizational level, organizations are either explorative or exploitative. In this thesis the consequences of separating innovation of Business Unit management approaches from the exploitative Business Units themselves is of interest. What happens if specialist knowledge and development of management innovation is separated from the operational business and what are the consequences for the transfer of developed innovations back to the operational business. Centers of Excellence units can be expensive and the innovations they generate can require investments. Without understanding how the innovations can be successfully transferred and implemented there's a substantial value destruction risk. There's little known about the separation of management innovation and the transfer of these innovations between Centers of Excellence and operational Business Units. This thesis aims to contribute to a better understanding of how Centers of Excellence can be effective by defining and explaining critical success factors for management innovations transfer from Centers of Excellence to Business Units.

Especially in highly exploitative organizations, the distance between innovative Centers of Excellence and business units can be large. Most large chemical firms are an example of highly exploitative organizations, since commoditization of the chemical industry makes the firms struggle to keep the margins. In Competitors in this stable industry offer similar products and the customers can easily switch between suppliers which characterizes commoditization (Raimann, et al., 2017). This leads to price competition focus and margin pressure for the traditional chemical producers since it's difficult to create unique propositions and it's costly to get out of the business due high investments in production facilities. Hence, incumbent companies are increasingly at risk of commoditization. (Boudier, et al., 2016; Boudier, et al., 2015). Consequently, incumbent companies strongly focus on exploitation of their business model to meet shareholders value expectations and show inertia to move to strategic renewal journeys via business model renewal or management innovation to improve their core competences (Böringer & Simons, 2016). Although business model renewal is reported as the most important factor for chemical companies' total shareholder return (Gocke, et al., 2016), management innovations such as commercial process innovation (Pisano, 1996) is undervalued in this industry. And especially regarding the commercial process innovation such as sales, marketing and pricing processes there is reason for attention. Sales and Marketing costs have gone up as a percentage of revenue and companies do not seem to engage in improving their commercial processes (Böringer & Simons, 2016). Many chemical firms have implemented Centers of Excellence but despite the investments made, Böringer & Simons (2016) state that the chemical industry has not yet implemented management innovations in the commercial domain. This questions

whether the Centers of Excellence actually are effective in supporting the battle for survival in commoditized markets. Not the question whether developed innovations are useful, but whether the transfer of management innovation from the Centers of Excellence to the Business Units is successful is the point of interest. The chemical industry is therefore interesting for researching management innovation.

This master thesis explores how management innovation via Centers of Excellence can be practically realized and what the necessary conditions are for successful transfer of management innovations between separated explorative and exploitative units. Necessary conditions are conditions necessary for a result. Without these conditions the result will not be realized. The conditions are not by definition sufficient though, other conditions might be necessary as well to achieve result (Dul, 2016). Understanding the necessary conditions for successful transfer of management innovations in Centers of Excellence to operational Business Units will help organizations to effectively improve their core competences.

1.1. Research question

Based on the practical challenges organizations face on management innovation in Centers of Excellence and little availability of theoretical insights, this study aims to find answers to the question:

"How can commercial management innovations in separated explorative Centers of Excellence be successfully transferred to exploitative Business Units?"

Sub question 1.

What are necessary conditions for successful management innovation transfer between separated explorative management innovation units and exploitative business units within the same organization?

Sub question 2.

What new perspectives do necessary conditions for successful management innovation transfer provide for existing theories on organizational change and organizational ambidexterity?

1.2. Approach and relevance

Literature is researched on four theoretical lenses to define the known relevant aspects for management innovation transfer from explorative innovation units to exploitative performance units. First management innovation is explored in perspective of strategic renewal. Then separation of organizational

explorative and exploitative units is described, followed by the consequences of unit separation for leadership and integration mechanisms. Finally management innovation is described in perspective of organizational change. The results of the literature research is used as guidance to study two management innovation cases within AkzoNobel, a leading global Paints and Coatings firm. The cases are commercial management innovations, one about sales pipeline management and automation and one about price increase and performance management. Both cases are describing the transfer of management innovation in a Center of Excellence to four Business Units within AkzoNobel. This enables the analysis of 8 management innovation transfers with different results on the necessary conditions for success and the fit to existing theoretical lenses. Apart from the literature findings as guidance for the cases analysis, emerging new factors in the cases have been taken into account. A relatively new approach is applied to find necessary conditions for successful transfer. Necessary conditions are critical for a targeted result. If a necessary condition is not in place the targeted result will not be realized and this cannot be compensated by other conditions. But having the necessary condition is in place is not a guarantee for the result, the condition is necessary but not sufficient as per definition (Dul, 2016). Necessary condition analysis helps to provide insights in qualitative case study research methodically by enabling powerful statements on the effect of the studied conditions. The results of the case study are discussed in context of the theoretical lenses and conclusions, propositions and suggestions for further empirical research are presented.

Understanding the necessary conditions contributes to further insights and academic discussion on organizational change mechanisms and organizational ambidexterity in relation to the transfer of management innovation between explorative and exploitative units in an organization. Organizations and leaders can benefit from a better understanding of the necessary conditions to make management innovation in Centers of Excellence effective. And capitalize on the investments in Centers of Excellence by improving the core competences and performance of the organization.

2. Theory

Literature is explored in four relevant domains for management innovation transfer between separated units: Firstly, the role of management innovation within an organization's strategic renewal journey is explored to understand the concept of management innovation and how this fits into an organizations strategy renewal. Secondly, organizational ambidexterity literature is researched to describe the theoretical foundations for separating explorative Centers of Excellence units from exploitative Business Units. Thirdly, integration mechanisms and the role of leadership are explored to understand how these elements are relevant in dealing with boundaries, distance and tensions between separated units in an organization. Finally, the organizational ecology and institutional elements of organizational change are described to understand how organizations and individuals respond to organizational changes induced by management innovation. An overview of the theoretical lenses with the implications for this research is provided.

2.1. Strategic renewal and management innovation

Strategic renewal is the process allowing organizations to change their strategic intent and capabilities. Strategic renewal has become a prominent theme in the last decades (Schmitt, et al., 2016). Organizations are confronted with increasing dynamics in their environments due to unpredictable social economic and technological changes. Organizations are facing the question how to respond to that and strategic renewal journeys can help to dynamically define their strategy and related capabilities. The dilemma is whether the existing business model should be maintained or whether engaging in strategic business model renewal is required. Where business model continuity ensures stability and cohesion, strategic renewal enables innovation to ensure survival of the organization. Strategic renewal goes beyond technical product and service innovation. Instead of just innovating the organizations output to serve its customers better, strategic renewal addresses all business model elements including the processes, structures, relations and capabilities. Innovation of the business model are much harder to duplicate than technical product and service innovation (Teece, 2010). Volberda & Baden-Fuller (2001) distinguish 4 different dimensions of strategic renewal; emergent, directed, facilitated and transformational (Volberda & Baden-Fuller, 2001). Firstly, emergent renewal follows the industry rules and has a strong exploitative nature focusing on incremental improvements of the business model and maximizing the fit to a stable existing situation. Directed and facilitated renewal as second and third dimensions increasingly adapt and influence the industry rules in the organizations benefit. Finally, transformational renewal is the most

rigorous variant by actively changing the industry rules or even the organizations playing field. Emergent or exploitative strategic renewal journeys (Barnett & Burgelman, 1996; Volberda & Baden-Fuller, 2001) occur below the public radar and is favored by large incumbent firms (Flier, et al., 2003). This renewal concept closely relates to the chemical industry as example in this study. Zook and Allen (2010) argue that in dealing with downturns and in achieving profitable growth, companies need to search for adjacencies to their core to create and capture more value. In the context of this research on large chemical firms in commoditized markets, process, structure and capability innovation as adjacencies are important strategic renewal levers to apply. Especially the core processes in marketing and sales functions can be improved to exploit the core of the business model (Böringer & Simons, 2016). Process, structure and capability innovation is recognized in the academic world as management innovation. Management innovation is defined as "the invention and implementation of a management practice, process, structure, or technique that is new to the state of the art and is intended to further organizational goals" (Birkinshaw, et al., 2008). Four perspectives of management innovation are identified; the institutional perspective, the fashion perspective, the cultural perspective and the rational perspective. The four perspectives are of interest as guidance for the research on relevant factors for successful management innovation transfer. The institutional perspective addresses the institutional conditions for the emergence of management innovation. In this thesis, the commoditization of the chemical industry and its evolutionary business model innovation context (Mol & Birkinshaw, 2009) are considered to be the institutional management innovation perspective. The fashion perspective, addressing the emergence of fashionable management innovation ideas arising in the market, is considered relevant for the design of management innovations in the explorative innovation units. For this study the dominant interest for understanding the successful transfer conditions is in the cultural and rational perspectives. The cultural perspective, addressing the social change aspects of management innovation, includes the role of power structures and human agencies in perpetuating management innovations in the organization. The rational perspective addresses the role of key individuals, managers and change agents, in driving the design and implementation of management innovation. The process of management innovation in an organization follows four steps where key change agents play a role in driving them forward: motivation, invention, implementation and theorization and labeling (Birkinshaw, et al., 2008). The role of the change agents as well as the locus and ownership of the management innovation processes become ambiguous in organizations with separated explorative innovation units and exploitative business units. This ambiguity in management innovation processes and perspectives is not thoroughly identified in literature.

This literature section explained that strategic renewal journeys have several directions and that in separated explorative and exploitative units the journeys can be different. The role of transparency and alignment of the strategic renewal journey in the transfer success of management innovation between separated units and the locus of the management innovation therefor are guiding elements for the research. The other guiding elements for the research defined in this section are role of social and individual change processes and specifically how change agents, power structures and leadership are involved.

2.2. Management innovation in separate innovation units

To understand the effect of the locus of innovation and the implications of organizing management innovation in a separated organizational unit, in this section the theoretical construct of organizational ambidexterity is explored. Literature has argued that successful organizations are ambidexter (Duncan, 1976). Ambidexter organizations are able to simultaneously build competitive advantage by evolutionary and revolutionary change (Tushman & O'Reilly, 1996). The two different approaches on which firms need to divide their attention and resources, have been defined as exploitative and explorative. The exploitative approach targets activities associated to refinement and efficiency and the explorative approach targets activities associated to discovery and experimentation (March, 1991). The trade of and paradox between simultaneously exploiting existing and exploring new competences is difficult and creates organizational tensions (Raisch & Birkinshaw, 2008). Conceptually three different ambidexterity constructs have been described in literature: Sequential ambidexterity, structural ambidexterity and contextual ambidexterity. In sequential organizational ambidexterity, an organizational unit transitions from exploration to exploitation over time following the strategy (Duncan, 1976). Structural organizational ambidexterity is characterized by organizing exploitative and explorative activities in physically separated units (Tushman & O'Reilly, 1996) and enable organizations to maintain multiple competences that addresses paradoxal demands simultaneously (Gilbert, 2005). In contextual organizational ambidexterity, individuals in the same organizational unit have the capability to combine both explorative and exploitative activities at the same time, though applied where required in the context (Gibson & Birkenshaw, 2004).

Research shows that firms with organizational ambidexterity perform better than those that don't (Tushman & O'Reilly, 1996; Gibson & Birkenshaw, 2004). In competitive environments, firms need to continuously renew themselves by exploiting existing competences and exploring new ones (Floyd & Lane, 2000). Structural organizational ambidexterity can help organizations in this journey to exploit existing

and explore new competences by separating them in different units. The separated exploratory and exploitative activities need to be mutually shared and activated to realize the ambidexterity benefits though (Jansen, et al., 2009). Hence, the structural organizational ambidexterity as such is not enough, integration mechanisms are required to bring the explorative and exploitative competences together and achieve competitive benefits. Structural organizational ambidexterity is the most dominant and mature subject of research. Explorative units tend to be described as physically separated entities with explorative new business models, Exploitative units are described as physically separated entities focusing on the refinement and efficiency of the existing business model. In this thesis a differentiated approach is taken on structural ambidexterity. Not the separation of explorative from exploitative business models, but separation of business model renewal exploration from the existing business model exploitation is the structural ambidextrous lens. This is in this thesis seen as the theoretical foundation of management innovations in explorative Centers of Excellence and the transfer to exploitative Business Units. Similarities are found in explorative innovation units as described for R&D innovation units (Blindenbach-Driessen & van den Ende, 2014). R&D innovation units focus on technological product and service innovation. The authors confirm consensus in literature on the positive ambidexterity effects of separated innovation units, but did not identify by which mechanisms the positive effect was mediated. They suggested that knowledge transfer and creating different cultures for innovation and operation are likely to contribute. Despite the similarities in approach of R&D innovation units, the social ecological and institutional consequences of management innovation is in this thesis seen fundamentally different then for technological product and service innovations. Where the technological innovation dominantly changes the output of the organizational processes, management innovation dominantly changes the organizational processes themselves. This has institutional and organizational ecological consequences which will be further explored in the next sections.

This literature section explains that structural organizational ambidexterity can help organizations to be successful. But ambidexterity creates with tensions between separated units and it was explained that the benefits of ambidexterity needs integration mechanisms to realize the benefits of ambidexterity. This will be further explored in the next section. The differentiated approach to management innovation in separate innovation units as structural ambidexterity lens in this thesis is explained. There's little evidence on critical success factors of the management innovation transfer between separated units.

2.3. Separate innovation units and the role of integration mechanisms and leadership

Whereas structural organizational ambidexterity can help organizations to maintain competences that addresses paradoxal demands, (Gilbert, 2005), the activities need to be integrated to generate new combinations of explorative and exploitative innovation. The integration of knowledge and efforts are of utmost importance to capture the benefits of ambidexterity by revising the approach in exploitative units based on learnings in explorative units (Jansen, et al., 2009; Sirmon, et al., 2007). Jansen et al (2009) suggest integration mechanisms for senior teams and for the organization. Both have formal and informal elements. These elements of integration mechanisms as potential conditions for successful management innovation transfer are taken as guidance in this study.

For senior leadership, diversity, integration mechanisms and cognitive trust will resolve tensions between explorative and exploitative units. Specifically senior leadership contingency rewards on shared responsibilities and social integrations have been beneficial to combine strategic contradictions. (Jansen, et al., 2008; Lubatkin, et al., 2006; Garcia-Granaro, et al., 2018). Senior leadership resolving and embracing the ambidextrous tensions will help organizations capturing the benefit from ambidexterity. When senior leaders are aligned and lead integrated and ambidextrously, their teams move from feudal negotiations of their own interests to forward looking discussions about the tensions to improve the synergetic performance of both exploitative and explorative units (Teece, 2007). Leaving the conflicts and tensions on exploration and innovation to be resolved to lower levels usually causes the innovations to fail (Tushman, et al., 2011). Apart from senior leadership integration and alignment on ambidexterity, the type of leadership is relevant for management innovation and improving the organization. Transformational and transactional leadership are suggested in literature to be relevant for management innovation (Vaccaro, et al., 2010). Transformational leadership is aiming at follower's identification with its purpose and common goals (Bass, 1985; Burns, 1978), via influencing followers with inspiring ideas and challenging them intellectually and individually (Aviolo, et al., 1999). Transactional leadership aims at engagement in a specific transaction (Burns, 1978) via extrinsic motivation (Bass, 1985), contingency rewards and active management by exception (Den Hartog, et al., 1997). Transformational leadership contributes to management innovation in larger organizations and transactional leadership contributes to management innovation in smaller, less complex organizations (Vaccaro, et al., 2010).

Floyd and Lane (2000) have further deepened the insight on leadership tensions in strategic renewal and linked strategic renewal role conflicts that top-, middle-, and operational management encounter to organizational controls alleviating the tensions. They distinguish three strategic renewal sub processes that closely relate to management innovation; competence definition, competence deployment and competence modification. Top management needs to be able to recognize the need for realignment of the competences. Middle management needs to facilitate the required flexibility and Operational management needs to realize behavior change (Floyd & Lane, 2000). The different approaches due to perceived ambiguity in the sub processes explorative competence definition or exploitative competence deployment will generate role conflicts. For all leadership levels, high tolerance for ambiguity, acceptance of pragmatism and flexibility in decision making are required but especially for middle management strategic renewal role conflicts are very challenging (Floyd & Lane, 2000). Regarding organizational integration mechanisms it is further suggested that it facilitates knowledge exchange and combinations between exploratory and exploitative units (Kogut & Zander, 1992; Tsai & Ghoshal, 1998). Organizational integration mechanisms can be formal via cross-functional interfaces or informal social relations (Jansen, et al., 2009; Jansen, et al., 2006). More specific to the explorative and exploitative innovation, research indicated that both formalization (rules and procedures) as well as informal coordination mechanisms within exploitative units have a positive effect on innovation (Jansen, et al., 2006).

In this literature section the need for integration mechanisms, leadership alignment and leadership types to capture the benefits of organizational ambidexterity are explored. The role of different leadership levels on their participation in strategic renewal processes and the conflicting position of middle management herein are explained. Formal, informal and social integration mechanisms are relevant for integration and alignment. All of these conditions have a potential effect on the success of management innovation transfer and therefor will be taken as guidance for this research.

2.4. Management innovation and organizational change

Transferring management innovation between units has elements of knowledge and best practice transfer. In literature it is recognized that knowledge and best practice transfer can face hurdles and reluctance. Reluctance of receiving units to accept knowledge from the outside is identified as “not invented here” syndrome or “headquarters knows best” syndrome . This reluctance units can have vertical and horizontal organizational root causes. Perceived limited attention from headquarters to the units or the lack of upward influence the units are examples of vertical organizational root causes. Horizontal root

causes can be insufficient information exchange between units and weak links with external stakeholders (Bouquet, et al., 2016). In multinational companies knowledge transfer has been identified to be related to the value of the knowledge in the source unit, the existing and richness of the transmission channels between units and the absorptive capacity of the receiving unit (Gupta & Govindarajan, 2000).

More foundationally for management innovation is the question whether organizations can adapt and change and if yes, how that occurs. As mentioned in previous sections, the social ecological and institutional consequences of management innovation is seen fundamentally different then for technological product and service innovations. Where technological innovations changes the output of the organizational processes, management innovation changes the processes in the Business Units themselves. Two main theoretical perspectives in organizational research addressing the foundational differences and their more practical spin offs are explored in this section: the organizational ecology perspective and the institutional perspective. The organizational ecology perspective (Hannan & Carroll, 1992) argues that organizations are substantially inert and that change is an evolutionary process. Inert incumbent organizations tend to disappear and new organizations that are equipped to deal with the new context emerge (Barnett & Carroll, 1995). In this context, originating from biology, the concept of autopoiesis was developed (Maturana & Varela, 1980) and applied on sociological systems theory and organization studies (Magalhaes & Sanchez, 2009). The autopoiesis concept considers a biological organization resembling a design that is based on internal processes and dynamics that are not visible for the outside world. The processes of communication and information processing is captured within the organization. This concept is defined as organizational closure and the organization constitutionally seeks recursive behavior and internal equilibrium. An autopoietic system is formed and maintained by its own closed organizational processes between its own components. And in that closed system with the purpose to perpetuate, the processes and it's outcomes remain relatively unchanged (Magalhaes & Sanchez, 2009). This does not mean that the organization does not have any interaction with the outside world, but information from the outside world is given a meaning, a self-reference within the organization. Interaction of the organization with the outside world, referred to as structural coupling, takes place with the purpose of maintaining the organization's structure (Zeleny, 2003; Gooseff, 2010; Magalhaes & Sanchez, 2009). Autopoiesis is and interesting concept for management innovation transfer between separate units in combination and counterbalancing the open social systems and contingency theory in organizational sciences. Autopoiesis considers organizations to be closed for self-maintenance, whereas open systems maintain themselves via throughput of resources from the environment and the

contingency theory claims that organizational design decisions depend on the environment (Lawrence & Lorsch, 1967; Scott & Davis, 2016). Taking the somewhat gloomy theoretical organizational ecology perspective on inertia and evolutionary change at one side, a more recent dynamic capabilities approach (Teese, et al., 1997) argues that organizations are able to simultaneously exploit and explore, enabling adaptation and change in line with the open systems and contingency theory. Interestingly, both organizational ecology and dynamic capability theoretical lenses are supported by empirical evidence (O'Reilly & Tushman, 2008). Dynamic capabilities are agile abilities to reconfigure the organization to anticipate on changing situations. (Teese, et al., 1997) Dynamic capabilities are linked to ambidexterity as a way to resolve the tensions between exploration and exploitation, as well as the substantive role of senior teams to build dynamic capabilities (O'Reilly & Tushman, 2008). In essence dynamic capabilities are about the organizational agility which is of interest for this study in the context of potential inertia and rigidity in exploitative units.

A different angle of approach towards knowledge and best practice transfer in structural ambidexterity perspective is coming from the institutional theory. In this thesis Searle's philosophical approach is followed providing four characteristics to define what an institution is (Searle, 2005). The first characteristic of an institution in the author's view is collective intent, whereas intent is philosophically defined as the features of mind such as beliefs, hopes, fears, desires, and emotions. This relates to a common goal, objective or strategy in organizational context but also to cultural aspects of the organization. Secondly the author argues that the assignment of functions is needed in an institution, which can relate to roles or tools in organizational context. Thirdly, status functions need to be in place, and an example of status functions in organizational context are leadership roles. Closely related to the status functions is the forth characteristic needed for an institution, deontic power. Deontic power is a term based on a collection of power related elements such as rights, permissions and authorizations, requirements, duties and obligations, as well as empowerments and certifications. The four characteristics together construct institutional rules shaping up an institution. According to Mayer & Rowan (1977) organizational structures reflect the rationalized institutional rules. But the institutional rules tends to function as myths and organizations tend to become isomorphic to the myths of the institutional environment leading to repetition and copying the existing status quo because it's just the way it is. In a developing, modernizing society, the authors claim that the rationalization of the institutional rules and function increases, consequently increasing the complexity of formal and isomorphic organizational structures. The structures become decoupled from each other and the core

activities, causing more complexity in the social organization and information exchange (Meyer & Rowan, 1977). In that context, structural ambidexterity in mature incumbent commoditized chemical firms is a form of a matured organizations where institutional rules have elaborated, causing increasing complexity in organizational structure and the social networks. Management innovation transfer in this perspective of a highly rationalized institutional setting and the consequently complex social interactions are of interest for this study.

In complex social interactions the relevance of informal and social networks in organizations as well as the psychological relations between separated units is explained in literature. Strength of the network ties, informal networks, social cohesion and network range are factors identified to ease knowledge transfer (Reagens & McEvily, 2003) and to ease experience sharing and shared interpretation (Yang, et al., 2014). Spreading innovations in and across organizations has been associated to psychological mechanisms for adoption of technological innovations or behavioral change in general. Strategic complementary, credibility, legitimacy and emotional contagion are suggested to be of relevance in spreading innovations (Centola, 2018).

Apart from the complex social interaction which can lead to arduous relation between separated units and causal ambiguity, lack of absorptive capacity has been identified as reasons for internal stickiness in internal knowledge transfer (Szulanski, 1996). Absorptive capacity is the ability of an organization to recognize the value of new information and use it to improve its performance (Cohen & Levital, 1990). Absorptive capacity is largely based on the firms prior knowledge. Prior knowledge however can also have a limiting consequences. If prior knowledge is large, literature suggest a negative effect on progress and is mentioned as “the law of dialectics of lead” (Romein, 1935). As antagonist of the law of dialectics of lead, literature has suggested “accelerating backlog” of knowledge as a moderator of innovation (van der Hoeven, 1980). Neither dialectics of lead nor accelerating backlog are found in literature to be connected to prior knowledge in absorptive capacity context but are considered of relevance in this research. Absorptive capacity is a strong predictor of innovation and knowledge transfer, and its effects on financial performance are fully mediated by innovation and knowledge transfer (Zou, et al., 2018). Relevant elements of absorptive capacity are the capability to acquire and internalize knowledge and exploit it by transforming the existing approach (Zahra & George, 2002) and as such are of interest for this research.

This theory section explains the position of management innovation in organizational ecology and the institutional perspective. The organizational ecology perspective suggests reluctancy, rigidity and

stickiness of organizations to change and that change follows an evolutionary path. However empirical evidence is found for this perspective, there's also evidence for more revolutionary change of organizations have dynamic agile capabilities. The institutional perspective suggests separating units creates sub-institutions with own rules. Successful management innovation transfer would require re-definition and merging of the institutional rules between units. It has been explained that management innovation has fundamentally different in ecological and institutional consequences than technological innovation. Especially in mature complex units, deontic powers across units, relational efforts and creating recognition of the value that the management innovation delivers are considered as relevant guidance for this research. The recognition of the innovation value will increase the absorptive capacity of an organization. The elements of knowledge transfer, dynamic and agile capabilities, absorptive capacity, as well as the role of psychological relations between units and deontic power are taken as guiding principles for the case study research.

2.5. Theoretical summary and guidance for research

Literature is rich on the topic of management innovation as well as its role in strategic business model renewal and consequences for leadership and managerial role conflicts. The success of ambidextrous organizations separating explorative and exploitative activities as well as the ambidexterity related tensions and need for integration mechanism are researched. And there is literature on organizational change in the context of organizational ecology and institutional perspective as well as the related relevance of absorptive capacity and dynamic capabilities. However, most of the relevant theoretical lenses for management innovation are focusing on organizational level. And organizationally separating management innovation in a Center of Excellence is a different approach to structural ambidexterity. Additional elements need to be considered on how to transfer management innovations impacting the institutional characteristics between units. There's little known about how to transfer management innovation developed in a separated explorative innovation unit to exploitative business units in the same organization. By addressing this open field, this thesis aims to contribute to developing practical insights in the required conditions for successful management innovation transfer as well as discussion on theoretical implications.

In the case study research the theoretical elements are used as guidance for finding necessary conditions. In table 1 a summarizing overview is provided of the theoretical lenses, the main relevant topic and authors as well as how that is used as guidance for the case study.

Table 1. Theoretical lenses and guidance for research.

Theoretical lens	Main topic	Case study guidance	Main authors
Management innovation	Management innovation in evolutionary strategic renewal, change culture, change agents and well as management in the transfer of management innovation between separated units	Role of leadership, Change agents and power structures	(Birkinshaw, et al., 2008; Mol & Birkinshaw, 2009)
Strategic renewal	Management innovation in the context of exploitative strategic renewal and the tension on the strategic renewal journey between explorative and exploitative units in structural organizational ambidexterity.	Strategic transparency and business criticality	(Teece, 2010; Volberda, et al., 2013; Barnett & Burgelman, 1996)
Organizational ambidexterity	Separate innovation units, structural ambidexterity and ambidextrous tensions caused by management innovation in separated units	Paradoxal goals and tensions between units, unit and case alignment	(Duncan, 1976; Tushman & O'Reilly, 1996; Raisch & Birkinshaw, 2008; March, 1991)
Integration mechanisms and the role of leadership	Integration of leadership and activities between separated units are crucial to ensure knowledge transfer and that existing processes in exploitative units can be revisited and create competitive benefits. Different leadership levels.	Leadership and organizational integration mechanisms and leadership styles. Role, commitment and participation of top, middle and operational management	(Jansen, et al., 2009; Sirmon, et al., 2007; Teece, 2007; Kogut & Zander, 1992; Vaccaro, et al., 2010; Floyd & Lane, 2000)
Organizational change	Organization ecology and Institutional perspective on change and organizational inertia.	Knowledge exchange, change willingness, role deontic power and psychological relations between units	(Searle, 2005; Hannan & Carroll, 1992; Maturana & Varela, 1980; Magalhaes & Sanchez, 2009; Centola, 2018; Reagens & McEvily, 2003; Bouquet, et al., 2016; Gupta & Govindarajan, 2000)
	Absorptive capacity and the firm's ability to recognize the value of new information, assimilate it and apply it	Prior knowledge on the case and the ability to recognize the value	(Cohen & Levital, 1990; Romein, 1935; Gupta & Govindarajan, 2000)
	Dynamic capabilities and the firm's ability to integrate, build and reconfigure to address rapidly changing environment	The ability for agile resource reconfiguration, capability integration and continuous improvement	(Teese, et al., 1997; O'Reilly & Tushman, 2008)

3. Methodology

3.1. Research purpose and context

This research is approached abductively, going back and forth between and theory and empery on progressing research maturity (Walter & Andersen, 2013). The purpose is to find conditions that are necessary for successful transfer of management innovation in Centers of Excellence to Business units and develop propositions contributing to theory. Based on theory exploration, directional study propositions are formulated Appendix 1.) to facilitate scoping and guidance for the research (Yin, 2018). The selected empirical approach is a multiple embedded case study in a large chemical firm. A multiple case study is specifically suitable for this purpose since the strength of this approach is to build conceptual validity by identifying concepts that are of the greatest interests, heuristic elaboration helping to construct theories and identifying causal mechanisms, (Neuman, 2014). The context of the research is the chemical industry since exploitative Business Units focusing strongly on optimizing the performance via the existing business model are available. And Centers of Excellence as explorative units typically emerge in large and complex organizations such as chemical companies.

3.2. Case study selection and design

The selected large chemical organization is AkzoNobel, a global leading Paints and Coatings company, based in the Netherlands. AkzoNobel is facing commoditization of its products and has been in transformation for better profitability for several years. The transformation includes cost efficiency measures, BU restructuring and delayering as well as Corporate functionalization, bringing all but commercial functions from the BUs to corporate functions. The efforts are strongly focused on improving the company's performance within the existing business models. Centers of Excellence have been created to design and transfer management innovations to the BUs and functions. The selected cases are in the Commercial Excellence domain, focusing on Sales and Pricing management innovations The cases are selected on global deployment of the management innovation cases in all four Coatings BUs. The availability and access to information, people and anticipated success are the selection criteria and aligned with AkzoNobel staff in pre-screening interviews. The selected successful case is focusing on Price increase

and performance management (Pricing Acceleration) and the selected unsuccessful case is focusing on Sales pipeline management and automation (OneCRM). Schematically the multiple embedded case study design is illustrated in figure 1. The level of analysis of the management innovation transfer is on project level, each case has four management innovation transfer projects from a COE to a BU. This design enables cross case analysis both across the cases as well as across the BU per case, and creates multiple points of evidence per condition (N=8) contributing to construct validity.

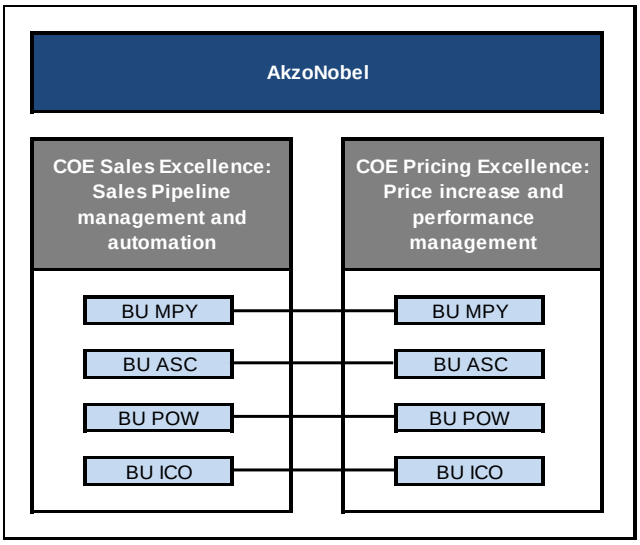

Figure 1. Schematic multiple embedded case study design

The summarized case characteristics and selection criteria are given in table 2. All four Coatings BU's are focusing on exploitation of their business model and are selected to ensure both anticipated successful and anticipated unsuccessful management innovation transfer.

Table 2: Management innovation cases and selection criteria

Management Innovation case	One CRM - Sales pipeline management and automation		Pricing Acceleration – Price increase and performance management	
Description	Cross functional pipeline and stage gate management from lead generation by marketing to contracting in sales		Rigorous price increase interventions via detailed value potential identification, action planning, follow up discipline and performance reporting	
Change characteristics	From transactional focus in the sales organization to systematic and cross functional pipeline based sales management		From a case by case individual based pricing opportunity implementation to a unit wide holistic price elasticity based price performance management	
Scope	Global, all Coatings business units		Global, all Coatings business units	
BU selection & transfer success	Automotive & Specialty Coatings Marine, Protective and Yacht Coatings Industrial Coatings Powder Coatings	High High Low Low	Automotive & Specialty Coatings Marine, Protective and Yacht Coatings Industrial Coatings Powder Coatings	Low High High Low
Process impact	Implementation of rigorous pipeline management process		End to End Price increase planning and progress reporting	
Technology impact	CRM launch		Holistic performance reporting	
Transfer duration	3 years		1,5 year	
Anticipated success	Low		High	

3.3. Data collection and consolidation

Case evidence is collected via interviews, internal documentation and external documentation. Based on the interviews and documentation, the cases are described and studied on relevant factors and conditions for successful management innovation transfer. In the interviews, executives and project managers of the Centre of Excellence and Business units are consulted on the transfer process and success. Twelve interview candidates have been selected in consultation with the organization and an overview of the roles including the interview dates is given in table 3.

Table 3. Interview list, reference code and date of interview.

Interview list		
Reference	Interview role	Date 2019
I1	COE Program Director OneCRM	26-apr
I2	COE Program Manager OneCRM	2-apr
I3	COE Program Manager Pricing Acceleration	25-apr
I4	ASC BU Program Director OneCRM and Pricing Acceleration	3-apr
I5	ASC BU Program Manager OneCRM and Pricing Acceleration	15-apr
I6	MPY BU Program Director OneCRM and Pricing Acceleration	15-apr
I7	MPY BU Program Manager OneCRM	8-apr
I8	ASC BU Program Manager Pricing Acceleration	26-apr
I9	ICO BU Program Director Pricing Acceleration	8-apr
I10	ICO BU Program Manager OneCRM	11-apr
I11	ICO BU Program Manager Pricing Acceleration	12-apr
I12	POW BU Program Director OneCRM and Pricing Acceleration	9-apr

The interviews were semi-structured, guided by the theoretical lenses in table 1 in the previous chapter. The interview guideline (appendix 2) based on this theoretical guidance and study propositions (appendix 1) is used in the interviews to ensure the most relevant angles of approach were systematically addressed. To allow and stimulate new subjects to emerge, each interviewee was asked to provide retrospective improvement points for the success of the management innovation transfer. The interviews were recorded and reported in individual interview reports (Appendix 3). The interview reports are shared with the interviewees for validation and completion. Internal documents such as the investment approval request for the OneCRM case (AkzoNobel, 2016) and the program playbook for the Pricing Acceleration case (AkzoNobel, 2018) are not released for public sharing and cannot be disclosed. The internal documents as well as the annual report (AkzoNobel, 2018) are analyzed to complete the case description. The case descriptions and the interview reports are both studied on relevant elements for success.

The emerging factors for success in the case descriptions and interviews are coded and further referred to as “heuristic factors” in alignment with the theoretical guidance. The heuristic factors are scored on a scale of 1 to 3. Qualitative descriptions of the level of relevance of the emerging factors are translated to

scores, whereas in low relevance was score 1, medium relevance 2 and high relevance 3. The success of the cases is measured based on interviewee qualitative and quantitative classification of success on a scale of 1 to 5. Some interviewees gave separate scores for the capability transfer and the assimilation of the management innovation. In those occasions the success was based on 40% capability transfer and 60% assimilation. This is based on the logic that both components are relevant but the success of management innovation is defined by the actual deployment and effect of the management innovation in the BU more than just the capability transfer. All heuristic factors and success scoring principles are given in appendix 4. The heuristic factor and success scores are logged in a case study database per case and available in appendix 7.

The empirical heuristic factors are consolidated in two steps with the purpose to develop mutual exclusive necessary conditions relevant for the successful transfer of management innovation. The first step is to consolidate the emerging heuristic factors into categories further referred to as “category factors”. The theoretical lenses as given in table 1 in the previous chapter and case and interview description interpretation are taken as guidance for the qualitative consolidation, (Saldana, 2015). For example, the heuristic factors “formal” and “informal” COE-BU integration mechanisms are consolidated into “COE-BU integration mechanisms”. The score consolidation is based on unweighted averages of the heuristic factors since there’s no theoretical evidence on weighing relevance within this case study context. The second step is to consolidate the category factors into necessary conditions. The consolidation logic is similar to the first step except for the score consolidation. For example, six BU leadership related categorized factors have been consolidated to the necessary condition “BU Leadership commitment”. All necessary condition score consolidations are based on the weighted average of the effect scores of the underlying level as calculated via the Necessary Condition Analysis. The Necessary condition analysis is explained in detail in the next section. For one necessary condition an additional consolidation step is applied. The necessary condition “BU Change readiness” is compiled by consolidating the necessary conditions “Absorptive capacity” and “Dynamic capability”. Finally the necessary conditions are consolidated to COE, BU and Total effect size on the success of management innovation. All data consolidation steps were targeting theoretical framework based mutual exclusivity and to avoid causal correlations. Figure 2 illustrates the data collection and consolidation logic.

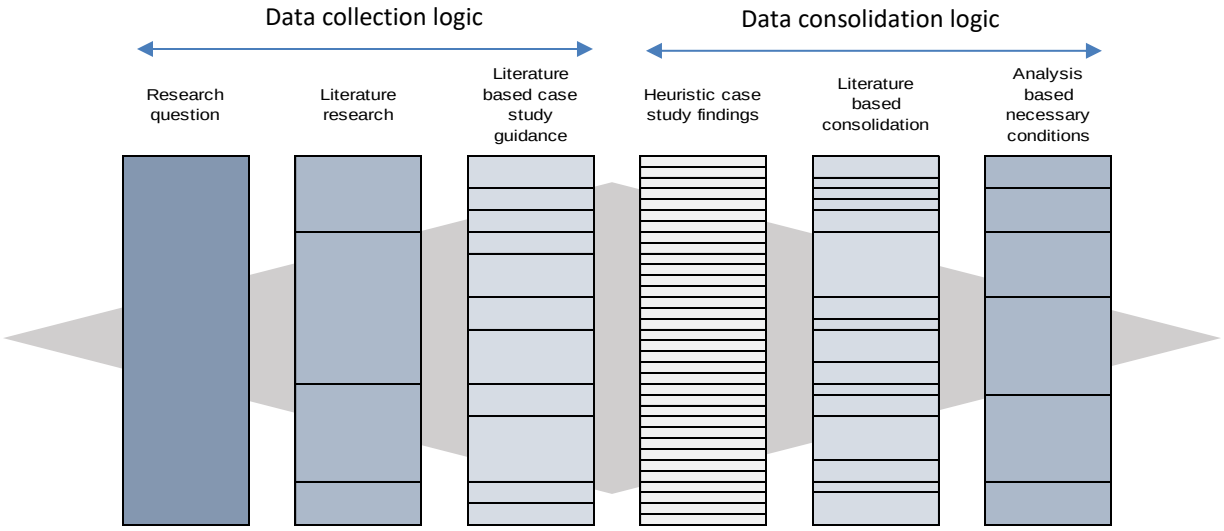

Figure 2. Data collection guidance and consolidation logic

The detailed heuristic factor and category factor consolidation steps are given in appendix 9 and 10. The category factors and necessary conditions are defined and described in table 4 and 5.

Table 4. Categorized factor definitions.

Categorized factor	Definition
0. Total Success	The success of the management innovation transfer process and assimilation
1. Strategy transparency	The organization's strategy is known and understood
2. Business criticality	The case is critical for business performance on the short term
3. Paradoxal goals & tensions	The case goals are paradoxal to the existing goals and create priority tensions
4. Executive Leadership alignment	Exco and top leadership is familiar and aligned on the management initiative
5. COE-BU case alignment	COE and BU have mutual understanding of the case and align the content and transfer.
6. COE-BU integration mechanisms	COE and BU have formal and informal integration structures and processes in place on the case
7. BU-BU integration mechanisms	BU's have formal and informal integration structures and processes in place on the case
8. Knowledge exchange	COE and BU have knowledge exchange processes in place on the case
9. COE-BU legitimacy	BU's consider the COE to be credible, reliable and legitimate on the case
10. Extrinsic Leadership	Result focused leadership via performance management with metrics, reporting and incentives
11. Intrinsic Leadership	Leadership based on intrinsic motivation of individuals and teams
12, Leadership case resource allocation	Leadership active involvement in resource allocation on the case
13. BU Leader participation	BU managing director actively participating in the case
14. BU Regional mgt participation	BU Regional management actively participating in the case
15. BU Operational mgt participation	BU Operational management actively participating in the case
16. Case value recognition	The value of the case is understood and recognized
17. Case related previous knowledge	The management innovation relates to previous experiences and existing knowledge
18. Dialectics of lead	Previous experience and existing knowledge creates reluctancy on the case
19. Deontic power	All organizational power related elements are used for coercive prioritization of the case
20. Change agents impact	Change agents are in place and acting as ambassadors on the management innovation
21. Dynamic capability	The BU's agility on priority setting and resource allocation to improve processes and capabilities

Table 5. Necessary condition definitions.

Necessary condition	Definition
0. Total success	The success of the management innovation transfer process and assimilation
1. Strategic criticality	The organization's strategy is known and understood and the case is critical for business performance on the short term
2. Executive Leadership alignment	Exco and top leadership is familiar and aligned on the management initiative
3. Integration mechanisms	COE's and BU's have active knowledge and best practice integration and alignment in place, formally and informally
4. BU Leadership commitment	Leadership is actively participating in the decisions, transfer and embedding of the case, providing resources and leading extrinsically and intrinsically
5. Absorptive capacity	BU's have knowledge of the case and recognize the value, without being reluctant to change the approach
6. BU change readiness	The readiness of the BU to change and assimilate cases based on its absorptive capacity and dynamic capability
6a. Change effort	Change agents are effectively operational and coercive deontic leadership powers are applied on the case
6b. Dynamic capability	The BU's agility on priority setting and resource allocation to improve processes and capabilities

3.4. Data analysis

The category factor scores are compared between the OneCRM and Pricing Acceleration cases across all Business units and visualized in a spider diagram. The category pattern of the successful case is compared to the unsuccessful case to provide insights in the differences in contribution of the category factors to the success of the cases (Yin, 2018).

Correlation matrixes are compiled for the category factors and necessary conditions across the cases and business units (n=8). The purpose of the correlation analysis is to assess whether there are potential causal interdependencies between the category factors that can cause interpretation issues in the necessary condition analysis. The correlations are further used for triangulation of the results of the different methodologies. Pearson correlations and P-values were calculated for significance testing (Salkind, 2014). Correlations with P-values < 0,05 are flagged for indicative significance. In this thesis P < 0,05 is considered indicatively significant due to the low amount of data points.

Necessary condition analysis is applied to find patterns in qualitative data. Necessary Condition Analysis (NCA) a methodology finding patterns in qualitative or discrete data identifying whether conditions are necessary for the outcome. A necessary condition is a critical factor for result. If it is not in place, the result will not be realized and that cannot be compensated by other factors. But when the condition is in place there is also no guarantee for success. The condition is necessary but not sufficient by definition. (Dul, 2016; ERIM, 2019)".

NCA conceptually is best explained with dichotomous scatterplots in four quadrants. NCA maps the presence of a condition on the X-axes and the occurrence of result on the Y-axes and searches for empty spaces (figure 3).

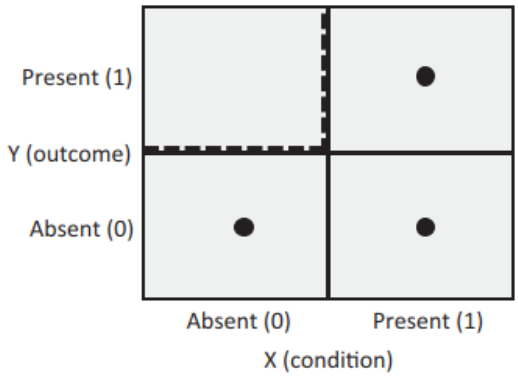

Figure 3. Visualization of empty space in dichotomous NCA ((Dul, 2016).

A ceiling line is drawn between the empty space and the zone with cases or observations and the ratio of the empty space in the total space is the effect size. The effect size is one of the major NCA parameters and a measure for the size of the necessary condition. The larger the effect size, the larger the size of the necessary condition. The effect size is between 0 and 1, and should be considered in the context of the research. A general benchmark for necessary condition effect size <0.1 can be considered a small effect, effect size of 0.1 and < 0.3 a medium effect, an effect size of 0.3 and < 0.5 a large effect, and an effect size of 0.5 and higher a very large effect (Dul, 2016). In this thesis, this benchmark has been used as guidance for the effect of the necessary conditions.

NCA enables transparency in qualitative case study research. Fully aware of the ambiguity of a hybrid qualitative and quantitative approach this study uses NCA to develop insights in the findings. The calculations and ceiling lines were made by using the NCA calculator from ERIM, the joint research institute of Rotterdam School of Management, Erasmus University Rotterdam and Erasmus School of Economics (ERIM, 2019). The heuristic factors scoring was discrete but categorized factors and necessary condition consolidation created a continuous scale. Similarly, the overall success score was compiled by weighted average of the capability transfer success and the assimilation success, resulting in a continuous scale on success. Given the limited amount of data, NCA was run on discrete scales providing ceiling lines and focusing on the effect size. Continuous scales in the NCA calculator gives more statistical ordinary least squares approaches providing regression lines. Based on limited data and the focus is on a qualitative

case study approach in this thesis the discrete scale approach was selected. Results interpretation is seen in the context of the scale decision, not overemphasizing the relevance of score differences smaller the 0.5. For purpose of the NCA calculator requiring positive relations between condition and result, two category factor scores have been re-coded in reverse order for diagnostic purpose; Paradoxal goals & tensions and Dialectics of lead. Both variables give lower results on higher scores.

3.5. Validity and reliability

Construct validity is targeted by creating multiple sources of evidence via selecting 2 cases with 4 transfers each, giving 8 transfers in total. Multiple individuals per case and per unit are interviewed and additional internal documents for case analysis are used. The data gathering is based on guidance from theoretical lenses to semi structure the interviews and both analytics and results are triangulated with the literature research to validate the results. This approach aims to ensure an objective comparable data baseline and validation of the operational measures (Yin, 2018). Internal and external validity is aimed for by asking informants to review the interview report. Matching of findings to literature and cross case analysis further validates the results. The selection of AkzoNobel, a global leading player in the research context supports generalization of the results. Case data and findings are logged in a case study database (appendix 7) and a chain of evidence on the case study process is created (appendix 8) ensuring repeatability and reliability.

Reliability and validity via above mentioned measure will be maximized under the caveat of the general limitations of a case study. The single firm scope will have limitations for generalization and the external validation is constrained by unavoidable organizational specifics and context differences between the business units. Reproduction of the results therefor will have its limitations (Gibbert, et al., 2008). Under these caveats however, the case study in a global and sizable multinational is expected to have practical use and valuable contribution to the academic discussion.

4. Results

In the first section of this chapter, the cases are described as consolidation of the interviews, internal documentation and the annual report without interpretation. In the second section, the results of the case interpretation and analysis are given.

4.1. Case description

In this section the cases are described based on the interviews, internal documents and annual report with no interpretation. The cases are described in different parts. First the AkzoNobel organization and it's BUs are explained with an general introduction to the company. The organization is explained in aliment with the theoretical lenses, first on corporate level and then on BU level. Then the two management innovation cases are separately described, each followed by the transfer process and result of the management innovation to the Business Units. The BU level descriptions are always addressing the specifics for the BU if not captured on corporate or case level. Where quotes from the interviews are used in the case description, reference is made to the twelve interview descriptions in appendix 3 coded as I1 to I12.

4.1.1. Introduction to AkzoNobel Performance Coatings and its BUs and COEs

This section explains the general characteristics for AkzoNobel and its Business Units. AkzoNobel is a leading global Paints and Coatings company. The selected management innovation cases take place in Performance Coatings which is the largest group with 60% of the AkzoNobel revenue. The largest proportion of the Coatings revenue is generated in the Buildings & Infrastructure market and Transportation market. Geographically, the majority of revenue is generated in Europe, followed by a strong positions in Asia and the Americas. Performance Coatings is a world leading supplier in Building & Construction, Transportation, Consumer Goods and Industrial end user segments with strong technologies and brands. The products are used by customers across the world to protect and enhance everything from ships, cars, aircraft, yachts and architectural components (structural steel, building products, flooring) to consumer goods (mobile devices, appliances, beverage cans, furniture) and oil and gas facilities. Some of the customers being served are Airbus, Boeing, Bosch, Dell, IKEA, Mercedes-Benz, Philips, Samsung, Shell and Whirlpool. Within the Performance Coatings group, four comparably sized business units are active: (1) Powder Coatings (POW), (2) Automotive and Specialty Coatings (ASC), (3) Industrial Coatings (ICO) and (4) Marine, Protective and Yacht Coatings (MPY).

Leadership structure - The AkzoNobel Coatings leadership team consists of the Business Unit Managing Directors and the Marketing Director. The leadership team is led by the Chief Operations Officer (COO) who is part of the Executive Committee of AkzoNobel reporting to the CEO. Other functional leaders for R&D, Finance and IM are part of the leadership team as well, having dotted lines to the COO and hierarchical lines to their Exco representatives reporting to the CEO. The COO therefor has a strong business oriented focus, supported by functional top executive leaders. The commercial Centers of Expertise report to the Marketing Director in the leadership team. By design, the COEs within the Marketing organization have a strong explorative DNA, whereas the BUs have a strong focus on the exploitation of the existing business model.

Strategic renewal journey - The Coatings group has restructured in 2014 from 7 Strategic Market Units into four comparably sized Marketing & Sales focused Business Units and centralized Corporate functions as Supply Chain, Finance, R&D and HR. All BUs have 6 regional teams in North and South Asia, North and South Europe and North and South America. In search for improved commercial capabilities, a commercial Center of Excellence was implemented on Corporate level and in the BUs. The Corporate COE targeted management innovations such as Customer Segmentation, Market segment strategy planning and Sales process digitization / Customer Relationship Management (CRM) and these management innovations were centrally designed and transferred to the BU. The one CRM initiative was a prioritized initiative by the leadership team in 2015. In 2017 it was decided to strengthen the marketing organization as well on central Corporate as BU level. The Commercial Excellence COE was split up to Marketing, Sales and Pricing Excellence COEs to enable more direct impact in the BUs. The BUs had a similar blueprint in this was implemented during 2018. The Coatings strategy in 2014-2017 was targeting profitable organic growth via market share increase, i.e. strongly volume driven. After a hostile but failing takeover attempt from a US based Paints & Coatings company (PPG) AkzoNobel Performance Coatings needed to ramp up its profitability to satisfy shareholder expectations. The strategy changed to value over volume with the objective to deliver a 6% ROS increase from 9% to 15% in 3 years. The BUs had to focus strongly on exploiting their existing business model and maximizing their profit. This, combined with unprecedented increases of raw material costs in 2017 created a strong need for Pricing intervention, i.e. changing the "volume growth" strategy into "value over volume" strategy. The pricing capability, coming from a volume growth strategy for the last years, was not strongly embedded in the BUs. It was decided to engage the Pricing COE on designing and executing the intervention initiative to both develop the price increase

revenue value and capability via value identification, action planning, performance management. In 2018 this Pricing Acceleration initiative, had leadership priority.

Unit separation - The One CRM initiative was developed and transferred in 2015-2017 by the Commercial Excellence COE, whereas the Pricing Acceleration initiative was developed and transferred by the Pricing Excellence COE. There were no formal integration mechanisms between COEs and BUs on unit level. Informal integration and knowledge transfer was promoted by active transfer of staff between COE and BUs. External knowledge uptake was organized via supplier information or consultants within the OneCRM and Pricing Acceleration initiative. No other integration or knowledge transfer mechanisms were in place. COE-BU relations were impacted by ringfencing the BU autonomy and protective behavior of the BUs. Despite good personal relations and corporate values targeting collaboration between BUs and COEs, there was a disconnect between the BUs and between the COEs and BUs, where the BUs were prioritizing maintaining their autonomy over collaboration. Credibility, reliability and legitimacy of the COEs was strongly project and personal based, whereas there was an general tendency within the BUs against “HQ COE involvement” and “Not in my backyard” (I1). In terms of subject matter expertise there was credibility and legitimacy of the COE but on business knowledge the credibility and legitimacy was low. The COEs had 2 different conceptual roles in both initiatives. On the one end, there was the Management Innovation design and transfer, but at the other hand there was an auditing role in OneCRM and a target setting role in Pricing Acceleration. There was a clear discrepancy in the credibility and legitimacy of the COE between the 2 roles. The Management Innovation design and transfer as a serving Centre of Expertise was in general well received, but the auditing and target setting role was not and even hampered the COE-BU relation in the Management Innovation transfer.

Dynamic capabilities, absorptive capacity and change ability - The Performance Coatings BUs have a certain technological and market uniqueness that justifies some cross BU harmonization and standardization reluctance. Corporate agility on implementing management innovation and resource allocation therefor is low. At the same time, due to the BU ringfencing for autonomy and historical economic and market conditions (low dynamics), there is BU complacency and rigidity to change and the agility and dynamic capabilities are considered to be low.

BU Powder Coatings (POW) is above average on willingness to change, compared to other BUs POW is intrinsically more agile, as long as the justification is in place. POW however is a very localized BU, that hampers the speed of change, it takes longer to get everyone on board. Resource allocation is limited

due to the small marketing and R&D organizations, the BU is functionally leanly organized. In general differences are seen; age and maturity in the role limits the agility for change. Regional difference are seen in change perspective, in Asia there is high agility but also less focus on organizing the change in the right direction, in EU better organized but more resistant, In US perhaps even stronger resistance to change then in EU. The role of change agents is functionally driven, more top down support creates a better impact. Priority tensions were resolved by temporary resource allocation and prioritization. There was an element of "firefighting" (I12) to keep the initiatives running. Structurally people become overloaded by expecting to do more with less people. Knowledge exchange is hardly in place between COE and BU. The what is well defined in the COE but what is clearly missing is the how. COE approach is strongly to focus on WHAT needs to happen, not HOW it should go. That creates tensions in the top regarding the speed and tensions in the BU because there's not enough support on the HOW. Improvements in COE – BU innovation transfer for both initiatives can be found by better gap assessment in the BU between the envisioned management innovation and the current state to understand what it will mean to close the gap and HOW to do it. Change management, involving the BU in where do you want to go, but also COE open for feedback and build the plan together will help adoption. This will take more time at the start but will pay off later and will also enable better understanding of existing capabilities and best practices and capitalizing on that. Management innovations need to be process focused more than pure tool focused and the change story needs to be specific, "what is in it for me" (I12).

Automotive and Specialty Coatings (ASC) perceived the knowledge levels between COE and BU not balanced and there were BU vs HQ tensions. In general the BU has difficulties accepting change and is protective in (regional) organizational units. However there's units that have a higher agility, either driven by market dynamics (Consumer Electronics) or by unit DNA (Aerospace). Change agents have played a very important role and especially leadership acting as mandated change agents. In general the attack of PPG accelerated strongly the acceptance and focus on the required changes on both initiatives. COEs credibility was high on the theoretical methodology and content but low on business acumen. In general the legitimacy and credibility of the COE is perceived low regarding junior and "medior" (I4) employees having an approach that the BU just need to follow. And that, combined with the perception that HQ limits the freedom to play creates tensions. "The key is not to make the BUs life painful but to help the BU forward"(I4). The tensions for both programs within the BU were managed via both creation of buy in but eventually via empowerment and management enforcement.

Marine, Protective and Yacht Coatings (MPY) has less dynamic capabilities then in the past due to continuous cost reductions. The focus have been on big changes such as divestments and new Paints and Coatings profile and less on the continuous improvement capabilities in the organization. Additional resources were hardly in place for the initiatives. That was complicated because people were lost in the restructuring and the program was relying on the goodwill of the people in the organization.

Case 1: Sales pipeline management and automation – OneCRM

In this section the management innovation case on sales pipeline management and automation (OneCRM) is first explained in the case introduction. Then the general case aspects in relation to theory are given and finally the case aspects and success for each BU are explained.

AkzoNobel Coatings implemented one Customer Relationship Management (CRM) in all of its BUs. The OneCRM case consists of the Marketing and Sales Process and an IT solution with two-fold core purposes. Firstly it enables individual sales staff to manage their allocated accounts and development funnel. Secondly it brings increased transparency enabling a detailed view of the KPIs and supports front-line people management and deployment which will help drive organic growth. Historically across Coatings there are different approaches to manage customer relationship management, based on the heritage, and there is no common supporting system and process. The OneCRM system is to be implemented in all the businesses. Other CRM systems were in place already in Automotive and Specialty Coatings, Marine and Protective Coatings and Metal (Packaging) Coatings. Powder Coatings and Wood Coatings started fresh. The roll-out of OneCRM is done by BU Program management and is conducted by the COE. This initiative and the necessary evolution of the system in the future is governed by the OneCRM steering committee, representing top leadership with 4 members of the leadership team: 2 BU Managing Directors, the Transformation Director and Marketing Director. Links with personal objectives and incentives to reinforce the mandatory use was intended but not effectively implemented. The communication of positive user stories helped creating awareness and communicating the benefits of the system. The training for the roll out of OneCRM system consists of process training as well as system user training. The sales pipeline management process and specific tasks and responsibilities are listed and described. The training roll out will happen per BU region, linking above parts during face-to-face training sessions.

Strategic alignment - The One CRM initiative contributed to the volume growth strategy by creating better transparence and control on the sales process and pipeline. It also was a welcomed tool to enable

better manageability of the delayered sales organization. This was recognized within the COE and some BU Management Teams. Hence there was also regional units and operational management perceiving OneCRM as a "controlling and management tool; big brother watching you" (I4, I7).

Unit separation - OneCRM was designed in cooperation between COE and BUs although the platform choice was made by the COE. The initiative created tensions in the BUs especially on operational level due to the change of way of working, but also by the fact that required resources were not ratified and the day to priorities were dictated by the COE initiative and sales employees mentioning "I don't have time to work on CRM, I need to sell" (I2) and "They had their programs and we had ours" (I2). These tensions were not actively managed in the BUs.

Integration mechanisms - Formal integration mechanism were in place via the OneCRM governance structure where both the COE and the BUs participated. Especially the product owner committee (POC) with COE project management and BU champions was in important integration platform, aligning on the program content, rollout and implementation. Informal integration took place on personal level between individuals. The integration was more focused on the Marketing community then on the Sales community. Regional Sales Directors were hardly involved in the integration mechanisms.

Dynamic capabilities, absorptive capacity and change ability - Some BUs had positive experience with CRM: ASC, Metal and Protective (project process management focus). That gave reluctance of accepting the corporate approach because they needed to change the current way of working, and not always as an improvement in their view. In general it proved that units without experience are more easy to get on board then the ones that to have experience since they need to let go of their own program and adopt an "external" approach which is a disadvantage for them. For the units without experience or the ones with experience where the OneCRM initiative brought additional functionality, the COE approach was perceived as meaningful expert practice. Individuals reacted very differently to the initiative, tech savvy staff was intrinsically motivated, others more extrinsically motivated by contests and prices, but others just were not motivated at all because they lacked the basic believe in relevance. The role of change agents was significant. Functional OneCRM champions and subject matter experts were appointed within the BUs, owning, advocating and promoting the initiative. Occasionally, leadership acted as change agents and the change agents with an hierarchical mandate proofed to have more impact on the adoption of the initiative then the functional change agents

Role of leadership - Executive leadership alignment on OneCRM was limited. There was a formal decision and funding on the rollout of the Management Innovation but in day to day practice, short term financial results were incentivized and prioritized on the agenda. The initiative transfer was strongly driven by the COE. Leadership was strongly metric and KPI focused in monitoring the initiative. Middle and operational management championship and practicing was limited and tensions in the day to day operations were not mitigated. For middle and operational management OneCRM was perceived as a top down decided. These management layers were not sufficiently intrinsically motivated, and this was not addressed by neither the top leadership not the COE.

Success of the transfer - The adoption of the sales process digitization via OneCRM was not sufficient. The transfer was organized well with ticking many of the textbook boxes of cooperation and change management, but the overall result is 2 out of 5.

Transfer improvement potential - The transfer missed a clear benefit transparency for the sales community and ownership in the BUs. Regional Sales management was not sufficiently committed and that is a clear improvement opportunity for a successful transfer. Another element is the COE-BU integration enabled by staff rotation, which will help the successful transfer.

BU aspects and success for OneCRM

Industrial Coatings (ICO) - The initiative supported the growth strategy of the BU via structuring and automating the sales pipeline process. The strategy was recognized but the role of the OneCRM initiative in this context in the sales staff was limited. The senior sales staff was not well aligned and struggled to see the value and the technology of CRM. The design of OneCRM was jointly with the COE in the context of a standardized approach. COE- BU alignment during design and rollout was formally well in place via the program governance structure. In the product owner council BU and COE were actively and jointly searching for added value options for sales. The initiative caused tensions in the sales community since it was perceived to distract sales reps from customer facing activities. The tensions were not actively mitigated. Knowledge exchange between COE and BU was good. Supportive materials, e-learnings and a community of key users and champions was developed within the BU. Between BU exchange happened in the beginning of the initiative. The relation with and credibility of the COE was strongly dependent on individual relations per sub unit, relations in Packaging Coatings were not as good as in Coil Coatings. The unit was very poor in agility and change adoption. Despite change management activities, the managers did not adopt and did not champion the change. “Everybody was very comfortable in what they did and

how they did it. Staff seniority was difficult in getting the change adopted" (I10). The CRM manager role and the champions strongly acted as change leaders and supported in training and coaching on the ground. The Commercial Directors did not fully support the champions in the role out, despite being involved in joint trainings and coaching. Packaging had previous experience with CRM and the people saw the value and wanted to keep to use it. They lived by CRM in the way they worked. Packaging staff promoted adoption in other parts of the BU by sharing knowledge and experiences. Executive leadership alignment was in place, given the investment funding provided and taking the decisions on how to setup the governance and communicating the relevance of the initiative. In the rollout, the initiative was delegated to the operational management, trying to convince Regional leadership to buy in. Regional leadership was not all tech savvy, not encouraging their staff or championing the change or realizing behavioral change. They were involved in the rollout phase but did not participate in the execution. However, in Europe, where regional leadership did not champion the initiative, operational management implemented OneCRM on own initiative and motivation. In general, the operational teams followed regional leadership guidance. Resources were identified to support the initiative, either via existing BU excellence staff or roles on top of the existing functions. The required efforts for the initiative was added to the existing activities. Style of leadership was a combination of metric based and telling that the initiative was important. Metrics were a bit cosmetic to serve the requirements. There was no clear top down and bottom up reporting structure. The success of the transfer is 2 out of 5. The transfer process was organized well but the adoption and assimilation was with 30% too low. Improvement levers for the transfer are leadership engagement, and involvement in clear KPI setting and reporting structures on the content of the sales process.

Powder Coatings (POW) - In Powder Coatings OneCRM was introduced as a sales enabling tool, POW did not have previous experience with CRM. CRM fitted in the strategy to enable sales to work better and grow the business. The initiative caused priority and resource tensions in the regions due to additional efforts on top of the existing operations. Formal integration on the initiative was well organized, in an IM agile approach. Informal integration was chaotic and more between the BUs and not as much with the COE. Credibility was there on the decision to move to OneCRM platform, but the COE was rather invisible, credibility is strongly individual based. Executive leadership alignment and the business case for CRM was not very clear (compared to Pricing Acceleration) and therefor the support and alignment was scattered, negatively impacting the success of the transfer and implementation. The regional directors had decision freedom leading to clear differences in success. KPI's were not clearly defined and less visible to the

stakeholders and CRM was not strongly incentivized. Leadership on CRM was not always leading by example in the regions, RCD's were not aligned on the relevance and did not all follow through in using CRM and championing the change. Operational management perceived CRM as "big brother is watching you" instead of "making life easier" leading to blaming the system for shortcomings and neglecting the value of the initiative. The success score was 2 out of 5, based on the coverage and effective adoption. It's not a part of the process, it's basically an IM tool. It needs to be a part of the sales process to work and that is not the case overall.

Automotive and Specialty Coatings (ASC) - In ASC 80% of the employees understood and recognized the fit to the strategic context of OneCRM and that helped the engagement. Significant parts of the BU were already active with CRM before the COE initiative was launched and as such a running initiative for ASC. OneCRM was developed jointly with the COE and the champions in the BU worked well together with the COE. Formal integration mechanisms were in place, informal mechanisms is dominantly between the BUs and not between COE and BU. COE relations had a low baseline form the start, ASC felt confronted with the COE OneCRM initiative impacting it's processes and taking freedom away. Agents has been very effective. Executive leadership alignment on OneCRM was low. Top leadership was targeting both intrinsic motivation by voicing over the relevance for the BU more than the COE push as well as extrinsic metric and KPI focused motivation. Regional and operational management however did not adopt OneCRM quickly due to limited management alignment and the impact of the core process change. Resource allocation was done reactively and issue based across BU initiatives. The tensions were not actively managed. The decisions for OneCRM were taken top management level regarding the rollout of the initiative and on operational level regarding the operationalization. One CRM overall was facing relatively good acceptance however definitely not yet in the envisioned maturity, score 3 out of 5. For better success of the transfer, BU Leadership commitment, COE – BU knowledge exchange, cooperation, COE adaptability and transparency on running initiatives should be improved.

Marine, Protective and Yacht Coatings (MPY) - MPY had experience with CRM before the OneCRM initiative but mostly with an perception of a management and controlling tool. OneCRM had a direct connection to the MPY volume strategy and therefor the initiative was conceptually accepted. The development and transfer of OneCRM enabled enough flexibility to tailor the initiative to the BU requirements and that was done in alignment with the COE via the good formal structures in the initiative. Outside the management innovation initiative there no formal or informal integration mechanisms and that's a clear improvement area. Historically the BU had a decentral approach with a very light corporate

structure and that has changed. Corporate programs need to be taken into account and that generates tensions, requiring better alignment and knowledge exchange via x-fertilization of people between BU and COE. COE had a more IT project approach then a management innovation approach and was in the beginning open for tailored design but once the system was frozen there was no reliability on change requests. The relation with the COE was good, and there was credibility and reliability as long as the discussions were within the IT blueprint. COE business knowledge was limited. The dynamic capabilities of the BU have been reduced the last years due to restructuring. Champions and regional change agents were appointed and were considered very important for the adoption. BU leadership alignment on OneCRM was poor, regional directors struggled to see the day to day value and adopted on demand", do what top management says, but no real engagement. Conceptually leadership agreed to the principle but the transfer was not detailed enough and therefor the initiative was not applied. Additional resources in the rollout were not available, appointed roles were on top of the existing roles. The decision on the initiative within the BU was taken by the managing director and the program director. Operational decisions were taken in the POC platform by operational management. The leadership style was strongly extrinsic, metric and KPI driven. Improvement points for successful transfer are formal and informal integration mechanisms and timely ownership transfer from COE to BU, by setting the blueprint and budgets, and leave the detailed implementation to the BU itself. More transactional leadership within the BU, targeting a disciplined performance management based approach via the sales process would improve the adoption. Overall success for the CRM transfer was 2,5 out of 5 compared to the ambition, based on the coverage and effective adoption. It's not a part of the process yet and basically an IM tool. It needs to be a part of the sales process to work and that is not generically the case.

Case 2: Price increase and performance management – Pricing Acceleration

In this section the management innovation case on Price increase and performance management (Pricing Acceleration) is explained in the case introduction. Then the general case aspects in relation to theory are given and finally the case aspects and success for each BU are explained.

AkzoNobel Coatings in 2017 identified the need for Price increases due to strong raw material cost increases in relation to the 15 by 20 margin strategy. The Pricing Excellence COE was under construction and it was decided that with a core COE project based team together with consultancy support the COE would design the capability and Pricing Acceleration program. In the BUs, the Pricing Excellence organization was also still under construction and in the beginning of 2018 in a juvenile state. The total COE staff including 3rd party support was 20 FTE initiative design and management organized in the Pricing

Acceleration Office (PAO) and implementation teams. The Pricing Acceleration initiative was designed as 5 building blocks:

1. Commercial engagement - Establishing a common understanding on strategy, ambition and targets and motivating sales reps to achieve
2. Value opportunity definition - Setting the amount to commit to by setting a high bar based on facts
3. Action planning - Creating accountability in each sales rep and enabling 'smart' differentiated pricing at customer-product level
4. Messaging & Scripting - Improving successful negotiations and ensure price increases that stick
5. Performance management - Driving speed of implementation and creating a performance culture

The targets on price effect for the BUs were set by the Top Leadership team of AkzoNobel under facilitation of the COE. The allocation of the pricing targets to the regions was the primary responsibility of the BUs. For each BU, the initiative was rolled out in 12 weeks programs via implemented BU "winrooms" being responsible for the resources and day to day initiative and performance management in the regions. The overall program was under the responsibility of the COE. Detailed roles and responsibilities for both winrooms and COE were defined and formal integration structures such as the Pricing Acceleration Office, weekly winroom check ins, Marketing Director check ins, Steerco's, Sales Leadership forums, multi-layer sales performance huddles and performance coaching were designed and implemented. During the Pricing Acceleration 12 week rollout supported by the COE, in the BUs, a cascading performance management via sales huddles were implemented. Local sales teams maintaining action planning and tracking tools weekly discussed the progress and planning based on action based forward looking performance dashboards and value pipelines. The information was systematically rolled up to regional teams, global BU management teams as well as the Corporate Leadership team for weekly to monthly performance management. In the rollout phase, the BU winrooms reported weekly on the progress to the COE and mitigating actions were defined as well as support was provided where needed. The COE also facilitated monthly Steering Committee meetings with the BU management to monitor the progress, validate the values identified and the actions to be taken. Further on bi-weekly sessions with the Marketing Directors of the BUs were held to align on the developments. Further on, the COE had weekly and monthly sessions with the corporate Leadership Team to report on the progress and make sure top management was aligned on the progress as well as proposed corrective actions where needed. After the rollout the COE implementation teams stayed involved in the sales huddles for coaching or

guidance purpose. Sales managers and teams were coached during the program on value potential identification, action planning, role plays based on messaging and scripting documentation and the performance management practices in the sales huddles.

Strategic alignment - At the start end of 2017, there was still a volume growth focus in strategy. During the first months of 2018, there came more attention to the 15 by 20 margin strategy and for MPY where the initiative started, the strategy was still focusing on volume growth. That gave a disconnect at the start of the initiative and it also took a while before the strategy alignment cascaded down. After that took place, the contribution of the initiative to the strategy was recognized, as well in MPY as in all other BUs.

Unit separation: Explorative COEs and exploitative BUs - The initiative was centrally designed during rollout, case by case improving the maturity of the program evolved by taking learnings on board. But it remained more a generic initiative with some adaptations then a tailored initiative to the BUs. The initiative was only fully rolled out to 2 BUs though, MPY and ICO. POW had a similar approach designed on own capabilities and ASC partially rolled out but the majority was on a different approach due to the specific Go to Market model. All BUs reported on the same KPIs and dashboards to the Leadership team. Priority tensions emerged in the BUs but they were resolved on the go by prioritizing the initiative over others. The transparency the initiative created also personal sales and marketing exposure and individuals reacted differently to that. Some embraced the challenge, others disputed the feasibility of the initiative. The alignment between COE and BUs faced a tradeoff between the required speed of design and transfer, and tailoring the initiative to BU needs. And speed was strongly prioritized over alignment. Informal integration mechanisms were hampered by the fact that the majority of the COE was 3rd party McKinsey consultants. External knowledge exchange was realized by the McKinsey team bringing in methodologies, best practices and coaching to the COE as well as the BUs. Knowledge transfer from COE to the BU was via sales messaging and scripting developed by the COE. Credibility and reliability was mixed, the COE was not perceived credible from a business knowledge point of view, but there was credibility on the methodology and best practice and external knowledge point of view.

Dynamic capabilities, absorptive capacity and change ability - In general AkzoNobel and BUs are a bit rigid. That, in combination with the short 12 weeks intervention of the initiatives created tensions in the BUs. Especially in the first weeks of the BU rollouts where not everything was clear for everyone, people struggled to deal with the agile approach of developments on the go. BU Powder had more experience in the subject then MPY and therefor was capable of running the initiative on their own and basically

adopted the initiative based on remote methodology transfer. For MPY instead, it required strong COE support to transfer the management innovation of performance management.

Role of leadership - Leadership alignment was initially not strong. The initiative started by engaging the Marketing Directors first. However, once the target setting was cascaded down from the COO to the BU leads, top down alignment was enforced and leadership became strongly aligned. Within the BUs the perception was strong alignment of the BU leadership, strongly target, metric, KPI and extrinsic driven. Resource allocation and ratification differed from BU to BU. The COE had resources ratified. MPY was having resources issue, ASC solved it themselves, ICO build it up during the program and POW resolved it internally. Overall, resources were allocated during the initiative. Tensions in the programs were resolved on the go by more communications and 1:1 check ins from the COE with the leadership and Regional Sales Leadership forums were held to create the engagement. Leadership in the BUs did adopt the program better after these sessions and picked up their roles and actually role modeling to their teams. But there were personal differences, some Regional Directors played a much more active role than others. In general, top leadership resolved the tensions by clearly, top down, making clear that the initiative is necessary, mandatory and that there's no way to discard it. The success of the initiative was strongly related to the engagement of the Regional Directors and Sales managers. Where they championed and committed, the initiative was successful. Where they did not, it was not. Decisions on the initiative, design, rollout, BU target setting were taken by the COO. Target allocation within a BU was done by the BU Managing Director. The day to day operational decisions were taken by the Regional Directors.

Success of the transfer - The success of the program value wise is very high with a score of 4,5 out of 5. The transfer of the capabilities was less than expected with a score of 2,5 out of 5. (Note from post interview information on Q1 2019 results: BU engagement on the targets in 2019 proofed though that the innovation was applied quite autonomous by the BUs with less COE support)

Transfer improvement levers - The relevance of the innovation for individuals should be made much more clear and visible, either via intrinsic or extrinsic motivations. Keep it simple. Leapfrogging from existing practices to new methodologies should be avoided, small steps at the time allowing BUs to absorb gradually is expected to improve ownership transfer and adoption. Ownership transfer is expected to be a critical success factor for successful and sustainable transfer and that means that the COE needs to step back in time, allowing the BUs to take the lead.

BU aspects and success for Pricing Acceleration

The Industrial Coatings (ICO) - In ICO the strategy connected differently to the case by region. In EU there were running initiatives and a clear connection, in Asia Regional Management did not believe the strategy would work and therefor the engagement to the initiative was low, it was perceived as a COE initiative and no ownership was in the region. In NAM the relevance was clear and the initiative was adopted. The corporate strategy based second wave of price increase targets created a disconnect to the BU strategy causing tensions in the COE - BU relations, whereas the BU perceived the corporate strategy not to understand the business dynamics. The design of the initiative was a simultaneously lateral in the COE and BU and the alignment needed to be done when coming together. That created tensions in the BU by having the impression that the COE took the BU practice and rebranded it to a COE initiative. The COE did create good momentum in the BU though due to the Performance management reporting cadence. There was no tangible previous experience in the BU on price performance management and the initiative, coming both from COE and BU simultaneously was needed and effective. Alignment between COE and BU started rusty but in the end worked out well, except for the messaging and scripting building block where there was a need for more specific BU needs which was not part of the COE scope providing the general blueprint. Formal communication was very clear, cadence of reporting and sales huddles. Informal networks were not in place. But initially the formal approach was needed to realize the sense of urgency and the change. In general the relation between COE and BU is dependent on the personal qualities and credibility. In Europe there was much more interaction than in the US. The position of the COE in driving change in the BU is appreciated. It is important for the COE to pull back timely to make sure the ownership and accountability is taken by the BU. Benchmarking and knowledge exchange between BU is not really in place, the Regions in the BU work pretty much in silos. ICO has many broken processes and the change that the initiative brought was good. Top leadership and the Regional Directors became aligned on the global performance management approach. Top leadership was aligned on the initiative and gave strong support to driving the change. Ambiguity in strategy between corporate top management and BU created bipolarity at the end of 2018, strong ICO Managing Director intervention was required to create a common direction. The performance management structure was used to create BU leadership transparency and discuss performance openly. Leadership was strongly metric and KPI driven. Resources were ratified and allocated to the initiative. The Pricing Acceleration initiative created clear momentum to push successfully for the results. Results wise the success is 4-5 out of 5. Process wise it's 3 out of 5. The overall design

brought great amount of discipline. Improvements: COE acting more as experts than process managers, having the boots on the ground and helping the BU to achieve its goals. COE focus should be more on the top management from a reporting point of view and being lean and practical in the approach, timely stepping back and leave the ownership to the BU.

Powder Coatings (POW) - In POW the sense of urgency for price increase was very clear. Challenge was the process around the initiative, Powder applied the elements of the pricing acceleration initiative on its own and that was accepted by the COE. Risk is that if sense of urgency is changing, it also will decrease the justification for maintaining the initiative. Tensions between COE and the BU occurred because it was powered by the COE / McKinsey. That gave the impression that the BU did not know what to do instead of recognizing the existing capabilities in the BU. Best practices and rationale of why things are different per BU was initially missing in the COE. The integration mechanisms between COE and BU were pragmatic, the way how to achieve the adoption of the methodology could be different and required less formal platforms and alignment. Informal connections were quite chaotic, 1:1 conversations were in place between BUs, less between COE and BU. There was mixed feelings on the initiative, it is a highly sensitive topic. Speed was needed but not enough time was spend on understanding what was already in place. The COE was focusing on the process and tooling and less on improving the margin and that limited the credibility. COEs credibility towards the BU was high and left the freedom to do its own approach. Leadership support on the initiative was high and resource allocation was clearly mandated for instance on implementing the regional margin managers. Decisions for the initiative was clearly taken by the BU MD driven by the COO. This was clearly cascaded down to the regions, and that worked really well. The KPI's were very tangible so it was transparent to manage and to define what good looks like. The financial performance and bonus impact created priority. The initiative had direct P&L impact, creating relevance for Regional Directors to champion and realize behavior change. Pricing Acceleration was successful, 4 out of 5. Fact based decision making and adaption by the regions. It still requires BU central support and encouragement but in general the process is in a good shape.

Automotive and Specialty Coatings (ASC) - In ASC the strategic context of the initiative was fully clear and despite the subject sensitivity and difficult start in the first 6 months, the combination of strategic fit and top down enforcement of the program helped a lot in the implementation of the program. ASC had previous experience on margin performance management and the COE initiative basically accelerated the running initiatives. The COE separation from the BU required strong senior change leadership in the BU, repetitively explaining the reason why and what would happen if the initiative was not adopted. It was a

business critical initiative and the BU taking ownership was crucial; “We can’t make it fun, but we can make it easier with a good structure” (I5). The tensions between the units was created by the COE required speed of the implementation more than on the content and alignment of the management innovation. For ASC the initiative deployment was tailored to the needs, VR did deploy high level performance management only. Formal integration mechanisms were seen as necessary but not sufficient, the informal alignment and escalations were preferred and actively used for alignment and initiative corrections between COE and BU. Not only BU-COE but also failing internal COE integration mechanisms were creating tensions in the BU, different initiatives were not sufficiently aligned. COEs credibility was good on the theoretical methodology but low on business acumen. For Pricing Acceleration this was very clear and aligned with the strategy, top down targets and KPI’s strong performance management. The BU just needed to accept this. Leadership became aligned after the corporate target setting. BU leaderships focus was steering on KPIs. Allocation of resources in was flexible however not always effectuated in all the teams and based on problem solving and reactive. The biggest problems got the most attention. Tensions occurring based on this were not actively resolved, just do it on top of your work. Priorities were not clearly set. The decisions for Pricing Acceleration were taken on all levels, AN Leadership sets the targets, BU allocates the targets to the regions and the regions allocate to the sales units. And reporting was the other way around. The impactful decisions on letting customers go or not were taken on operational level, with clear guidance from the top. Result wise the initiative was a large success, 5 out of 5. Process wise, due to the high top down pressure and required speed the success was 2 out of 5. Improvement levers are knowledge exchange and co-creation of the initiatives with freedom for BU specifics.

Marine, Protective and Yacht Coatings (MPY) - MPY reviewed its strategy in the beginning of 2018. After the strategy review and communication, the value of the initiative was recognized and the initiative got traction. The initiative with the tooling and governance structure on performance management served the purpose for MPY. The alignment of the COE with the BU initially was quite poor, due to time reasons. That led to tensions in the rollout since the tooling was not exactly fit for MPY purpose. People dealt with the tensions by focusing on the end goal and taking the ownership in the BU more than in the COE. The COE (McKinsey) had strong focus on the tooling but there was not enough business knowledge during the sales support in the program. Integration mechanisms between COE and BU were weak. PA was a central initiative that delivered, despite the operational tensions, but the relation was push down and the COE and BU were not fully aware about the mutual agenda. Formal integration mechanisms on the initiatives were in place and described in the playbook. Knowledge exchange was strongly COE driven,

sales scripting, role plays, trainings, and coaching. But focused on the results more then on capability building. The cross-BU knowledge exchange took place on sharing best practices and examples, but also on how to mitigate the impact on the COE. The change was strongly driven by the senior management of the COE and BU and the winroom leads in the regions as champions. Operational management as change agents are required, but needed to be endorsed by executive sponsors, global and regional management in the BU, explaining what it means for the direct stakeholders. There was previous knowledge on raising prices, at senior management level. Reports and data was available and actions were planned based on that. And that caused some reluctance to adopt the COE initiative, delivering a much more structured performance management approach up to global level. In one occasion, where good practices were in place, the COE initiative was perceived as patronizing: "In UK the program was almost an insult considering their maturity on the pricing capability" (I8). The strategic alignment of the initiative was very clear, it was a business critical initiative, the need was imperative. Top leadership clearly made the initiative mandatory and the style was focusing on the KPI's and metrics. People needed more compelling engagement. Additional resources were hardly in place, the initiative was driven by the existing organization. Decisions on the overall program targets in the BUs were set by the MD to the RCDs. The operational decisions on the program execution was done by the Regional Directors. If the sales teams pushed back on price increases, the Regional Directors took the go/no go decision. The Regional Directors played a pivotal role in adopting the initiative and the Sales Leadership forums in the initiative were beneficial in engaging the Regional Directors. The 2018 result of the initiative is very good, 5 out of 5, that was a success and the processes are in place. The further embedding of the process and tooling as well as digitalization need more development. Areas for improvement are the COE-BU integration and cross-fertilization via integration mechanisms and resource rotation. And integration of COE activities for coherent continuous improvement as a key agenda point besides the transformational management innovations on the COE calendar. COE focus change from process management to content support as well as "keeping it simple" (I3, I8) will help designing fit for purpose innovations and adoption.

4.2. Case Analysis

In this section the results of the interpretation and analysis of the cases on their success, heuristic and category factors as well as necessary conditions are given.

The success of the management innovation cases was substantially different per case and BU. Pricing Acceleration was qualified as a successful transfer with 3,9 on scale of 5 and OneCRM was qualified as a below expectation successful transfer with a score of 2,3 on a scale off 5 (table 6.).

Table 6. Success of management innovation per case and per BU on a 5 point scale.

	POW	ASC	ICO	MPY	Average
OneCRM	2,0	2,8	1,8	2,5	2,3
Pricing Acceleration	4,0	3,8	3,9	4,0	3,9

The category factors that have emerged in the cases as relevant elements for the transfer success of management innovation as drivers for the success are compared between the cases. This is visualized in figure 4. Substantial higher scores are found for the successful Pricing Acceleration on Business criticality (2), Case value recognition (16), Deontic power (19) and all Leadership related category factors (4, 10-14). The other category factor differences are relatively small in this visual cross case pattern comparison.

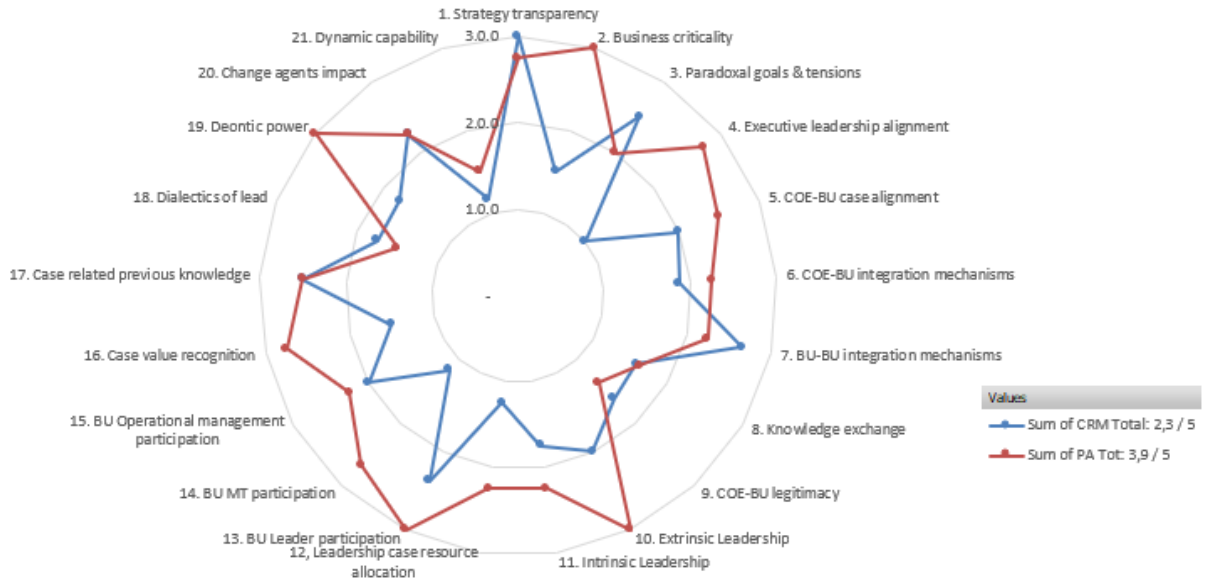

Figure 4. Category factor patterns for the OneCRM (CRM) and Pricing Acceleration (PA) case

In the CRM case, the transfer to the BU's showed different levels success. The relatively high OneCRM success transfers are ASC and MPY. The relatively low OneCRM success transfers are POW and ICO. The category factors within the OneCRM case of the successful BU transfers are compared to the unsuccessful OneCRM BU transfers similarly to the case comparison. The unsuccessful OneCRM transfer to BU's (POW and ICO) have a success score of 1.9 out of 5 compared to the successful OneCRM transfers to BU's (ASC and MPY) scoring 2.7 out of 5 . The successful OneCRM transfers show higher scores on BU Leadership related factors (10-3, 15), Absorptive capacity related factors (16-18) and Change effort related scores (16, 20) (appendix 12).

For Pricing Acceleration the success of the transfer was almost equal per BU. The management innovation transfer approach as described in the cases differed for the BUs. The transfer for ICO and MPY were fully supported with central team resources, whereas the transfer for POW and ASC focused on capability transfer and the implementation was strongly driven by the BU's themselves. The different approach did not lead to different success. The category factor patterns compared between the two approaches show higher scores for the own implementation BUs of Integration mechanisms related factors (5-8), Absorptive capacity related factors (16-18) and Change agents impact (20). Interestingly, the transfer to BUs with own implementation showed lower ambidexterity tensions (3). The category factor pattern comparisons for the BUs within the case are available in appendix 12

Correlations of category factors and necessary conditions

Some significant correlations are found for category factors and necessary conditions . Business criticality, Case value recognition, Deontic power and some of the Leadership related factors as mentioned in the pattern comparison are confirmed as significant correlations to success of the management innovation transfer. Between the category factors some significant correlations occur. Business criticality as example is correlated to Executive leadership alignment and Case value recognition. This correlation might be causal but that is not further analyzed in this thesis and will require further research. Other significant correlations such as Case value recognition and COE legitimacy are less likely to be causal at first sight. Although some of the correlations are interesting for further research, this is not in scope for this research. The purpose of the correlation analysis is to check whether there are causal interdependencies between the category factors that can cause issues in further analysis. Based on the correlation matric in appendix 11, the correlations between the category factors are not seen as a limitation for the necessary condition analysis in the next section.

Necessary condition analysis

Four category factors proved to have a very large effect on the success of management innovation transfer and seven factors have a large effect. The other factors show a medium to small effect on the success of the transfer (table 7).

Table 7. Effect size of the categorized factors sorted from very large to small, based on general benchmarks (Dul, 2016).

Heuristic factor	Effect size (d)	
Extrinsic Leadership	0.91	Very large
BU Leader participation	0.82	
Business criticality	0.73	
Deontic power	0.73	
COE-BU case alignment	0.45	Large
Case related previous knowledge	0.45	
Case value recognition	0.36	
Intrinsic Leadership	0.34	
Executive leadership alignment	0.30	
BU Regional mgt participation	0.30	
BU Operational mgt participation	0.30	
Dynamic capability	0.29	Medium
Dialectics of lead (reverse)	0.27	
COE-BU integration mechanisms	0.23	
Strategy transparency	0.05	Small
BU-BU integration mechanisms	0.02	
Knowledge exchange	0.02	
Change agents impact	0.02	
Paradoxal goals & tensions	0.00	
COE-BU legitimacy	0.00	
Leadership case resource allocation	0.00	

The necessary condition analysis provides systematic insight in the relevance of the individual category factors in the success of management innovation transfer. The effect size of the category factors recognizes the relevance of the factor more adequately then the pattern comparison and correlation matrix. For example the factor BU leader participation did show some positive effect in the patterns comparison in figure 4 but no significant correlation. This category factor however proves to have a very large effect in the necessary condition analysis and the visualization of the effect size in figure 5 creates

strong transparency for understanding the effect. For all category factors NCA ceiling lines are provided in appendix 13. For the four category factors with the highest effect and the four with the lowest effect the ceiling lines are given for illustration in figure 5 and 6. From the four highest effect factors (figure 5) Extrinsic leadership, BU Leader participation, Business criticality and Deontic power the ceiling lines show that certain minimum levels of these factors are necessary for success.

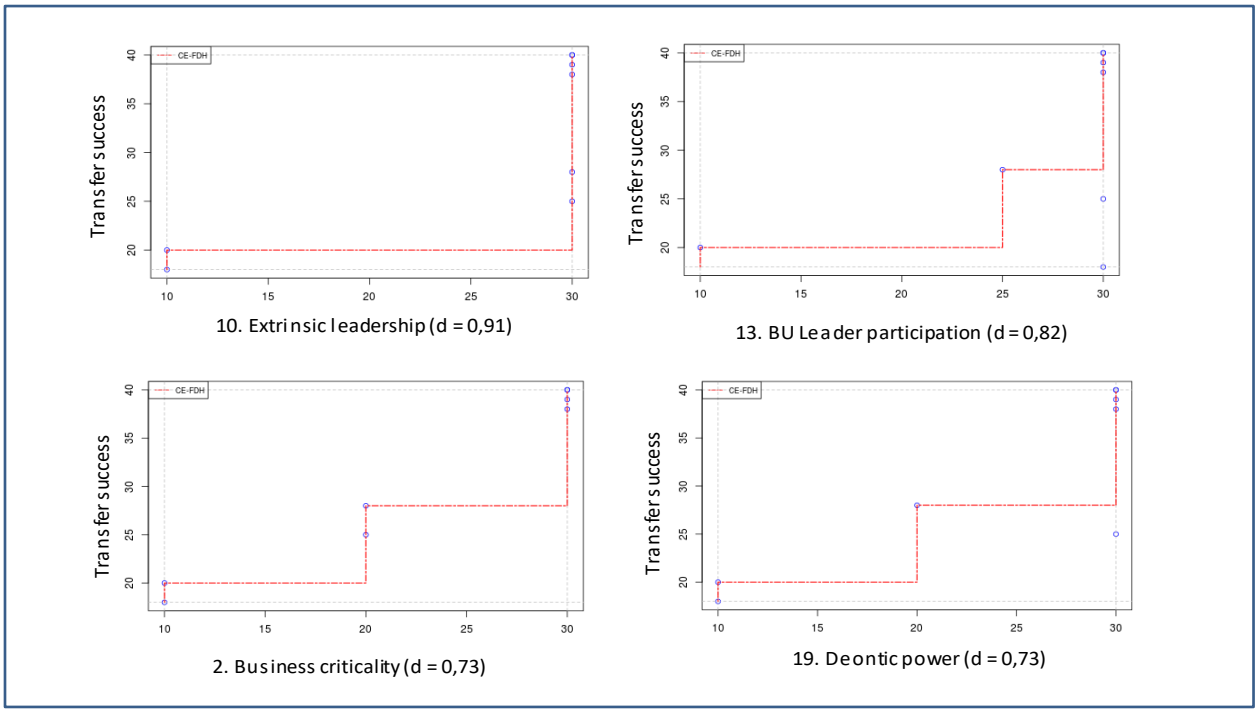

Figure 5. Illustrative NCA ceiling lines and effect size (d) for transfer factors with very large effect on success.

Additionally, Extrinsic leadership is a good example showing that necessary conditions are not per definition sufficient. For six out of eight management innovation transfers the Extrinsic leadership is high with a score 3 out of 3. The success scores show a broad range indicating that this that factor is clearly necessary but not sufficient. For the category factors with the smallest effect the management innovation transfer success the ceiling lines show that the factor is not necessary for success. Small score on the factors occur in cases with a high success and vice versa (figure 6). All factor ceiling lines can be found in appendix 13.

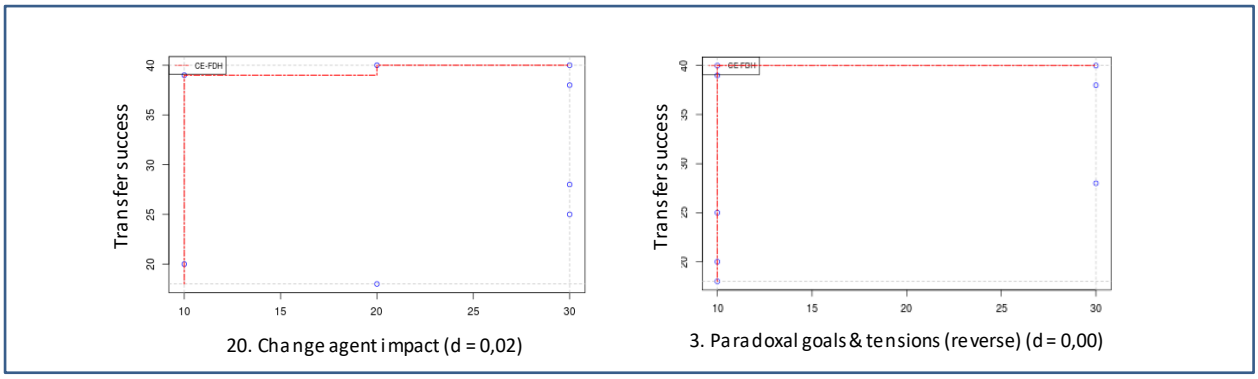

Figure 6. Illustrative NCA ceiling lines and effect size (d) for transfer factors with a small effect on success.

The category factors have been consolidated into necessary conditions for success. These necessary conditions and their effect size as well as the consolidation logic are summarized in table 8. The effect of the necessary conditions grouped to COE and BU relevance, as well as the total effect of all necessary conditions are given in table 9.

Table 8. Effect size of the category factors and necessary conditions with the consolidation logic.

Category factor	Effect size (d)		Necessary Condition	Effect size (d)
1. Strategy transparancy	0.05		1. Strategic criticallity	0.71
2. Business criticallity	0.73			
3. Paradoxal goals & tensions	0.00		na	
4. Excecutive leadership alignment	0.30		2. Excecutive leadership alignment	0.30
5. COE-BU case alignment	0.45		3. Integration mechanisms	0.29
6. COE-BU integration mechanisms	0.23			
7. BU-BU integration mechanisms	0.02			
8. Knowledge exchange	0.02			
9. COE-BU legitimacy	0.00		na	
10. Extrinsic Leadership	0.91		4. BU leadership commitment	0.82
11. Intrinsic Leadership	0.34			
12, Leadership case resource allocation	0.00			
13. BU Leader participation	0.82			
14. BU Regional mgt participation	0.30			
15. BU Operational mngt participation	0.30			
16. Case value recognition	0.36		5. Absorptive capacity *)	0.25
17. Case related previous knowledge	0.45			
18. Dialectics of lead (reverse)	0.27			
19. Deontic power	0.73		6. Change efforts	0.70
20. Change agents impact	0.02			
21. Dynamic capability	0.29		7. Dynamic capability *)	0.29
			8. BU Change readiness *) 5 and 7	0.49

Table 9. Effect size of the necessary conditions and consolidations to COE, BU and Total necessary conditions, sorted from very large to small based on general benchmarks (Dul, 2016).

Individual necessary conditions			Necessary conditions for the Center of Excellence			Necessary conditions for the Business Unit			All necessary conditions		
Necessary Condition	Individual effect size (d)		Necessary conditions	COE effect size (d)		Necessary conditions	BU effect size (d)		Total effect size (d)		
BU leadership commitment	0.82	Very large	Change efforts, Executive Leadership alignment and Integration mechanisms	0.56	Very large	Strategic criticallity, BU Leadership commitment and BU Change readiness	0.74	Very large	0.68	Very large	
Strategic criticallity	0.71										
Change efforts	0.70										
BU Change readiness	0.49	Large									
Executive leadership alignment	0.30										
Integration mechanisms	0.29	Medium									

The effect of the individual necessary conditions vary from medium effect to very large effect. The total effect of the six necessary conditions combined have a very large effect size (d = 0.68), indicating that the necessary conditions strongly explain the success of transferring management innovations between separated units. The BU related necessary conditions have a slightly higher effect (d = 0.74) than the COE related conditions (d = 0.56) , but both have a very large effect on the success. The ceiling lines for the COE, BU and Total consolidation in are presented in Figure 7 and for the individual necessary conditions in figure 8. The ceiling line for the total of all necessary conditions has a very accurate fit to the individual case transfer scores per BU. The high accuracy of the ceiling lines indicate strong reliability and internal validity of the results.

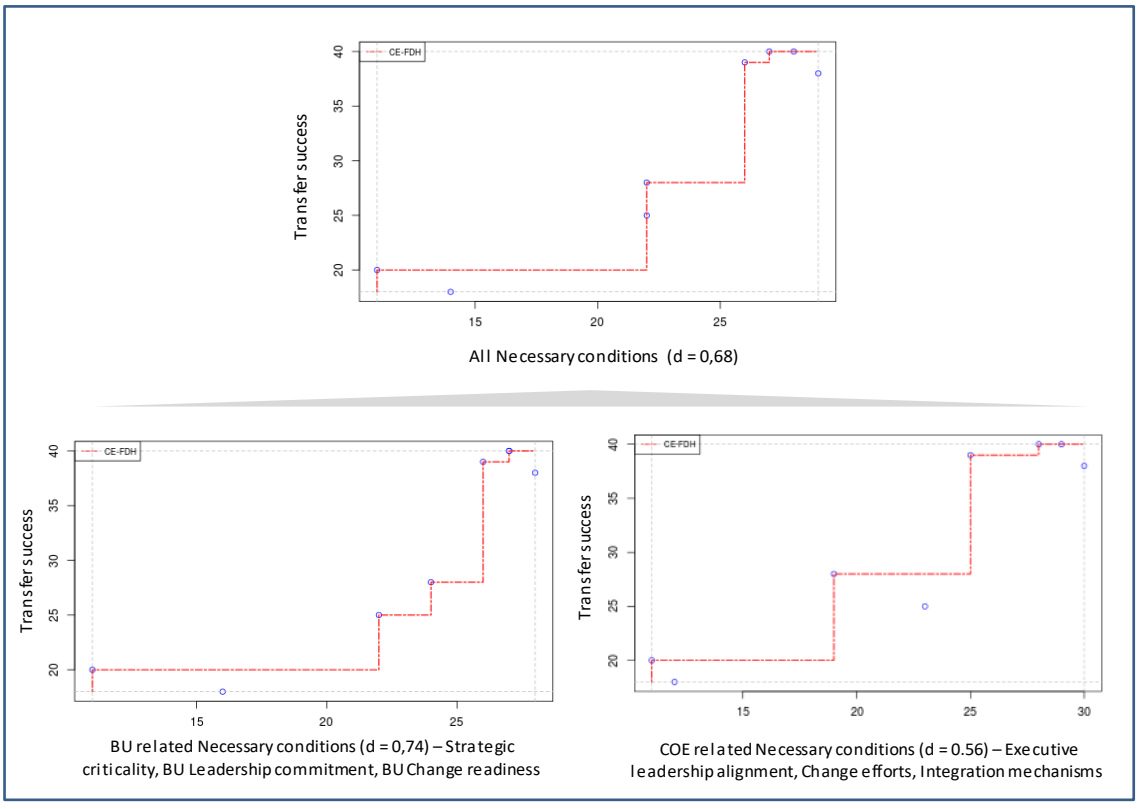

Figure 7. NCA ceiling lines and effect sizes (d) for the consolidated necessary conditions.

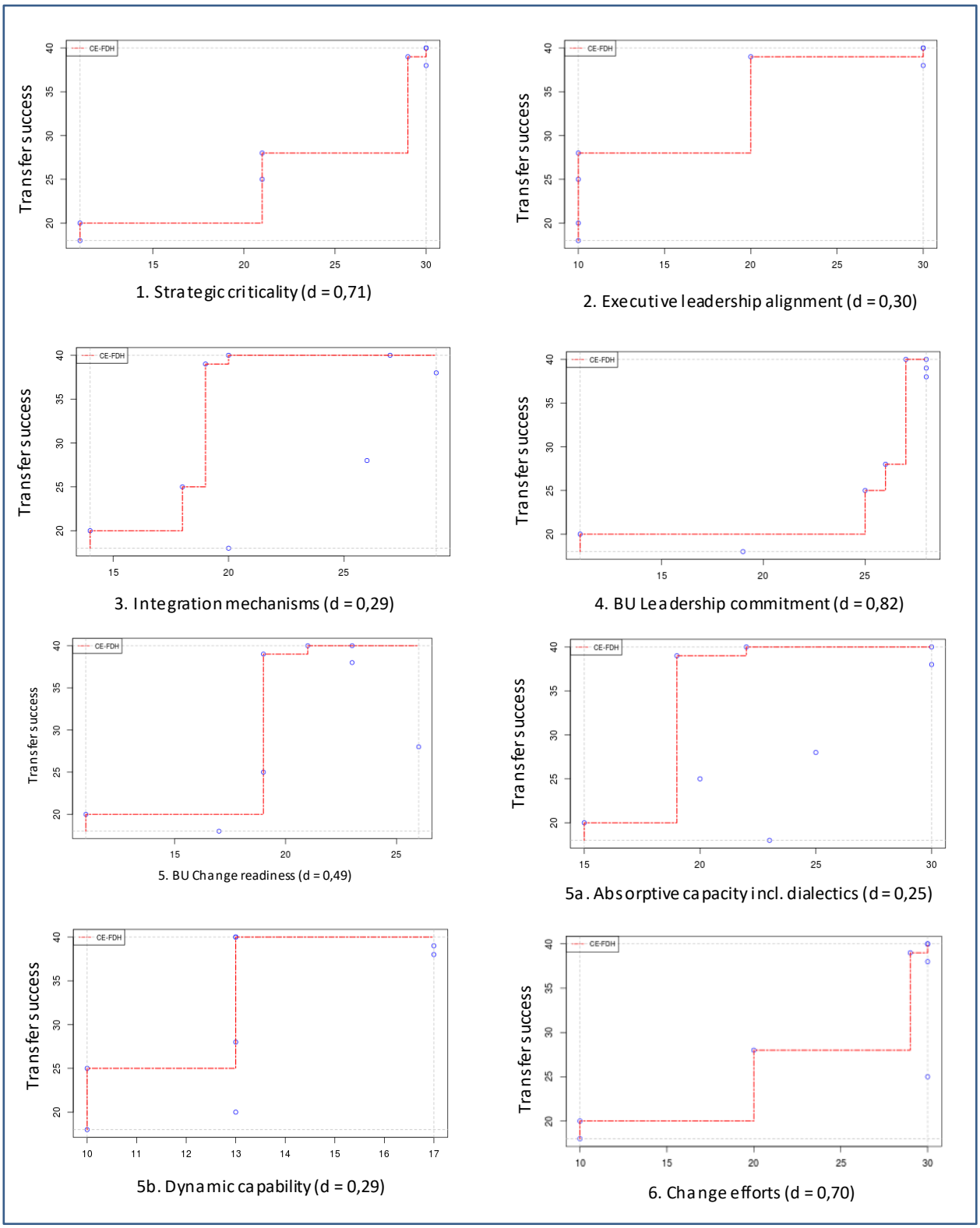

Figure 8. NCA ceiling lines and effect sizes (d) for the necessary conditions

The correlations of the necessary conditions to success of the transfers as presented in in table 10 confirm the NCA effects except for Integration mechanisms and Change readiness. Correlations between the necessary conditions are also measured. Strategic criticality correlates significantly to Executive alignment, BU leadership commitment and Change efforts. The significant correlation between BU leadership commitment and Change efforts is potentially causal, the other correlations are considered coincidental. The implications and causality interpretation will be further discussed in the next chapter.

Table 10. Correlation matrix necessary conditions.

Necessary Condition	1	2	3	4	5	5a	5b	6	7
1. Strategic criticality	1								
2. Executive Leadership alignment	0.86	1							
3. Integration mechanisms	0.56	0.54	1						
4. BU Leadership commitment	0.89	0.64	0.69	1					
5 Change readiness	0.66	0.44	0.85	0.85	1				
5a. Absorptive capacity incl. Dialectics rev.	0.52	0.60	0.95	0.63	0.75	1			
5b. Dynamic capability	0.63	0.57	0.39	0.41	0.29	0.21	1		
6. Change efforts	0.92	0.69	0.43	0.89	0.60	0.40	0.40	1	
7. Total Success	0.98	0.90	0.53	0.82	0.60	0.48	0.69	0.85	1

Pearson's correlations, significant correlations are highlighted (n=8, $p < 0.05$)

4.3. Summary

Management innovation in separated units creates ambidextrous tensions but that does not have effect on the success of management innovation transfer. In perspective of the 4 theoretic lenses as discussed in the theory, this study has found six necessary conditions for successful transfer of management innovation. Strategic criticality of management innovation has a very large effect on the successful transfer. Additionally, executive leadership alignment across the separate units and BU leadership commitment on all levels have large to very large effects. Integration mechanisms between the units have a medium effect on successful transfer. And finally, organizational change readiness in the BUs based on absorptive capacity and dynamic capabilities as well as the application of coercive power as change effort have large to very large effect on the success of management innovation transfer.

5. Discussion and conclusions

In this chapter the results are discussed and conclusions are given following the structure of the theoretical lenses. First the results are discussed and propositions are formulated and then the conclusions and answers to the research question are summarized, followed by the theoretical and practical implications of this study. Finally, the limitations of this study and suggestions for further research are provided,

5.1. Discussion

Successful transfer of management innovation from explorative innovation units to exploitative Business Units requires six necessary conditions in the innovation units, the business units and executive leadership of the organization. Six necessary conditions are found to be required to cope with the impact of management innovation on the organization's institutional foundations. Management innovation plays a role in the strategic renewal journey of an organization and this study shows that the (1) strategic criticality of the management innovation is necessary for success. The management innovation needs to solve a business critical issue. Separating the Centers of Excellence as explorative innovation units from the exploitative Business Units, creates paradoxal goals and tensions. This requires (2) executive leadership alignment and (3) Business Unit leadership commitment on all levels. Leadership needs to actively support and participate in the management innovation. Integration mechanisms (4) , either formal or informal, needs to be in place between the COEs and Business Units. Additionally, the separation of management innovation units has implications for the organizational change processes. Apart from the organizational change that management innovation intrinsically requires, the separation of the units brings additional complexity by creating the change from the outside in the Business unit perspective. Therefore the transfer of management innovation from a Center of Excellence to the Business Unit needs (5) coercive deontic power to realize the change . Finally for the organizational change in the BU induced by the management innovation transfer, it's necessary that (6) BUs are ready for change via adequate dynamic capabilities and absorptive capacity.

With an effect size of d = 0.68, the six necessary conditions have a very large effect on the success of the transfer. The combined effect of necessary conditions applicable to the Center of Excellence and the ones applicable for the Business Units suggest a larger effect of the Business Unit necessary conditions. The effect sizes for both units are categorized as very large though and therefor in this thesis they are

considered as mutually important. However the six necessary conditions do not guarantee success, the strong fit of the ceiling line of all conditions combined suggests a high accuracy for the combined necessary conditions and strong likelihood of success if these necessary conditions are in place. This leads to proposition 1:

> *Management innovation transfer from explorative innovation units to explorative business units within the same organization requires six necessary conditions to be successful: Strategic criticality of the innovation, Executive and BU leadership alignment and commitment, coercive deontic change efforts, active integration mechanisms between the units and BU readiness to change via dynamic capabilities and absorptive capacity.*

The four theoretical lenses of relevance for management innovation transfer between units are highlighted in the discussion. The strategic renewal perspective, the structural ambidexterity approach of management innovation, the innovation unit separation related role of integration mechanisms and leadership and finally the organizational change perspectives are discussed.

Management innovation as strategic renewal needs to be strategically critical to be successfully transferred. Strategic complimentary as stated by Centola (2018) is not enough to spread management innovation. The strategic criticality proves to be a necessary condition and is based on "Strategic transparency" and "Business criticality". This condition has a very large effect (d = 0.71) on the successful transfer of management innovation. The effect is confirmed by a significant positive correlation to success. In the majority of the management innovation transfers, the strategy was recognized and clear and therefor had a small effect compared to "Business criticality". The OneCRM case, having a delayed profitability improvement expectation, was much less critical to the BU's exploitative strategy than Pricing Acceleration with an almost instant profitability impact. The BU's engaged strongly on short term impact and criticality. An organizational burning platform, either positive or negative, required for change (Connor, 2006) is also relevant for the transfer of management innovation. There is a clear correlation of "Strategic criticality" to the required "Change efforts" driven by "Deontic power". "Strategic criticality" further correlates with "Executive Leadership alignment", "BU leadership commitment". For critical strategic management innovations, leadership coercively engages and aligns to transfer the innovation to the BU's.

The structural ambidextrous approach of management innovation by separating management innovation into explorative innovation units leads to paradoxal goals and tensions. The OneCRM transfers with the

lowest success were facing more paradoxal goals and tensions than the higher successful transfers indicating that this factor has an influence on the transfer success. For the Pricing Acceleration transfers, in the BU's that were supported by the COE the paradoxal goals and tensions were higher than for the unsupported BU's. The presence and impact of the COE on the ground in the BU's apparently created tensions. Across all cases however, this factor does not limit the success of the transfer in this study. Other conditions proved to be more impactful and necessary for the successful transfer of management innovation and in this thesis, avoiding "Paradoxal goals and tensions" is not considered to be a necessary condition. This leads to proposition 2:

> *Paradoxal goals and tensions of management innovation transfer from exploitative units to explorative units occur but do not limit the success if six necessary conditions are present: strategic critically of the initiative, executive leadership alignment and BU leadership commitment, strong deontic change efforts, active integration mechanisms between the units and if receiving units are ready for change via dynamic capabilities and absorptive capacity.*

Separating the management innovation units from the business units does require executive leadership alignment. The differences in "Executive leadership alignment" between the OneCRM case and the Pricing Acceleration case are substantial. "Executive Leadership alignment" has a large effect (d = 0.30) on the successful transfer of management innovation. The effect is confirmed by a significant positive correlation to success. Without "Executive leadership alignment" or with "only lip service" (I2) based alignment, success in the OneCRM cases was low. "Executive leadership alignment" effecting successful management innovation transfer is confirming literature suggesting that resolving executive team tensions is crucial to create integrative value across explorative and exploitative units (Teece, 2007).

Another requirement to make the transfer of management innovation in Centers of Excellence to Business Units successful is active integration mechanisms. The positive effect of formal and informal integration mechanisms on knowledge exchange between explorative and exploitative units as mentioned in literature (Jansen, et al., 2009; Kogut & Zander, 1992; Tsai & Ghoshal, 1998) have a medium effect (d=0,29) on the successful transfer of management innovation. The effect is not confirmed by a significant correlation to success. Analysis indicate that having integration mechanisms is almost a minimum hygiene factor that has to be in place. The success is low if integration mechanisms are not in place, but if some integration mechanisms are in place the success goes up drastically without improving further at high scores for integration mechanisms. "Integration mechanisms" correlates to the BU's "Absorptive

capacity" via "Case value recognition" and "Case related previous knowledge". The BU's and COE's with more integration mechanisms are likely to share information and knowledge better, leading to a better absorptive capacity. The effect on successful transfer of management innovation of "Integration mechanisms" is considered indirect via improved "Absorptive capacity". This leads to proposition 3:

> *Integration mechanisms between separated units have an indirect effect on the success of management innovation transfer. Integration mechanisms improve value recognition and knowledge on the management innovation and therewith increases the receiving units absorptive capacity as a necessary condition for successful management innovation transfer.*

The role of Centers of Excellence legitimacy in a structural ambidextrous innovation approach is not found. The score of this category factor was very low and the effect on successful transfer cannot be measured adequately and conclusions or correlations are not considered relevant to be further discussed in this study. Although literature suggests a role for psychological relations between units for knowledge and best practice transfer (Centola, 2018; Reagens & McEvily, 2003; Yang, et al., 2014), this factor needs further research in management innovation transfer context. Management innovation has more impact on required behavioral change for the receiving unit than technical innovation or knowledge transfer and it's worthwhile to address the legitimacy of the Centers of Excellence in the management innovation transfer process. Based on the results if this study it is not considered to be a necessary condition for successful transfer of management innovation.

The role of leadership in management innovation transfer between units is twofold. The role of executive alignment has been discussed in perspective of the innovation unit separation. BU leadership commitment is another angle of leadership that is necessary for successful management innovation transfer. Apart from the required executive leadership alignment for mitigating the ambidextrous tensions between separated units, BU leadership commitment is a necessary condition for success of management innovation transfer. This necessary condition has a very large effect (d = 0.82) on the successful transfer of management innovation and the effect is confirmed by a significant positive correlation to success. Literature suggests that transformational leadership is contributing to management innovation in large organizations and transactional leadership for small organizations (Vaccaro, et al., 2010) which would for the cases in this research assume a more important role for transformational leadership. Although "Intrinsic leadership" as proxy for transformational leadership does effect management innovation transfer success (d = 0.34), "Extrinsic leadership" as proxy for transactional leadership in this case analysis

much stronger effecting the successful transfer (d = 0.91) . Management innovations require behavioral change of teams and individuals and apart from intrinsic motivation the results explain that behavioral change to be confirmed and managed in a disciplined way via extrinsic management and leadership. Participation of all leadership levels is necessary for successful transfer. “BU Leadership participation” as underlaying factor for “BU Leadership commitments” in the Pricing Acceleration cases was higher than in OneCRM. “BU leadership participation” as category factor has a very large effect. Similarly, “Regional Management participation” in the OneCRM transfers were low compared to the Pricing Acceleration transfers, and was mentioned several times as a limitation for success. That is reflected effect size of this category factor (d = 0.30). Not having “Regional Management participation” will not give success. This implies that Regional management in case of structural ambidextrous regional units does not fully relate to the model of Floyd and Lane (2000) as middle management. In the OneCRM cases, Regional Management did not recognize the need for management innovation, hence the success of the management innovation was low and middle management of the separate regional units acted more as top management in the construct of Floyd and Lane (2000). “Operational management participation” was not strongly discriminatory, the effect size should be treated consciously since it is dominantly based on one outlier. “Intrinsic leadership” as underlaying factor of “BU Leadership commitment” has a significant negative correlation to “Paradoxal goals and tensions”. Apparently “Intrinsic leadership” is required for individuals to internalize the need for management innovation and therewith perceiving less paradoxes and tensions. But this will require further research.

Organizational change as lens for the discussion has two elements for management innovation transfer. The first element is the role of change efforts required to achieve organizational change, the second element is the readiness of the receiving unit for change. Both elements are necessary conditions. The first element of organizational change in this study is “Change efforts” and is based on “Change agents impact” and “Deontic power”. “Change efforts“ have a very large effect (d = 0.70) on the success of management innovation transfer. The effect is confirmed by a significant positive correlation to success. The effect is largely coming from the “Deontic powers”. In six cases, executive leadership or BU leadership coercively used their deontic powers. In all Pricing Acceleration transfers and in the two most successful OneCRM transfers “Deontic power” scored high. “Deontic power” has a much larger impact than “Change agents impact”. This study did not find strong support for the role of internal change agents as suggested in literature (Birkinshaw, et al., 2008). These authors suggested management innovation in cultural perspective to take place based on social change processes with existing power relations remaining in

place. This research finds evidence for a much fiercer impact of power and power relations. In cases with the highest “Business criticality”, leadership focusses more on fast revolutionary change via coercive prioritization then on slow evolutionary change management. In deontic logic, this approach refers to the obligatory mode of obligation, what ought to be done, more than the permissible mode of obligation, what is allowed to be done (von Wright, 1951). Literature on organizational closure and institutional theories provides potential antecedents explaining this phenomena. Management innovation from an institutional perspective is a significant organizational change, the institutional collective intent, functions, status functions and deontic power are impacted. Management innovation consequently has a fundamentally different institutional impact then technical product and service innovation. Technical innovations from an autopoiesis perspective targets the interaction and structural coupling of the organization with the environment but not the organization itself. By innovating processes, structures and techniques via management innovation, the institutional foundations as defined by Searle ((2005) of the organization are targeted. For example, by chasing further organizational goals, the collective intent of the institution is addressed. Similarly by innovating techniques, processes and structures the functions, status functions and deontic power in the institution are topic for change. From an organizational ecology and autopoietic social system perspective this is an extremely difficult and evolutionary process (Hannan & Carroll, 1992; Barnett & Carroll, 1995; Maturana & Varela, 1980; Magalhaes & Sanchez, 2009). As a phenomena of a maturing institution with increasing complexity and formal and isomorphic structures (Meyer & Rowan, 1977), exploitative business units in commoditized incumbent large organization markets can be considered as a highly rationalized institutional setting. In this setting, institutional rules have elaborated, causing increasing complexity in organizational structure and the social networks. Such an institutional complexity limits the dynamic capability. If organizational closure and open systems as theories would be considered a continuum, the institutional complexity would push large complex incumbent firms to the organizational closure side. The business units, as well as the regional units within the business unit, can be seen as sub-institutions within the corporate organization. And following the institutional complexity logic, the exploitative units in this research should be considered organizationally closed, autopoietic organizations with the main purpose of keeping the profitability up for survival. This creates organizational inertia and reluctance to management innovation coming from separate explorative innovation units as being the outside world and being recognized by some authors as “ not invented here”, Headquarters knows best” syndrome or “Organizational stickiness” (Bouquet, et al., 2016; Szulanski, 1996). Consequently following the autopoiesis theory, management innovation as revolutionary change in an exploitative business unit on a journey of evolutionary change (Tushman &

O'Reilly, 1996) requires corporate COE and business unit institutional amalgamation. Both units need to become the same organizational institution with shared institutional foundations to make the transfer of management innovation successful as a revolutionary change. Collective intent, functions, status functions and deontic power need to be recalibrated. And given the strong deontic power impact in the cases in this study, it takes aligned, strong and coercive, obligatory powers and a burning platform (Connor, 2006) to make that happen in a timeframe that does not allow evolutionary change. This leads to proposition 4:

> *Management innovation transfer from separated explorative innovation units to exploitative business units requires institutional changes for the receiving units. These institutional changes can only take place from within the receiving unit and that requires shared institutional foundations for the separate units to be created by top down coercive deontic power.*

The second element of organizational change in this study is the change readiness of the BU. This necessary condition has a large effect (d = 0.49) on the success of management innovation transfer between separate units. This effect is not confirmed by a significant correlation. The conditions consists of 2 sub conditions, “Absorptive capacity” and “Dynamic capabilities”. The combination of these two conditions have a stronger effect than apart. “Absorptive capacity” individually has a medium effect on the transfer success. Remarkably, the underlying factors of “Absorptive capacity” being “Case related value” recognition and “Case related previous knowledge” as drivers for absorptive capacity (Cohen & Levital, 1990), both have a large effect (respectively d = 0.36 and d = 0.46) on success. This can be explained by the addition of a third factor in “Absorptive capacity” based on the findings in this research. In several cases the management innovation transfer success was limited by the COE transferring OneCRM or Pricing Acceleration due to “Case related previous knowledge” on these management innovations. It has been repetitively mentioned that having this knowledge was limiting the transfer due to different insights on the capability. Hence, having “Case related previous knowledge” was not a benefit, it was a disadvantage. Therefor the factor “Dialectics of lead” was introduced related to “Absorptive capacity”. In management innovation transfer, previous knowledge can have positive and negative effects on the success. Without the “Dialectics of lead”, “Absorptive capacity” has a very large effect on the success of the transfer. This leads to proposition 5:

> *In management innovation transfer, prior knowledge as underlying driver for absorptive capacity has a negative effect on absorptive capacity and success of the transfer if the newness of the innovation compared to prior knowledge is too small.*

As underlaying factor for “Absorptive capacity”, “Case value recognition” is correlated to several other factors, of which two are inductively argued to be causal. “Business criticality” is significantly correlated to “Case value recognition”. The management innovation value is easier to recognize for business critical capabilities. Hence, “Business criticality” induces higher “Case value recognition” and consequently transfer success. It needs further research to understand whether “Business criticality” acts as a mediator or antecedent for “Case value recognition” and consequently “Absorptive capacity”. “Paradoxal goals and tensions” are significantly negatively correlated to “Case value recognition”. It is likely that individuals perceive less goal related paradoxes and tensions when the value of the management innovation is recognized. However, reverse “Paradoxal goals and tensions” is not a necessary component as such. Despite the described autopoietic nature of the exploitative BU’s, “Dynamic capability” separately still has a medium effect (d = 0.29) on successful management innovation transfer. Interestingly literature provided evidence for both the social ecology and autopoietic view and for the dynamic capability view (O'Reilly & Tushman, 2008) and based on this research this can be supported. Under the caveat of the very low scores on dynamic capability, still some effect can be measured. There is a significant correlation of dynamic capability to “Leadership resource allocation”. However this factor individually did not affect successful transfer, with “Unit resource allocation agility” as underlaying factor for “Dynamic capability” some correlation between these two factors can be expected.

5.2. Conclusions

This study has provided answers on the question how commercial management innovations in separated explorative Centers of Excellence can be successfully transferred to exploitative Business Units. Propositions are formulated on the necessary conditions for successful management innovation transfer between separated units and on the insights these necessary conditions provides in relation to existing views on organizational change and organizational ambidexterity.

The organization of management innovation in separated explorative units and transfer to exploitative business units creates paradoxal goals and tensions. These paradoxes and tensions however do not prevent the transfer success of management innovation between separated explorative and exploitative units if mitigated by six necessary condition. Empirical evidence is found for six necessary conditions for successful transfer:

1. **The management innovation needs to be strategically critical for the receiving Business Unit** - The strategy needs to be transparent and recognized and the management innovation needs to be critical for business performance.
2. **Executive leadership needs to be aligned** - Top leadership needs to be familiar with and aligned on the transfer and assimilation of the management initiative.
3. **Integration mechanisms need to be in place and active** – Centers of Excellence and Business Units have mutual active formal and informal integration and alignment in place
4. **The receiving Business Unit leadership needs to be committed** – Business Unit leadership is actively participating in the decisions, transfer and assimilation of the management innovation, providing resources and leading extrinsically and intrinsically.
5. **The receiving Business Unit needs to be ready for change** - The Business Unit has sufficient absorptive capacity by prior knowledge of the management innovation and recognize the value, without being reluctant to challenge its existing knowledge and practices. And the Business unit has dynamic capabilities via agility on priority setting and resource allocation to improve processes and capabilities
6. **The management innovation needs to be endorsed with rigorous change efforts** – Centers of Excellence and Business Units have change agents effectively operational and coercive deontic leadership powers are organized and applied on the management innovation.

This studies provides additional insights in relation to existing views on organizational change and organizational ambidexterity. Firstly, the relevance of integration mechanisms to realize ambidexterity benefits is argued not to be only direct as suggested in literature, but also as a mediator for absorptive capacity in the receiving unit by improving prior knowledge and value recognition regarding the management innovation. Secondly, prior knowledge in management innovation transfer perspective is in this thesis argued to follow an optimum curve for absorptive capacity. When too much prior knowledge is in place it acts as a limiting factor on absorptive capacity. Sufficient newness of the management innovation for the receiving unit needs to be present. Finally, the organizational change impact of management innovation can be large and that has consequences for the change efforts. Evolutionary change management is not sufficient to realize the required institutional changes and coercive deontic power is required to realize shared institutional foundations and change.

5.3. Theoretical and practical implications

This research has several theoretical implications. Organizational ambidexterity and organizational change literature has provided guidance on required conditions for successful transfer of management innovation. This research confirms the role of leadership alignment and commitment, active integration mechanisms between separate units, BU readiness to change via dynamic capabilities and absorptive capacity. There's also new insights developed. The direct effect of integration mechanisms was not very strong. Correlations to absorptive capacity suggests an indirect effect of integration mechanisms via prior knowledge on and value recognition of management innovation transfer. This leads to the proposition that integration mechanisms is of relevance in ambidextrous organization as a moderator for absorptive capacity. The absorptive capacity construct as such is also effected by the findings of this study. Prior knowledge as antecedent of absorptive capacity does not include dialectics of lead. The findings of this research suggests an optimal curve effect of prior knowledge for management innovation transfer. There is an optimum prior knowledge. Too little will limit the absorptive capacity, as well as too much. Further on, ambidextrous tensions between and within units are recognized in this research. However that does not limit the success of management innovation transfer. If the six necessary conditions are in place the effect of ambidextrous tensions is mitigated. That does require substantial efforts though and better insights on the cost benefit equation for structural ambidextrous organizational design and locus for management innovation is required to understand the organizational ambidextrous benefits of separated Centers of Excellence. Finally, this thesis explains that management innovation requires institutional changes for the organization. That has fundamentally different impact on the transfer of management innovations then technical innovation transfer. Large incumbent organizations under commoditization pressure are examples of complex social institutions and therefore cannot easily be seen as agile open or contingency based systems. The organization ecological autopoiesis theory suggests that these changes can only take place from within the organizational institution. This theory is the basis for rigidity and stickiness in large incumbent exploitative business units and create foundational institutional issues in management transfer that can only be overcome by significant efforts. Top down coercive deontic powers need to be applied by aligned executive management to create shared institutional foundations. The power structure and application to achieve ambidexterity benefits is suggested to be added as moderator to the ambidexterity theory and its organizational performance benefits.

The practical implications of this study are promising. Management innovation in Centers of Excellence and transferring the innovations to Business Units create large challenges. But the findings of this study

can help organizations to achieve successful management innovation transfer by securing six necessary conditions with their underlying elements. Assuring recognition of the strategic criticality of the management innovation is required. Transparency of the strategy as well as understanding the business criticality of the initiative needs to be in place and endorsed by executive leadership. Integrating the design and implementation efforts in a co-creative approach between COE's and Business units is crucial for internalization and mutual understanding of the relevance of the management innovation as well as the business unit dynamics and required Business Unit specifics. Despite change management practices targeting individual adoption, the power structure cannot be neglected and coercive power needs to be applied. Change agents and evolutionary change management has benefits in transferring management innovation. But simultaneously leadership commitment, alignment and active participation in management innovation, combined with the application of coercive power and disciplined performance management and reward systems is necessary for success. All leadership layers needs to be involved. Active participation, commitment and alignment needs to be cascaded from the top to middle and operational management. AT the same time, performance management from operational management to middle management and top management needs to be rolled up to create transparency and awareness of the results of the management innovation. Lastly, efforts to make the organization ready for change are necessary for successful management innovation. Teams and individuals knowledge on the innovation via training and education as well as organizational agility via resource mobility and allocation needs to be assured. With these elements in place, successful management innovation comes in reach for large complex incumbent firms as an important lever for strategic renewal and sustainable organizational performance improvement.

5.4. Limitations and suggestions for further research

This case study research was based on one organization. And although the selected organization is a large global leading player in the chemical industry, the single firm context will have some limitations for generalization of the conclusions due to unavoidable organizational specifics. Another limitation is that the research was conducted by an employee of the organization where the cases studies were studied. Although continuous awareness about and measures to avoid the potential subjective interpretations of the findings such as interview recording with repetitive playback for interview reporting and validation of the interview reports with the informants, this is a limitation that needs to be mentioned.

Further research is suggested based on the limitations, findings and propositions. Regarding the limitations of this research, psychological elements of the relations between separated units and the legitimacy of the Centers of Excellence in this case study were hardly present. Studying other cases will help a better understanding of these potential necessary conditions, as well as broadening the empirical evidence and reducing potential researcher bias. Regarding findings and propositions, firstly absorptive capacity based on prior knowledge can be enriched by bringing dialectics of knowledge lead into the equation, combined with its antagonist being the accelerating lag of knowledge (van der Hoeven, 1980). These potential moderators of prior knowledge are potentially valuable enrichments of this theory and worthwhile to research. Secondly, in case of management innovation in separated innovation units, structural ambidexterity comes at a cost to mitigate ambidextrous tensions. The benefits of ambidexterity have been thoroughly research but identifying the visible but also hidden institutional integration costs deserves to be further investigated to be able to economically asses the value of structural ambidexterity. Thirdly, in this study coercive deontic powers played a dominant role in organizational change management to realize institutional integration and individual internalization of management innovation. It is suggested to further investigate the role of power in management innovation in relation to integration mechanisms such as co-creation and early innovation ownership transfer as necessary organizational change conditions. These potential necessary conditions for organizational change and successful management integration transfer between separated units can influence the need of coercive deontic power. Finally, this research has revealed several significant correlations between factors that are effecting the success of management innovation. The correlations need to be considered mindful of the limited amount of observations. The correlations are recommended as topic for further research to build deeper understanding of the complex relations between success factors.

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Appendixes

Appendix 1. Research scoping propositions

Proposition 1a: Transparency and top management alignment on the chosen strategic renewal journey contribute to the success of management innovation transfer from explorative innovation units to exploitative business units.

Proposition 1b: Receiving exploitative unit and geographical culture towards change and hierarchical power affect the success of management innovation transfer from explorative innovation units to exploitative business units.

Proposition 1 c: Management team composition, behavior and support of the receiving units affect the success of management innovation transfer from explorative innovation units to exploitative business units.

Proposition 1 d: Active human change agents in both source and receiving unit contribute to the success of management innovation transfer from explorative innovation units to exploitative business units.

Proposition 2a: Top management team ambidexter diversity and integration contribute to the success of management innovation transfer from explorative innovation units to exploitative business units.

Proposition 2b: Transformational and transactional leadership styles and elements affect the success of management innovation transfer from explorative innovation units to exploitative business units.

Proposition 2c: Formal and informal integration mechanisms between separated explorative innovation units and receiving exploitative units contribute to the success of management innovation transfer from explorative innovation units to exploitative business unit.

Proposition 2d: Personal ambidexterity capabilities in receiving exploitative units contribute to the success of management innovation transfer from explorative innovation units to exploitative business unit.

Proposition 3a: Organizational stickiness factors such as lack of absorptive capacity, causal ambiguity and arduous relationships between source and receiving units limit the success of management innovation transfer from explorative innovation units to exploitative business units.

Proposition 3b: Dynamic capabilities in receiving exploitative units contribute to the success of management innovation transfer from explorative innovation units to exploitative business units.

Proposition 3c: Informal and social networks contribute to the success of management innovation transfer from explorative innovation units to exploitative business units.

Proposition 3d: Perceived value and legitimacy of the innovation affect the success of management innovation transfer from explorative innovation units to exploitative business units.

Proposition 3e: Credibility and reliability of the innovation source unit contributes to the success of management innovation transfer from explorative innovation units to exploitative business units.

Proposition 3f: Not invented here syndrome in receiving exploitative units limit the success of management innovation transfer from explorative innovation units to exploitative business units.

Proposition 3g: Co creation of management innovation between explorative innovation units and receiving exploitative units contribute to the success of management innovation transfer from explorative innovation units to exploitative business units.

Appendix 2. Interview guide

The strategic renewal context

- In what strategic renewal journey where the BU(s) during the case?
- Did the employees consider the renewal journey relevant?
- Do employees recognize the Case contribution to the strategic renewal journey?

The Case process in separated units

- How and in which unit was the Case prioritized and designed?
- How did the Case fit in the operational goals of the BU? Priority tensions?
- How did individuals cope with priority tensions and adoption of new routines?
- How would you describe the alignment of the Case priorities between COE and BU or between BUs in the Case priorities and content regarding - Invention and design? - The transfer? - The implementation?

Separated unit integration mechanisms

- How would you describe the formal and or informal integration mechanisms between COE and BU and between BUs?
- How would you describe the knowledge exchange:
- Between COE and BU?
- Between BUs?
- To external?
- How would you describe the COE-BU relation in the context of the Case regarding
- Credibility, Reliability, Strength of ties, Legitimacy?

Culture, capabilities & Change

- Dynamic capabilities:
- How would you describe the capability for continuous improvement in the unit?
- How would you describe the capability for agile resource reconfiguration in the unit?
- Culture

- How does the unit deal with ambiguity?
- Change
- How does the unit deal with change?
- What is the role of change agents or ambassadors versus management enforcement?
- Absorptive capacity
- How did the Case relate to existing knowledge in the unit? What was the level of newness?
- How was the value of the Case recognized?

Leadership role in the Case

- How was leadership aligned on the Case? TMT, MM, OM?
- How would you describe the Top Management Leadership style in the context of the Case? (Intrinsic vs extrinsic motivation, Adaptive vs performance driven,….)
- How did leadership ratify and allocate resources to the Case?
- How did Middle and or Operational Management act in the Case regarding Experimenting? Championing? Conforming? Realize behavioral changes?
- How did the leadership deal with ambiguous priorities between day to day operational goals and the Case? TMT, MM, OM? How resolve tensions in priorities?
- Who took the decisions on the Case priorities? TMT, MM or OM?

The Case success

- How was the Case transferred and how long did it take?
- To what extend is the value of the Case adopted, assimilated and exploited (coverage)?
- How would you rate the success of the transfer of the Case 1 (poor) -5 (very good)?

What could have improved the transfer and success of the Case?

- ……

Appendix 3. Interview reports

I1. COE Program Director OneCRM

The strategic renewal context

Strategic journey was about profitable growth. Having the right strategic process and customer relation management would enable transparency, sales pipeline management and growth. That was the purpose of the program and as such recognized by the COE. In the BUs there was some recognition of the strategic context but there was also a perception of effectiveness improvement and to manage sales better. And as such that had “Big Brother” associations within the BUs, fed by the recent MARS reorganization focusing on de-layering the regional sales organization.

The Case process in separated units

CRM was designed in cooperation between COE and BU. The platform was centrally defined as an off the shelf, but the content was defined in the Product Owner Committee where all tweaks and designs were defined and agreed and put forward for final decision in the Steering committee, staffed by COE, BU MDs and IM

Change creates tensions in general. The tensions were managed by creating value for the stakeholders by giving additional tooling such as iPads to provide that value. But people reacted differently, based on their own attitude towards this change. More tech savvy crew adopted much more easy based on their own intrinsic motivation, some crew appreciated more extrinsic motivation by contesting and price winning events, and other crew just was not motivated at all because they lacked the basic believe in the approach.

Alignment in design, transfer and implementation was strongly promoted and realized via the POC construct where all BUs and COE were regularly aligning on the content, rollout and implementation.

Separated unit integration mechanisms

Formal: Steerco, POC, focusing on the COE-BU integration elements. There was more focus on the marketing community then the sales community. The Regional Sales Directors were not connected well enough to the program, the COE or even their respective BU marketing team. Informal integration mechanisms were somehow in place on personal level, but not generically promoted. Where they were in place it was very effective, since people the really want to live up to the agreements.

External knowledge exchange took place via the supplier of the software (Microsoft) and them participating in communication platforms in the program. Internal exchange was promoted via exchange people between the units.

COE-BU relations were strongly influenced by ringfencing the business unit autonomy. Despite good personal relations, there was protective behavior of business unit regions against HQ COE as separate unit. “Don’t get in my backyard”. Autopoiesis mechanisms seems to be driving disconnects between COE and BU’s as separate organizations. There’s a generic suspicion within BUs towards other units creating protective behavior.

Culture & Change

The Coatings BUs have a technological uniqueness that creates X-BU rigidity, since there are reasons to be different and not to harmonize / standardize. And there for the agility is too low, the organization is far too rigid towards change. The Units are strongly ringfenced in there own setup, and resource allocation X-unit does not take place well enough. Exchanging people and positions would help knowledge exchange, change and continuous improvement.

The company has a certain complacency, partly caused by historical economic and market conditions and practices.

Some BUs had positive experience with CRM, VR, Metal and Protective (project process management focus). That gave reluctance of accepting the corporate approach because they needed to change the current way of working, and not always as an improvement in their view. In general it could even be the case that units without experience are more easy to get on board then the ones that to have experience since they need to let go of their own program and adopt an “external” approach which is a disadvantage for them. For the units without experience the COE approach can be perceived as expert practice.

Leadership role in the Case

The TMT alignment was pretty well aligned, the BU MDs were in favor of the OneCRM initiative. However in day to day practice, the monthly and short term results were prioritized and incentivized over longer term CRM objectives. TMT leadership had a strong extrinsic style focusing on metrics and KPIs. That institutionalized the perception of Big Brother is watching you and reporting and management tooling then as a process or tool that helps you to perform better.

The role of RCDs and operational management in championing and experimenting is not known.

The priority and ambiguity tensions within the BUs were not managed actively, neither across the BUs on TMT or Marketing forum level, nor within the BUs.

In general, the CRM initiative was strongly top down decided, whereas within the initiative, the decisions were on program level via the POC and Steering Committee.

Regional Directors have been excluded too much in the program, the PCLT / TMT was engaged and supporting, the BU MDs as a consequence of that as well, the Operational Management in the initiative was engaged, but the regional Sales directors did not internalize the initiative.

The Case success

The overall success of CRM is a 2-3. Serious efforts has been made to make it happen, but the adoption and use success is not yet on the expected level.

What could have improved the transfer and success of the Case?

In the management layers, Middle management (RCD) should have had much stronger involved. The TMT was engaged, Operational management was, but the MM layer was not actively enough engaged, but also did not ask for that involvement.

The balance between standardization and BU tailoring is crucial and delicate.

Connection and links to other foundational capabilities such as masterdata and ERP is crucial. Initiatives need to fit in the total picture and not be disconnected from other running initiatives.

I2. COE Program Manager OneCRM

The strategic renewal context

7 SBUs in reorganization, management upgrade, required better tooling, giving relevance for the higher management, for lower sales management and sales employees less and low relevance. Central and COE driver was simplification process and tooling landscape. Value was initially business case driven to the TMT. In the BUs recognized at the launch but on operational level considered as a management tool, less clear “what’s in it for me?”

The Case process in separated units

The program was developed in COE in close cooperation with BUs, governance build of COE and BU SPOCS, not full co-creation, more cooperation, platform and processes were given and somehow tailored to the specific BU situation. The Case caused tensions especially in operational sales, “I need to sell, I don’t have time to work on CRM”. There were no resources / roles identified that could focus on the Case deployment and giving recognition, the work was also not recognized in incentive schemes. Sales operations picked up the implementation but were not the ultimate users. Ultimately the implementation was not picked up, the tensions were not actively mitigated.

Formal organization for the Case well in place, MT’s Steerco’s, SPOC meetings, governance well defined, project meetings, UATs. Stakeholder management rounds during the launch.

Separated unit integration mechanisms

COE integration was TMT focused, COE directors and BU directors aligning on high level but “they had their programs, we had ours”. Rotation of employees between COE and BUs played an important role in the integration of the units.

Some formal meetings took place monthly but that was more informative then integration focused.

Value, credibility and competences of the COE was recognized in some cases, as facilitating. But in the role of central auditing elements, the COE legitimacy as auditing unit was questioned. COE is a generic cost for all BUs, if the costs would have been forwarded to the BU based on priority then the role of the COE might have been more questioned. COE proved to be credible because it still exists. The DNA of the people in the BU was driving the type of cooperation or resistance. Some BUs were open from the start, some BUs were much more resistant.

Culture & Change

Change and change management was considered important and addressed in the program governance. Communication and benefits explained, people trained on how to deal with resistance. But… the implementation is still not were it should be…. . BUs in general are not very agile or open for change. The program tried hard but had difficulties to implement the change. Some BU Management just said you have to do it, but then also were ambassadors. The combination of ambassador and power worked positive on the adoption of the change and using the new way of working. Also on MM level

ambassadors with power were important for the adoption. Only management empowered engagement was sometimes basically lip service to the COE and then it did not work.

Previous knowledge on CRM where it was basically a relaunch was easier than for the ones that started from scratch.

Leadership role in the Case

On TMT level the style was remote towards the program, there was no alignment within the TMT. The approach to the Case was very much BU by BU. The leadership on the Case come from the COE communication more than from the leadership. The program was funded by the TMT, as well as resources were allocated, but that's where it stopped, the transfer to the BUs was strongly COE led.

MM and OM experimenting and championing was incidental. Tensions in the implementation and day to day operation were not actively mitigated.

Decisions on the Case were taken by the Steering Committee of COE and IM and SMU leads. There was 1 BU lead in the Steering Cie involved in the decision making of the Case implementation. Content wise the decisions were prepared by the SPOC in the units and then enforced in the Steering Committee

The Case success

MPY and ICO speed was high, ASC had CRM was re-launch, POW was the slowest. Adoption rates were different, ASC high, Marine high, Protective low ICO average.

Overall adoption and value realization and assimilation is overall not well. There are differences, of course but the process automation is not where it should be. Overall success of the transfer is a 2.

What could have improved the transfer and success of the Case?

Launch was beginning 2017, it's now 2 years later. It could have been better if it would have been more clear what the integral benefits of the Case are to the individuals. And BU leadership clearly supporting the innovation in the units, more lead and supported from the BUs then from the COE.

I3. COE Program Manager Pricing Acceleration

The strategic renewal context

At the start of PA, there was still a volume growth focus in strategy. During the first months of 2018, there became more attention to the 15 by 20 margin strategy and for instance in MPY where the PA initiative started, that Bu had a volume growth strategy. That gave a disconnect at the start of the initiative and it also took a while before the strategy alignment cascaded down, but then the contribution of PA to the strategy was recognized.

The Case process in separated units

The PA initiative was centrally designed, but case by case the maturity of the program evolved by taking learnings on board. It still was more adaptation of the general initiative then tailoring the initiative to the BUs though.

Tensions occurred in the BUs but they were resolved on the go. The transparency the initiative created also exposure and individuals reacted differently to that. Some embraced the challenge, others disputed the feasibility of the initiative.

The alignment faced a tradeoff between the required speed and the alignment of the design and tailoring the initiative to BU needs. And speed was strongly prioritized over alignment.

Separated unit integration mechanisms

Formal: PAO, Weekly winroom check ins, Marketing Director check ins, Steerco's, SLFs, multi-layer sales huddles and coaching.

Informal integration mechanisms were difficult, also by the fact that the majority of the COE was 3rd party McK consultants. However, especially in the later stages of the initiatives, informal integration mechanisms acted as grease in the machine. That was a bit issue driven though.

External knowledge exchange was realized by the McK team and the COE as well as the BUs. Methodology and best practices were transferred, coaching was provided in the BU teams and Messaging and Scripting was developed by the COE to transfer to the BUs.

Credibility and reliability was mixed, the COE was not perceived credible from a business knowledge point of view, but on the methodology and best practice and external knowledge point of view there was credibility.

Culture & Change

In general AkzoNobel and BUs are a bit more on the rigid side, following procedures. That in combination with the short 12 weeks intervention of the initiatives this created tensions. Especially in the first week, where not all was clear for everyone, people struggled to deal with the agile approach of developing on the go.

BU Powder had more experience in the subject then MPY and therefor was capable of running the initiative on their own and basically adopted the initiative based on remote, conceptual transfer. For MPY instead, it required strong COE support to transfer the management innovation of performance management.

Leadership role in the Case

PCLT leadership alignment was initially not strong. The initiative started by engaging the Marketing Directors first. However, once the target setting was cascaded down from the TMT to the BU leads, top down alignment was enforced. Within the BUs though the perception was strong alignment of the BU leadership, which is perceived to be strongly target and extrinsic, metric and KPI driven.

Resource allocation and ratification differed from BU to BU. COE had resources ratified. MPY was having resource issues, ASC solved it themselves, ICO build it up during the program and POW resolved it internally. Overall, resources were allocated.

Tensions in the programs were resolved on the go by more communications and 1:1 check ins from the COE with the leadership and Sales Leadership forums were held to create the engagement and

leadership in the BUs did adopt the program better after these sessions and picked up their roles and actually role modeling to their teams. But there were personal differences, some RCD's played a much more active role than others. In general TMT resolved the tensions by clearly, top down, making clear that the initiative is necessary, mandatory and that there's no way to discard it.

The success of the initiative was strongly correlated to the engagement of the RCDs and Sales managers. Where they championed and engaged, the initiative was successful. Where they did not, it was not.

Decisions on the initiative, design, rollout, target setting were taken by the TMT, Target allocation within was done by the BU MT. The day to day operational decisions were taken by the regional Directors, so still quite high level where the decisions were taken.

The Case success

The success of the program value wise is there 4,5, although the transfer of the practices, so the management innovation itself was less than expected 2,5. (TdZ: However, given the results on 2019 and the pipeline value there, the methodology and process has been repeated in the BUs)

What could have improved the transfer and success of the Case?

What's in it for me, why is the change relevant for me, should be made much more clear and visible, either via intrinsic or extrinsic motivations.

Keep it simple (customer granularity), tooling was too complex and required leapfrogging from the BUs to new reporting and performance management. Taking smaller steps and giving the BUs to adopt and see the need for further development helps engagement.

BU Ownership needs to be created. COE needs to facilitate, rather than telling the BU what to do or (even worse) actually doing it.

I4. BU ASC Program Director - OneCRM and Pricing Acceleration

The strategic renewal context

Performance management in ASC is more mature then in other units, creating more buy in. BU is used to monthly performance management, the top down AkzoNobel approach helped the change in the BU by endorsing the BU strategy and need for that. In CRM, there was a system already so that created resistance "why do we need to change".

In general in ASC 80% of the people recognized the OneCRM case in strategic context and that help the engagement. For Pricing Acceleration the strategic context was fully clear and despite the difficult start in the first 6 months, the combination of strategic fit and top down enforcement of the program helped a lot in the implementation of the program. In general the attack of PPG accelerated strongly the acceptance and focus on the required changes on both programs.

Both programs fit to the BU strategy.

The Case process in separated units

The BU was on the path already on the subjects have been picked up in the COE. The COE basically accelerated the initiatives because there is an external need and burning platform to do that (PPG)

Fit to operational goals and tensions: the initiatives fitted to the BU strategy, but the COE required speed was higher. So the tensions were on the way the initiatives were rolled out, the BU would have preferred to take more time in the Pricing Acceleration initiative to take a more foundational approach.

The separation of design and execution of the programs required strong change leadership and ambassadors within the BU, especially of senior management. Repetitive explanation of the relevance and need, making very explicit what the change is about and what it will bring and what happens if the initiative would NOT be rolled out, combined with taking ownership within the BU were pivotal for successful implementation. Business criticality where relevant was voiced over and push back to central was given to the COE if initiatives did not live up to business critical status.

Separated unit integration mechanisms

The formal integration is doing what we need to do, but a bit ticking the boxes. But there are conflicts that are resolved informally via management escalation. Especially the internal COE integration issues, the COE internally is not organized between the streams, gives reasons for escalations.

The credibility of the COEs differs per topic. On strategy, there's hardly credibility. On Pricing there is credibility on theoretical knowledge and tools but the practical execution credibility is challenged. On Digital, the new crew brings credibility and Marketing Excellence is perceived theoretical. The Go to Market subject is credible, but has scattered initiatives. On OneCRM the credibility nowadays content wise is improved (does this mean in the OneCRM launch this was not the case?) . In general the legitimacy and credibility of the COE is perceived low in the case of the junior and medior employees having an attitude that the BU just need to follow. And that does not work and gives irritations. The key is not to make the BUs life painful but to help the BU forward.

Culture & Change

Strong differences within ASC on agility and change acceptance. Aerospace is agile despite the stable market. Consumer Electronics, by nature of the high market dynamics they are in, is very agile. Employees are used to rapid changing situations and therefor adaptive to change. Automotive OEM is mediocre in agility but VR in general is a rigid organization, challenging the decisions, challenging the process to get to the decision and that limits the adoption of change. The rigidity in VR caused resistance in adopting both initiatives, for CRM the change to a new system was hard and for Pricing Acceleration the adoption of the new methodology did not take place.

Within the COE, people are hired to be part of the change program so are by nature open for that. Although the older team members that are in the company for a longer time there's more questioning on the reason for change.

Change agents and ambassadors are important, both on TMT level as well as on Regional MT level. Potential ambassadors are defined and engaged. Ambassadors are being taking along in the TMT decision process to ensure early alignment and support. The change agents with managerial mandate proof to be effective.

Leadership role in the Case

On OneCRM the TMT was not well aligned, the reason why was unclear, "why are we doing this". For Pricing Acceleration this was very clear and aligned with the strategy, top down targets and KPI's strong performance management. The BU just needed to accept this. TMT initial focus was steering on extrinsic motivation.

Allocation of resources in TMT (sales excellence managers example) and the BU was very flexible however not always effectuated in all the teams by organizing the resources.

The tensions for both programs were managed via both creation of buy in but eventually via empowerment and management enforcement. In OneCRM the approach was to get buy in by explaining the relevance for the BU more than the COE push and Operational management was mandated. In Pricing Acceleration the BU top management enforced the change top down. The difference between OneCRM and Pricing Acceleration was based on the urgency and need. CRM is a philosophy aimed to change the running business and that took more time, where Pricing Acceleration as an intervention change could be more easily switched on. So the decision on Pricing Acceleration was a much more transparent decision to do or not to do, CRM was a must do that touches the core process and therefor needed more buy in.

The Case success

OneCRM had relatively low resistance, partly because VR had a running CRM system already. The acceptance was high. Results are gradually coming in, it's still work in progress, not yet in the desired status. The BU wants to speed up to end state this year whereas the COE focused on next year. Overall success score 3

Pricing Acceleration was very painful in the first half year of 2018. 2019 went much better. The targets are stretched but were fully realized. Result wise the success is 5. Process wise, due to the strong top down push, the success was 2.

What could have improved the transfer and success of the Case?

Mutual listening and involvement, alignment and work together more than in separated approach. Adaptive and COE to BU specifics and agility in the rollout could be improved. Overall transparent and realistic prioritization and filtering of initiatives can be improved, key personnel gets overloaded in the transformation.

I5. ASC BU Program Manager OneCRM and Pricing Acceleration

The strategic renewal context

PA: Margin management history for many years already, with good rhythm on performance management and structured process, governance and organization was in place for ASC. Price as a marketing tools was both addressed in the marketing plans and the day to day performance management operations

CRM: 5th version so, pivotal for the ASC organization. In the past it has been perceived as an administrative tool, for ASC it is meant to be a pivotal way of how to manage customer relations.

Employee recognition was there, CRM was already adopted and the relevance was seen in line with the strategy.

PA is a tough and sensitive subject, but people get used to it. Clear relevance seen to structure and professionalize pricing as a part for marketing and sales. PA is painful work but: “we can’t make it more fun but we can make it easier with a good structure”.

The Case process in separated units

CRM was a joined effort, central standardized approach, ONE CRM. The house was built by COE, content and proof of concept by the BUs. Champions in BUs with a cooperative COE works well.

PA is a BU tailored initiative, COE rolling up the sleeves together with the BU to make it happen, working side by side. Co-creation is critical to set up the program fit for purpose per BU, it’s not a standard system. It was perceived like that in ASC. There were differences in absorption between VR and Specialties, VR did not participate. Difference was by target setting, COE was setting the targets and that created the tensions, VR set their own targets and now it comes top down, especially on the second wave increases. For Specialties it was more case by case, RM cost based, more guided and tailored increases then vanilla increase. The win room concept and governance has been implemented in both units, the people needed to change the way they worked. The units having the experience and knowledge on margin management did definitely help in bringing the winroom and huddle concept in place, it really speeded the implementation up.

Separated unit integration mechanisms

Informal is preferred, gives more honesty and openness, There are formal structures in place, weekly PAO calls, leadership check-ins for PA. The informal integration in the beginning of PA was a bit rusty, now picking up. Between the BUs there’s no formal integration, but there is plenty informal contacts for both PA and CRM.

Knowledge exchange is missing and desired to learn and develop. Now it is informally and issue based, could be more organized and would bring value. And it should have more directions, horizontal and vertical, internal and external. More use of conferences, sharing and platforming the knowledge will help.

COE – BU relations. From origin the relation is negative. Especially on PA, it started with pressure and pain, naming and blaming and there is not enough trust yet. It is the same for CRM and SFX. It’s just the BU being confronted with COE impact on their processes and the knowledge between BU and COA is not directly in sync. There’s always tensions, almost and natural situations, there’s BU vs Corporate emotions, freedom taken away, but developing in the right direction.

Culture & Change

ASC has great difficulties accepting change. There’s empires with own kings, formally owning all elements of the organization. But that has changed to functional matrix responsibilities where the kings lose power. And that is a very painful process to go through, both for PA and CRM. The transparency of the systems op to TMT makes people nervous.

Change agents are extremely important, and can be on every level. Not only on TMT but also on the ground, especially off stage change agents are crucial. For PA this was organized in the regions, for CRM there were the formal champion roles.

There was previous experiences and knowledge on PA and CRM in ASC, facilitating the absorption. The value of PA and CRM was recognized in the BU, In CRM from the start, for PA it took some time.

Leadership role in the Case

On PA there was no alignment in the BU. The combination of rigidity to change and the sensitive topic, BU management alignment was not in place, they kept doing their own thing. It needed the target letters and top down steering, it came on the priority list.

Similarly, for CRM, regional BU management was not adopted due to limited leadership alignment.

Corporate TMT is strongly KPI based and not based on motivational engagement, and facilitative leadership was missed in both cases.

Resource allocation was based on problem solving and reactive. The biggest problems got the most attention. Tensions occurring based on this were not actively resolved, just do it on top of your work. Priorities were not clearly set.

Decisions for one CRM were taken on central and BU MM POC level.

For PA the decisions were taken on all levels, AN TMT sets the targets, BU allocates the targets to the regions and the regions allocate to the sales units. And reporting was the other way around. The impactful decisions on letting customers go or not were taken on operational level, with clear guidance from the top.

The Case success

CRM transfer success was a 3. Process was good, tool selection and BU involvement was very good but it lacked in the execution. Leadership guidance and engagement was missing to get it really embedded.

PA success for VR was 2 or 3. The additional targets on top of the existing margin management process created frustration and uncertainty. But for Specialty it was 3-4, there was no process and now there is a performance management cadence in place with discussions and decisions taken. PA was a standard package delivered by consultancy and in a rigid way, more flexibility was required.

What could have improved the transfer and success of the Case?

- Knowledge exchange should be better, improving the process, co-creation and the adoption
- Transparency and exposure on running initiatives, creating mutual awareness.
- COE and BU work together.
- Share and celebrate successes.
- Create platforms to share and give recognition.
- BU specificity in PA

I6. MPY BU Program Director OneCRM and Pricing Acceleration

The strategic renewal context

Managing sales pipelines in MPY as being a project business was a direct connection of CRM to the volume growth strategy. Theoretically the tool is accepted but the use and day to day application and penetration needs to grow in maturity.

Pricing Acceleration started end of 2017 and took a couple of months to get traction due to the volume growth strategy, giving a disconnect of PA to the strategy. The strategy changed during 2018 from volume growth to more profitability focus. After the strategy was communicated, PA got more traction in alignment with the strategy.

The Case process in separated units

MPY had CRM in several units already, developed in the BU. OneCRM was a standard platform provided by corporate. After many discussions, there was enough flexibility to make the platform fit for use for MPY. The design was done sufficiently in alignment with the BU.

MPY was in the down turn of the market cycle. In that context the growth needed to come from profit more than volume growth. And there was a clear need and understanding to raise prices and the PA program and content fitted well to the needs of MPY. The PA concept and approach with the tooling and governance structure on performance management served the purpose for MPY. The alignment of the COE with the BU initially was quite poor, due to time reasons. That led to noise during the rollout since the tooling was not exactly fit for MPY purpose. That created tensions and frustration. People dealt with that by focusing on the end goal and taking the ownership in the BU more than in the COE. The COE (McK) had strong focus on the tooling but there was not enough business knowledge during the sales support in the program.

Separated unit integration mechanisms

Integration mechanisms between COE and BU are weak. PA was a central initiative that delivered, despite the operational tensions, but the relation between COE and BU should be more a 2 way street. BU needs to understand what the COE agenda is about, and the COEs need to understand more about the BU dynamics.

Historically, the company had a decentral approach with a very light corporate structure. And that has now changed significantly. Now corporate programs have to be taken into account and that as such created tensions. The BU now starts understanding the role of the COEs but that journey is not over yet. This needs better alignment and knowledge exchange via x-fertilization of people between BU and COE.

Culture & Change

The concept of change is now step by step accepted after people being pretty confused about that initially in the last years.

The BU has less dynamic capabilities then in the past due to continuous cost reductions. The focus have been on big changes such as divestments and new Paints and Coatings profile and less on the continuous improvement capabilities in the organization.

Change agents are very important in the BU and for OneCRM they were in place. BU Champions and regional change agents were appointed. In PA the change was strongly driven by the senior management of the COE and BU and the winroom leads in the regions. Operational management as change agents are required, but needs to be endorsed by executive sponsors, global and regional management in the BU, explaining what it means for the direct stakeholders.

MPY had previous knowledge to capitalize on for OneCRM

For PA there was a reasonable knowledge base on raising prices at senior management level. Reports and data was available and actions were planned based on that. The knowledge was not completely penetrated due to many new people coming on board. PA delivered a much more structured performance management approach up to global level.

Leadership role in the Case

Alignment on OneCRM was quite poor, people did not see the value of the system. The BU leader voiced over the purpose but people struggled with the day to day reality and not seeing the benefit due to the poor functionality and execution. It did not help people with the day to day work. Conceptually everyone agrees but the rollout was not detailed enough and therefor people did not use it.

It was different for PA; everybody could see something needed to happen. Margins were decreasing and the need was imperative. The strategic alignment was crucial.

Leadership style was strongly focusing on the KPI's. Even the current 15 by 20 mission is to conceptual and KPI based. People need that but additionally more compelling engagement are expected.

Additional resources were hardly in place for the cases. For CRM there were 2 dedicated resources for the BU, but change agents were appointed as additional activities to existing roles. It did work well though due to the project team based organization. PA was driven by the existing tender organization. That was complicated because people were lost in the restructuring and the program was relying on the goodwill of the people in the organization. But there was a tender organization in place to support the program.

For CRM the decisions were multilayered. BU MD set the priority, the platform decisions were prepared by operational management for sign of to the BU TMT. PA was strongly target driven by the BU MD and BU Program Director. The regional decisions were delegated to the regional directors but there was strong target driven performance management coming from the BU TMT.

The Case success

CRM success score is 3. The adoption is scattered, some regions have adopted well, some have not. For PA, the 2018 result is very good, 5, that was a success and the processes are in place. The further embedding of the process and tooling as well as digitalization need more development. That part has a 2 success score.

What could have improved the transfer and success of the Case?

X-fertilization; Rotate people between COE and BU to create better understanding and knowledge sharing. COE and BU integration mechanisms needs more work, create stronger links. Apart from the big change programs, capabilities in the COE should drive continuous improvement constantly in the organization. X-COE alignment is imperative to have a consistent approach on, for instance, incentives.

I7. MPY Program Manager One CRM

The strategic renewal context

The strategic renewal process was well known as to grow volume share focusing on 20%-30% tender win rate. Employees were excited about the journey, enabling the BU to become the volume market leader. The COE OneCRM initiative was not recognized as a contribution to the strategy from the start. It started as a COE driven IM tool rollout, and as such not aligned with the BU objectives of pipeline management and lead generation. In time, via change management activities, the value of OneCRM contributing to the strategy became clear.

The Case process in separated units

The purpose of OneCRM was very different for COE and BU; for central it was an IT project, for the BU it was a pipeline improvement project. That divided the program management and operational management in both central objectives and BU objectives, causing tensions that needed to be resolved by operational management. The tensions were resolved by aligning the priorities from both IM perspective as well as the business perspective from the BU. It was not possible to resolve all the requests from the BU for budget reasons so the CRM champions with the strongest voice got the highest priority. Other BUs though did not get what they needed, causing disappointments. Passionate champions were more successful. By implementing CRM as a IT tool, the business were not aligned and were not supported well in the rollout. The design phase of the program was rather open, but during transfer and implementation the landscape was frozen.

Separated unit integration mechanisms

The integration between BUs and BU-COE and within the BU was strongly in formal perspective. Informal integration took place within the BU between functions. Between BU's or with the COE some informal contacts were mainly via case by case offline contacts. Knowledge exchange took place between BU and COE via cascading formal meeting structures up and down. COE-BU teams had good relations, very credible and reliable, as long as it did fit the IT blueprint. The COE was not very reliable on the non-standard features valued by the BU and was not fully informed on the BU practicalities and specifics.

Culture & Change

The BU in general is mediocre on agility and continuous improvement, strongly regionally differentiated. Some regions fought back, some were just following. The following units were not as sustainable in the embedding and the ones just following did not stick strongly. Emotional conversations in general gave better change embedding,

Change agents were selected on sales process understanding, tech savviness and mobility. Senior change agents with power to enforce the use of CRM were important to drive and embed the change, the junior change agents were more influential.

The agility on resource reallocation was very limited, people just got more on top of their existing roles and activities.

In the BU, other CRM tools failed due to the top down approach and being perceived as controlling tools and dashboards for management. This limited the adoption for OneCRM, it was a negative experience.

OneCRM had some new features applicable for the BU (project business), but was short on delivery of account based business.

Leadership role in the Case

BU Directors were aligned on the case, but strongly driven by the BU director. The strong push of the BU director caused ambiguity for operational management, perception of a controlling tool needed t be balanced with what is in it for the users.

Leadership was very pragmatic in the transfer, not political. MPY basically implemented and adopted on demand, do what the management say. Asian regions drove the implementation strongly top down and is operational, Europe required lots of discussions and change management, and is still not fully operational. There is a limit to what the director can push and the directors do not have the detailed content knowledge.

Tensions were not actively managed, there were disconnections between TMT and MM/OM and that isolated program management. The role of TMT being very strong in top down approach created disconnects and brought program management in a difficult position. The tensions were much stronger within the BU then between the BU and the COE.

BU TMT sometimes had a strong view and opinion to push elements through. In Marine management enforcement was the main driver, speeding the transfer, but limiting the embedding. In Protective the change management approach was much stronger, causing longer implementation times but also better embedding. The embedding via management enforcement was less embedded then via adoption supported by change management.

The COE was rigid in allowing BUs to implement to their views, the champions were not empowered to take the lead in the implementation.

The Case success

Adoption of One CRM in the BU is 60%, Marine (top down, going up, now on 65%), Protective, bottom up, after a lot of debates and struggles is now on 67-68%. The success of units with active discussion is more sustainable then the ones with top down approach. Overall classification is below average, 2-2,5.

What could have improved the transfer and success of the Case?

COE to create the blueprint but leave the detailed implementation to the BUs, provide the budget and manage on that, but let the BU implement as considered best by the BU. Empower the BU during implementation, transfer the blueprint only. COE to focus on the larger schemes, big ticket problems and ERP connections. COE to solve the problems for the BU by enabling to tooling and budgets.

COE needs to understand that BUs are different.

Corporate TMT alignment and messaging need to be in place, that was clearly missing to create the corporate alignment.

TMT support in the BU is crucial, that is now changing in MPY, and that already causes issues.

Transactional leadership, clear reporting structures and discipline are crucial to create pull of the system use and embedding.

I8. BU MPY Program Manager Pricing Acceleration

The strategic renewal context

MPY strategy significantly changed from volume and topline growth in 2017 to a more value and margin creation strategy in 2018. That completely changed the storyline to the market. This was communicated only from April/May 2018 and until then there was skepticism and reluctance at individuals to adopt the initiative. But it became clear that "you can run but you can't hide" and clear and strong TMT communication on "the house is on fire". But there was ambiguous messaging between the BU comms and the AN comms on the best year ever in 2017. It did make sense since the MPY EBIT was very low, but still the story was difficult to understand.

The relevance for the Pricing Acceleration initiative was as such understood, but there was reluctance in the adoption because there were existing margin management processes in place that could and did contribute to the price acceleration but the resources to run that were taken out.

The Case process in separated units

As first mover, MPY was closely involved to design and pilot the program. The design was by COE but in the piloting phase and design testing this was done with MPY and that helped the engagement and buy in.

The tensions created and how individuals dealt with that was different for the individuals. There different types of reaction, depending on what the position and the ability to oversee the context, or the existing experience, or the general mindset to change or continuous improvement.

Separated unit integration mechanisms

The integration was done properly, but it was not voluntarily, it was fully forced down with a very strong Exco mandate. There was just no choice, it had to happen. So the integration was execution and result oriented and there was no capability building. There were formal integration mechanisms in place for the program vs multiple structures and processes as described in the playbook. The informal integration was dependent on individuals willing to cooperate or not.

Knowledge exchange was strongly COE driven, sales scripting, role plays, trainings, and coaching. But again focused on the results. On capability building it was poor. The x-BU knowledge exchange took place on sharing best practices and examples, but also on how to mitigate the impact on the COE.

It was not a welcomed topic so the relation started negative. The legitimacy was there by the full Exco mandate. On credibility, there was an McK allergy and reluctance, bringing tooling complexity and efforts to explain the business over and over again. And there was over promising and underdelivering of the tooling.

Culture & Change

MPY is very conservative, there is quite some done that attitude. It's also the market context as global business that hampers agility due to the required global impacts of regional changes. The reasons for change were strongly TMT enforcement based, but that needed to be supported by strong change agents. Change agents cannot enforce the program, that is more an engaging and explanatory role, bit it needs to get mandated engagement as well.

In UK the program was almost an insult considering their maturity on the pricing capability. In this case there was strong previous knowledge on this element. In Germany it was the case that there was no control on the pricing process and here there was much more buy in since this helped that team to use the best practice from other units to get the team organized.

Leadership role in the Case

TMT was aligned on the concept of pricing acceleration. There was less alignment on the target setting and reporting process. And there was no alignment in the BU MT, RCDs were scattered in their adoption and sense of urgency and the approach on how to do it. BU MD had a strong target driven approach, make it work and that created tensions in the BU MT. There was a strong metric and KPI based approach, no emotions involved, very rational and number driven.

The SLF sessions helped more to glue and align the Marine EU regional MT team the to align on the Pricing Acceleration purpose.

Leadership hardly allocated additional resources to the initiative, it was just on top of the existing roles and workload. It was even the other way around, reorganizations and cost reductions took resources out.

The overall program targets in the BUs were set by the MD to the RCDs. The operational decisions on the program execution was done by the RCDs. If the sales teams pushed back on price increases, the RCD took the go/no go decision.

The Case success

We did what we had to do, it was not smooth, score 4. Value wise it was a 5, the process component was a 3, but capability building was low, it was a 1.

The Performance Management capability only sticks where the RCD has adopted it. It's sometime still there, it's sometime not.

What could have improved the transfer and success of the Case?

More clarity from the start, where is this coming from and where is this going to, accelerates the adoption.

The COE supporting tooling was far too complex. Keeping it simple, focus on the capability and process more than the technology will help understanding and building traction quicker.

Face to face contacts, storytelling and discussions in the workshops were crucial in building the construct together and creating engagement. The human element and formal and informal contacts is crucial.

COE was very process focused and not content focused. And that needs to be improved, COE needs more content and capability building impact.

I9. ICO BU Program Director – Pricing Acceleration

The strategic renewal context

Strategy connected differently to the case, in EU extremely well, partly because some of the work was ongoing, and margins needed to be improve, so strong connection. In Asia it took too long to connect to the strategy, due to lack of engagement from the regional sales team, mentality was that they did not believe that the program could work, or no program at all due to different understanding of the business approach in the regional leadership team. In NAM the overall philosophy relevance was understood, work was done. The second half of 2018 the program create more disconnect, pushing for more prices didn't work and that created misalignment to the BU strategy. COE did not understand the business reality and the COE implementation had no connection to the business team.

The Case process in separated units

Pricing Acceleration was started in the BU EU, central team took that approach and rebranded it to a central initiative and that created tensions. Positive element was to use best practices in the company, but it created tensions since the BU team felt spending more time to explain the COE what they were doing than actually implementing Pricing Acceleration. And it was made more complex then necessary.

The COE approach did create good momentum due to the reporting cadence. The COE had a certain naivety on what you can ask and expect a sales team to report.

The initiative was focusing on lever and elements that appeared to be not of use later in the reporting, and that questioned the relevance for doing all the work in the BU.

Separated unit integration mechanisms

Formal communication was very clear, cadence of reporting and sales huddles. Lacking clarity on the rationale behind why COE is involved in the business meeting without any input. Relevant focus on reporting should be more on the leadership team then on the operational level Informal networks were not in place. But initially the formal approach was needed to realize the sense of urgency and the change. Credibility of COE in NAM was not high, COE provided lip service and was not very adaptive to the regional requests. And also from an organizational activities were done by the business team. I general the relation is dependent on the personal qualities and credibility. In Europe there was much more interaction.

Culture & Change

Regional pricing analysts are now implemented in the regions, proving active resource allocation. ICO has done a good job in building the pricing network, driven by the Pricing Acceleration initiative. BU TMT acted strongly as change leaders, also driven by the COE and AN TMT. Asia is specifically mentioned as scattered culture and standardized COE approach in the "China way" did not work.

Leadership role in the Case

First half 2018 strong alignment. Disconnection happened in the end driven by strategy misalignment, COE focusing on pricing only, BU focusing on total P&L impact, creating a fundamental disconnect on AN TMT level. That created tension on personal level in the BU TMT acting as change leaders, facing different messages within the BU and between BU and COE. No clear solution to resolve these tensions. And it still is not resolved, live with it, partly take an own approach doing what is perceived the best

approach within the BU but creating bipolarity. Strong BU MD driver with mandate to the BU Program Directors to implement and make it happen. KPI driven, bit of "naming and shaming", i.e. making the results transparent to leadership peers was mentioned in the global huddles in the MT as being effective to realize change.

The tough decisions were related to how to deal with tensions; for Wood it was BU MD, but on a generic level. Regional exceptions to the high level guidance needed to be discussed and agreed with BU MD.

The Case success

ICO delivered 132 mln, pricing delivered 147 mln, we would not be in the same place without the initiative, so success is 4-5. But not all is related to performance management via Acceleration since some aspects were already running. Though the Acceleration initiative created clear momentum to push successfully for the results. Results wise it's a bit of 4. Process wise it's more like a 3. The overall design brought great amount of discipline, so the content. The implementation and transfer of the program by the COE created tensions in terms of not having the boots on the ground; Specific elements on negotiation skills and messaging and scripting were too high level and ended up by the BU because the COE was too far away from reality. Does the COE really pay of regarding this elements?

What could have improved the transfer and success of the Case?

COE implementation managers really working together with the BU rather than being the postman.

Reporting process granularity was not aligned with the BU requirements, so better recognition on how the methodology aligns to the BU needs.

Leaner COE focusing on empowering the BU, with practical and transparent and simple ways of reporting, giving the BU the recognition on its capabilities, would streamline the process much stronger.

Situational leadership of COE is needed for better fit and credibility, more adaptivity, there should be more flexibility in the transfer, more fit for purpose.

COE contacts in the BUs related to performance and progress management should be more on the BU TMT level then on Operational management level

I10. ICO BU Program Manager OneCRM (Metal)

The strategic renewal context

ICO strategy was to seek growth and bring in new business. CRM aimed to structure the pipeline process and automated it to enable growth. The strategy was recognized, but growing with current and new customers for a farmer oriented staff was difficult. ICO has a very senior sales force without documentation of the customer contacts, so capturing the knowledge was crucial. The senior staff had difficulties understanding the value of CRM in the strategy context.

Senior staff still struggles to understand what is the value for them and they struggle with the technology.

The Case process in separated units

Design of CRM was combined between COE and BU. COE trying to standardize, but jointly developed in shared meetings.

The need for documentation and administration created tensions for the sales staff because it prevented them from the perceived core activities; facing the customers.

Alignment between COE and BU was formally organized in the POC. There was an active search for added value for the sales community, trying to make their jobs easier.

Separated unit integration mechanisms

Formal integration mechanisms were strongly in place via the program governance structure and informal contacts between BU and COE did take place.

Knowledge exchange between COE and BU was good. Supportive materials, e-learnings and a community of key users and champions was built within the BU. Between BU exchange happened in the beginning of the initiative.

The COE tried actively to listen and adapt to the BU needs, all BUs were involved in the UATs and Use cases. Different personalities had different impact on the credibility of the COE, different levels of seniority had an impact on the relation. Specifically for Metal, having leadership experience on CRM, the relations were good. For Packaging with other leadership there were more tensions, despite having good previous experiences with CRM.

Culture & Change

The BU was very poor in agility and change adoption. Despite change management activities, the managers did not adopt and did not champion the change. Everybody was very comfortable in what they did and how they did it. The senior staff was difficult in getting the change adopted.

The CRM manager role and the champions strongly acted as change leaders and supported in training and coaching on the ground. The Commercial Directors did not fully support the champions in the role out, despite being involved in joint trainings and coaching.

Packaging had previous experience with CRM and the people saw the value and wanted to keep to use it. They lived by CRM in the way they worked. Packaging staff promoted adoption in other parts of the BU by sharing knowledge and experiences.

Leadership role in the Case

On AN TMT level there was alignment, given the investment that was in place.

RCD's were not all tech savvy, not encouraging their staff, or championing the change or realizing behavioral change. They were involved in the rollout phase but did not participate in the execution.

Resources were identified to support the initiative, either via existing BU excellence staff or roles on top of the existing functions. It was about adding this initiative to the existing activities.

Leadership championing the use differed case by case. In cases of low championship, still sales managers and tech teams implemented and adopted despite Director direction (example EU). In other cases the RCD directions were followed.

The tensions of the changed way of working were resolved by balancing the efforts needed.

Initially BU senior leadership was taking the decisions on setting up the community in the BU and communication the importance. But in the rollout the drive moved more to middle management, trying to convince the regional directors to buy in. Style of leadership was an combination of metric based and telling that the initiative was important. Metrics were a bit cosmetic to serve the requirements. There was no clear top down and bottom up reporting structure.

The Case success

The transfer went pretty well, process wise, adaptive and cooperative. Tech savvy people adopted it well, the senior staff did not. That was not well supported. Basically the adoption was then 30%, reflected in the use rate of CRM. The success qualification including usage is a 2. The process was good but the results can be much better.

What could have improved the transfer and success of the Case?

There was no clear top down and bottom up reporting structure, total TMT involvement in driving the KPIs and holding the BU accountable is a critical improvement option.

Management was not driving the change. There was a culture issue, management did not educate and keep people well trained on new developments. And that made people complacent. That is a complete management issue, sales people want to do well, but are not supported in their personal development.

I11. ICO BU Program Manager Pricing Acceleration

The strategic renewal context

Role started in July, so, got the message of full alignment on the program. It certainly does fit the strategy in the BU. The culture in ICO was not there to implement pricing programs, the intervention was needed. The program was very effective

The Case process in separated units

Most regions are on board, however APAC still considers this as a mandated action from the COE. COE was driving it and the ownership in the BU region was not there.

Tensions were in the sales organizations, individuals having strong relations with customers but not addressing pricing. This behavioral change was giving the main tensions. Tensions we're managed by giving the environmental context that there was no way around the initiative, hard to dispute, there was a clear need

The alignment between COE and BU was very well. Structure and tools worked, and there where there was no alignment, it was worked through to make it work. There was tensions where the expectation to the COE was different than delivered, specifically on messaging and scripting. This was too far over and

not specific enough, there was misalignment on the tools that were actually needed on HOW to implement the messaging and scripting.

Separated unit integration mechanisms

A big gap that we went through was setting the targets. There was a disconnect on how the COE set the targets vs how the BU did that. The units were working in silos on that. In general, the longer the COE is involved in the program, the less ownership is taken by the BU. The BU needs to have the mandate to organize in stead of COE taking over.

Benchmarking and knowledge exchange between BU is not really in place, the Regions in the BU work pretty much in silos. COE can facilitate in that.

COE reliability towards the BU was dependent on the individuals in the regions. The ICO relation to the COE was perceived very well, the position of the COE in driving change in the BUs is appreciated. It is important for the COE to pull back timely to make sure the ownership and accountability is taken by the BU. In sales the Acceleration initiative was seen as a disruption though, for them it was a disruption for their priorities. Interaction of BU with COE is ok. It is an ICO owned process, to make sure the ownership is there. As soon as there's need for contacts the BU reaches out to the COE

Culture & Change

ICO has many broken processes. The PA program was accepted as a change, in general the adoption of change in ICO is perceived as being good. The role of TMT is crucial in that, ICO TMT has clear focus on the priorities and driving the change. Commercial directors also played a pivotal role in mentioning "this is the target and we are going to hit it".

Pricing was not a strong topic on the agenda in ICO. The pricing acceleration initiative brought more team approach as a BU. The subject was brought to the TMT agenda and created an uniform approach.

Leadership role in the Case

Leadership was strongly aligned within the BU. The global huddles really supported the leadership alignment. KPI and target driven but not only on reporting on the results but also discussion on how to do it and engagement building that cascaded to the teams.

The BU built up the Pricing organization both by global and regional teams. Own organizational structure has been put in place.

Target setting was prepared by the BU excellence team in the end decided by the ICO management team. Own methodology on elasticity for target setting was being used.

The Case success

ICO is on 90% of the pricing program, ownership is in place, everyone is on board, it is a success. The form and process need to continue, whether there's COE targets yes or no.

Top leaders do support the initiative and that is very important. Score is 4.

What could have improved the transfer and success of the Case?

Messaging and scripting, that is a content component on the how. Tools and process was good but help on what the regions need in their story to the market was missing. So more help on the content on that

part, using the diagnostics to translate to the story. The sales competencies needs further development on value based selling. Benchmarking, internally, so knowledge transfer between BUs can be improved.

Drive the ownership in the BU by pulling of timely, “get out of the way”. Consultants does not always helps, make sure the own organization build up the capability and own the initiatives, supporting the change.

I12. POW BU Program Manager One CRM and Pricing Acceleration

The strategic renewal context

CRM implementation was introduced as sales enabling tool, POW did not have a system, excel based. CRM fitted in the strategy to enable sales to work better. There is a difference in the perception between “big brother is watching” you and “making life easier”. Element of “system cannot do this, so there’s no value”. In general decision to move to CRM made sense.

Sense of urgency for price increase were very clear. Challenge was the process around the initiative, Powder applied the elements of the pricing acceleration initiative and was accepted. Risk is that if sense of urgency is changing, it also will decrease the justification for doing it. Scope needs to be enlarged to other strategic elements (value based pricing) to make it more sustainable going forward.

People found a practical way of just doing it in POW to cope with the tensions.

The Case process in separated units

Tensions between COE and POW for PA was that it was powered by the COE / McK. Gave the impression that the BU did not know what to do instead of recognizing the existing capabilities in the BU. Best practices and rationale of why things are different per BU is sometimes missing in the COE. Joint creation and design would help to create better fit and reduce the tensions.

Change will always create tensions, people are used to the way they work and for POW that is also very regional. The tension comes from the change, the value for the people involved needs explanation and adoption. There’s always a time impact on top of the running operations and that creates tensions.

Separated unit integration mechanisms

For CRM strong formal joint platform were in place via the POC. For PA there were formal sessions but more KPI driven. CRM was a strong IM program translating business requirements to change requests and agile continuous improvement.

PA was more pragmatic, the way how to get there can be different and required less formal platforms and alignment.

Informal connections were quite chaotic, 1:1 conversations were in place between BUs, less between COE and BU

Knowledge exchange is hardly in place between COE and BU. The what is well defined in the COE but what is clearly missing is the how. COE approach is strongly to focus on WHAT needs to happen, not HOW it should go. That creates tensions in the top regarding the speed and tensions in the BU because there’s not enough support on the HOW.

Credibility was there on the decision to move to OneCRM platform, but the COE was rather invisible, credibility is strongly individual based. On Pricing there's mixed feelings, highly sensitive topic. Speed was needed but not enough time spend on understanding what was already in place, COE was more on the process and tooling then on then end goal improving the margin, limiting the credibility. COE credibility in POW was high, freedom to do its own approach.

The reputation of McK was negative, you need to do what they say.

Culture & Change

POW is better than average on willingness to change, compared to other BUs POW is more agile, as long as the justification is in place. POW is a very localized BU, that hampers the speed of change, it takes longer to get everyone on board.

Resource allocation is limited due to the small marketing and R&D organizations, the BU is functionally leanly organized.

In general differences are seen; age and maturity in the role limits the agility for change. Regional difference are seen in change perspective, in Asia there is high agility but also less focus on organizing the change in the right direction, in EU better organized but more resistant, In US perhaps even stronger resistance to change then in EU.

Role of change agents seem to be more functionally oriented, so more focus on change management in the role as functional stakeholder management. General change management is a bit too fluffy, change management is functionally driven in Powder. The change story needs to be specific, what is in it for me. Strong top down support makes all the difference.

Leadership role in the Case

PA was taken more serious then CRM in leadership support. The business case for CRM was less clear and therefor the support and alignment is more scattered. And that had impact on the success of the transfer and implementation.

PA resource allocation was clearly mandated for instance on implementing the regional margin managers. For CRM the resource allocation was more on top of the existing roles.

Leadership resolved the tensions by temporary resource allocation and prioritization. Seems a bit "firefighting" to keep the initiatives running. Structurally people become overloaded by expecting to do more with less people.

Decisions for PA was clearly taken by the BU MD driven by the PCLT. This was clearly cascaded down to the regions, and that worked really well. For CRM the regional directors have more decision freedom and there you see clear differences in success. For PA the KPI's are much more tangible so that was also more transparent to manage and define what good looks like. For CRM the KPI's were much less clearly defined and less visible to the stakeholders. Financial performance and bonus impact made a difference in priority.

Leadership on CRM was not always leading by example in the regions, RCD's were not aligned on the relevance and did not all follow through in using CRM and championing the change. For PA there was direct P&L impact, creating more relevance to champion and realize behavior change.

The Case success

CRM score was a 2 compared to the ambition, based on the coverage and effective adoption. It's not a part of the process, it's basically an IM tool. It needs to be a part of the sales process to work and that is not the case overall.

For PA the score is a 4. Fact based decision making and adaption by the regions. Still requires BU central support and encouragement but in general in a good shape.

What could have improved the transfer and success of the Case?

Improve the fit gap analysis, COE is very conceptual and brings the concept to the BU and then the real impact is starting to show. Define the gap in the BU between the envisioned management innovation and the current state in the BU to understand what it will mean to close the gap and HOW to do it. That as such will include the change management, involving the BU in where do you want to go, but also COE open for feedback and build the plan together will help adoption. Will take more time at the start but will pay off later. This will also enable better understanding of existing capabilities and best practices and capitalizing on that.

COE need to focus more on solving the constraint to transfer the Management Innovation.

Management innovations need to be process focused more than pure tool focused.

Best practices and rationale of why things are different per BU should be improved in the COE.

Focus on the HOW in the COE, working together on getting things done

Appendix 4. Scoring table of heuristic factors

Heuristic Factor	Scoring
Capability transfer	1 = low success, 5 is highly successful
Assimilation	1 = low success, 5 is highly successful
Total	1 = low success, 5 is highly successful
Strategic Transparency	3 = clear, 2 = changed during initiative, 1 = unclear
Business criticality	3 = clear, 2 = ambiguous 1 = unclear or negative (big brother)
Paradoxal goals & tensions	3 = high tensions, 2 = some tensions, 1 = low tensions
COE-BU case alignment	3 = high alignment, 2 = some alignment, 3 = low alignment
Formal	3 = strong, 2 = some, 1 = weak
Informal COE-BU	3 = strong and collective , 2 = some and individual, 1 = weak
Informal BU-BU	3 = strong and collective , 2 = some and individual, 1 = weak
COE-BU integration mechanisms	3 = strong and collective , 2 = some and individual, 1 = weak
Inter BU	3 = strong and structural , 2 = some and program based, 1 = weak
Knowledge exchange COE – BU	3 = strong and structural , 2 = some and program based, 1 = weak
Knowledge exchange	3 = strong and structural , 2 = some and program based, 1 = weak
Enabling psychological factors expertise & mandate	3 = high, 2 = indifferent / changed during initiative, 1 = low
Enabling psychological factors business knowledge	3 = high, 2 = indifferent / changed during initiative, 1 = low
COE-BU legitimacy	3 = high, 2 = indifferent / changed during initiative, 1 = low
Unit willingness / agility	3 = high, 2 = some, 1 = low
Change agents activity functional	3 = high, 2 = some, 1 = low
Case connection to previous knowledge	3 = high, 2 = some, 1 = low
Case value recognition	3 = high, 2 = some, 1 = low
Dialectics of lead	3 = high, 2 = some, 1 = low
Extrinsic Leadership	3 = high, 2 = some, 1 = low
Intrinsic Leadership	3 = high, 2 = some, 1 = low
Decisions on the case BU Leadership	3 = high, 2 = some, 1 = low
Decisions on the case BU Regional mgt	3 = high, 2 = some, 1 = low
Decisions on the case BU Operational mgt	3 = high, 2 = some, 1 = low
Executive leadership alignment	3 = high, 2 = some, 1 = low
Leadership case resource allocation	3 = additional, pro-active, 2 = additional reactive, 3 = reactive priority changes
BU Regional mgt Experimenting & Championing	3 = high, 2 = some, 1 = low
BU Leadership commitment	3 = high, 2 = some, 1 = low
BU Regional mgt commitment	3 = high, 2 = some, 1 = low
BU Operational mgt commitment	3 = high, 2 = some, 1 = low
Deontic power	3 = high, 2 = some, 1 = low
BU Leader participation	3 = high, 2 = some, 1 = low
BU Regional mgt participation	3 = high, 2 = some, 1 = low
BU Operational mgt participation	3 = high, 2 = some, 1 = low
Unit competences for CI	3 = high, 2 = some, 1 = low
Resource reconfiguration agility	3 = high, 2 = some, 1 = low
Dynamic capability	3 = high, 2 = some, 1 = low

Appendix 5. Scoring table of categorized factors

Catagorized Factor	Scoring
Total Success	1 = low success, 5 is highly successful
1. Strategy transparency	3 = clear, 2 = changed during initiative, 1 = unclear
2. Business criticality	3 = strong, 2 = ambiguous 1 = weak
3. Paradoxal goals & tensions	3 = high tensions, 2 = some tensions, 1 = low tensions
5. COE-BU case alignment	3 = high alignment, 2 = some alignment, 3 = low alignment
7. BU-BU integration mechanisms	3 = strong and collective , 2 = some and individual, 1 = weak
6. COE-BU integration mechanisms	3 = strong and collective , 2 = some and individual, 1 = weak
8. Knowledge exchange	3 = strong and structural , 2 = some and program based, 1 = weak
9. COE-BU legitimacy	3 = high, 2 = indifferent / changed during initiative, 1 = low
20. Change agents impact	3 = high, 2 = some, 1 = low
17. Case related previous knowledge	3 = high, 2 = some, 1 = low
16. Case value recognition	3 = high, 2 = some, 1 = low
18. Dialectics of lead	3 = high, 2 = some, 1 = low
10. Extrinsic Leadership	3 = high, 2 = some, 1 = low
11. Intrinsic Leadership	3 = high, 2 = some, 1 = low
4. Executive leadership alignment	3 = high, 2 = some, 1 = low
12, Leadership case resource allocation	3 = additional, pro-active, 2 = additional reactive, 3 = reactive priority changes
19. Deontic power	3 = high, 2 = some, 1 = low
13. BU Leader participation	3 = high, 2 = some, 1 = low
14. BU Regional mgt participation	3 = high, 2 = some, 1 = low
15. BU Operational mgt participation	3 = high, 2 = some, 1 = low
21. Dynamic capability	3 = high, 2 = some, 1 = low

Appendix 6. Scoring table of necessary conditions

Necessary condition	Scoring
Total success	1 = low success, 5 is highly successful
Strategic criticality	3 = strong, 2 = ambiguous 1 = weak
Ambidextrous tensions	1 = high, 2 = some, 3 = low
Integration mechanisms	3 = strong and collective , 2 = some and individual, 1 = weak
COE-BU legitimacy	3 = high, 2 = indifferent / changed during initiative, 1 = low
Leadership commitment	3 = high, 2 = some, 1 = low
Absorptive capacity	3 = high, 2 = some, 1 = low
Change effort	3 = high, 2 = some, 1 = low
Dynamic capability	3 = high, 2 = some, 1 = low
BU Change readiness	3 = high, 2 = some, 1 = low

CRM COE	CRM POW	CRM ASC	CRM ICO (Metal)	CRM MPY	CRM BUs Low	CRM BUs High	CRM Total	PA COE	PA POW	PA ASC	PA ICO	PA MPY	PA BUs Supported	PA BUs Remote	PA Total	CRM and PA Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17

Appendix 7. Raw Data

Heuristic factor	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Capability transfer	3,0		4,0	3,0			4,0	3,5	3,0		2,0	3,0	2,5	2,8	2,0	2,5	3,0
Assimilation	2,0		2,0	1,0			2,0	1,5	4,5		5,0	4,5	5,0	4,8	5,0	4,8	3,2
Total success	2,4	2,0	2,8	1,8	2,5	1,9	2,7	2,3	3,9	4,0	3,8	3,9	4,0	4,0	3,9	3,9	
Strategic Transparency	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	2,0	3,0	2,5	3,0	2,8	2,9
Business criticallity	1,0	1,0	2,0	1,0	2,0	1,0	2,0	1,5	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	2,3
Paradoxal goals & tensions	3,0	3,0	1,0	3,0	3,0	3,0	2,0	2,5	3,0	1,0	1,0	3,0	3,0	3,0	1,0	2,0	2,3
COE-BU case alignment	3,0	1,0	3,0	2,0	2,0	1,5	2,5	2,0	2,0	3,0	3,0	2,0	2,0	2,0	3,0	2,5	2,3
Formal	3,0	3,0	3,0	3,0	2,0	3,0	2,5	2,8	3,0	2,0	3,0	3,0	3,0	3,0	2,5	2,8	2,8
Informal COE-BU	2,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	2,0	3,0	1,0	1,0	1,0	2,5	1,8	1,4
Informal BU-BU		3,0	3,0	2,0		2,5	3,0	2,7	3,0	3,0	3,0	1,0	2,0	1,5	3,0	2,3	2,5
COE-BU integration mechanisms	2,3	2,0	2,0	2,0	1,5	2,0	1,8	1,9	2,0	2,0	3,0	2,0	2,0	2,0	2,5	2,3	2,1
Inter BU		;	1,0	3,0	1,0	3,0	1,0	1,7	3,0	2,0	1,0	1,0	3,0	2,0	1,5	1,8	1,7
Knowledge exchange COE - BU	2,0	1,0	1,0	3,0	1,0	2,0	1,0	1,5	3,0	3,0	1,0	1,0	1,0	1,0	2,0	1,5	1,5
Knowledge exchange		1,0	1,0	3,0	1,0	2,5	1,0	1,6	3,0	2,5	1,0	1,0	2,0	1,5	1,8	1,6	1,6
Enabling psychological factors expertise & mandate	2,0	2,0	1,0	2,0	2,0	2,0	1,5	1,8	2,0	1,0	1,0	2,0	2,0	2,0	1,0	1,5	1,6
Enabling psychological factors business knowledge	1,0		1,0		1,0		1,0	1,0	1,0	1,0	1,0	2,0	1,0	1,5	1,0	1,3	1,1
COE-BU legitimacy	1,5	2,0	1,0	2,0	1,5	2,0	1,3	1,6	1,5	1,0	1,0	2,0	1,5	1,8	1,0	1,4	1,5
Unit willingness / agility	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0
Change agents activity functional	3,0	1,0	3,0	2,0	3,0	1,5	3,0	2,3	1,0	3,0	3,0	1,0	2,0	1,5	3,0	2,3	2,3
Change agents activity hierarchical / deontic	3,0	1,0	3,0		1,0	1,0	2,0	1,7	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	2,3
Case connection to previous knowledge	2,0	1,0	3,0	3,0	3,0	2,0	3,0	2,5	2,0	3,0	3,0	2,0	2,0	2,0	3,0	2,5	2,5
Case value recognition	3,0	1,0	3,0	1,0	1,0	1,0	2,0	1,5	3,0	3,0	3,0	2,0	3,0	2,5	3,0	2,8	2,1
Dialectics of lead	3,0	1,0	3,0	1,0	2,0	1,0	2,5	1,8		1,0	1,0	2,0	2,0	2,0	1,0	1,5	1,6
Extrinsic Leadership	3,0	1,0	3,0	1,0	3,0	1,0	3,0	2,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	2,5
Intrinsic Leadership	1,0	1,0	3,0	2,0	1,0	1,5	2,0	1,8	2,0	2,0	3,0	2,0	2,0	2,0	2,5	2,3	2,0
Decisions on the case BU Leadership	3,0	1,0	3,0	3,0	3,0	2,0	3,0	2,5	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	2,8
Decisions on the case BU MT	1,0	3,0	1,0	1,0	1,0	2,0	1,0	1,5	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	2,3
Decisions on the case BU OM	3,0	1,0	3,0	3,0	3,0	2,0	3,0	2,5	1,0	3,0	3,0	3,0	1,0	2,0	3,0	2,5	2,5
Leadership alignment	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	3,0	3,0	3,0	2,0	3,0	2,5	3,0	2,8	1,9
Leadership case resource allocation	1,0	1,0	2,0	1,0	1,0	1,0	1,5	1,3	3,0	2,0	3,0	3,0	1,0	2,0	2,5	2,3	1,8
BU MT Experimenting & Championing	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0		3,0	1,0	3,0	2,0	2,5	2,0	2,3	1,6
Regional Management, OM Behavior change activity		1,0	1,0	1,0	1,0	1,0	1,0	1,0		3,0	1,0	3,0	1,0	2,0	2,0	2,0	1,5
BU Leadership commiment	2,0	1,0	2,0	3,0	3,0	2,0	2,5	2,3	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	2,6
BU MT engagement	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	3,0	3,0	2,0	3,0	3,0	3,0	2,5	2,8	1,9
BU OM engagement	1,0	1,0	2,0	1,0	2,0	1,0	2,0	1,5	3,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	1,8
Deontic power	1,0	1,0	2,0	1,0	3,0	1,0	2,5	1,8	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	2,4
Leadership resolving tensions	1,0	1,0	1,0	1,0		1,0	1,0	1,0	3,0	1,0	3,0	1,0	1,0	1,0	2,0	1,5	1,3
BU Leader participation	2,3	1,0	2,5	3,0	3,0	2,0	2,8	2,4	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	2,7
BU Regional management participation	1,0	1,7	1,0	1,0	1,0	1,3	1,0	1,2	3,0	3,0	2,0	3,0	2,7	2,8	2,5	2,7	1,9
BU Operational management participation	2,0	1,0	2,5	2,0	2,5	1,5	2,5	2,0	2,0	2,5	2,5	2,5	1,5	2,0	2,5	2,3	2,1
Unit competences for CI	2,0	2,0	1,0	1,0	1,0	1,5	1,0	1,3	3,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	1,6
Resource reconfiguration agility	1,0	1,0	2,0	1,0	1,0	1,0	1,5	1,3	3,0	1,0	2,0	2,0	1,0	1,5	1,5	1,5	1,4
Dynamic capability	1,3	1,3	1,3	1,0	1,0	1,2	1,2	1,2	2,3	1,3	1,7	1,7	1,3	1,5	1,5	1,5	1,3

Appendix 8. Evidence trail

Subject	Proof point
Literature research	References
Scoping propositions	Appendix 1
Interview Guidance	Appendix 2
Interviewees, roles and dates	Table 3
Interview records	Stored in database, available on request after interviewee disclosure
Interview reports	Appendix 3
Interview validation	e-Mail trail on request after interviewee disclosure
Category factor definitions	Table 4
Necessary condition definitions	Table 5
Factor consolidation logics	Appendix 9 and 10
Factor and necessary condition scoring logic	Appendix 4, 5 and 6
Case scoring value database	Appendix 7

Appendix 9. Heuristic factor to category factor consolidation logic

Heuristic Factor	Heuristic data consolidation logic (straight average)	Category Factor
Capability transfer success	Capability Transfer (40%) and Assimilation (60%)	0. Total Success
Assimilation success		
Strategic Transparency	-	1. Strategy transparency
Business criticality	-	2. Business criticality
Paradoxal goals & tensions	- (reverse scores for NCA)	3. Paradoxal goals & tensions
Executive leadership alignment	-	4. Executive leadership alignment
COE-BU case alignment	-	5. COE-BU case alignment
Formal integration mechanisms	Average formal and informal integration	6. COE-BU integration mechanisms
Informal COE-BU integration mechanisms		
Informal BU-BU integration mechanisms	-	7. BU-BU integration mechanisms
Inter BU knowledge exchange	Average inter BU and COE-BU knowledge exchange	8. Knowledge exchange
Knowledge exchange COE - BU		
Enabling psychological factors expertise & mandate	Average expertise, mandate and business knowhow	9. COE-BU legitimacy
Enabling psychological factors business knowledge		
Extrinsic Leadership	-	10. Extrinsic Leadership
Intrinsic Leadership	-	11. Intrinsic Leadership
Leadership case resource allocation	-	12, Leadership case resource allocation
BU Leadership commitment	Average BU leadership commitment and decision taking	13. BU Leader participation
Decisions on the case BU Leadership		
BU Regional Management commitment	Average BU Regional management commitment, experimenting & championing and decision taking	14. BU Reg. Management participation
Decisions on the case BU Regional mgt		
BU Operational management commitment	Average BU Operational management commitment and decision taking	15. BU Operational mgt participation
Decisions on the case BU Operational mgt		
Case value recognition	-	16. Case value recognition
Case connection to previous knowledge	-	17. Case related previous knowledge
Dialectics of lead	- (reversed scores for NCA)	18. Dialectics of lead
Deontic power	-	19. Deontic power
Change agents activity functional	-	20. Change agents impact
Unit willingness / agility	Average unit agility, competence for continuous improvements and resource reconfiguration agility	21. Dynamic capability
Unit competences for continuous improvement		
Resource reconfiguration agility		
Change agents activity hierarchical / deontic	Deleted, incomplete data	
Regional and operational management behavior change activity	Deleted, incomplete data	
Leadership resolving tensions	Deleted, incomplete data	

Appendix 10. Category to necessary condition consolidation logic

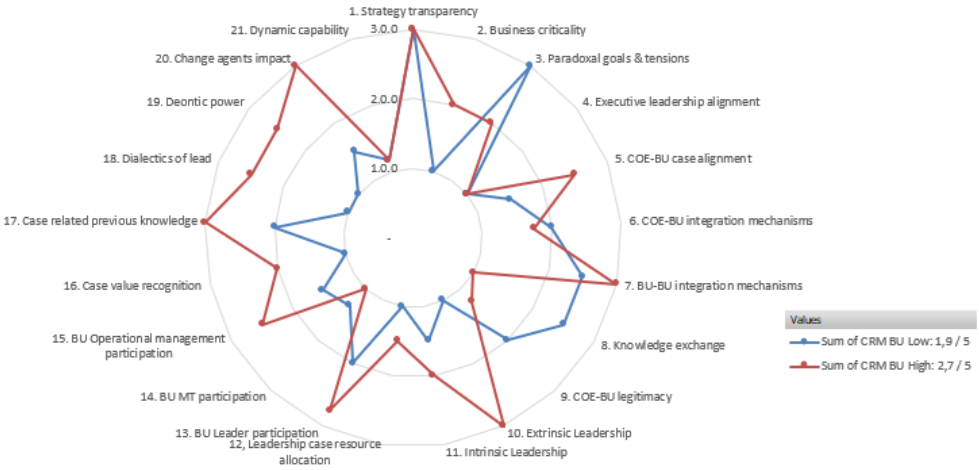
Category Factor	Categorized data consolidation logic (effect size weighted average)	Necessary condition
1. Strategy transparency	Effect average 1 and 2	Strategic criticality
2. Business criticality		
3. Paradoxal goals & tensions	-	Paradoxal goals & tensions
4. Executive leadership alignment	-	Executive leadership alignment
5. COE-BU case alignment	Effect average 5,6,7,and 8	Integration mechanisms
6. COE-BU integration mechanisms		
7. BU-BU integration mechanisms		
8. Knowledge exchange		
9. COE-BU legitimacy	-	COE-BU legitimacy
10. Extrinsic Leadership	Effect average 10, 11, 12, 13, 14 and 15	Leadership commitment
11. Intrinsic Leadership		
12, Leadership case resource allocation		
13. BU Leader participation		
14. BU Regional Management participation		
15. BU Operational Mgt participation		
16. Case value recognition	Effect average 16, 17 and reverse 18	Absorptive capacity *)
17. Case related previous knowledge		
18. Dialectics of lead		
19. Deontic power	Effect average 19 and 20	Change efforts
20. Change agents impact		
21. Dynamic capability	-	Dynamic capability *)
*) Necessary condition consolidation	Effect average Absorptive capacity and Dynamic capability	BU Change readiness

Appendix 11 Correlation matrix category factors

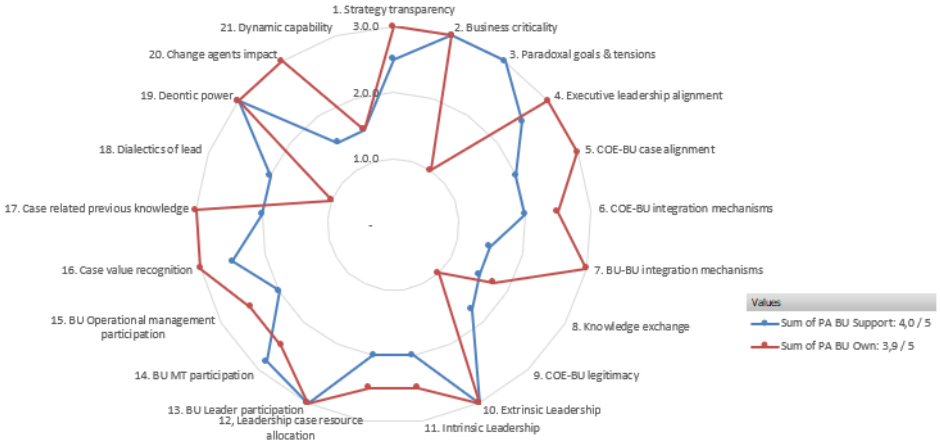
Category factor	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*	*18*	*19*	*20*	*21*	*22*
1. Strategy transparency	1,0																					
2. Business criticality	-0,3	1,0																				
3. Paradoxal goals & tensions	-0,3	-0,4	1,0																			
4. Executive leadership alignment	-0,1	0,9	-0,4	1,0																		
5. COE-BU case alignment	0,1	0,6	-0,9	0,5	1,0																	
6. COE-BU integration mechanisms	0,1	0,3	-0,5	0,5	0,4	1,0																
7. BU-BU integration mechanisms	0,8	-0,2	-0,7	-	0,3	0,3	1,0															
8. Knowledge exchange	0,3	-0,1	0,1	0,2	0,1	-0,1	-0,1	1,0														
9. COE-BU legitimacy	-0,4	-0,5	0,9	-0,5	-0,9	-0,4	-0,6	0,1	1,0													
10. Extrinsic Leadership	-0,2	0,9	-0,4	0,5	0,7	0,1	-0,1	-0,3	-0,7	1,0												
11. Intrinsic Leadership	-	0,4	-0,7	0,4	0,8	0,7	0,2	-	-0,6	0,4	1,0											
12, Leadership case resource allocation	-0,6	0,6	-0,5	0,4	0,6	0,6	-0,1	-0,4	-0,3	0,5	0,6	1,0										
13. BU Leader participation	-0,2	0,6	-0,2	0,4	0,6	0,1	-0,4	0,3	-0,3	0,6	0,4	0,3	1,0									
14. BU Regional mgt participation	-0,5	0,8	-0,1	0,8	0,1	0,2	-0,4	0,1	-0,1	0,4	0,1	0,5	0,2	1,0								
15. BU Operational mgt participation	-0,3	0,5	-0,5	0,2	0,8	0,1	-0,1	-0,1	-0,5	0,7	0,5	0,6	0,7	0,0	1,0							
16. Case value recognition	0,1	0,8	-0,7	0,7	0,8	0,5	0,3	-0,0	-0,8	0,7	0,8	0,5	0,4	0,5	0,3	1,0						
17. Case related previous knowledge	0,3	0,2	-0,5	0,1	0,8	0,1	0,2	0,3	-0,6	0,4	0,5	0,2	0,7	-0,3	0,8	0,3	1,0					
18. Dialectics of lead	-0,2	0,2	-0,0	-0,3	0,2	-0,4	-0,2	-0,4	-0,2	0,5	0,3	0,1	0,2	-0,2	0,3	0,3	0,1	1,0				
19. Deontic power	-0,3	0,9	-0,3	0,7	0,5	0,1	-0,2	-0,2	-0,5	0,9	0,2	0,5	0,7	0,6	0,6	0,6	0,3	0,2	1,0			
20. Change agents impact	0,6	0,3	-0,7	0,2	0,8	0,1	0,6	0,1	-0,9	0,5	0,4	0,1	0,5	-0,3	0,6	0,4	0,9	0,2	0,4	1,0		
21. Dynamic capability	-0,5	0,6	-0,4	0,6	0,3	0,7	-0,1	-0,5	-0,2	0,4	0,5	0,9	0,0	0,6	0,2	0,6	-0,3	-0,0	0,4	-0,2	1,0	
22. Total Success	-0,3	1,0	-0,4	0,9	0,5	0,4	-0,2	-0,1	-0,5	0,8	0,4	0,6	0,5	0,8	0,4	0,8	0,1	0,1	0,9	0,2	0,7	1,0

Pearson's correlations, significant correlations are highlighted (n=8, p < 0,05)

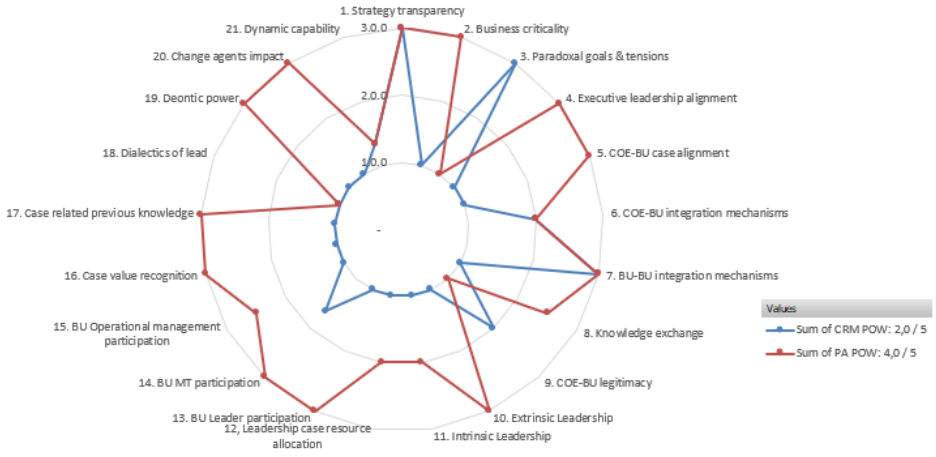
Appendix 12. Category factor pattern comparisons



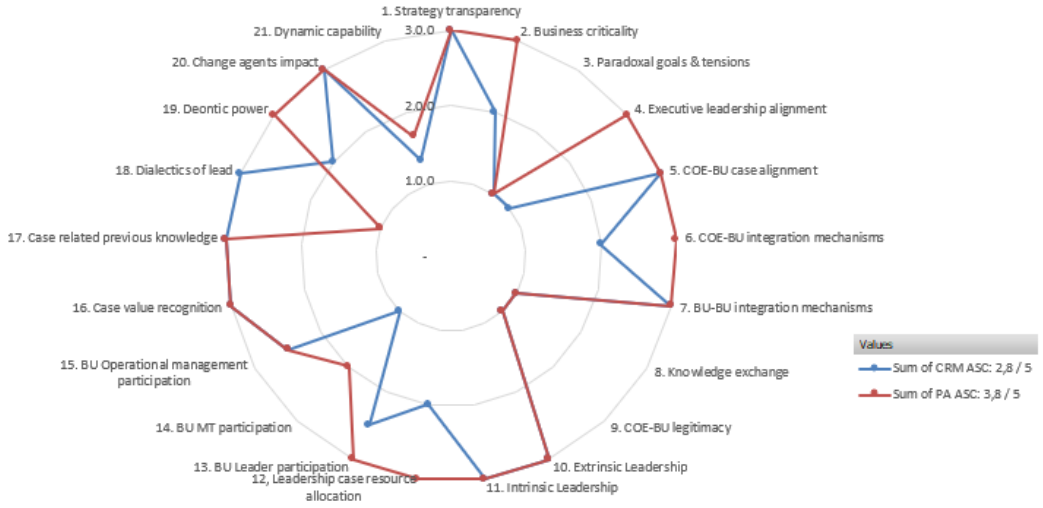
12.1. Category factor scores for high and low BUs on OneCRM



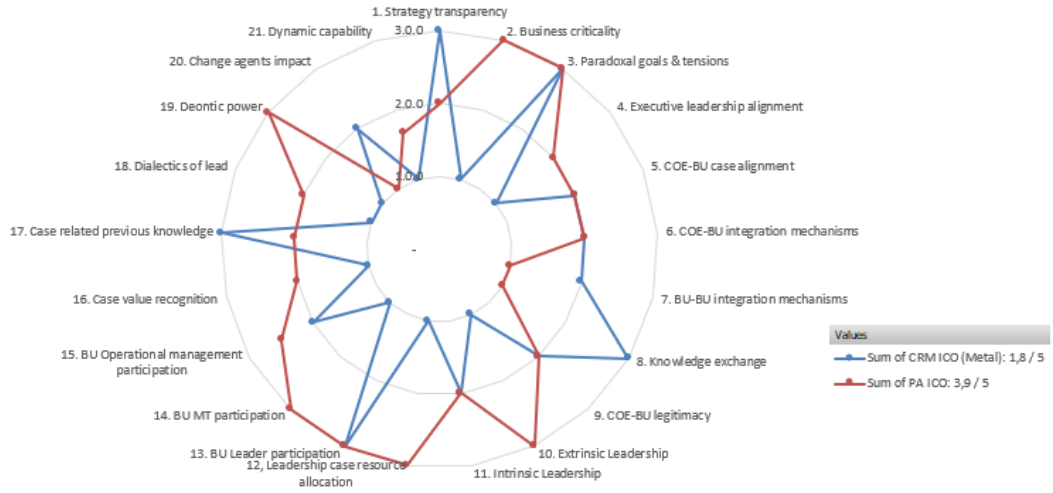
12.2. Category factor scores for supported and remote BUs on Pricing Acceleration



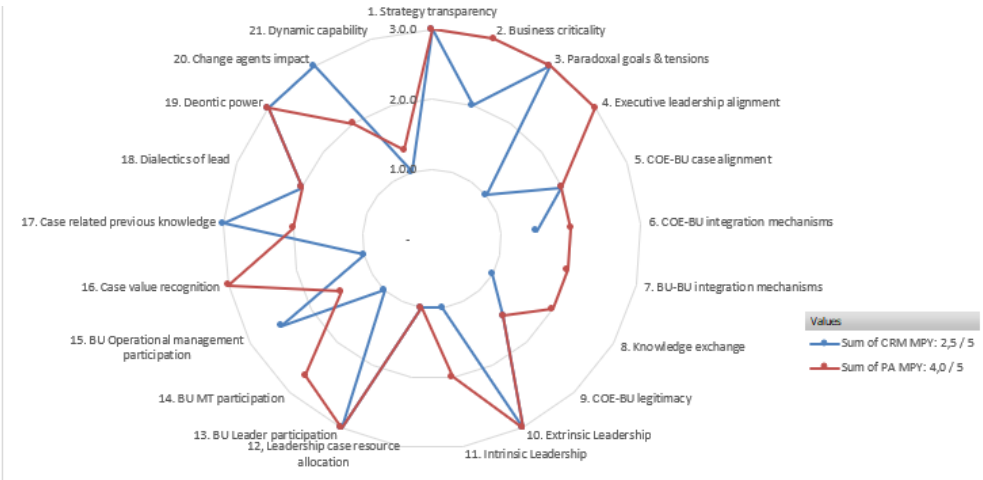
12.3. Category factor scores for Powder Coatings per case



12.4. Category factor scores for ASC per case

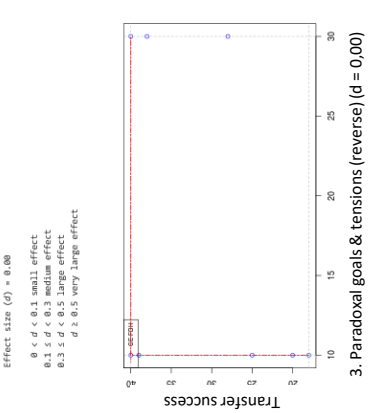


12.5. Category factor scores for ICO per case

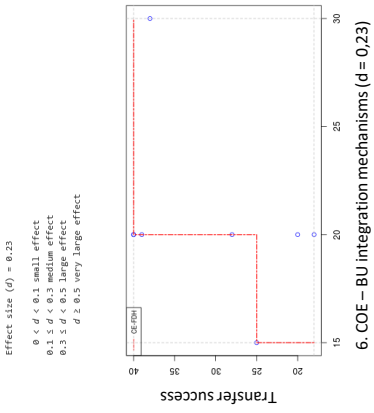


12.6. Category factor scores for MPY per case

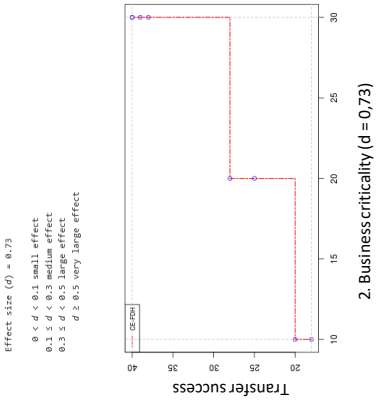
Appendix 13. Category factor ceiling lines



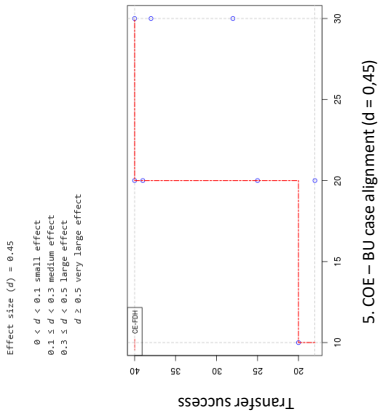
3. Paradoxal goals & tensions (reverse) (d = 0,00)



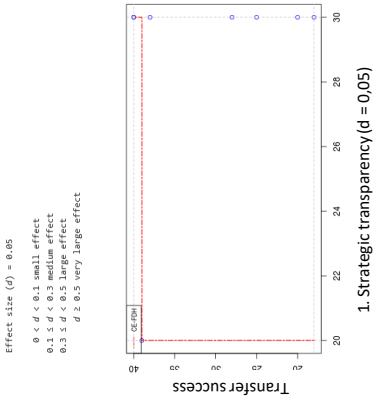
6. COE – BU integration mechanisms (d = 0,23)



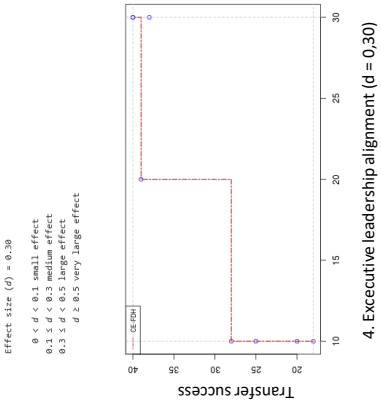
2. Business criticality (d = 0,73)



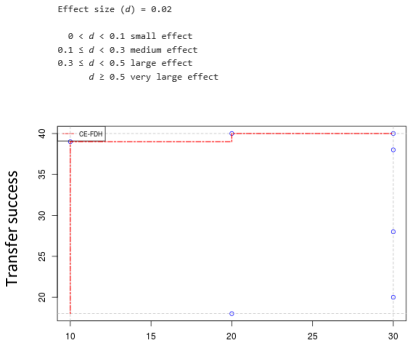
5. COE – BU case alignment (d = 0,45)



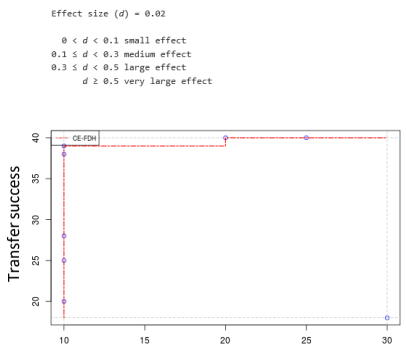
1. Strategic transparency (d = 0,05)



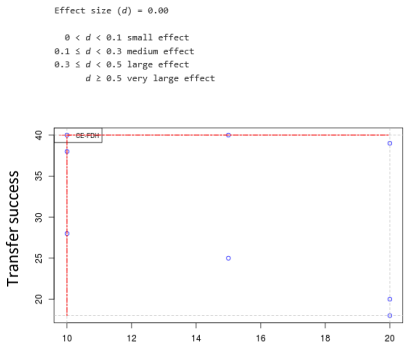
4. Executive leadership alignment (d = 0,30)



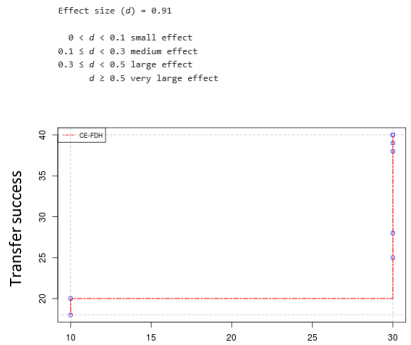
7. BU – BU Integration mechanisms (d = 0,02)



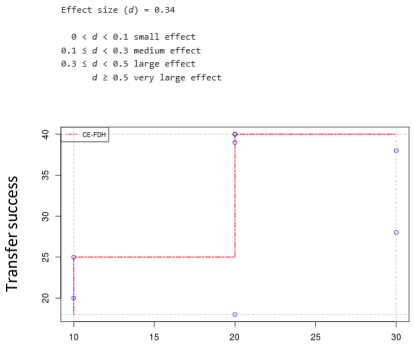
8. Knowledge exchange (d = 0,02)



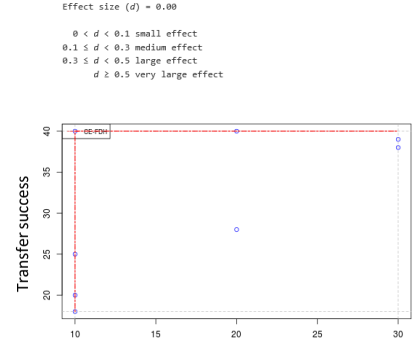
9. COE legitimacy (d = 0,00)



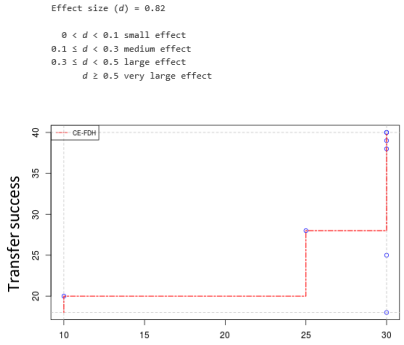
10. Extrinsic leadership (d = 0,91)



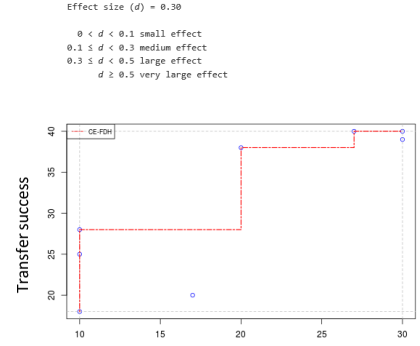
11. Intrinsic leadership (d = 0,34)



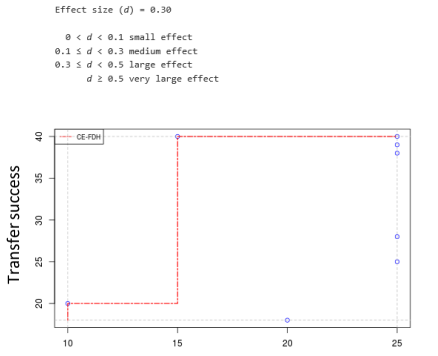
12. Leadership resource allocation (d = 0,00)



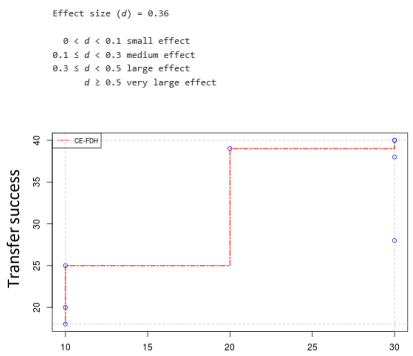
13. BU Leader participation (d = 0,82)



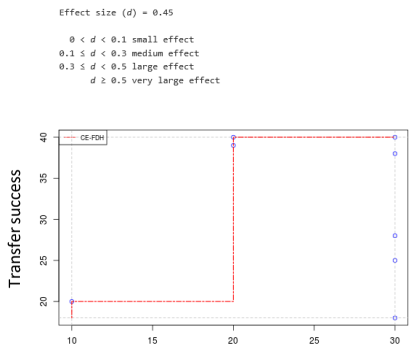
14. BU Region management participation (d = 0,30)



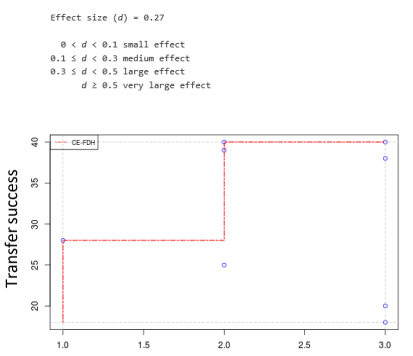
15. BU Operational management participation (d = 0,30)



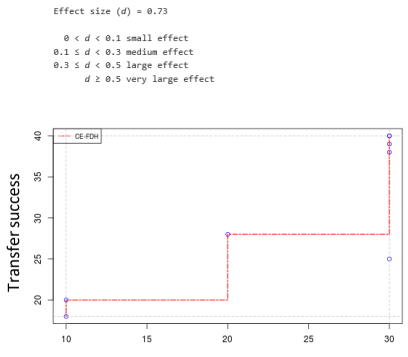
16. Case value recognition (d = 0,36)



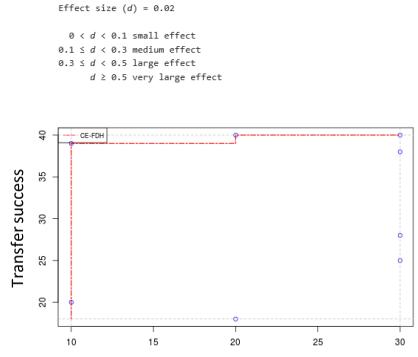
17. Case related previous knowledge (d = 0,45)



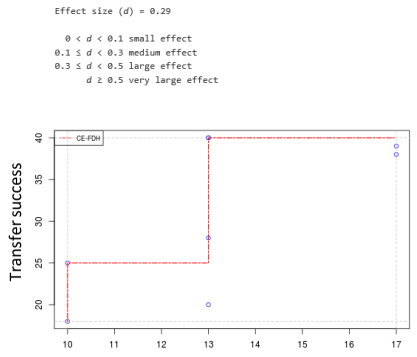
18. Dialectics of lead (reverse, d = 0,27)



19. Deontic power (d = 0,73)



20. Change agent impact (d = 0,02)



21. Dynamic capability (d = 0,29)